



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

April 2023



# Introduction

## Contents

Market update

2023 financial outlook

Questions and answers

## 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 32 factories in Northern and Central Europe producing a total annual output of close to 4.5 million cubic metres of wall-building materials. The Group has more than 1,700 employees working in eight countries in Central and Northern 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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# Market update

## Central Western Europe

### Germany:

- The number of building permits declined by 25-30% year-on-year (January).
- Interest rates remains high and number of new mortgage loans for private investors have decreased by approx. 35% since summer 2022.
- Some reluctance to realize new projects in multi-family houses before they sell current portfolio, but rental market continues to be undersupplied.
- Recent acquisitions have established a solid footprint across Germany, and we have taken considerable synergies from sales and administration. However, further synergies are being worked on by stronger utilization of the plant network.
- H+H has initiated specific resilience actions to mitigate impacts from the declining market demand. These measures include normalisation of stocks, utilising all sales channels and adjusting production capacity where needed. Also, actions have been taken to reduce and manage the operating cost base where relevant.
- For comparison, Q1 2022 was driven by extraordinary demand while Q2/Q3 2022 was negatively impacted by plant upgrades

## United Kingdom

- Activity levels for housing construction was very low in Q4 2022 and Q1 2023 driven by the high level of uncertainty, high interest levels and poor weather conditions.
- Interest rates seem to stabilize (5 years mortgages are now being offered at below 5%) and consumer confidence is slightly recovering but from a low level.
- Volume housebuilder sales rates was 0.2-0.3 in Q4 but seem to recover slowly.
- As H+H recently have undersupplied compared to customer demand, we continue to view favourably at our position to gain market share, including potential to increase AAC penetration through foundation blocks.
- Short term H+H has initiated resilience actions including normalisation of stocks and tight cost management.
- Planning the capacity increase at our Borough Green factory during 2023 adding 10% more volume to total UK capacity.
- For comparison, Q1 2022 was driven by extraordinary demand

## Poland

- Uncertainty around the economic situation are the main limiting factors for the industry.
- Growing inflation and continued high interest rates triggers an activity hold up and limits individual investors loan capabilities.
- The number of building permits declined by 36 % year-on-year (February); The decrease has a small overweight of developers. The number of starts are decreasing by approx. 40% across both individual investors and developers.
- Number of building permits issued continues to exceed the number of completions, adding further to the construction backlog
- H+H has initiated specific resilience actions to mitigate impacts from the declining market demand in Poland. These measures include adjusting production capacity where needed. Also, actions have been taken to reduce and manage the operating cost base where relevant.
- For comparison, Q1 2022 was driven by extraordinary demand and sales price development



# 2023 Financial outlook

Organic growth

~0%

EBIT before special items

330 to 400

DKKm

## Specific assumptions:

- Sales volumes expected to decrease around 10-15% in aggregate mainly driven by Poland.
- Further cost increases in 2023 expected, which are passed on through sales price increases.
- Exchange rates, primarily GBP, EUR and PLN remain at end-February 2023 levels.







# Questions and answers



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