# Q1-Q3 2021 Interim Financial Report
# Webcast presentation

10 November 2021

WE SUPPORT

H+H
PARTNERS IN WALL BUILDING

# Introduction

## Agenda

Q3 2021 highlights

Market outlook

Financial review

Financial outlook for 2021

Strategy update

Questions & answers

## H+H is a partner in wall building across Europe

H+H is a leading 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 30 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 1,500 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.

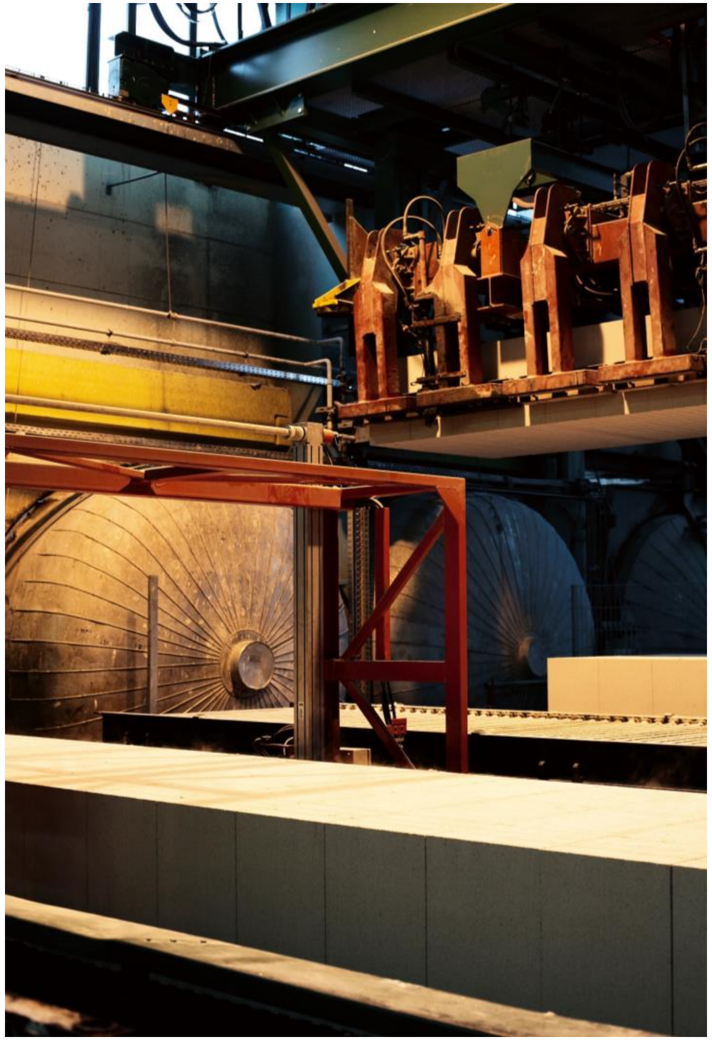
The parent company, H+H International A/S, is headquartered in Copenhagen, Denmark, and the company is listed on the Nasdaq Copenhagen stock exchange under the ticker symbol, HH.

# Q3 2021: best-ever nine-month results with strong organic growth and solid earnings margins

## Selected financial figures
### Figures in DKKm unless otherwise stated

| Selected financial figures and ratios | Q3 2021 | Q3 2020 | Q3 2019 | Q1-Q3 2021 | Q1-Q3 2020 | Q1-Q3 2019 |
|---|---|---|---|---|---|---|
| Sales volume (thousand cubic metres) | 1,176 | 1,055 | 1,232 | 3,328 | 3,035 | 3,544 |
| Organic growth | 13% | (7%) | 5% | 14% | (9%) | 10% |
| Revenue | 811 | 712 | 779 | 2,289 | 2,012 | 2,215 |
| Gross margin | 31% | 34% | 34% | 30% | 32% | 31% |
| EBITDA before special items | 171 | 162 | 182 | 452 | 396 | 435 |
| EBIT before special items | 125 | 116 | 137 | 314 | 258 | 306 |
| EBIT margin before special items | 15% | 16% | 18% | 14% | 13% | 14% |
| Special items | (4) | - | - | (4) | - | - |
| Return on Invested Capital (ROIC) | 21% | 18% | 19% | 21% | 18% | 19% |
| Financial gearing(1) | 0.3x | 0.5x | 0.9x | 0.3x | 0.5x | 0.9x |
| Free cash flow | 5 | 136 | 136 | 145 | 166 | 175 |

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





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# Central Western Europe: demand outlook remain stable but restrained by lack of installation capacity and building plots

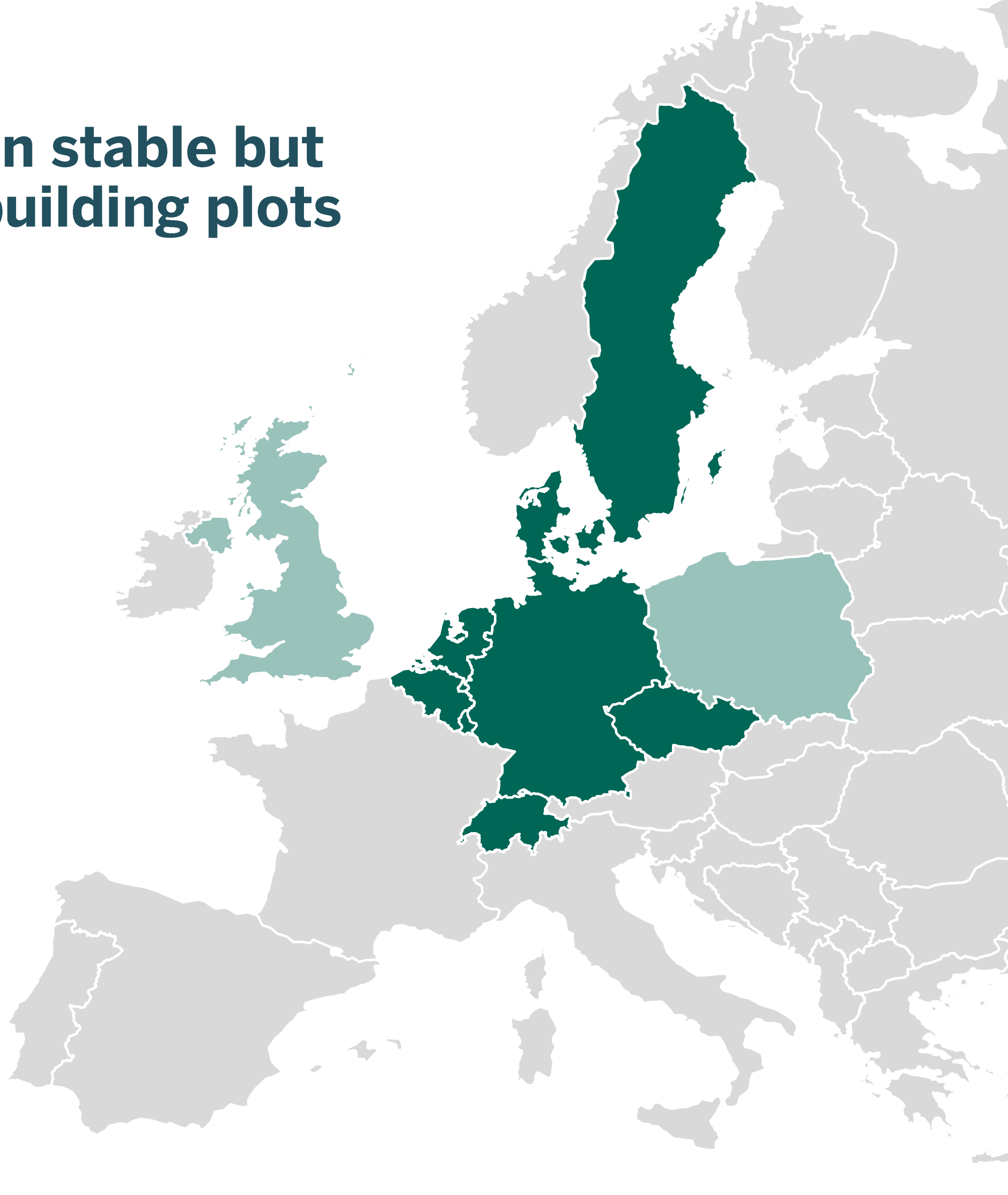
## Market conditions and trends

Germany:

- The country faces a significant lack of housing space, especially in the larger cities, providing a solid demand outlook for both AAC and CSU products
- The German Government remains committed to increase building activity through incentives to homeowners and stimuli programmes targeting the availability and development of land
- However, the effect of the programmes appears insufficient and the lack of installation capacity remains, causing the order backlog among building companies to continue growing
- Demand remains highly imbalanced as demand in the North-eastern part of Germany is considerably higher than in the South-eastern part, causing shipment of products over longer distances

Other markets:

- In the Nordics, the number of issued building permits continues to increase, providing a solid demand outlook for H+H
- Continued positive developments in the Swiss and Benelux markets with economies expected to return to pre-Covid levels





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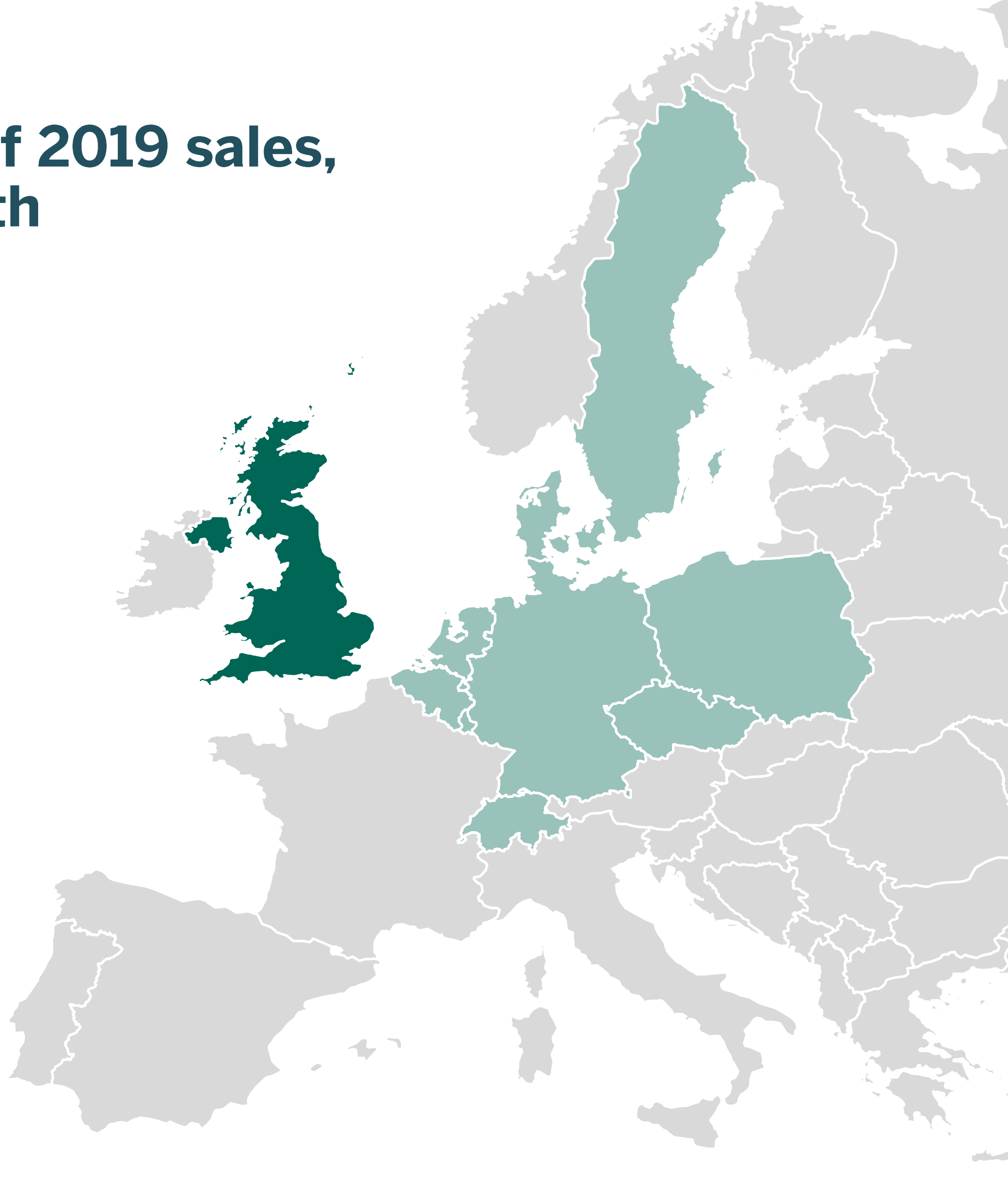
# United Kingdom: market on track to be ahead of 2019 sales, but capacity constraints limits additional growth

## Market conditions and trends

- The UK Government has recently been very vocal around their ambitions to build more homes, but the exact roadmap towards a targeted 300,000 dwellings annually remains unclear
- 'Stamp duty holiday' expired in end-September and house sales increased significantly ahead of the deadline
- The UK private housing market remains buoyant, and third-party data providers expect double-digit growth in started dwellings in both 2021 and 2022 due to a strong demand for housing
- This is driven by UK citizens changing their preferences and lifestyle choices in the Covid-19 pandemic
- During Q3 2021, the UK experienced a significant lack of both trucks and truck drivers, as well as diesel fuel. H+H UK is working closely with its transportation partners to make sure that both trucks and truck drivers are available to meet customer expectations and needs
- Further, H+H is experiencing increasing input costs, especially related to cement and limestone, driven by $CO_2$ taxes and high demand due to a large number of infrastructure projects



(1) Sources: Company updates



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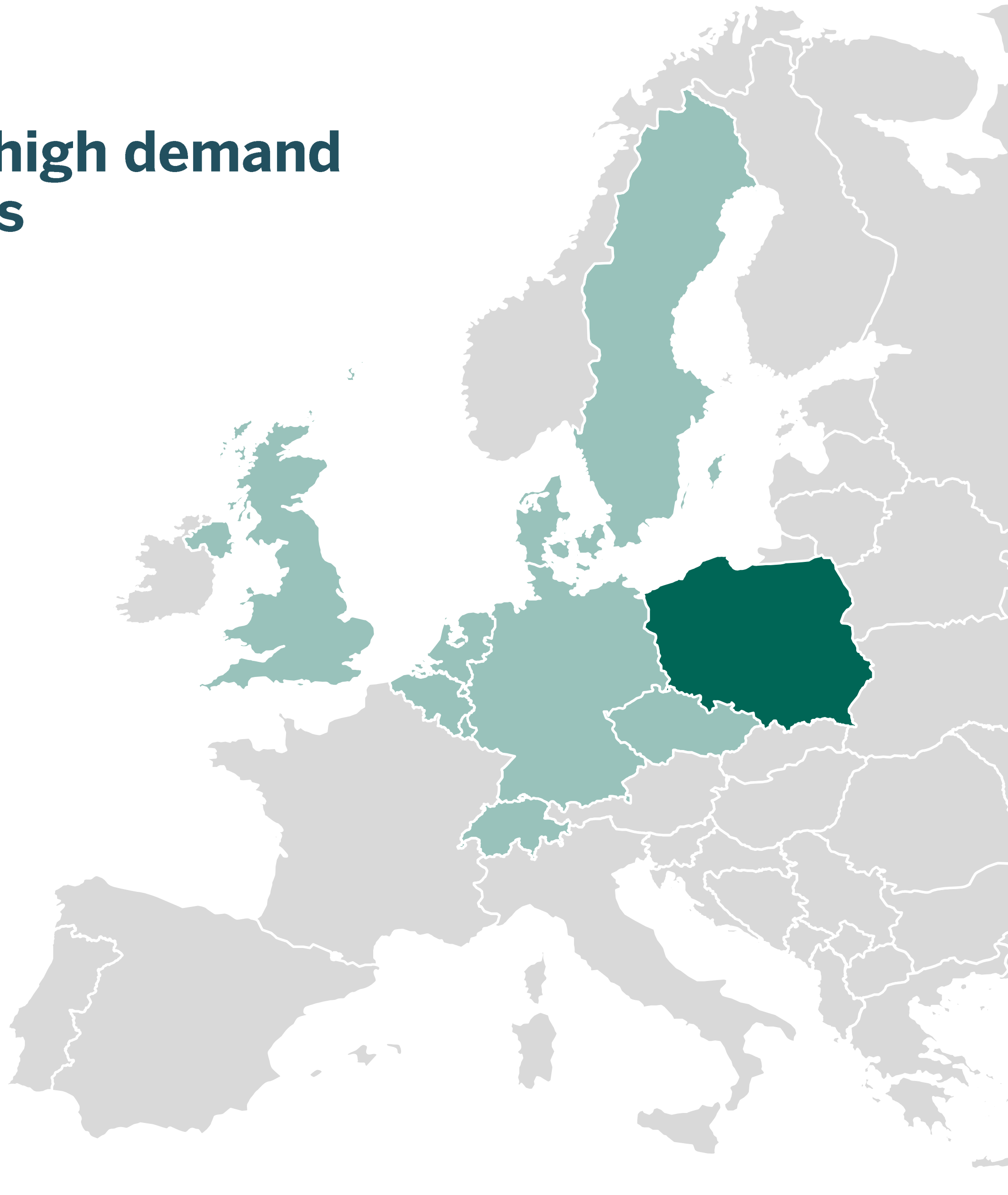
# Poland: strong market fundamentals driven by high demand and a historical high number of building permits

## Market conditions and trends

- Underlying demand remains strong with a historical high number of building permits being issued in the period from January to September 2021(1)
- This trend has been seen throughout 2021, but it appears to be stabilising towards the end of the year
- The issued permits cover construction work for both developers and for individual investors—and therefore both of H+H's product categories
- The number of both issued permits and the number of dwellings started over the past twelve months far exceed the combined annual installation capacity of Polish construction companies and thus further support the short-to-medium-term demand outlook
- While the competitive situation in the Polish CSU market appears to have stabilised due to the strong demand, and while price increased have been observed in certain regions, additional capacity may still be introduced which could cause further pricing pressure in the CSU market
- In the AAC market pricing continues its positive trend, due to very strong demand in Q3 2021



(1) Source: GUS (Polish Statistics)

# Effective cost resilience and favourable market conditions drive solid Q3 financials

| Selected financial figures and ratios | Q3 2021 | Q3 2020 | Q3 2019 |
|---|---|---|---|
| Revenue | 811 | 712 | 779 |
| Cost of goods sold | (561) | (471) | (516) |
| **Gross profit before special items** | **250** | **241** | **263** |
| SG&A and other operating income, net | (79) | (79) | (81) |
| **EBITDA before special items** | **171** | **162** | **182** |
| Depreciation, amortisations and impairment losses | (46) | (46) | (45) |
| **EBIT before special items** | **125** | **116** | **137** |
| Special items, net | (4) | - | - |
| **EBIT** | **121** | **116** | **137** |
| **Profit before tax** | **115** | **107** | **128** |
| **Profit after tax** | **88** | **83** | **97** |
| | | | |
| Cash flow from operating activities | 176 | 158 | 165 |
| Cash flow from investing activities | (171) | (22) | (29) |
| Free cash flow | 5 | 136 | 136 |
| | | | |
| EBIT margin before special items | 15% | 16% | 14% |
| Return on invested capital (“ROIC”) | 21% | 18% | 19% |
| Financial gearing[(1)] | 0.3x | 0.5x | 0.3x |

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



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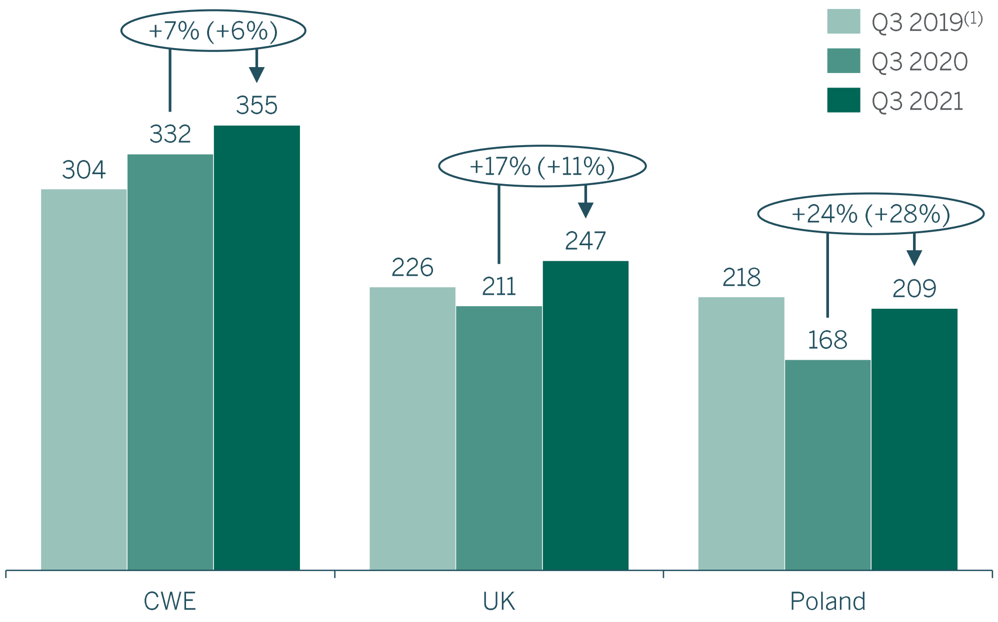
# Solid revenue growth across all markets driven by continued high market activity and strong demand

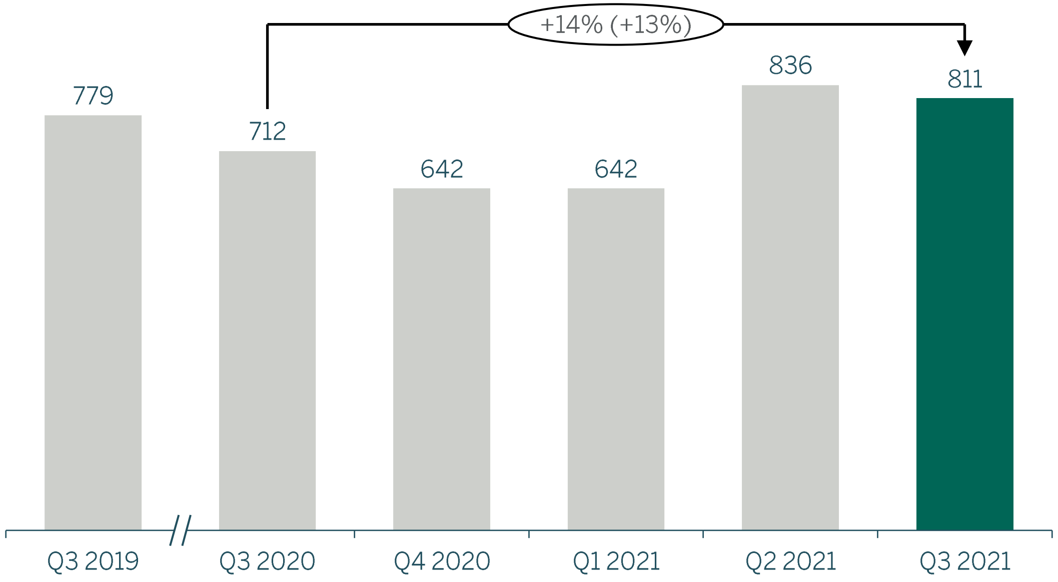
## Revenue growth by market

**DKKm. Bubbles show revenue growth (organic growth)**




## Consolidated revenue by quarter

**DKKm**




(1) Total revenue in Q3 2019 of DKK 779m. Revenue of DKK 31m is not shown in chart as it pertains to revenue generated in other locations that have since been divested



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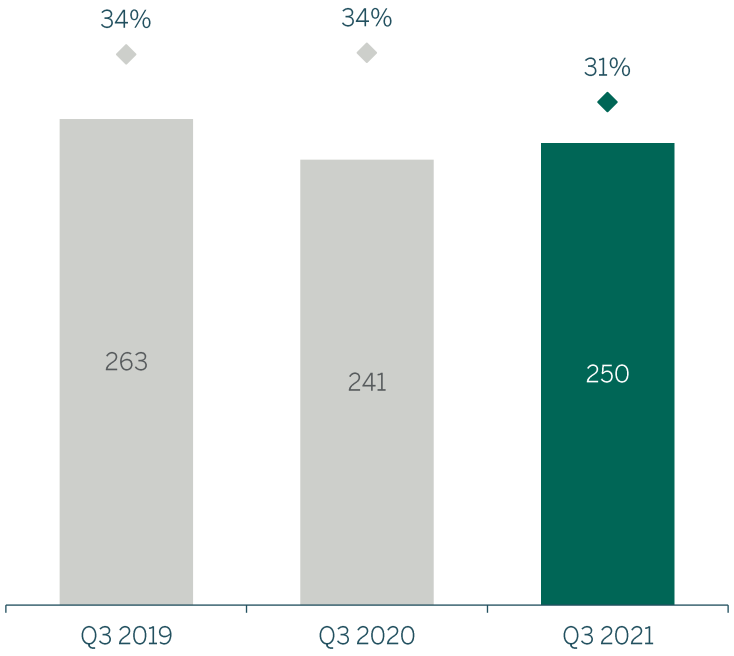
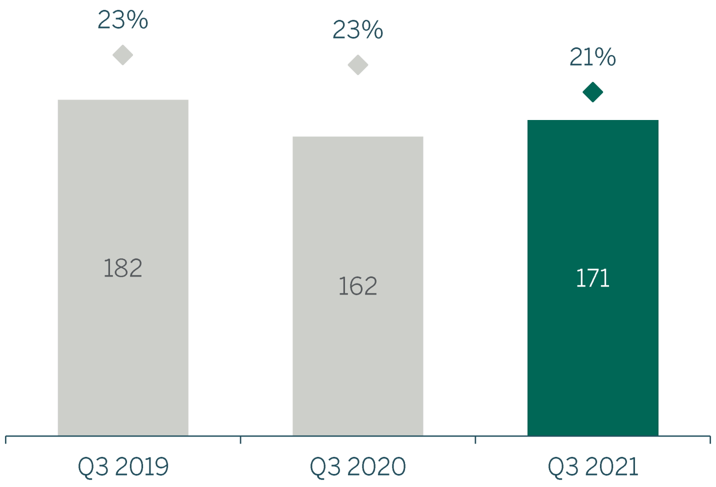
# Input-cost inflation and continued high transport costs put pressure on margins, but H+H will seek to offset impact through sales-price increases

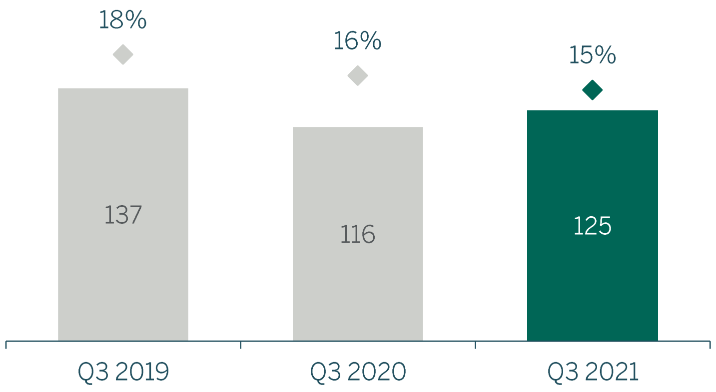
## Gross profit and gross profit margin
DKKm and percent, respectively




## EBITDA and EBITDA margin
DKKm and percent, respectively




## EBIT and EBIT margin
DKKm and percent, respectively




Note: All figures are before special items



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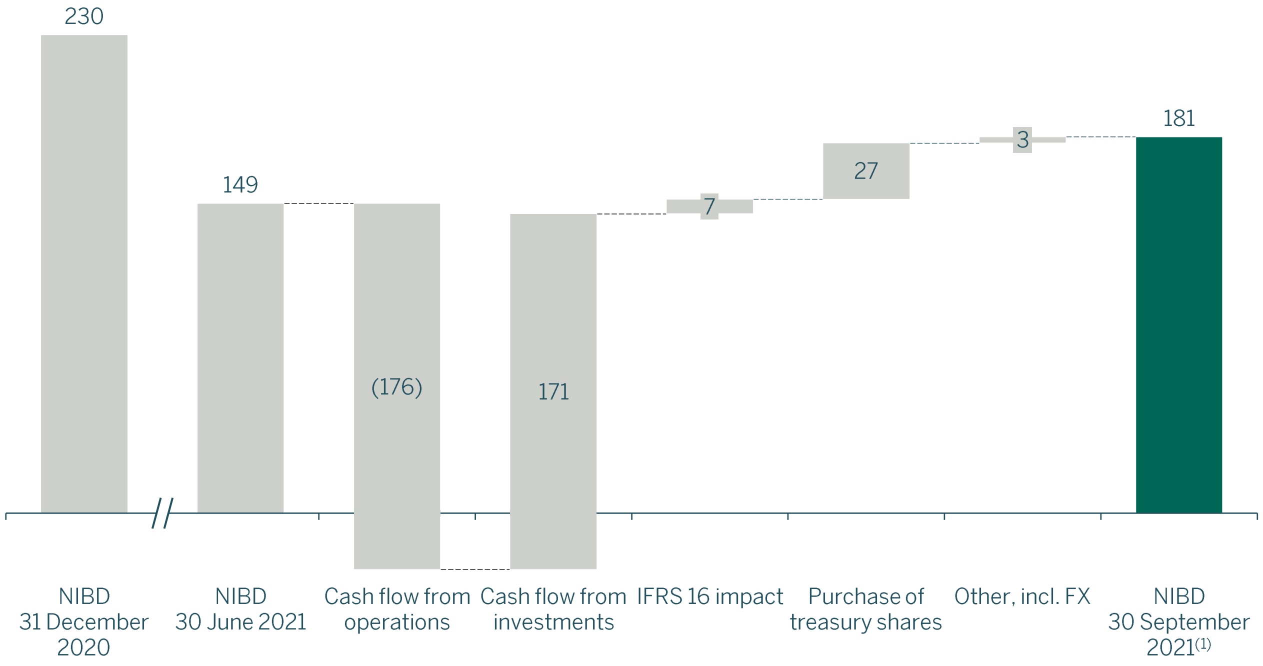
# Acquisition of AAC factory in Germany main driver behind higher NIBD in Q3

## Net interest-bearing debt ("NIBD")




(1) Of the total net interest-bearing debt, lease liabilities amounted to DKK 111 million as of 30 September 2021



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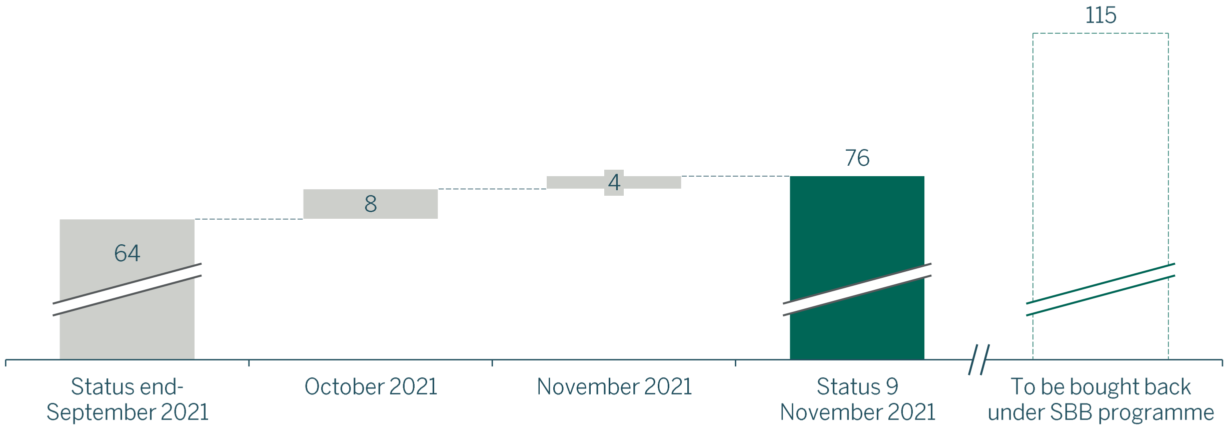
# Update on share buy-back programme

- As of 30 September 2021, a total of 338,600 shares, corresponding to 1.9% of the total share capital in H+H, had been bought back under the programme for a total purchase price of DKK 64 million.
- Acquisitive growth remains the key strategic focus for H+H.
- Given the strong cash generation during 2020 and the headroom to the long-term target for financial gearing, there was an opportunity to return capital while still maintaining the ambition to pursue attractive growth opportunities.

## Total price for repurchased shares, monthly

**DKKm**



# H+H narrows its previously communicated guidance ranges

Organic growth

~11%

(Previously 8-11%)

EBIT before special items

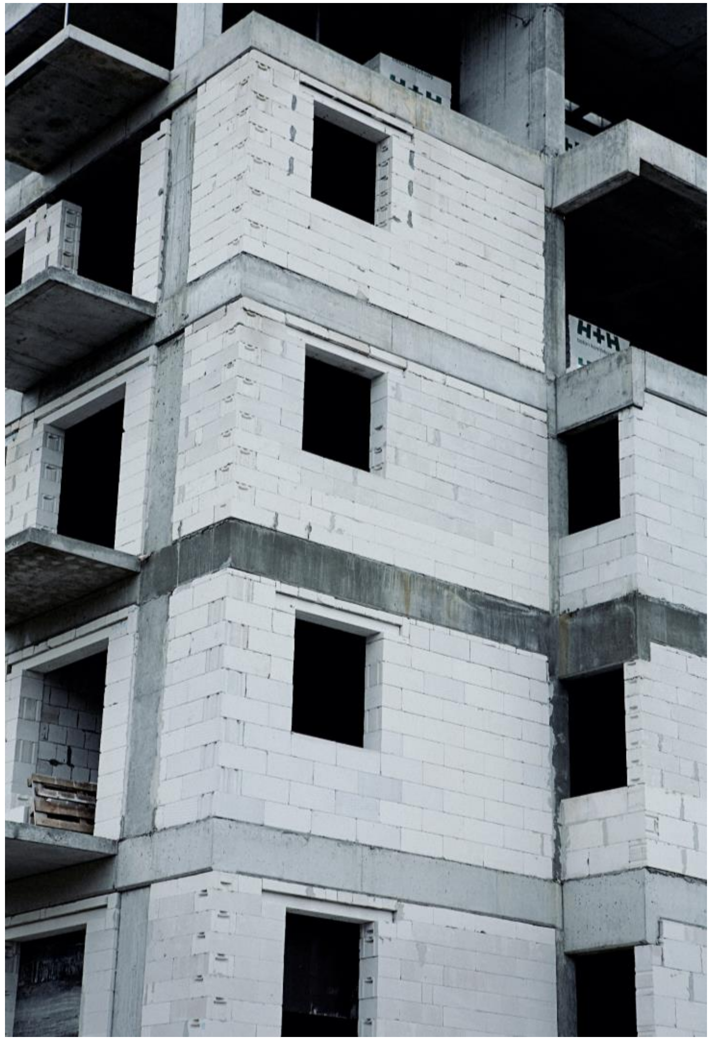
375 to 400

(Previously 360-400)

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 to remain at end-October 2021 levels
- Energy and raw material prices to remain at end-October 2021 levels





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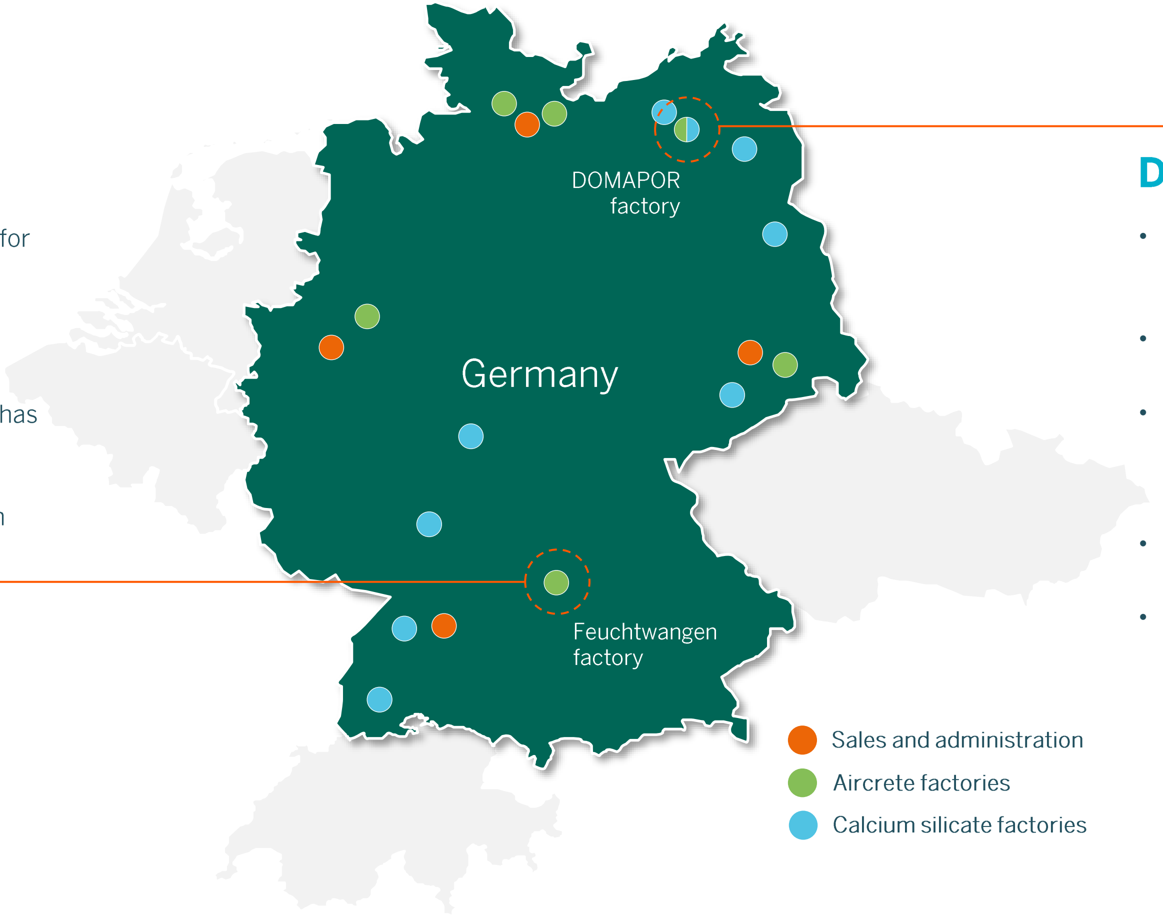
# Acquisition of majority stake in DOMAPOR provides important expansion of H+H's Germany factory network

## Feuchtwangen acquisition

- Acquisition of one AAC factory located in Feuchtwangen in Bavaria, Germany
- The acquisition provides true national coverage for H+H's aircrete business
- Through the acquisition, H+H will be the only supplier of both AAC and CSU products in the southern part of Germany
- Based on legacy production figures, the factory has the potential to add approximately 2-3 ppts. of market share to the German AAC business
- In addition, the factory could further supply both the Benelux and Czech markets

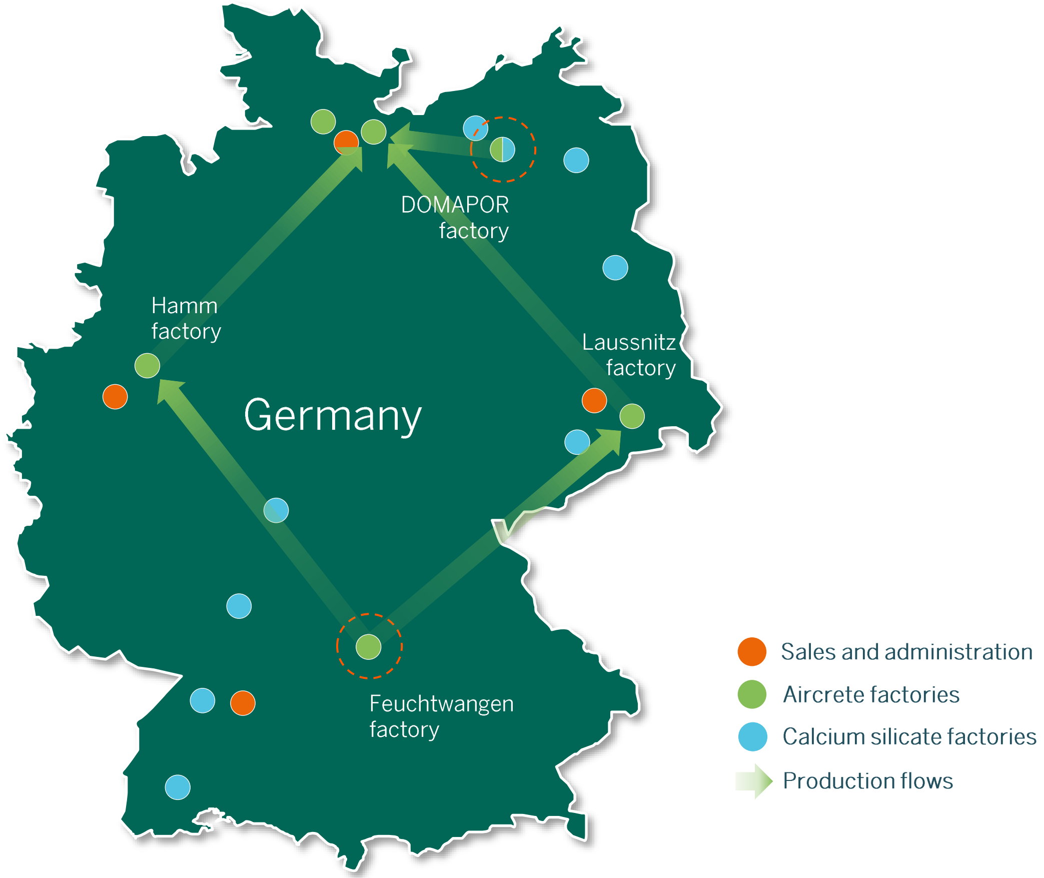



## DOMAPOR acquisition

- H+H has signed an agreement to acquire 52.5% of the shares in DOMAPOR GmbH & Co. KG ("DOMAPOR")
- The factory has two production lines and is producing both AAC and CSU products
- It is estimated that the factory has capacity for an annual output equal to approximately 4.0% of the German AAC market and between 1.0% and 1.5% of the German CSU market.
- Acquisition sets H+H on a path to more than triple its German white-stone business since 2017
- Expected close at year-end 2021

# Acquisitions provide H+H with the opportunity to upgrade the Wittenborn factory, as expanded factory network minimise impact on production

- H+H plans to perform certain upgrades and maintenance on the Wittenborn factory in the Northern part of Germany
- As a consequence of the upgrades, the Wittenborn factory will be temporarily closed for a period in 2022
- H+H will utilise the expanded factory network from the DOMAPOR and Feuchtwangen acquisitions to support the Wittenborn factory and minimise impact on production
- The Wittenborn factory will be supported by the Laussnitz and Hamm factories, as well as the newly acquired DOMAPOR factory
- Further, the Laussnitz and Hamm factories will in turn be supported by the recently acquired Feuchtwangen factory
- Upgrades are considered strategically important and will add long-term value for H+H



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# Questions?

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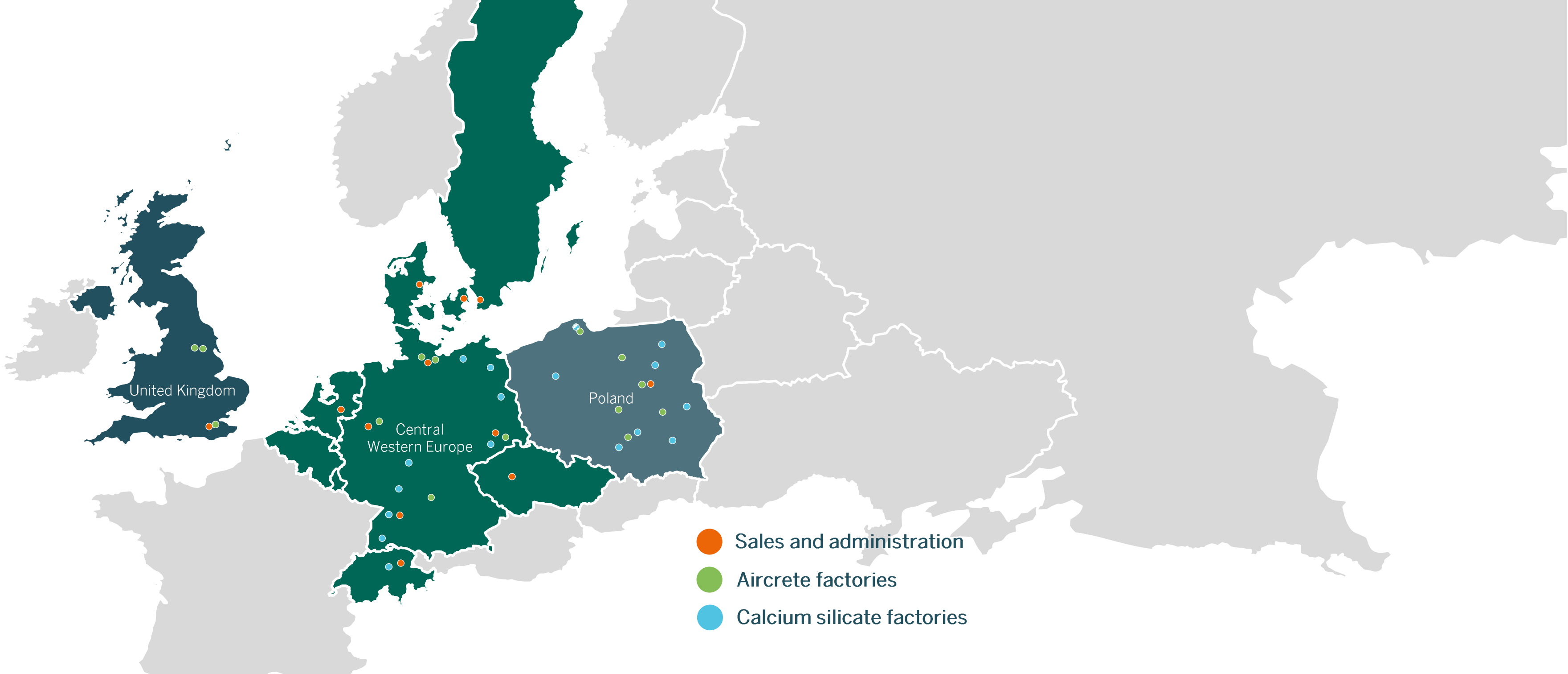
# Thank you

# Supplementary information

# H+H at a glance

H+H has 30 factories, and one additional factory under construction, 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 mist of its markets.




## 2020 financial highlights

Revenue in DKK million

2,654

EBIT in DKK million

332

Profit after tax in DKK million

251

Financial gearing

0.4x

## United Kingdom

Market position

#1

Market share

>40%

## Central Western Europe

Market position

#2

Market share AAC

>17%

Market share CSU

~12%

## Poland

Market position

#2

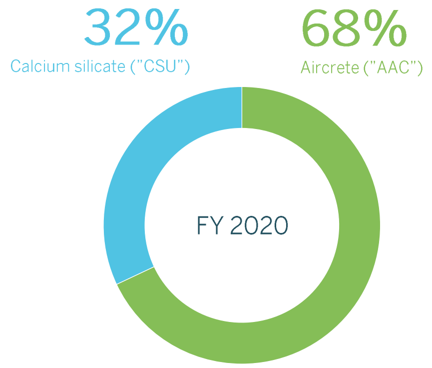
Market share AAC

20-25%

Market share CSU

20-25%

## Revenue split by product line



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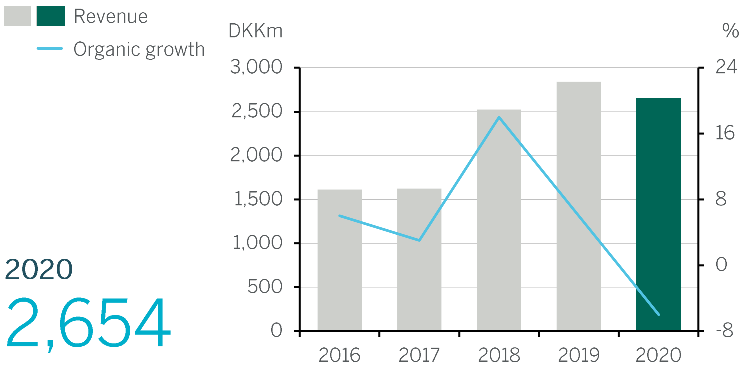
# Five-year financial summary

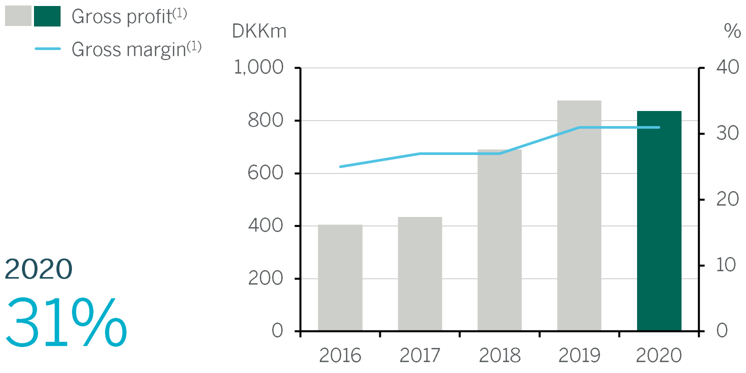
## Revenue and organic growth




2020

2,654

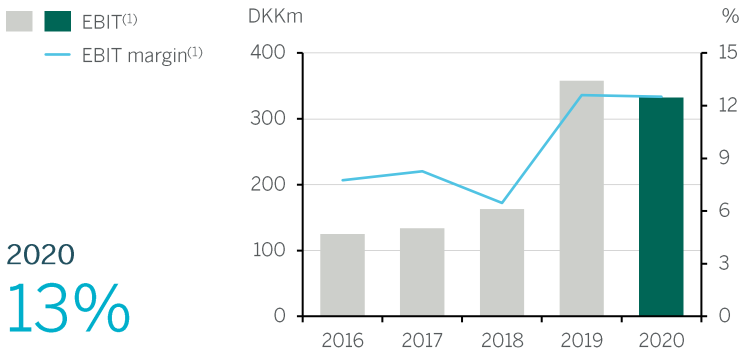
## Gross profit and gross margin




2020

31%

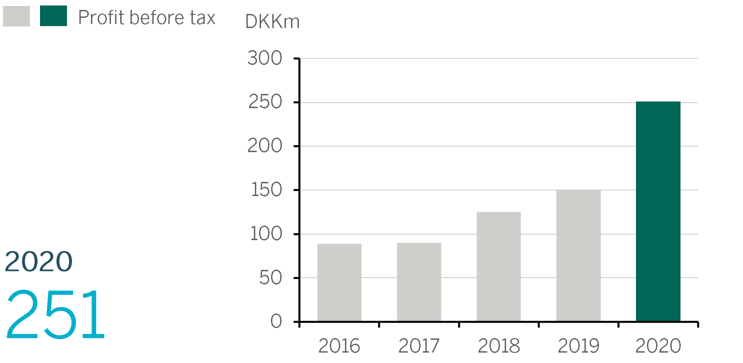
## EBIT and EBIT margin




2020

13%

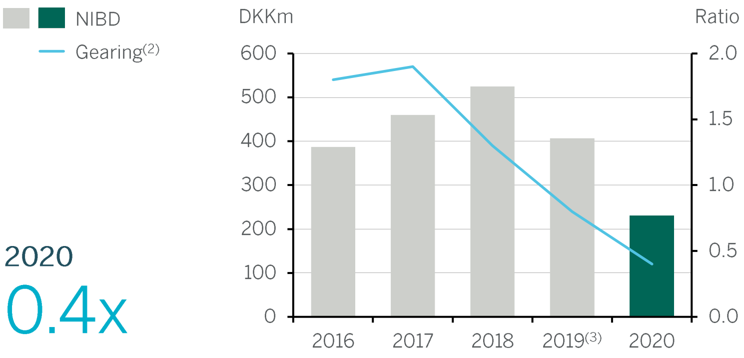
## Profit before tax




2020

251

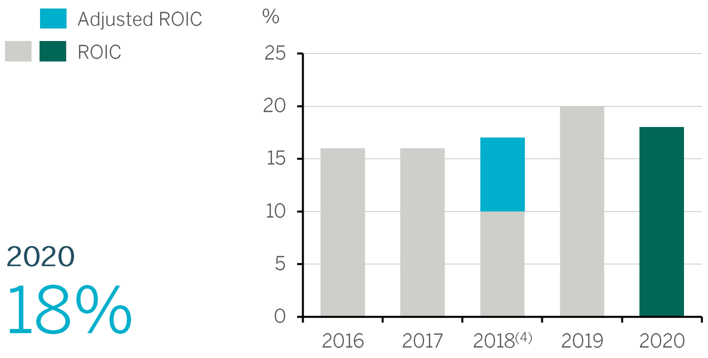
## NIBD and Financial Gearing




2020

0.4x

## Return on Invested Capital (ROIC)




2020

18%

(1) Before special items (2) Net interest-bearing debt ("NIBD") to EBITDA before special items ratio (3) NIBD from 2019 onwards includes impact from IFRS 16 (4) In 2018, ROIC 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 these items, 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 improvement
- Supports customers in early planning stage
- Optimising building process
- Cooperation with planners, architects, distributors, and builders

**Quality products**
Building site (75-80%)
Builder's 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
- One-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 a 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 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

| Income statement (DKK million) | Q3 2021 | Q3 2020 | Q1-Q3 2021 | Q1-Q3 2020 | FY 2020 |
|---|---|---|---|---|---|
| Revenue | 811 | 712 | 2,289 | 2,012 | 2,654 |
| Cost of goods sold | (561) | (471) | (1,600) | (1,372) | (1,818) |
| **Gross profit before special items** | **250** | **241** | **689** | **640** | **836** |
| | | | | | |
| Sales costs | (36) | (37) | (108) | (110) | (151) |
| Administrative costs | (46) | (45) | (135) | (135) | (168) |
| Other operating income and costs, net | 3 | 3 | 6 | 1 | 4 |
| **EBITDA before special items** | **171** | **162** | **452** | **396** | **521** |
| | | | | | |
| Depreciation, amortisation and impairment losses | (46) | (46) | (138) | (138) | (189) |
| **EBIT before special items** | **125** | **116** | **314** | **258** | **332** |
| | | | | | |
| Special items, net | (4) | - | (4) | - | - |
| **EBIT** | **121** | **116** | **310** | **258** | **332** |
| | | | | | |
| Financial imcome | 1 | - | 2 | 2 | 2 |
| Financial expenses | (7) | (9) | (18) | (20) | (27) |
| **Profit before tax** | **115** | **107** | **294** | **240** | **307** |
| | | | | | |
| Tax on profit | (27) | (24) | (64) | (55) | (56) |
| **Profit for the period** | **88** | **83** | **230** | **185** | **251** |
| | | | | | |
| **Profit for the period attributable to:** | | | | | |
| H+H International A/S' shareholders | 85 | 80 | 227 | 180 | 241 |
| Non-controlling interests | 3 | 3 | 3 | 5 | 10 |
| **Profit for the period** | **88** | **83** | **230** | **185** | **251** |
| | | | | | |
| Earnings per share (EPS-basic) (DKK) | 4.7 | 4.4 | 12.7 | 10.0 | 13.5 |
| Diluted earnings per share (EPS-D) (DKK) | 4.7 | 4.4 | 12.7 | 10.0 | 13.5 |

# Consolidated statement of comprehensive income

| Statement of comprehensive income (DKK million) | Q3 2021 | Q3 2020 | Q1-Q3 2021 | Q1-Q3 2020 | FY 2020 |
|---|---|---|---|---|---|
| Profit for the period | 88 | 83 | 230 | 185 | 251 |
| | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Foreign exchange adjustments, foreign entities | (9) | (9) | 1 | (45) | (48) |
| | (9) | (9) | 1 | (45) | (48) |
| | | | | | |
| Items that will not be reclassified subsequently to profit: | | | | | |
| Actuarial gains and losses | (6) | (92) | 27 | (83) | (110) |
| Tax on actuarial gains and losses | 1 | 15 | (5) | 12 | 21 |
| | (5) | (77) | 22 | (71) | (89) |
| | | | | | |
| Other comprehensive income after tax | (14) | (86) | 23 | (116) | (137) |
| Total comprehensive income for the period | 74 | (3) | 253 | 69 | 114 |

# Consolidated balance sheet

| Assets (DKK million) | 30 Sep. 2021 | 31 Dec. 2020 | 30 Sep. 2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 292 | 211 | 202 |
| Other intangible assets | 243 | 258 | 278 |
| Property, plant and equipment | 1,598 | 1,538 | 1,522 |
| Deferred tax assets | 12 | 18 | 14 |
| Financial assets | 6 | 6 | 8 |
| **Total non-current assets** | **2,151** | **2,031** | **2,024** |
| | | | |
| **Current assets** | | | |
| Inventories | 247 | 282 | 280 |
| Receivables | 233 | 115 | 210 |
| Cash | 660 | 481 | 465 |
| **Total current assets** | **1,140** | **878** | **955** |
| **Total assets** | **3,291** | **2,909** | **2,979** |

| Equity and liabilities (DKK million) | 30 Sep. 2021 | 31 Dec. 2020 | 30 Sep. 2020 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 180 | 180 | 180 |
| Retained earnings | 1,595 | 1,405 | 1,359 |
| Other reserves | (146) | (147) | (144) |
| Equity attributable to H+H International A/S's shareholders | 1,629 | 1,438 | 1,395 |
| Equity attributable to non-controlling interests | 64 | 71 | 82 |
| **Total equity** | **1,693** | **1,509** | **1,477** |
| | | | |
| **Non-current liabilities** | | | |
| Pension obligations | 109 | 147 | 128 |
| Provisions | 33 | 34 | 29 |
| Deferred tax liabilities | 134 | 130 | 154 |
| Credit institutions | 730 | 609 | 636 |
| Lease liabilities | 90 | 84 | 85 |
| **Total non-current liabilities** | **1,096** | **1,004** | **1,032** |
| | | | |
| **Current liabilities** | | | |
| Lease liabilities | 21 | 18 | 17 |
| Trade payables | 250 | 180 | 192 |
| Income tax | 37 | 30 | 30 |
| Provisions | 3 | 6 | 9 |
| Other payables | 191 | 162 | 222 |
| **Total current liabilities** | **502** | **396** | **470** |
| **Total liabilities** | **1,598** | **1,400** | **1,502** |
| **Total equity and liabilities** | **3,291** | **2,909** | **2,979** |
| Net interest-bearing debt | 181 | 230 | 273 |

# Consolidated cash flow statement

| Cash flow statement (DKK million) | Q3 2021 | Q3 2020 | Q1-Q3 2021 | Q1-Q3 2020 |
|---|---|---|---|---|
| Operating profit (loss) | 121 | 116 | 310 | 258 |
| Financial income received | 1 | - | 2 | 2 |
| Financial items, paid | (7) | (5) | (18) | (16) |
| Depreciation, amortisation and impairment losses | 46 | 46 | 138 | 138 |
| Gain and losses on sale of assets and other non-cash effects | 4 | - | 4 | 8 |
| Change in working capital and other | 42 | 29 | 13 | (20) |
| Change in provisions and pension contribution | (7) | (9) | (21) | (20) |
| Income tax paid | (24) | (19) | (51) | (45) |
| **Operating activities** | **176** | **158** | **377** | **305** |
| Acquisition of enterprises | (127) | - | (127) | (74) |
| Acquisition of property, plant and equipment and intangible assets(1) | (44) | (22) | (105) | (65) |
| **Investing activities** | **(171)** | **(22)** | **(232)** | **(139)** |
| Free cash flow | 5 | 136 | 145 | 166 |
| Change in borrowings(2) | 34 | (51) | 121 | 63 |
| Change in lease liabilities | (6) | (4) | (20) | (15) |
| Purchase of treasury shares | (27) | (4) | (63) | (4) |
| Dividend to non-controlling interests | - | - | (7) | - |
| **Financing activities** | **1** | **(59)** | **31** | **44** |
| **Cash flow for the period** | **6** | **77** | **176** | **210** |
| Cash and cash equivalents, opening | 657 | 390 | 481 | 262 |
| Cash related to the acquired and divested enterprises | - | - | - | 8 |
| Foreign exchange adjustments of cash and cash equivalents | (3) | (2) | 3 | (15) |
| **Cash and cash equivalents, closing** | **660** | **465** | **660** | **465** |

(1) Acquisition of property, plant and equipment and intangible assets for first three quarters 2021 is offset by sale of assets of DKK 3 million (2) Change in borrowings is driven by movements of positions within the Global Cash Pool arrangement

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