

# H+H International A/S Pre-close meetings

October 2021



# Introduction

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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 primary products are building blocks used for wall building, mainly in the residential new-building segment, but 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 leading position in most of its markets, with 29 factories in Northern and Central Europe (plus one factory currently under construction) producing a total annual output of approximately four million cubic metres of wall-building materials. The Group has more than 1,500 employees working in eight countries in Central Europe.

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.

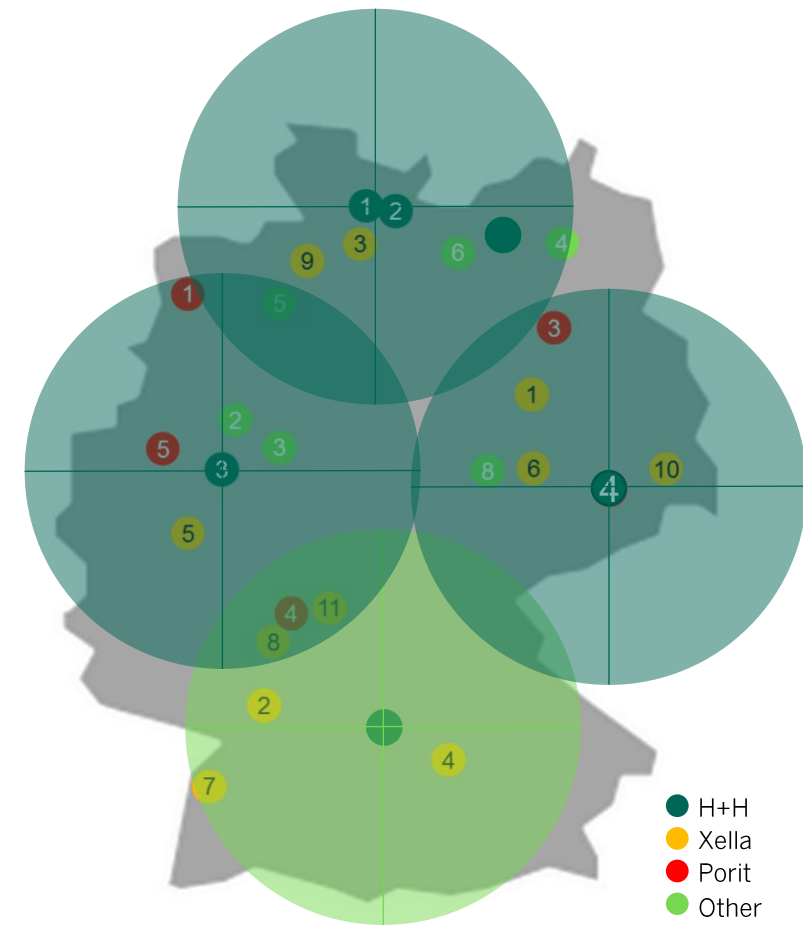
### FORWARD-LOOKING STATEMENTS

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# H+H has made agreement with Greisel to buy its aircrete factory in Feuchtwangen, Bavaria, Germany

The acquisition is in line with H+H's strategy to expand its activities within the German wall-building materials market and further consolidate and restructure the industry

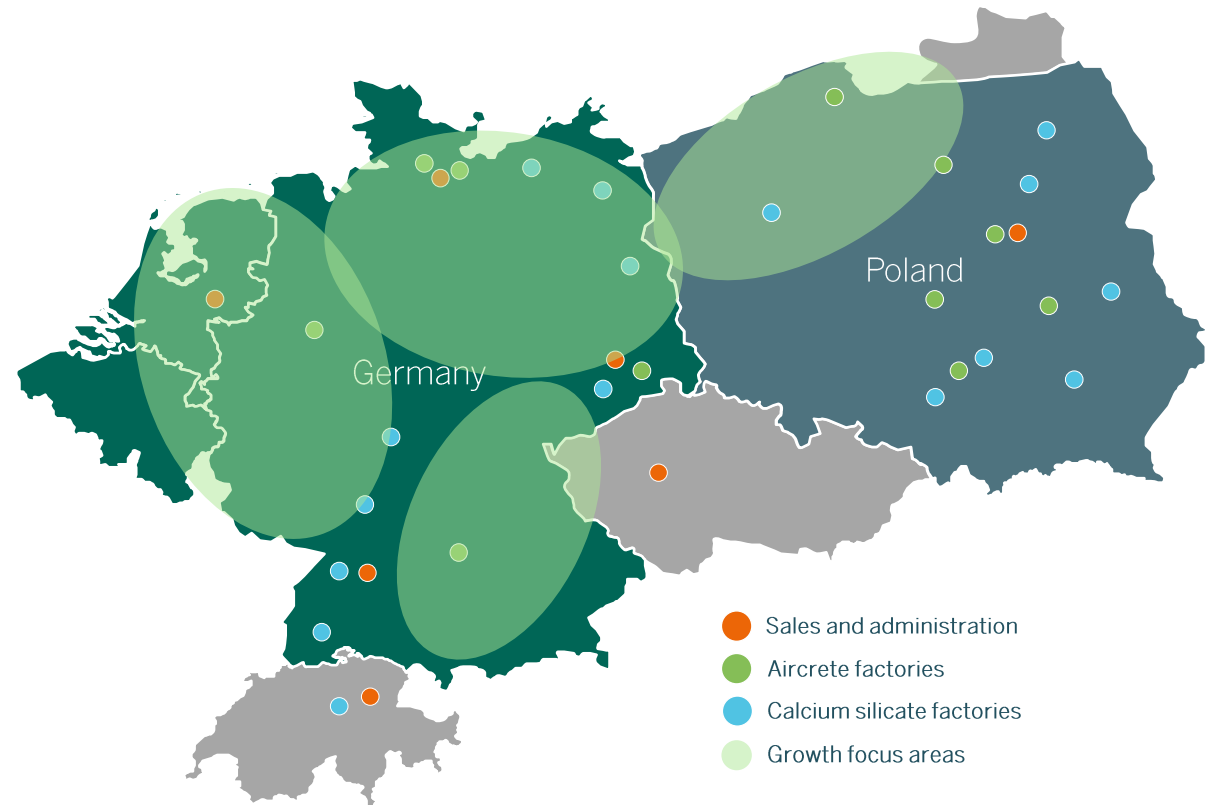
- The acquisition of the factory in the Southern part of Germany provides true national coverage for H+H's aircrete business
- Based on legacy production figures, the factory will add approximately 2-3 ppts. of market share to the German AAC business
- At takeover, the factory produces significantly less than the above figures and the acquisition is thus a classic turnaround case. H+H expects the factory to be back at legacy production during 2022 with the potential to add up to 50% additional capacity
- With the purchase of the Greisel factory, H+H will be the only supplier of both AAC and CSU products in the southern part of Germany
- In addition, the factory could further supply both the Benelux and Czech markets



# Further growth opportunities in Central Europe are available

## Strategic growth opportunities focused around Germany and Northern Poland

- Continuous dialogue with potential targets but as previously communicated, M&A journey was adversely impacted by travel restrictions following COVID-19 outbreak in 2020
- Market participants see a need to consolidate fragmented European white-stone market
- Strategic growth opportunities focused around Germany and Northern Poland
- In Germany, H+H remains in a unique situation as legislation presents favourable acquisition conditions for smaller mid-sized companies
- In Poland, organic growth opportunities are available in the Northern part of the country where the competitive situation is relatively more moderate compared to the Warsaw area
- In parallel with the above focus areas, H+H may pursue further growth in countries adjacent to the already-existing markets, as well as the addition of new products under the value proposition, Partners in Wall Building



# Market update

## Central Western Europe

### Germany:

- The lack of installation capacity remains a key challenge for the German construction industry
- As a result, a significant backlog of permitted buildings persists with an estimated total value equal to approximately nine months of construction work
- CSU demand remains skewed towards the North-eastern part of Germany. H+H is focusing on servicing customers in the south to avoid higher transport costs
- Stimuli programmes in place to cope with continued undersupply of housing, but effect appears insufficient to convince builders to invest in overcoming labour challenges

### Other markets:

- In the Nordics, the housing markets remain fairly overheated with very high activity and demand for building materials
- The outlook for the remaining countries in the region remains stable compared to previous expectations

(1) Sources: MHCLG, ONS, Construction Products Association (2) Polish Statistics

## United Kingdom

- The British Government remains committed to increasing the housing output to 300,000 dwellings annually, but roadmap remains unclear
- House sales hit highest level in 33 years ahead of stamp duty deadline, but current outlook supports continued high activity levels even beyond the expiry of the programme
- Private housing activity continues to remain buoyant, and double-digit growth is expected in starts during both 2021 and 2022<sup>(1)</sup> due to strong demand for houses, particularly outside of cities
- UK experiencing lack of both trucks and truck drivers as well as fuel, but H+H is working closely with its transportation partner to mitigate these issues

## Poland

- Several developers have increased capacity at building sites to compensate for the slow winter months.
- The number of awarded building permits increased by 35% Jan-Aug 2021 relative to Jan-Aug 2020<sup>(2)</sup>. The permits cover both of H+H product categories and provide a good mid-term demand outlook.
- The Polish CSU market remains characterised by competition and price pressure, but the situation appears to have stabilised and price increases have been observed in certain parts of the country
- The competitive environment in the AAC market is relatively more moderate, with pricing following a positive trend, as several of H+H's competitors are also increasing their prices as a response to the overall positive development in demand

# Financial outlook for the full year 2021

Organic growth

**8% to 11%**

(Previously 2% to 7%)

EBIT before special items

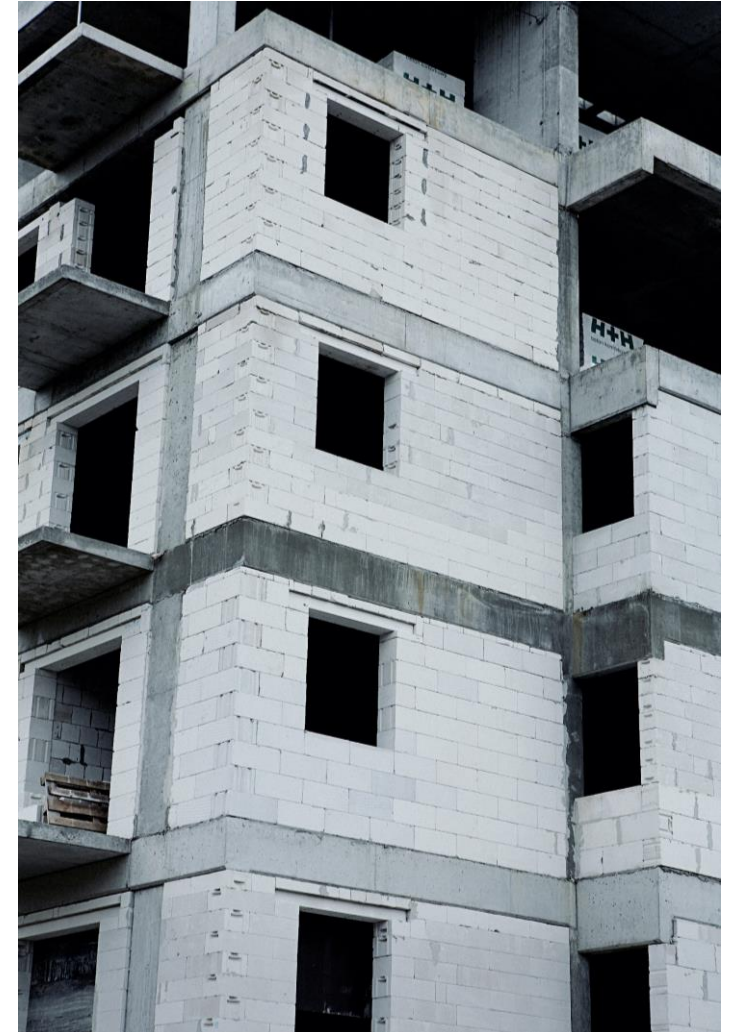
**360 to 400**

(Previously 330-390)

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 mid-August 2021 levels
- Energy and raw material prices are stable for the remainder of the year



Questions?

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