



# **H+H International A/S**

## **Danske Bank Winter Seminar 2021**

Copenhagen, 1 December 2021



# Agenda

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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 30 factories in Northern and Central Europe (plus one factory currently under construction) producing a total annual output of more than four million cubic metres of wall-building materials. The Group has more than 1,500 employees working in eight countries.

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.

# H+H at a glance

H+H currently has 30 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

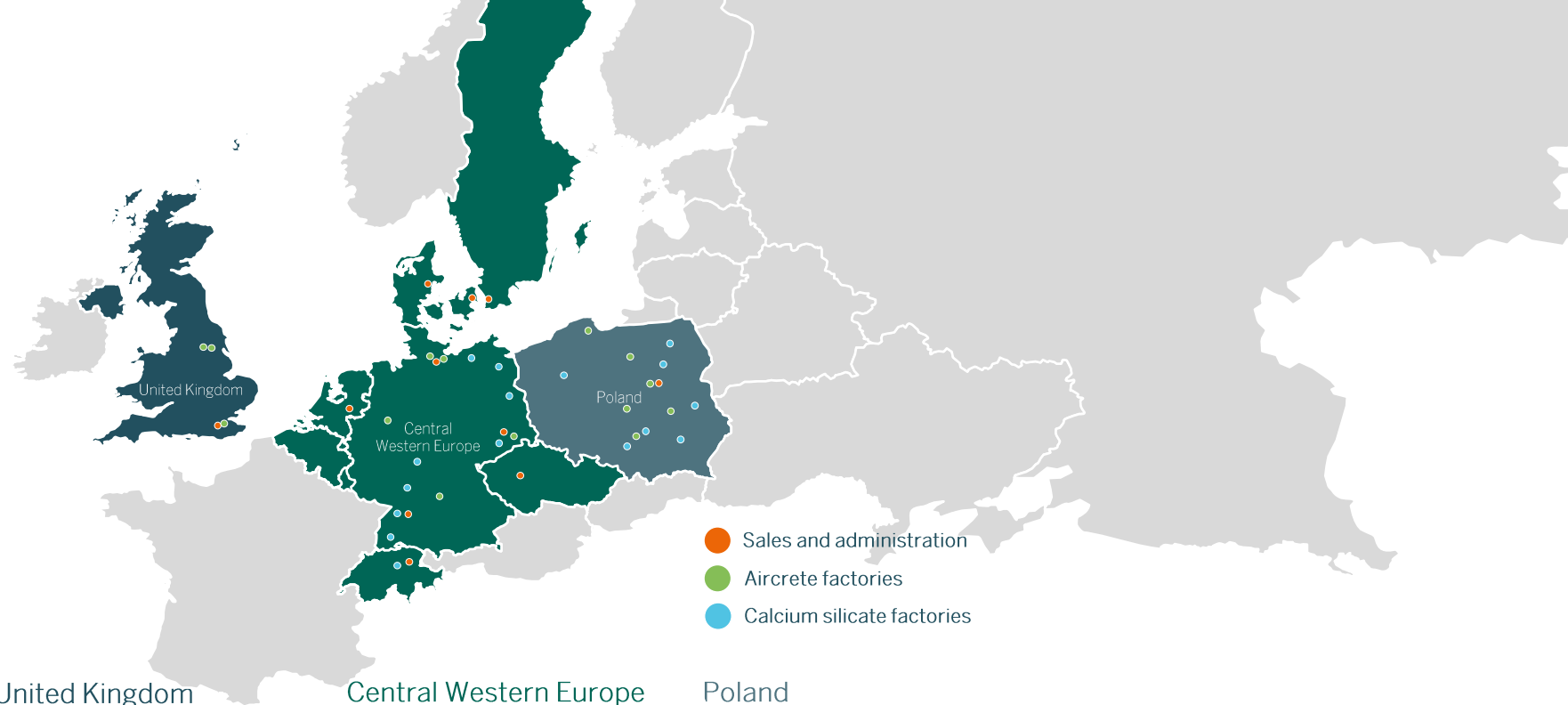
332

Profit after tax 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 (FY 2020)



# Our products and wall-building solutions can be used for a variety of projects

Our homes, flats, offices and other buildings need to be comfortable, safe and sustainable. Our wall-building solutions have been specifically developed to deliver high-quality and sustainable results.

## Our products

H+H is a provider of building materials. Our core activities are the production and sale of autoclaved aerated concrete (“AAC” or “aircrete”) and calcium silicate (“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.

## A strong solution in sustainable building



### Foundations

H+H Foundations Blocks are quick to install and can be used to support solid or cavity wall constructions as well as timber frame structures.



### External walls

H+H wall elements can also be used for solid external walls. They offer the fastest building method as well as an unparalleled air tightness and insulation.



### Internal walls

Partition walls built with H+H wall materials meet any sound-insulation requirements and are quick and easy to install.



### Private low-rise houses

H+H has a strong track record and expertise in construction of walls for private low-rise houses.



### Volume housebuilders

H+H is a trusted partner to builders of large construction projects ensuring cost-efficient and high-quality solutions.



### Public sector housing

H+H is committed to supporting public sector housing providers with high quality, long-lasting, and energy-efficient housing.



### Commercial and industry

H+H's solutions are immensely versatile and can be used in many types of commercial and industrial buildings, low as well as high-rise.



### Residential high-rise

H+H wall-building solutions also include solid and partition wall products used in residential high-rise buildings.



### Self-build

H+H wall solutions also support self-build and DIY projects of any kind. An eco-friendly and easy-to-handle material for any wall.



### Renovation

H+H wall-building solutions are a popular choice for domestic renovations, extensions, and small building projects, including energy-efficient improvements.

# Modern and carbon-friendly products with increasing market penetration



## Modern and long-lasting products...

Aircrete was invented in the early-1930's, decades or even centuries later than timber, concrete, clay, and bricks. H+H's products have an expected lifetime of 100-150 years.



## ...with sustainable properties...

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 of H+H's product offering. Further, recent analyses show that H+H is on a path to achieve net-zero—and possibly net-negative—emissions by 2050.



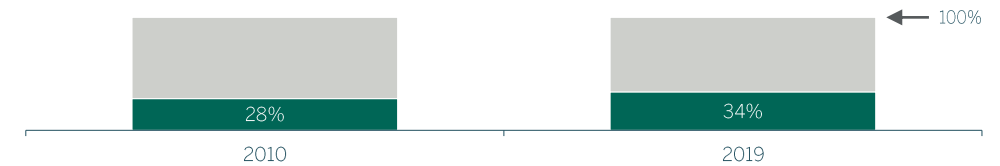
## ...enjoying increasing market penetration

H+H's product offering is seeing increasing market penetration in all of the Company's core markets of Germany, the UK, and Poland. The average increase in market penetration over the past ten years across the three markets is above 20%<sup>(1)</sup>.

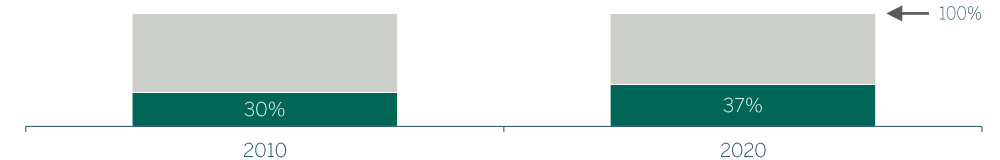
(1) Over the 2009 to 2019 period

## Market penetration development

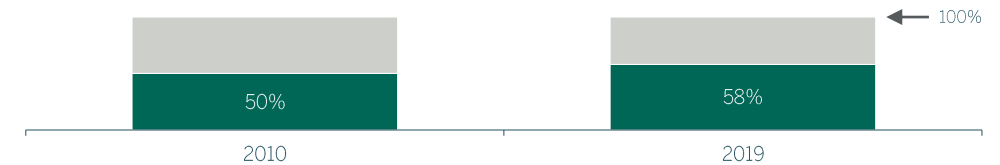
### Germany



### United Kingdom



### Poland

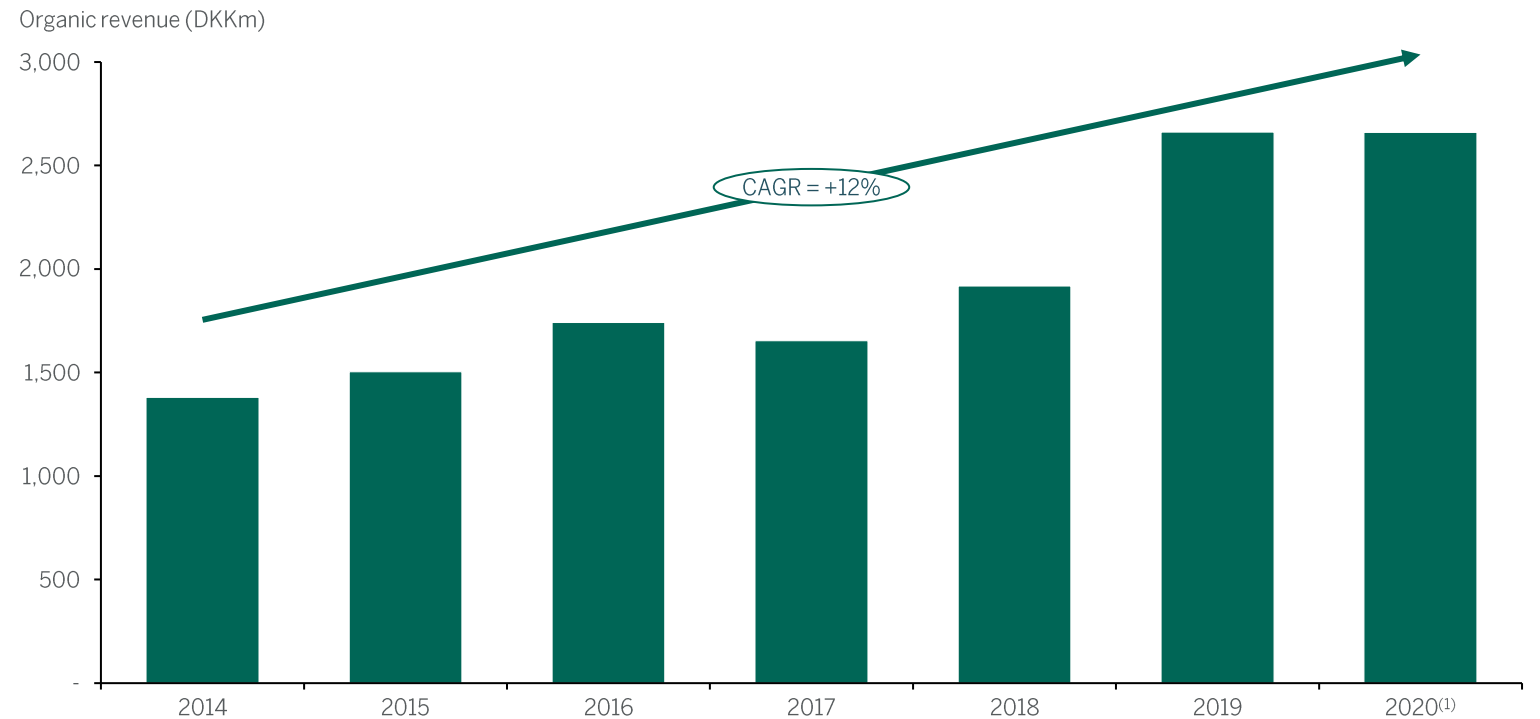




## The business has shown solid organic-growth rates over recent years

### Organic revenue

Revenue in local currencies, excluding acquired and divested businesses, DKKm

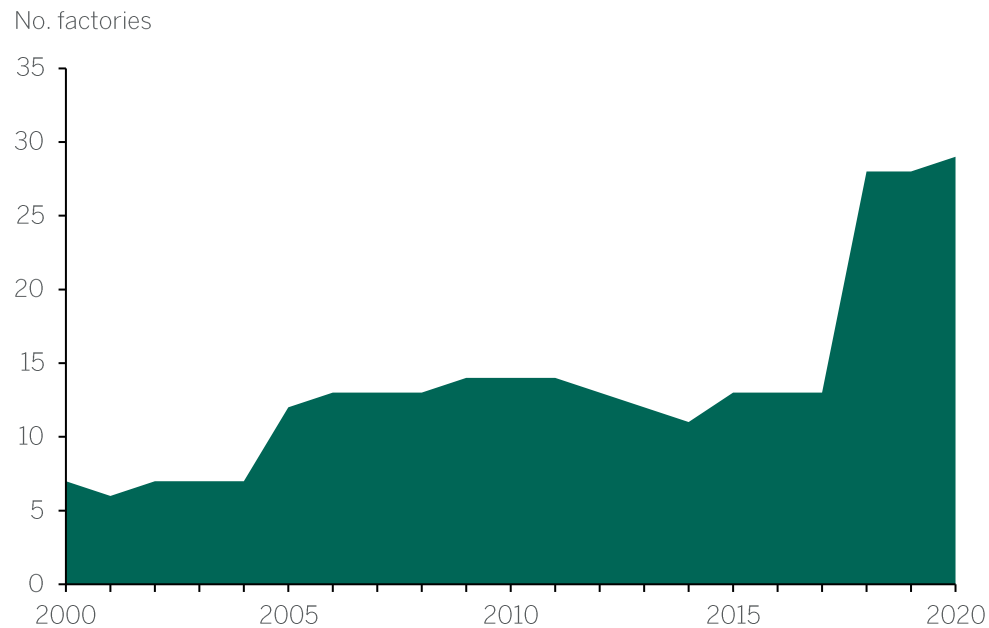


(1) Revenue in 2020 was negatively impacted by the global COVID-19 pandemic and the three-month National lockdown imposed by the British Government as a response to the pandemic

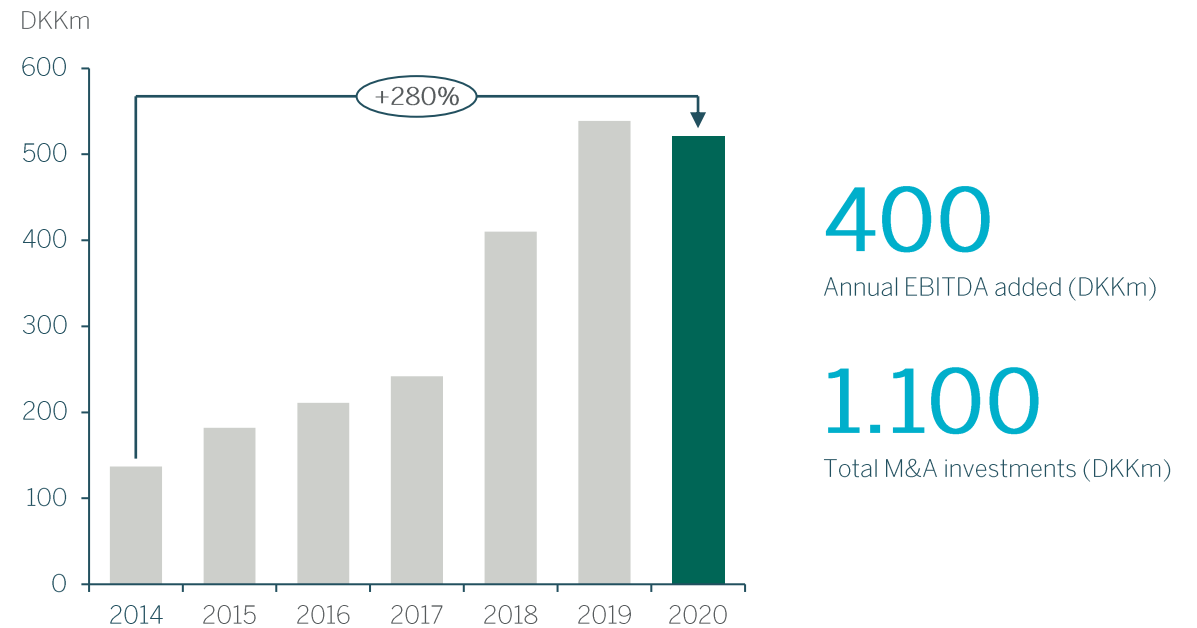
# Since 2014, H+H has grown considerably through several profitable acquisitions

H+H has a strong track record as a market consolidator. Since 2014, the strategy has been focused on consolidating the European whitestone market with a primary focus on Germany and Poland.

## Number of factories in H+H portfolio



## EBITDA before special items

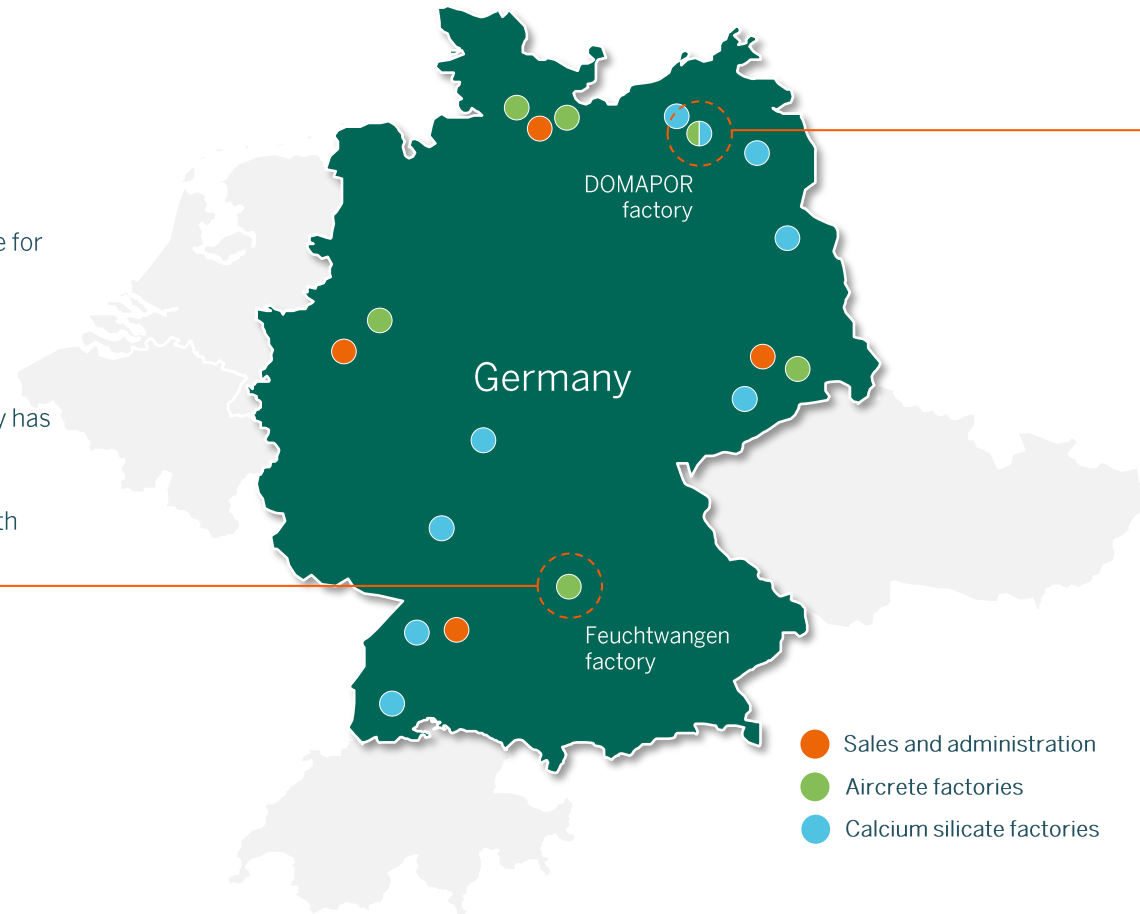


Note: During 2021, H+H has acquired two additional factories which are not included in above charts and figures as they will not have financial impact before 2022

# Two most recent acquisitions provide 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



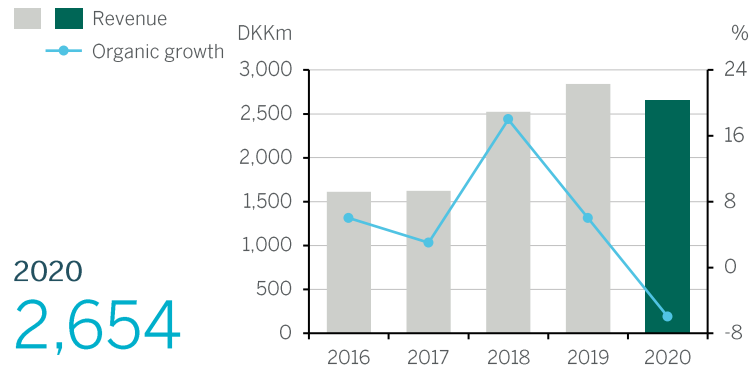
## DOMAPOR acquisition

- 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 is a strong addition to H+H's German factory network
- Expected close in early-January 2022

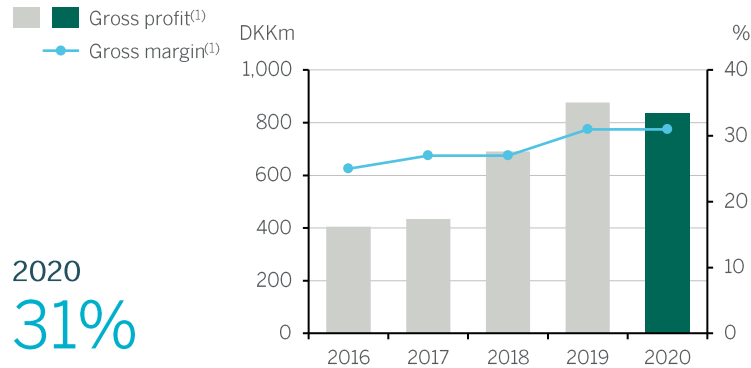


# Five-year financial summary

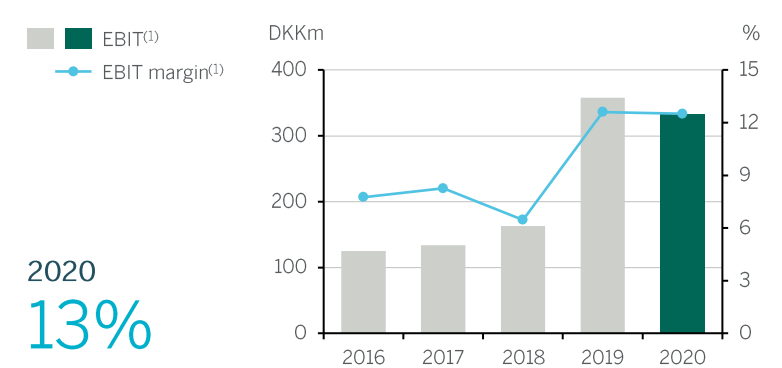
Revenue and organic growth



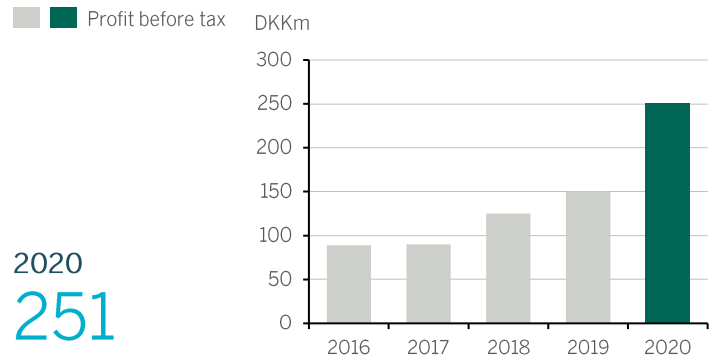
Gross profit and gross margin



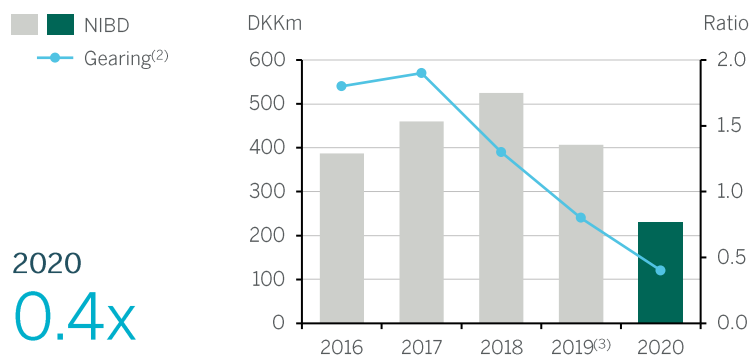
EBIT and EBIT margin



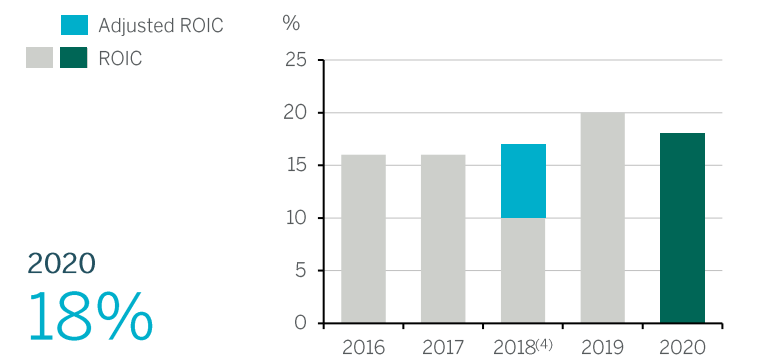
Profit before tax



NIBD and Financial Gearing



Return on Invested Capital (ROIC)



(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%

# Financial outlook for the full year 2021

Organic growth

~11%

(Previously 8% to 11%)

EBIT before special items

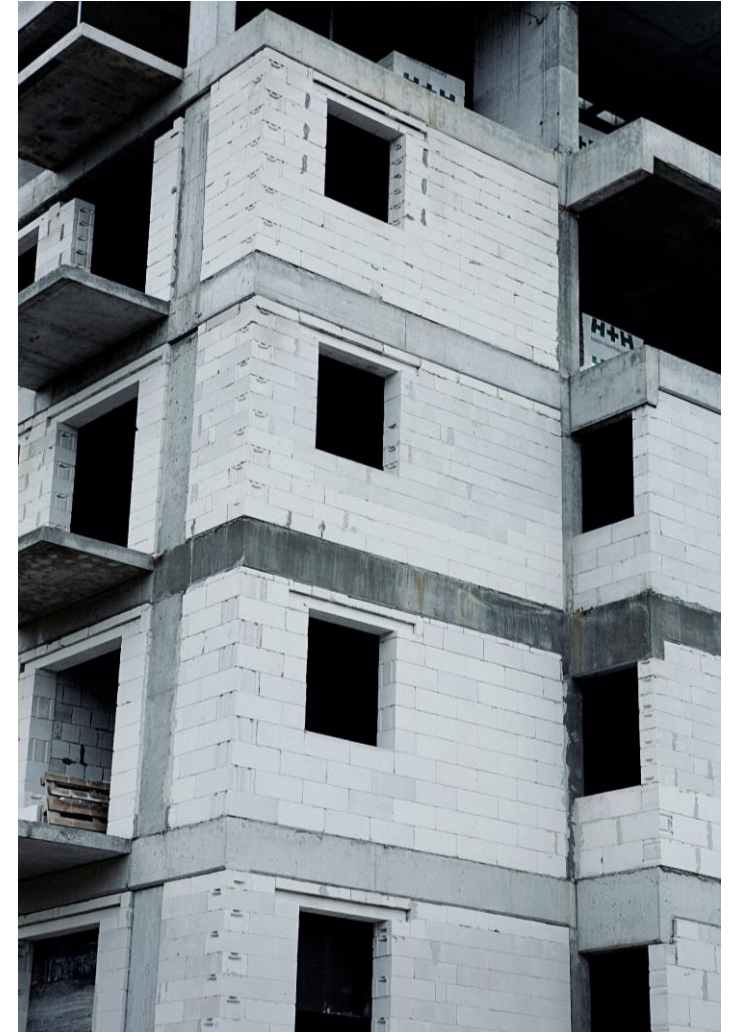
375 to 400

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



# 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



# Questions?



# Supplementary information



# 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)
<b>Gross profit before special items</b>	<b>250</b>	<b>241</b>	<b>689</b>	<b>640</b>	<b>836</b>
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
<b>EBITDA before special items</b>	<b>171</b>	<b>162</b>	<b>452</b>	<b>396</b>	<b>521</b>
Depreciation, amortisation and impairment losses	(46)	(46)	(138)	(138)	(189)
<b>EBIT before special items</b>	<b>125</b>	<b>116</b>	<b>314</b>	<b>258</b>	<b>332</b>
Special items, net	(4)	-	(4)	-	-
<b>EBIT</b>	<b>121</b>	<b>116</b>	<b>310</b>	<b>258</b>	<b>332</b>
Financial income	1	-	2	2	2
Financial expenses	(7)	(9)	(18)	(20)	(27)
<b>Profit before tax</b>	<b>115</b>	<b>107</b>	<b>294</b>	<b>240</b>	<b>307</b>
Tax on profit	(27)	(24)	(64)	(55)	(56)
<b>Profit for the period</b>	<b>88</b>	<b>83</b>	<b>230</b>	<b>185</b>	<b>251</b>
<b>Profit for the period attributable to:</b>					
H+H International A/S' shareholders	85	80	227	180	241
Non-controlling interests	3	3	3	5	10
<b>Profit for the period</b>	<b>88</b>	<b>83</b>	<b>230</b>	<b>185</b>	<b>251</b>
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
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Foreign exchange adjustments, foreign entities	(9)	(9)	1	(45)	(48)
	(9)	(9)	1	(45)	(48)
<b>Items that will not be reclassified subsequently to profit:</b>					
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)
<b>Other comprehensive income after tax</b>	<b>(14)</b>	<b>(86)</b>	<b>23</b>	<b>(116)</b>	<b>(137)</b>
<b>Total comprehensive income for the period</b>	<b>74</b>	<b>(3)</b>	<b>253</b>	<b>69</b>	<b>114</b>

# Consolidated balance sheet

Assets (DKK million)	30 Sep. 2021	31 Dec. 2020	30 Sep. 2020
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>	<b>2,151</b>	<b>2,031</b>	<b>2,024</b>
<b>Current assets</b>			
Inventories	247	282	280
Receivables	233	115	210
Cash	660	481	465
<b>Total current assets</b>	<b>1,140</b>	<b>878</b>	<b>955</b>
<b>Total assets</b>	<b>3,291</b>	<b>2,909</b>	<b>2,979</b>

Equity and liabilities (DKK million)	30 Sep. 2021	31 Dec. 2020	30 Sep. 2020
<b>Equity</b>			
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
<b>Total equity</b>	<b>1,693</b>	<b>1,509</b>	<b>1,477</b>
<b>Non-current liabilities</b>			
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
<b>Total non-current liabilities</b>	<b>1,096</b>	<b>1,004</b>	<b>1,032</b>
<b>Current liabilities</b>			
Lease liabilities	21	18	17
Trade payables	250	180	192
Income tax	37	30	30
Provisions	3	6	9
Other payables	191	162	222
<b>Total current liabilities</b>	<b>502</b>	<b>396</b>	<b>470</b>
<b>Total liabilities</b>	<b>1,598</b>	<b>1,400</b>	<b>1,502</b>
<b>Total equity and liabilities</b>	<b>3,291</b>	<b>2,909</b>	<b>2,979</b>
Net interest-bearing debt	181	230	273

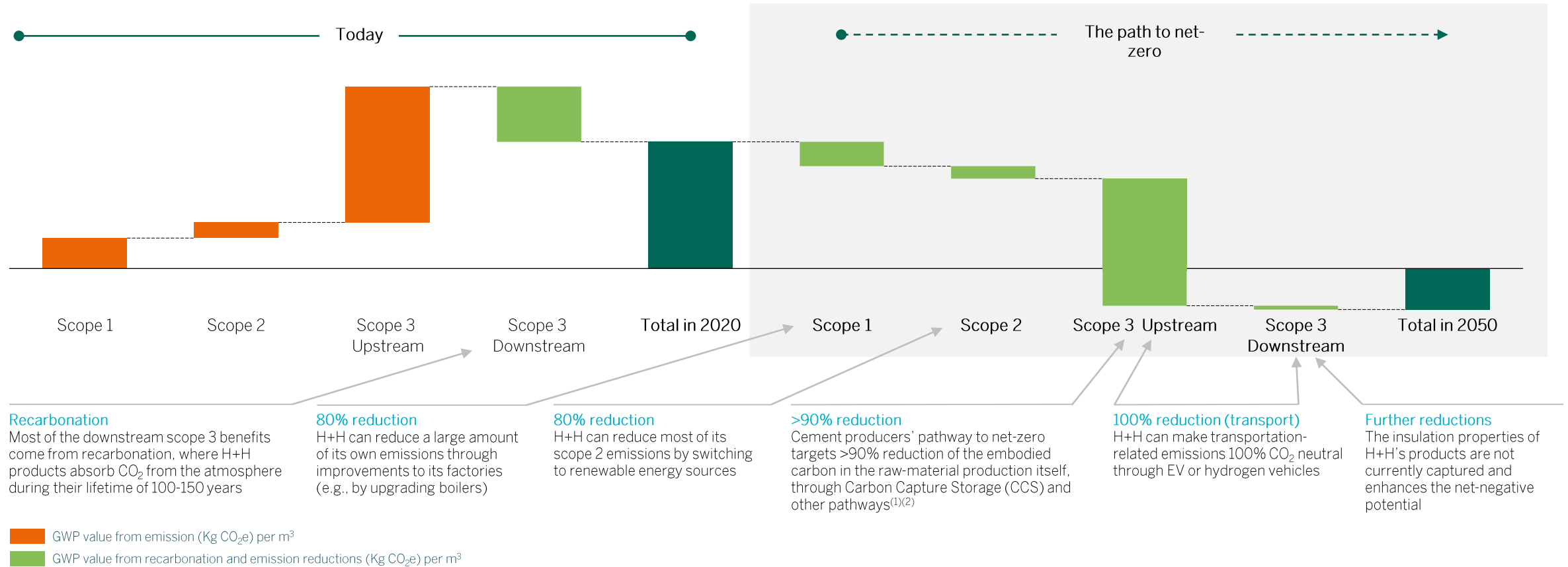


# Consolidated cash flow statement

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)
<b>Operating activities</b>	<b>176</b>	<b>158</b>	<b>377</b>	<b>305</b>
Acquisition of enterprises	(127)	-	(127)	(74)
Acquisition of property, plant and equipment and intangible assets <sup>(1)</sup>	(44)	(22)	(105)	(65)
<b>Investing activities</b>	<b>(171)</b>	<b>(22)</b>	<b>(232)</b>	<b>(139)</b>
Free cash flow	5	136	145	166
Change in borrowings <sup>(2)</sup>	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)	-
<b>Financing activities</b>	<b>1</b>	<b>(59)</b>	<b>31</b>	<b>44</b>
<b>Cash flow for the period</b>	<b>6</b>	<b>77</b>	<b>176</b>	<b>210</b>
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)
<b>Cash and cash equivalents, closing</b>	<b>660</b>	<b>465</b>	<b>660</b>	<b>465</b>

(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

# Generic product's carbon life-cycle assessment and path to net-zero



(1) Source: Cembureau – 2025 roadmap (the remaining ~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).



## Strategic ambitions

### Long-term financial targets

EBIT margin<sup>(1)</sup>

**11%**

2020: 13%

Return on Invested Capital

**14%**

2020: 18%

Financial gearing

**1-2x**

2020: 0.4x

### Non-financial targets

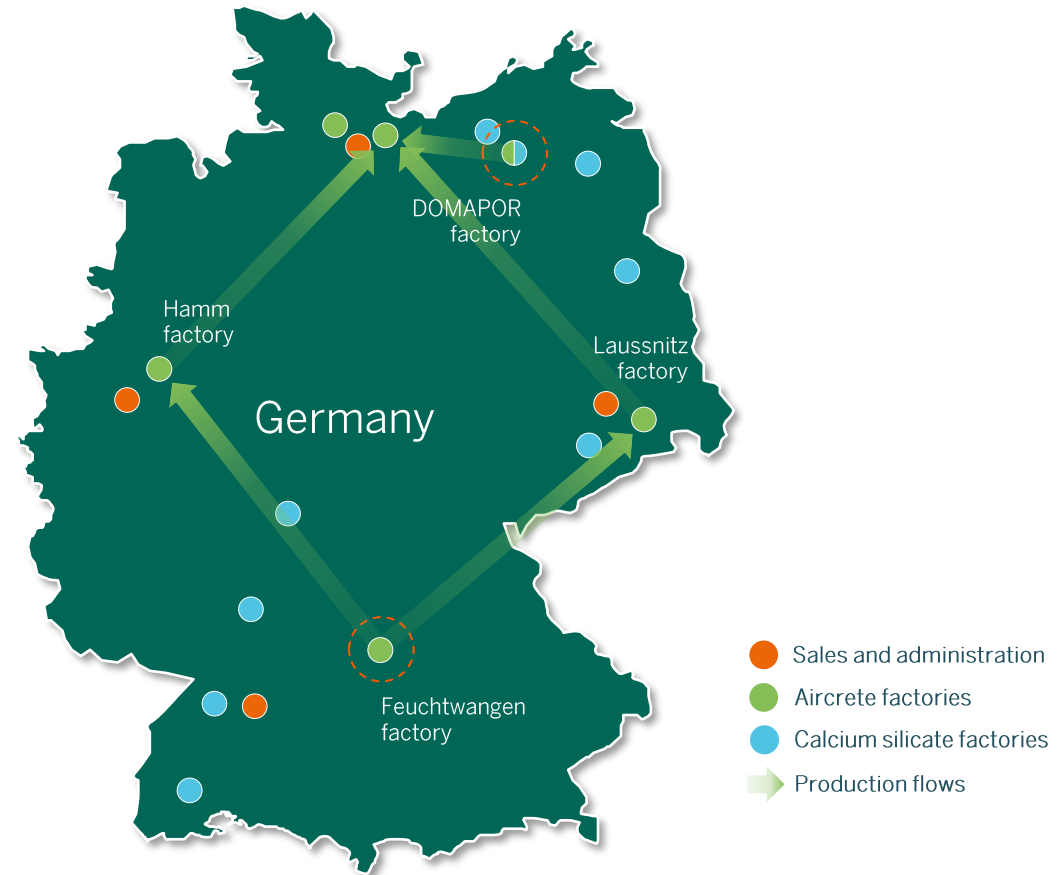
- Achieve net-zero emissions in H+H's operations by 2050
- Reduce energy consumption per m<sup>3</sup> by 7% versus 2019 base line of 565 MJ per m<sup>3</sup> by 2024
- Reduce water usage by 5% versus 2019 base line of 382 litres per m<sup>3</sup> by 2024
- Achieve zero waste to landfill by 2024
- In 2021, develop an emissions-reduction roadmap to become carbon neutral in H+H's own operations
- Reduce lost-time-incidents frequency (LTIF) to 3 by 2024
- Reduce absenteeism through sickness to 9 days per annum by 2024
- Improve gender diversity within the Board of Directors to minimum 25-40% of the under-represented gender by no later than the annual general meeting in 2023

(1) Before special items

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

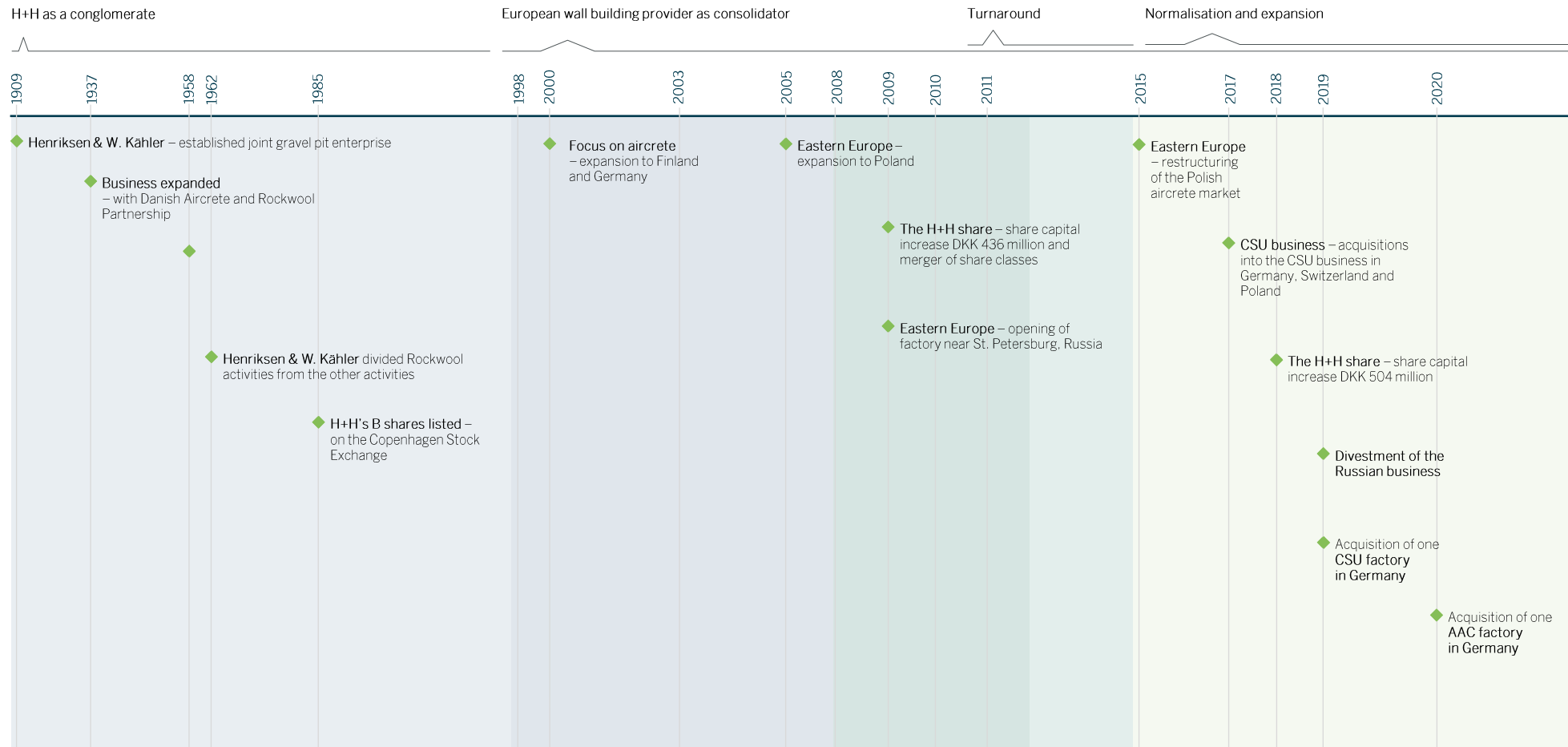
# Recent acquisitions provide opportunity to strengthen German factory network and build a solid foundation for future growth

- 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





# More than 100 years of experience



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