



# H+H International A/S Investor Presentation - Aktieinfo

3 October 2023

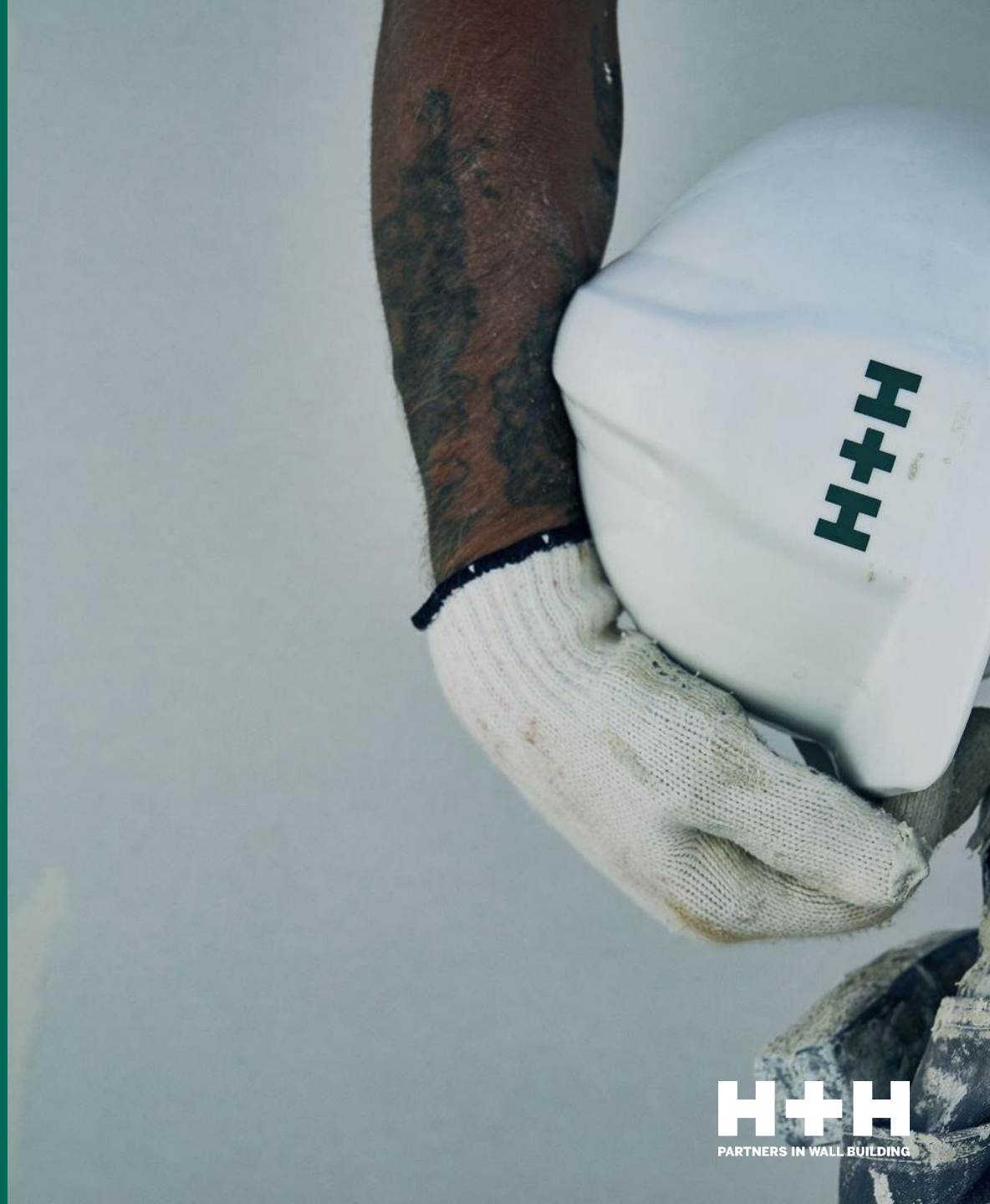


# Forward-looking statements

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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.

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# Introduction

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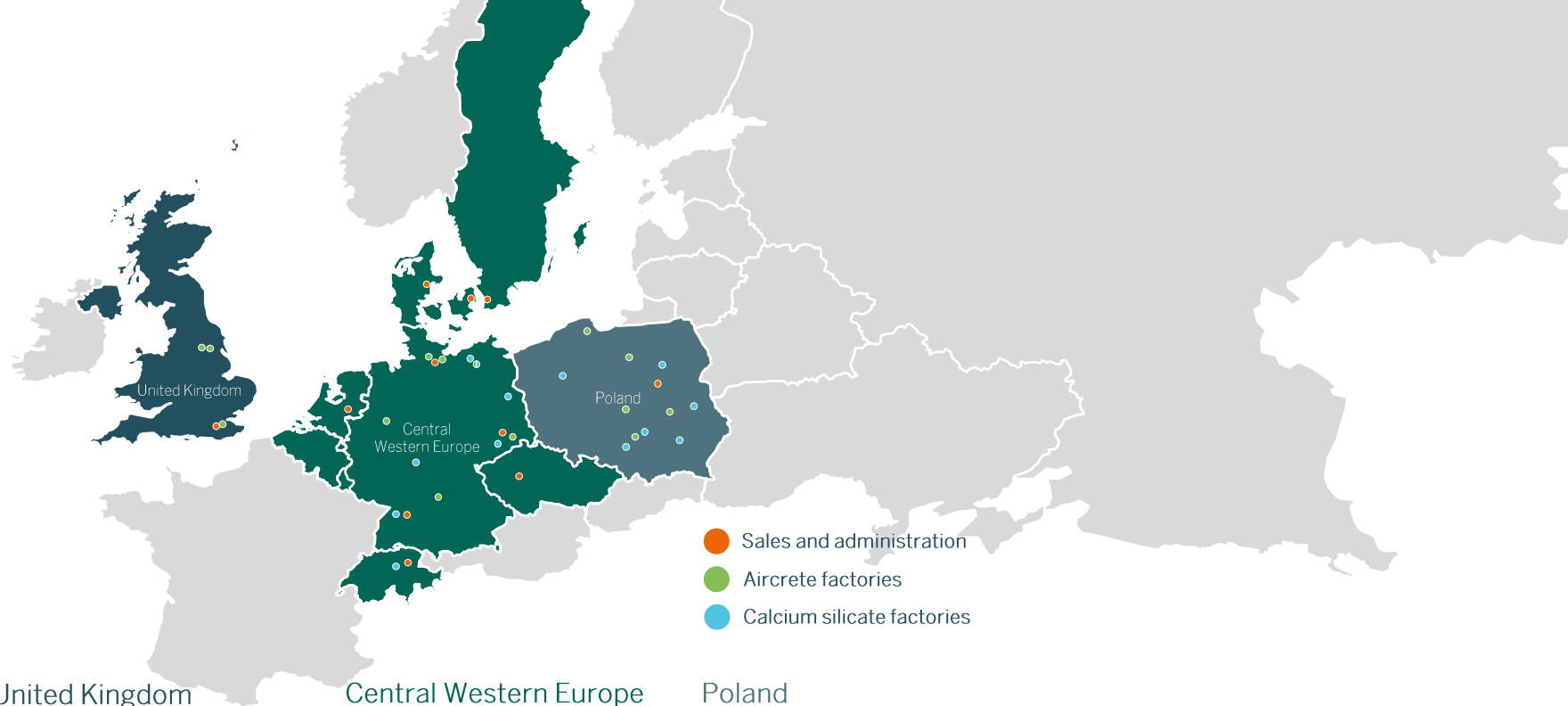
- 1 H+H at a glance
- 2 Our products and solutions
- 3 Market development
- 4 H1 Highlights
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# H+H at a glance

H+H has 27 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.

We are committed to achieving **carbon neutrality** for the company's products and operations by 2050.



## Company highlights

Expected revenue in DKKm (2023E)

2,700 – 2,900

Employees

~1,450

Factories

27

### United Kingdom

Market position

#1

Market share

>40%

### Central Western Europe

Market position

#2

Market share Germany AAC

~20%

Market share Germany CSU

~15%

### Poland

Market position

#2

Market share AAC

20-25%

Market share CSU

20-25%

Revenue split by product line (FY 2022)

29% Calcium silicate ("CSU")

71% Aircrete ("AAC")



# Products and solutions

Our product range is diverse and its flexibility allows for various applications. As a result, the customer segments are also diverse and provide a differentiated risk profile.

## 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 and pre-cast wall-panel solutions, 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 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.

## Applicable across segments and purposes



### 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-rise 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.

# Material of choice



H+H has the **materials of choice** because



*“H+H provides **affordable** and **sustainable** walls that ensures a **safe** environment for you and your family”*

## Safe



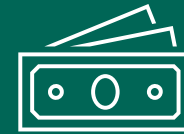
Safety comes first! Being top-class fireproof and made from materials that will not jeopardize your health; a wall built with H+H products ensures a safe environment for you and your family

## Sustainable



A wall that can stand for centuries and is low on Global Warming impact is a sensible, sustainable choice for you, your family and the world

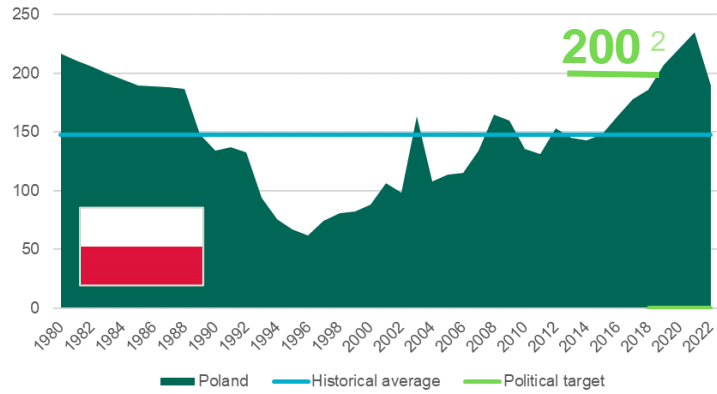
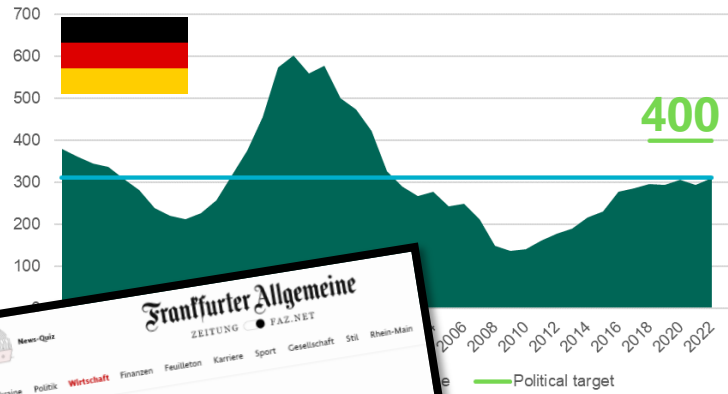
## Affordable



Our wall building solutions are easy and fast to build with, cost-efficient and can last for centuries, which makes it a good financial choice to build with

# There is a need for more homes – and H+H's products

## New dwellings completed '000 units <sup>1</sup>



## Product split for walls 2008 vs. 2022 <sup>3</sup>

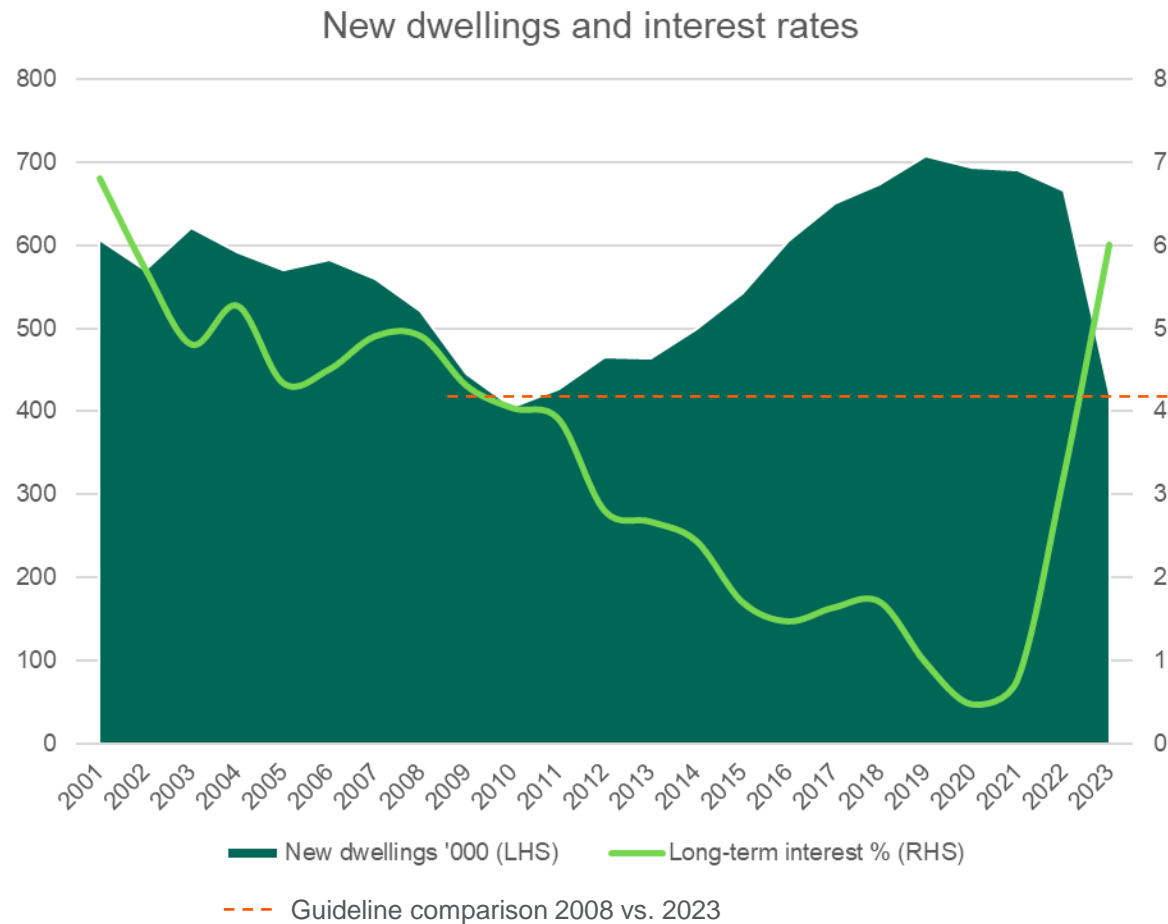
	2008	2022
AAC/CSU	34%	➔ 37%
Timber	16%	➔ 21%
Clay	35%	➔ 30%
Other	15%	12%

	2008	2022
AAC/CSU	51%	➔ 60%
Timber	7-8%	7-8%
Clay	35%	➔ 25%
Other	7-8%	7-8%

	2008	2022
AAC/CSU	29%	➔ 50%
Timber	25%	20%
Clay	0%	0%
Other	46%	➔ 30%

1: EUROCONSTRUCT 2: Assuming a total housing deficit of 1.5-2m dwellings in PL 3: internal H+H estimates

# Speed of interest rate increase heavily impacting newbuild sector in Europe



- Speed of interest rate change forces homeowners and investors to stop their decision to invest in real estate. Everyone needs a new business plan
- Volume decline larger than the one seen during the financial crisis in 2007-2010
- Current market activity in line with the low-point from 2009/2010
- No track record in modern times of such rapid interest rates increases
- Limited government support so far:
  - In Poland "Safe Credit" has been introduced
  - New depreciation pattern for newbuild in Germany



# 12% EBITDA margin at 40% lower volumes in H1

## Selected financial figures

Figures in DKKm unless otherwise stated.

Organic growth

-26%

Sales volume

-40%

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

24%

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

12%

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

4%

Financial gearing<sup>(2)</sup>

2.0x

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

## H1 2023 takeaways

- 1) 40% volume drop
- 2) Double digit price increases
- 3) First effects from efficiency program
- 4) EBITDA margin of 12% bsi

## Focus going forward

- 1) Managing working capital and cash
- 2) Improving the business for a better tomorrow

# Group business improvement program to drive efficiency of our operations

## Procurement savings

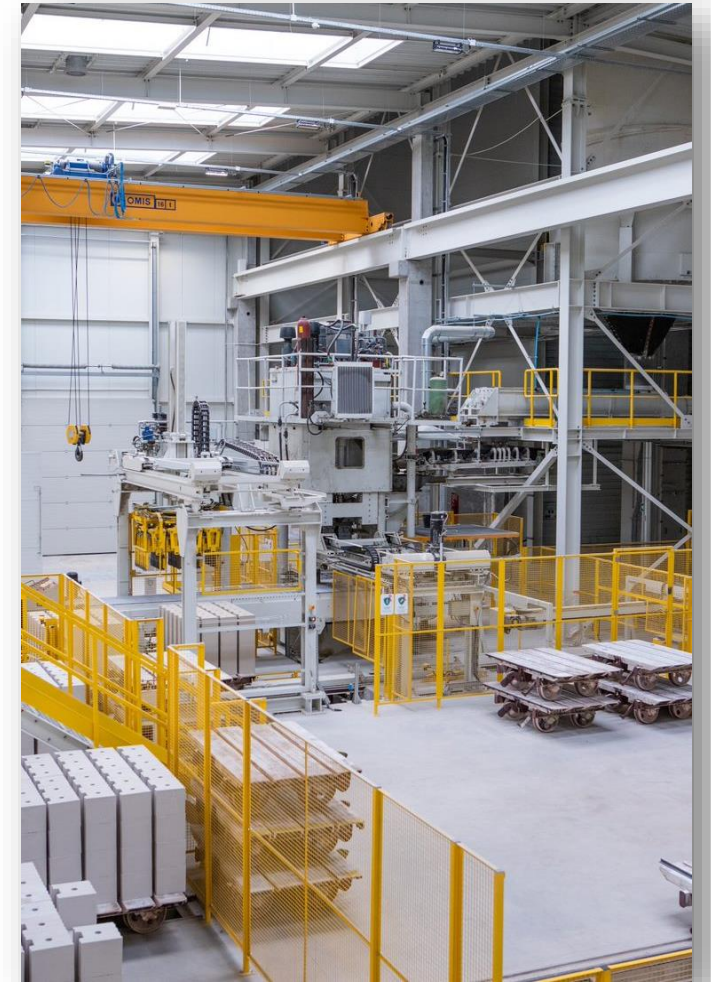
- Utilising market opportunities and lower demand situation for better input cost
- Guiding principle to defend contribution margin
- Strengthened group procurement function

## Plant network efficiency

- In general: enhancing efficiency through lean manufacturing principles
- Permanently closed 5 plants and redirecting volumes to bigger and more efficient plants. Example: Delivering Warsaw market at lower landed cost
- Adjusted shifts and our operations workforce by around 20%
- Further improving de-bottlenecking in our factories. Example: De-bottlenecking investment in Borough Green enabling 20% higher output

## SG&A cost savings

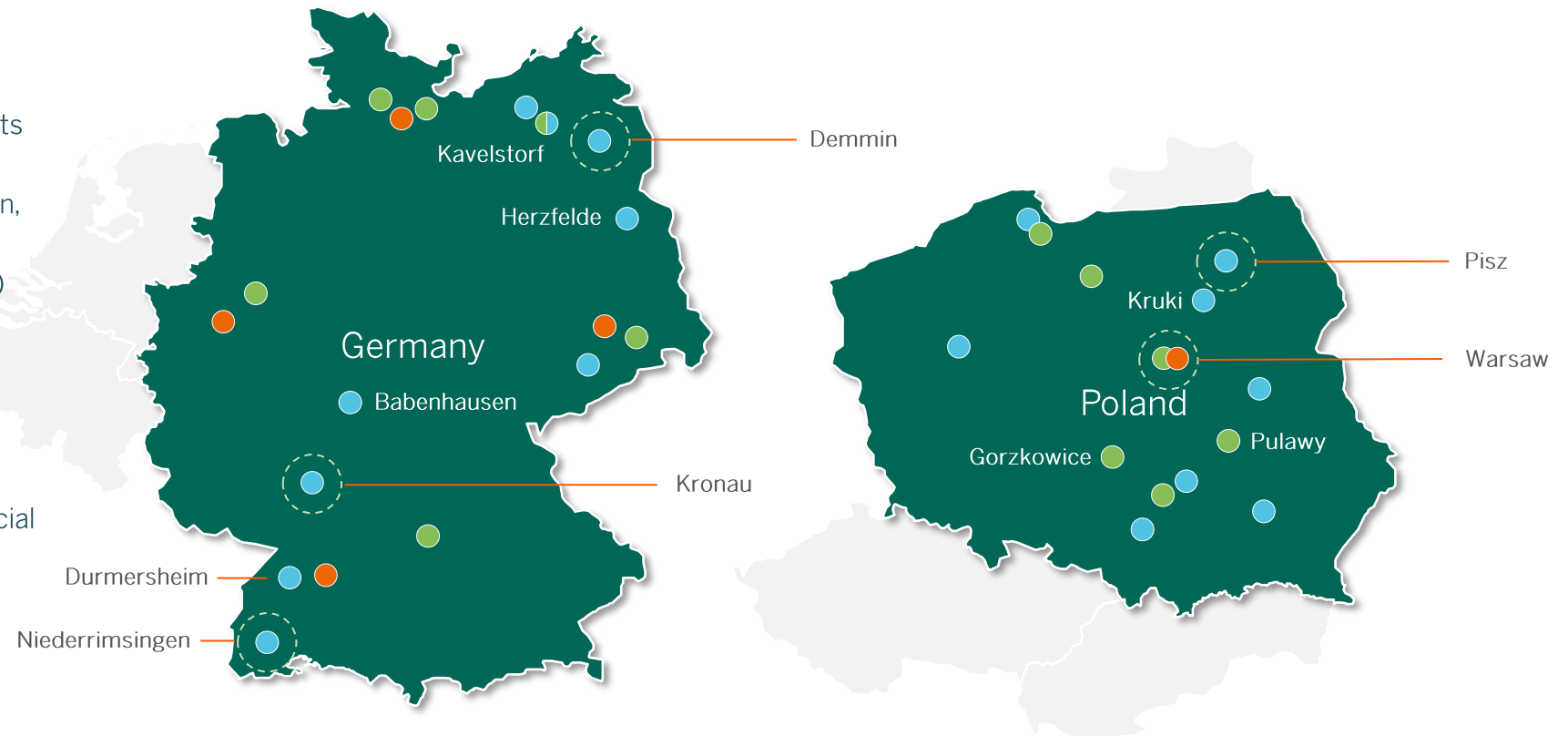
- Implementing SG&A cost savings supported by standardized business processes and digital tools
- Main focus on finally integrating CWE into ONE company after acquisitions in last 5 years
- Expected payback within a year



# Accelerate factory network optimisation

## From 32 to 27 factories

- Using current market conditions to strategically improve our factory network originally acquired back in 2018
- Better utilization of bigger and more efficient plants to service our regional markets
- Stop German CSU production activities in Demmin, Kronau, Niederrimsingen effective July 1 2023
- Stop Polish production activities in Warsaw (AAC) and Pisz (CSU) effective July 1 2023
- Transfer production to nearby factories and maintain regional commercial presence
- Focus future investments on remaining plants to even build further capacity in the regions
- We anticipate restructuring cost classified as special items excl. impairment of DKK 70-80 million



# Key takeaways

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- 1 Historical sharp interest rate increase leading to ~40% drop in newbuild activity across Europe and directly impacting our volumes
- 2 We are driving a group business improvement program to participate from procurement savings, build a more efficient network of plants and take SG&A cost out in CWE
- 3 Carefully managing working capital and cash
- 4 We are in a cyclical industry with supportive long-term fundamentals for more residential newbuild in all our markets



A photograph of two construction workers on a scaffolding at a building site. One worker is on the scaffolding holding a blueprint, while the other is on the ground looking at it. The image has a teal color overlay.

# Questions and answers

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# Supplementary information

# Consolidated income statement

Income statement (DKK million)	Q2 2023	Q2 2022	H1 2023	H1 2022	Full year 2022
Revenue	731	1,000	1,372	1,874	3,604
Cost of goods sold	(553)	(680)	(1,040)	(1,310)	(2,584)
<b>Gross profit before special items</b>	<b>178</b>	<b>320</b>	<b>332</b>	<b>564</b>	<b>1,020</b>
Sales costs	(41)	(46)	(78)	(84)	(170)
Administrative costs	(57)	(55)	(103)	(104)	(222)
Other operating income and costs, net	7	8	8	10	29
<b>EBITDA before special items</b>	<b>87</b>	<b>227</b>	<b>159</b>	<b>386</b>	<b>657</b>
Depreciation, amortisation and impairment losses	(49)	(50)	(100)	(99)	(202)
<b>EBIT before special items</b>	<b>38</b>	<b>177</b>	<b>59</b>	<b>287</b>	<b>455</b>
Special items, net	(165)	(9)	(174)	(19)	(42)
<b>EBIT</b>	<b>(127)</b>	<b>168</b>	<b>(115)</b>	<b>268</b>	<b>413</b>
Financial income	3	1	5	2	6
Financial expenses	(15)	(5)	(27)	(11)	(21)
<b>Profit before tax</b>	<b>(139)</b>	<b>164</b>	<b>(137)</b>	<b>259</b>	<b>398</b>
Tax on profit	38	(35)	29	(58)	(81)
<b>Profit for the period</b>	<b>(101)</b>	<b>129</b>	<b>(108)</b>	<b>201</b>	<b>317</b>
<b>Profit for the year attributable to:</b>					
H+H International A/S' shareholders	(101)	129	(108)	197	303
Non-controlling interests	-	-	-	4	14
<b>Profit for the period</b>	<b>(101)</b>	<b>129</b>	<b>(108)</b>	<b>201</b>	<b>317</b>
Earnings per share (EPS-basic) (DKK)	5.8	7.4	6.2	11.3	17.1
Diluted earnings per share (EPS-D) (DKK)	5.8	7.4	6.2	11.3	17.0



# Consolidated statement of comprehensive income

Statement of comprehensive income (DKK million)	Q2 2023	Q2 2022	H1 2023	H1 2022	Full year 2022
Profit for the period	(101)	129	(108)	201	317
Items that may be reclassified subsequently to profit or loss:					
Fair value adjustments of derivatives financial instruments	-43	-	-43	-	-
Foreign exchange adjustments, foreign entities	35	(7)	42	(15)	(17)
	(8)	(7)	(1)	(15)	(17)
Items that will not be reclassified subsequently to profit:					
Actuarial gains and losses	(1)	1	(46)	(40)	18
Tax on actuarial gains and losses	(1)	(2)	8	4	(1)
	(2)	(1)	(38)	(36)	17
Other comprehensive income after tax	(10)	(8)	(39)	(51)	-
Total comprehensive income for the period	(111)	121	(147)	150	317

# Consolidated balance sheet

Assets (DKK million)	30 Jun. 2023	31 Dec. 2022	30 Jun. 2022
<b>Non-current assets</b>			
Goodwill	421	419	453
Other intangible assets	253	253	265
Property, plant and equipment	1,740	1,822	1,727
Deferred tax assets	14	17	14
Financial assets	5	6	6
<b>Total non-current assets</b>	<b>2,433</b>	<b>2,517</b>	<b>2,465</b>
<b>Current assets</b>			
Inventories	721	523	365
Receivables	288	174	317
Cash	540	536	526
<b>Total current assets</b>	<b>1,549</b>	<b>1,233</b>	<b>1,208</b>
<b>Total assets</b>	<b>3,982</b>	<b>3,750</b>	<b>3,673</b>

# Consolidated balance sheet

Equity and liabilities (DKK million)	30 Jun. 2023	31 Dec. 2022	30 Jun. 2022
<b>Equity</b>			
Share capital	165	175	175
Retained earnings	1,682	1,822	1,745
Other reserves	(156)	(155)	(153)
Equity attributable to H+H International A/S's shareholders	1,691	1,842	1,767
Equity attributable to non-controlling interests	96	96	92
<b>Total equity</b>	<b>1,787</b>	<b>1,938</b>	<b>1,859</b>
<b>Non-current liabilities</b>			
Pension obligations	55	23	101
Provisions	38	38	41
Deferred tax assets	65	110	125
Credit institutions	1,312	920	771
Deferred payments, acquisition of subsidiary	99	105	105
Lease liabilities	78	81	78
<b>Total non-current liabilities</b>	<b>1,647</b>	<b>1,277</b>	<b>1,221</b>
<b>Current liabilities</b>			
Lease liabilities	25	27	20
Trade payables	278	278	300
Income tax	10	37	57
Deferred payments, acquisition of subsidiary	7	7	7
Provisions	31	9	5
Other payables	197	177	204
<b>Total current liabilities</b>	<b>548</b>	<b>535</b>	<b>593</b>
<b>Total liabilities</b>	<b>2,195</b>	<b>1,812</b>	<b>1,814</b>
<b>Total equity and liabilities</b>	<b>3,982</b>	<b>3,750</b>	<b>3,673</b>
Net interest-bearing debt	875	492	343

# Consolidated cash flow statement

Cash flow statement (DKK million)	Q2 2023	Q2 2023	H1 2023	H1 2022
Operating profit (EBIT)	(127)	168	(115)	268
Financial income, received	3	1	5	2
Financial items, paid	(15)	(5)	(27)	(11)
Depreciation and amortisation	49	50	100	99
Impairment of assets associated to closed down factories	100	-	100	-
Gain and losses on sale of assets and other non-cash effects	6	(8)	4	(7)
Change in working capital	(8)	22	(309)	(111)
Change in provisions and pension contribution	(10)	(9)	(18)	(27)
Income tax paid	(21)	(12)	(35)	(27)
<b>Operating activities</b>	<b>(23)</b>	<b>207</b>	<b>(295)</b>	<b>186</b>
Acquisition of property, plant and equipment and intangible assets	(45)	(42)	(82)	(84)
<b>Investing activities</b>	<b>(45)</b>	<b>(42)</b>	<b>(82)</b>	<b>(84)</b>
Free cash flow	(68)	165	(377)	102
Change in borrowings	175	(14)	392	28
Change in lease liabilities	(7)	(6)	(15)	(13)
Purchase of treasury shares	-	(50)	(2)	(85)
Other	-	-	-	-
<b>Financing activities</b>	<b>168</b>	<b>(70)</b>	<b>375</b>	<b>(70)</b>
<b>Cash flow for the period</b>	<b>100</b>	<b>95</b>	<b>(2)</b>	<b>32</b>
Cash, opening	436	433	536	499
Foreign exchange adjustments of cash	4	(2)	6	(5)
<b>Cash and cash equivalents, closing</b>	<b>540</b>	<b>526</b>	<b>540</b>	<b>526</b>