H+H International A/S
Q1 2024 Financial Results

Conference Call

15 May 2024

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Forward-looking statements

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First quarter in line with expectations

Selected financial figures

Figures in DKKm unless otherwise stated. Q1 2023 figures in brackets

Sales volume	Gross margin[1]	EBIT margin[1]
13%	**17%**	**-3%**
(-42%)	(24%)	(3%)

EBITDA margin[1]	Free cash flow	Financial gearing[1]
4%	**-91**	**5.1x**
(11%)	(-309)	(1.4x)

Q1 2024 key takeaways

(1) Early signs of market improvement in UK and PL resulting in 13% higher sales volumes.

(2) Business Improvement program is delivering with approximately 30% lower fixed costs in Q1.

(3) Gross margin came in as expected, however is impacted by planned decrease of stock and still effects from higher gas costs.

(4) Financial gearing at a level of 5.1 in line with our expectations.

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(1) Before special items

Early signs of market improvement in UK and PL

The United Kingdom:

- Overall consumer confidence is increasing in the UK.
- Application for new mortgages rising. Number of mortgage approvals were over 60,000 in February for the first time since September 2022.
- Month-on-month increase in registrations since January however, registrations down by 20% in Q1 2024 vs. last year.
- Volume improvement is driven by major housebuilders and new won customers.
- After maintaining prices throughout 2023, prices were adjusted in the beginning of 2024 to current market conditions.

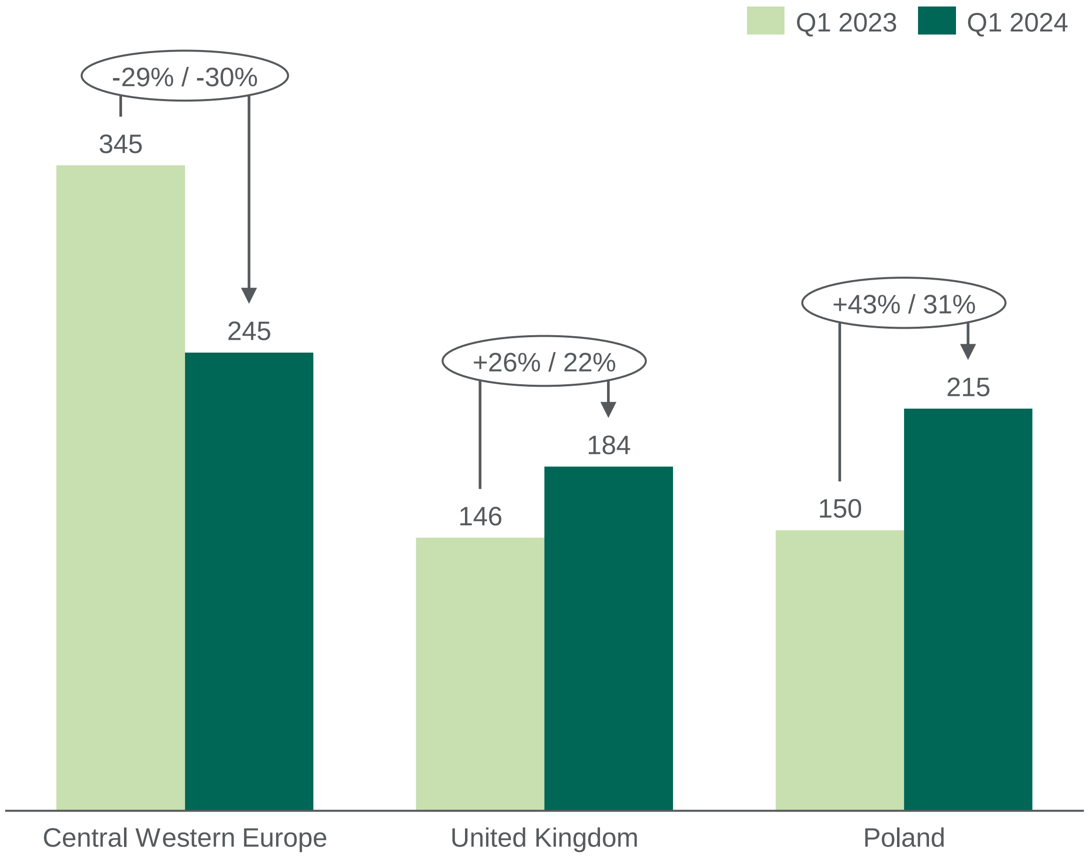
Poland:

- 2% loan programme “boosted” the application for new mortgages and new build activities in Poland.
- Building permits are also up 33% March YTD vs. last year.
- Successor program of the 2% program is being developed and is intended to launch in 2nd half of 2024 after current programme’s budget is already consumed.
- After gradual price corrections in 2023 backed by lower input cost, prices in 2024 are stable compared to Q4 2023 levels.

Germany:

- Opposite to UK and PL, overall, less new build activity than last year.
- Building permits declined by 25% February YTD vs. last year
- High interest rates, high construction costs resulting from regulation, and the lack of efficient government support programs have worsened the investment climate into newbuild
- After gradual price corrections in 2023, positive price development in 2024 vs. Q4 2023.

Revenue by region in DKKm. Revenue growth / organic growth



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Business improvement program delivering

From Q1 2023…	…to Q1 2024
32 operating **plants**	23 operating **plants** (plus 4 mothballed)
Stock with 3.7 months reach	**Stock** with 2.2 months reach
170m DKK **fixed costs** in operations	120m DKK **fixed costs** in operations
Around 1700 employees	Around 1300 employees
Individual plants	**Network of plants** - Following one operating model • Borough Green with 20% higher capacity. • Concentrate production volumes in higher efficiecent plants. • Expand customer offerings.

Project ONE - Business transformation in CWE

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From 3 to 15 to 12 plants

Original three plants before 2018

Aircrete factories

Calcium silicate factories

Strategic objectives

One face to the Customer

Simplified product portfolio

Integrated business processes

Results

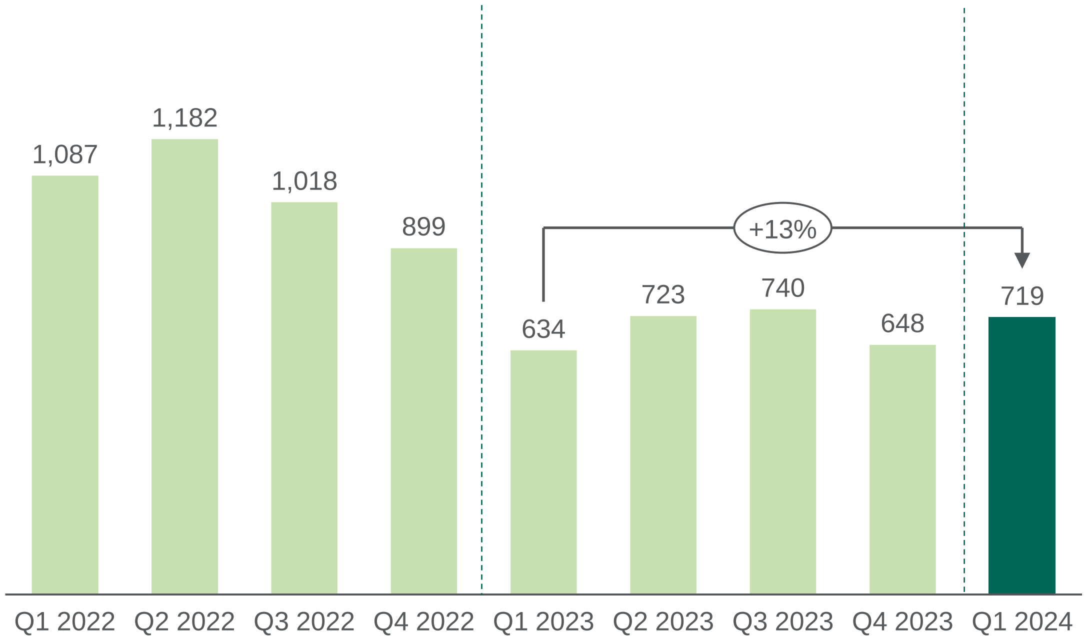
A true partner in wall building offering great customer experience

Better plant utilisation and higher uptime resulting in higher efficiency

SG&A costs in line with other regions

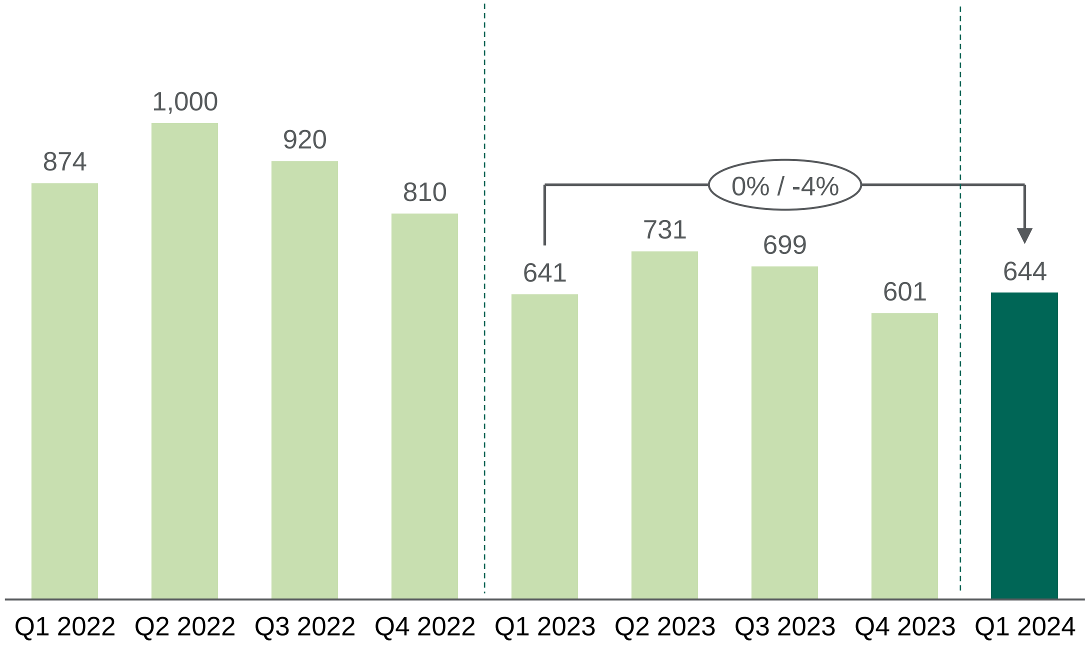
Organic growth significantly impacted by country mix

Volumes by quarter (Thousand m³)



- Positive volume development in the UK and in PL.
- Situation in CWE weaker than last year resulting in lower volumes.

Revenue by quarter DKKm. Revenue growth / organic growth



- Country mix impact was 7%.
- Prices were 9% lower than Q1 2023 as expected.
- Prices compared to Q4 2023 stable/improving in PL/CWE. UK prices below last year.

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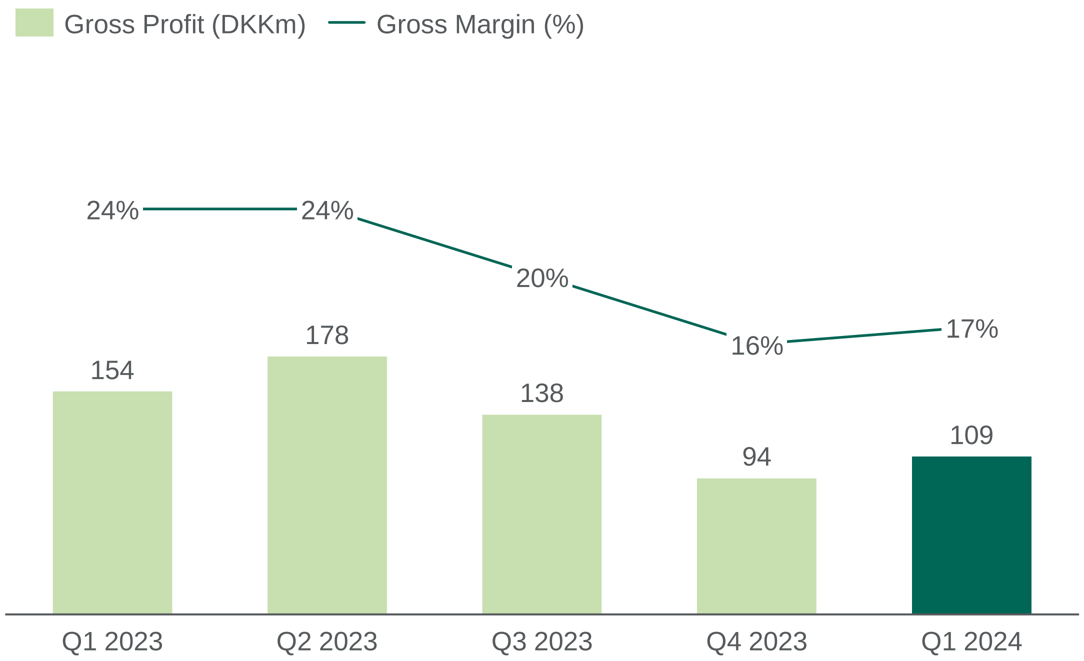
Gross margin in Q1 was impacted by gas and significant stock adjustments

Gross Profit and Gross Margin



- Gross profit was DKK 109 million compared to DKK 154 million corresponding to gross margins of 17% and 24%, respectively.
- Gross profit increase with DKK 15 million vs. Q4 2023 and gross margin increase 1 pp.

Gross margin development

- Gross profit in Q1 2024 was influenced by de-stocking. In contrast, there was a planned stock build-up in Q1 2023.
- In the first quarter of 2024, there was a negative impact of DKK 20 million from unfavourable gas contracts.
- Adjusted for unfavourable gas contracts the gross margin would have been 20%.
- We anticipate an improvement in the gross margin during the latter part of the year as gas unwinds from inventory and we approach our desired inventory levels of 4-6 weeks of stock on hand.

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Restructuring and special items

Gas settlement:

- As outlined in the 2023 Annual Report, H+H has decided to settle unfavourable gas contracts that were established in the summer of 2022. Consequently, a one-off loss of DKK 93 million was recorded in the first quarter and classified as special items.
- Additionally, the sale of unused hedged gas to the market led to a further loss of DKK 17 million, also recognised as special items. Thus, the total cost related to gas, classified as special items in Q1 2024, amounted to DKK 110 million.

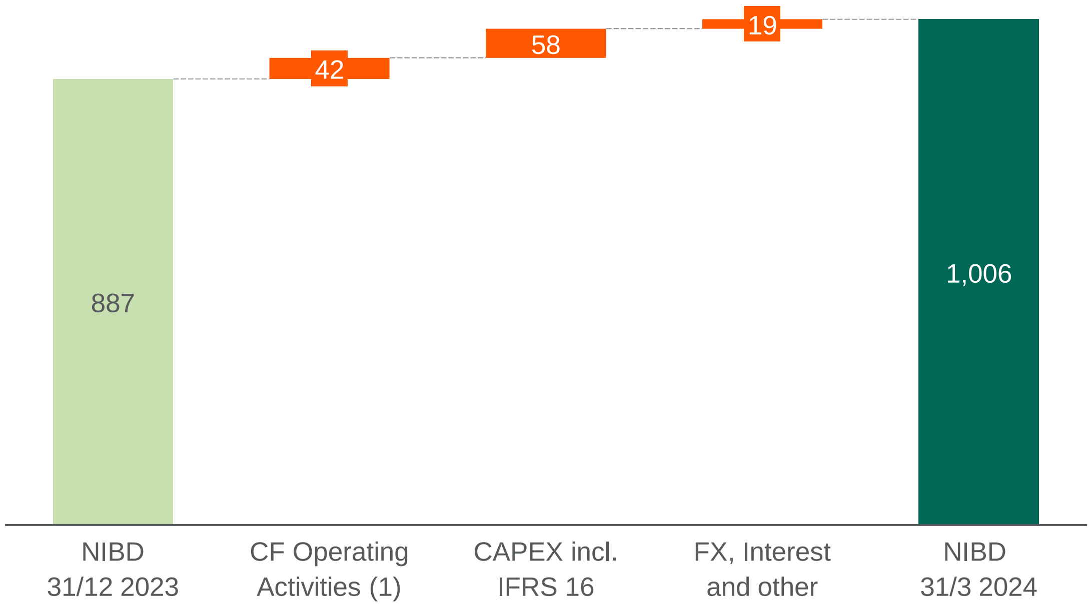
Restructuring cost:

- In Q1 2024, DKK 19 million in restructuring costs were recognised which mainly relates to CWE.

Special items, net Amounts in DKK million	2024 Q1
Restructuring costs	19
Unused part of gas hedges, incl. settlement cost	110
Total	129

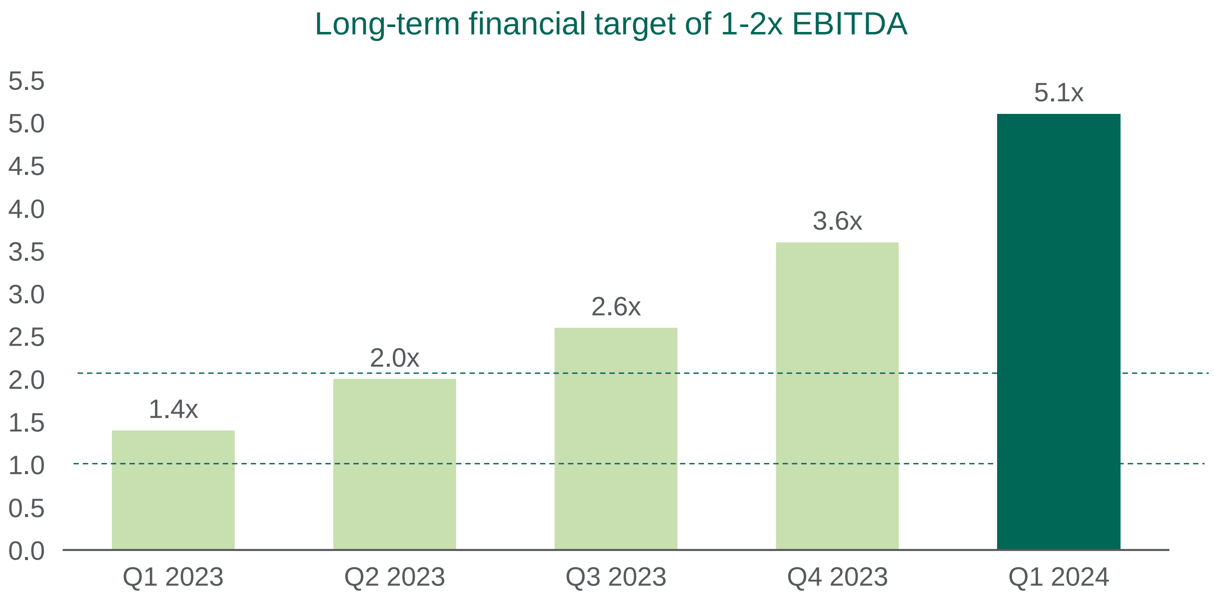
Increasing NIBD following normal seasonality

Net interest-bearing debt
DKKm.



- Development in operating cash flow is led by a positive development in inventory due to de-stocking offset by other negative working capital items.
- Q1 impacted by normal seasonality incl. customer bonus payouts.

Financial gearing
NIBD to EBITDA before special items



- Current financial gearing is increasing. However, we have adequate headroom within the terms of our banking agreements.
- We anticipate a decrease in the gearing ratio in the latter half of the year.
- Under stable conditions, we will get back to the long-term financial targets by organic measures.

(1) Before financial items

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Outlook for 2024 maintained

Revenue growth measured in local currencies (“organic growth”)

-5% to +5%

EBIT before special items is expected to be (DKKm)

50 to 150

Specific assumptions
H+H's financial outlook is based on several specific and general assumptions, with management identifying the most important assumptions as follows:

- Building activity in line with 2023 levels
- Price discipline in our key markets
- Exchange rate, primarily in GBP, EUR and PLN remain at mid-May levels

And following general assumptions

- Sales volumes and product mix
- Price competition
- Developments in the market for building materials
- Distribution factors
- Weather conditions
- Macroeconomic and geopolitical devel-opments
- Operational uptime at H+H’s production plants including supply of energy and raw materials

Key takeaways

1. Early signs of **market improvement** in UK and PL resulting in 13% higher sales volumes.

2. Business Improvement program is delivering with approximately **30% lower fixed costs in Q1.**

3. Gross margin came in as expected, however is impacted by planned **decrease of stock** and still effects from **higher gas costs.**

4. We expect financial leverage to **improve in the second half of the year.**

5. We are preparing **for future growth** by enhancing operational efficiencies and dedicated investments to de-bottleneck plants and transform our business in **CWE.**


Questions and answers
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Appendix

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Five-year summary

Income statement (DKK million)	2023	2022	2021	2020	2019
Revenue	2,672	3,604	3,020	2,654	2,840
Gross profit before special items	564	1,020	905	836	877
EBITDA before special items	244	657	591	521	539
EBITDA	58	615	567	521	531
EBIT before special items	57	455	408	332	366
EBIT	(230)	413	377	332	358
Profit before tax	(283)	398	356	307	205
Profit after tax for the period	(246)	317	321	251	150

Balance sheet (DKK million)	2023	2022	2021	2020	2019
Assets[1]	3,454	3,572	3,400	2,909	2,716
Invested capital	2,435	2,142	1,852	1,865	1,809
Investments in property, plant, and equipment[2]	165	266	197	134	126
Aquisition and divestment of enterprises	-	-	238	72	(20)
Net working capital	359	242	65	55	48
Equity	1,678	1,938	1,814	1,509	1,371
Net interest-bearing debt (NIBD)	887	492	350	230	407

Cash flow (DKK million)	2023	2022	2021	2020	2019
Cash flow from operating activities	(209)	316	454	425	369
Cash flow from investing activities	(137)	(255)	(427)	(206)	(105)
Cash flow from financing activities[1]	131	(80)	(25)	6	(131)
Free cash flow	(346)	61	27	219	264

Financial ratios and others	2023	2022	2021	2020	2019
Sales volume (thousand m^3)	2,745	4,187	4,326	4,022	4,494
Organic growth	(25%)	14%	13%	(6%)	6%
Gross margin before special items	21%	28%	30%	31%	31%
EBITDA margin before special items	9%	18%	20%	20%	19%
EBITDA margin	2%	17%	19%	20%	19%
EBIT margin before special items	2%	13%	14%	13%	13%
EBIT margin	(9%)	11%	12%	13%	13%
Return on invested capital (ROIC) (excl. goodwill)[3]	(9%)	19%	20%	18%	20%
Solvency ratio	46%	52%	50%	50%	49%
Financial gearing before special items	3.6x	0.7x	0.6x	0.4x	0.8x

ESG data	2023	2022	2021	2020	2019
Social					
Average number of FTEs	1,500	1,738	1,572	1,619	1,685
FTE's, end of reporting period	1,261	1,739	1,663	1,571	1,636
Lost-time incident frequency (LTIF)[4]	3.4	3.6	5.5	5.7	5.6
Sickness absence, short-term (days per FTE)	10	11	10	11	11
Environmental					
Total energy per m^3 (MJ)	575	567	554	551	565
Scope 1+2 intensity (kg/m^3)	36	40	45	46	46
Scope 1+2 emissions (tonnes)[4]	108,800	176,250	191,806	178,363	199,209
Scope 3 intensity (kg/m^3)	146	157	157	157	162
Total GHG emissions per net revenue (tonnes/DKKm)	206	240	287	302	315

1 2019 - 2021 numbers have not been adjusted to the change in accounting policy for presenting cash pool. For more details see general accounting policies page 87.
2 Investment in property, plant, and equipment excludes effects from IFRS 16.
3 Due to the acquisitions the method for calculating Return on invested capital (ROIC) has changed to better reflect a true and fair view.
ROIC for the period 2019-2021 has been calculated as Operating profit (EBIT) relative to average invested capital (excluding goodwill) on a twelve-month basis.
4 ESG figures for 2023 subject to limited assurance.

Note: Financial ratios and ESG measures have been calculated in accordance with recommendations from the Danish Society of Financial Analysts. See page 77 and 119.

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