

Investor presentation Q2 2017

17 August 2017

H+H

Porenbeton • Porebeton • Lättbetong
Cellenbeton • Beton cellulaire

H+H

Introduction

Forward-looking statement

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All presented numbers includes special items unless otherwise stated.

Agenda

- Highlights
- Financial performance
- Outlook and long-term financial targets
- Segments and market development
- Q&A

Highlights

Organic growth

- Revenue in local currency was on par with last year for the second quarter.
- Organic growth of 3% for the first half of 2017.

EBITDA*

- DKK 74 million in the second quarter against DKK 66 million last year.
- DKK 111 million for the first half of 2017 against DKK 103 million last year.
- EBITDA impacted by adverse currency development.

Investments

- DKK 7 million in the second quarter of 2017 against DKK 6 million last year.
- DKK 30 million for the first half of 2017 against DKK 17 million last year.

Grupa Silikaty

- Acquisition of silicate lime business in Poland pending customary approval from the Polish authorities.

* Before special items

Financial performance

DKK million		Q2			Q1 - Q2		
		2017	2016	Variance	2017	2016	Variance
Revenue	Actual	445	458	(3%)	822	825	(0%)
	Organic	458	458	0%	848	825	3%
Gross margin *		28%	26%	2%	26%	25%	1%
EBITDA	Before special items	74	66	8	111	103	8
	After special items	65	65	0	96	100	(4)
EBIT margin	Before special items	12%	10%	3%	9%	7%	2%
	After special items	10%	9%	1%	7%	7%	0%
Return on invested capital		15%	16%	(1%)	15%	16%	(1%)
Investments		7	6	1	30	17	13
Free cash flow		7	66	(59)	(88)	25	(113)
Net interest-bearing debt	DKK million				477	432	45
	Debt gearing				2.3x	1.9x	
Equity					343	216	127

* adjusted for special items gross margin was 29% for Q2 and 27% for the first half of 2017.



Outlook and long-term financial targets

Outlook 2017 and long-term financial targets

- No changes to outlook 2017 and the long-term financial targets

DKK million	Outlook	Long-term financial targets
Organic growth	5-7%	
EBITDA	220-240	
Investments	~ 120	
EBIT margin		8-10%
Return on invested capital		Min. 12%

Specific assumptions for outlook for 2017

- Economic growth of around 1-3% in our geographical footprint.
- The commercial and operational excellence programmes continue to deliver improvements.
- Exchange rates, primarily for GBP, EUR PLN and RUB, hold at their mid-August 2017 levels.
- Energy and raw material prices rise only in line than inflation from their mid-August 2017 levels.
- The geopolitical situation does not result in changed market conditions.

Other selected items

Free cash flow

- Free cash flow negatively influenced by increase in working capital, mainly due to building stock in the UK.

Credit facility

- Credit facility in place until March 2020.

Pension obligation

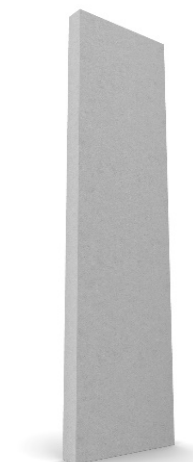
- Defined contribution obligation less deferred tax decreased approx. DKK 24 million.

Solvency

- Equity increased due to profit for the period and decrease in the pension obligation.
- Solvency ratio 25%.


Western European segment

DKK million		Q2			Q1 - Q2		
		2017	2016	Variance	2017	2016	Variance
Revenue	Actual	336	362	(7%)	624	654	(5%)
	Organic	355	362	(2%)	660	654	1%
EBITDA	Before special items	66	65	1	107	106	1
	After special items	62	65	(3)	96	106	(10)
Investments		4	4	0	23	11	12



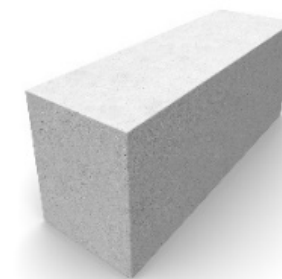
- Good price development in the UK and Germany.
- Decrease in organic revenue growth, largely due to stock build and phasing of sales in the UK and market decline in Germany.
- Volume driven growth in the Nordic and Benelux markets.
- Slight increase in EBITDA despite adverse exchange rate impact of DKK 4 million in the quarter and DKK 8 million for the first half.
- Higher input costs in the UK due to PFA, and in Germany offset by better capacity utilization.

Borough Green factory upgrade

- The Borough Green factory upgrade is running to schedule.
 - We are planning the upgrade to be completed in the first half of 2018.
 - Special items of approximately DKK 25 million cost are expected to be incurred in 2017 as a result of the Borough Green factory upgrade and resulting need to import products from Poland.
- 
- The increased transportation costs are expensed in production costs at the point of sale and treated as a special item.
 - Special items related to import of DKK 4.7 million in the second quarter and DKK 10.3 million for the first half of 2017.

Eastern European segment

DKK million		Q2			Q1 - Q2		
		2017	2016	Variance	2017	2016	Variance
Revenue	Actual	109	96	14%	198	171	16%
	Organic	103	96	7%	187	171	10%
EBITDA	Before special items	18	10	8	24	11	13
	After special items	14	9	5	20	8	12
Investments		3	2	1	7	6	1



- Organic growth due to positive volume and price development in Poland where the market conditions are favourable.
- Due to export to the UK and the booming Polish market, local market sales in Poland is limited by production output.
- Despite significant lower sales volumes in Russia we have been able to increase earnings against last year due to firm execution of price increases.
- Stocks are high in Russia and there are no indications of a market recovery in the short term.

H+H acquires silicate lime business in Poland

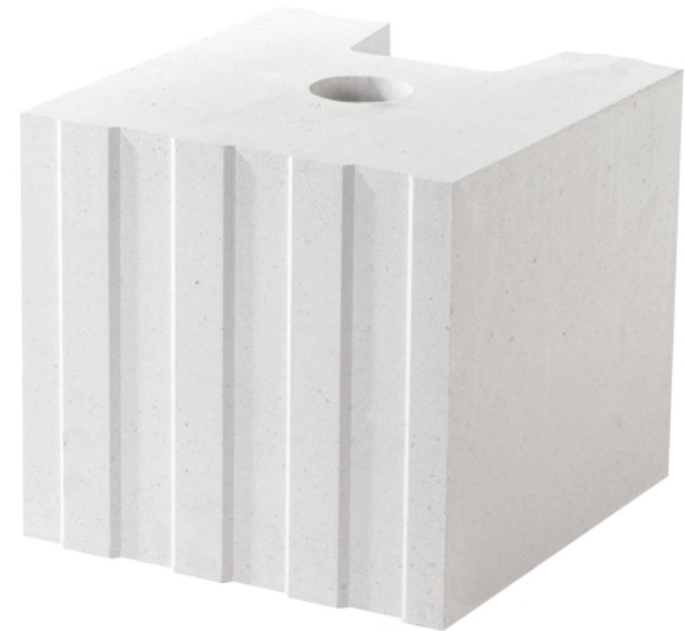
- H+H Polska buys Grupa Silikaty from Grupa Ożarów.
- Purchase price approx. DKK 64 million.
- Payment schedule agreed:
 - On closing – approx. DKK 14 million
 - January 2019 – approx. DKK 25 million
 - January 2020 – approx. DKK 25 million

Facts about Grupa Silikaty

- Second largest producer of CSU in Poland with seven plants.
- Revenue in 2016 of around DKK 157 million.
- EBITDA in 2016 was around DKK 11 million.
- Market share of around 30% in the calcium-silicate market.
- Around 300 employees.

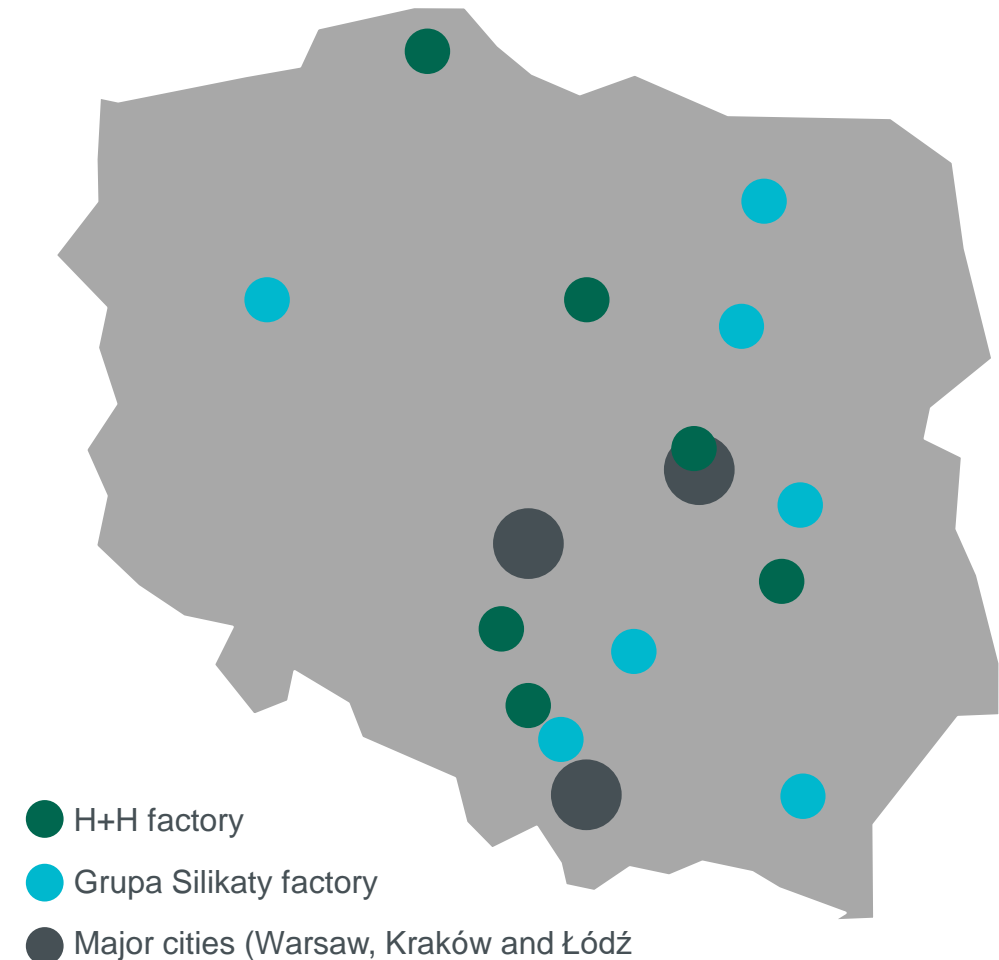
Product

- Calcium silicate units (CSU) is a building block / element made of:
 - 90% sand
 - 7% lime
 - 3% water
- The blocks are pressed together and then autoclaved in 8 hours at around 200 °C.
- Sound insulation and the load bearing ability are the predominant attributes of the product.
- The product is more heavy than aircrete (AAC), i.e. distribution range from the factories is shorter.



Market

- Installed capacity in Poland is approx. 1,800 tm3 distributed over 30 factories.
- Most factories running close to capacity ceiling.
- Grupa Silikaty has seven factories.
- Main competitors are:
 - Xella (7 factories)
 - SILPRO (1 factory)
 - Others (15 factories)
- Predominantly pull sales.



Rationale

- CSU enjoys a strong position in residential high-rise.
- Strengthening of our overall position and brand in the Polish wall building industry.
- Synergies predominantly from cross selling.
- H+H aim at maximizing output to take advantage of the current market situation.
- If H+H's cross selling approach is successful H+H can target similar product combinations in other countries.



Q & A



Thank you

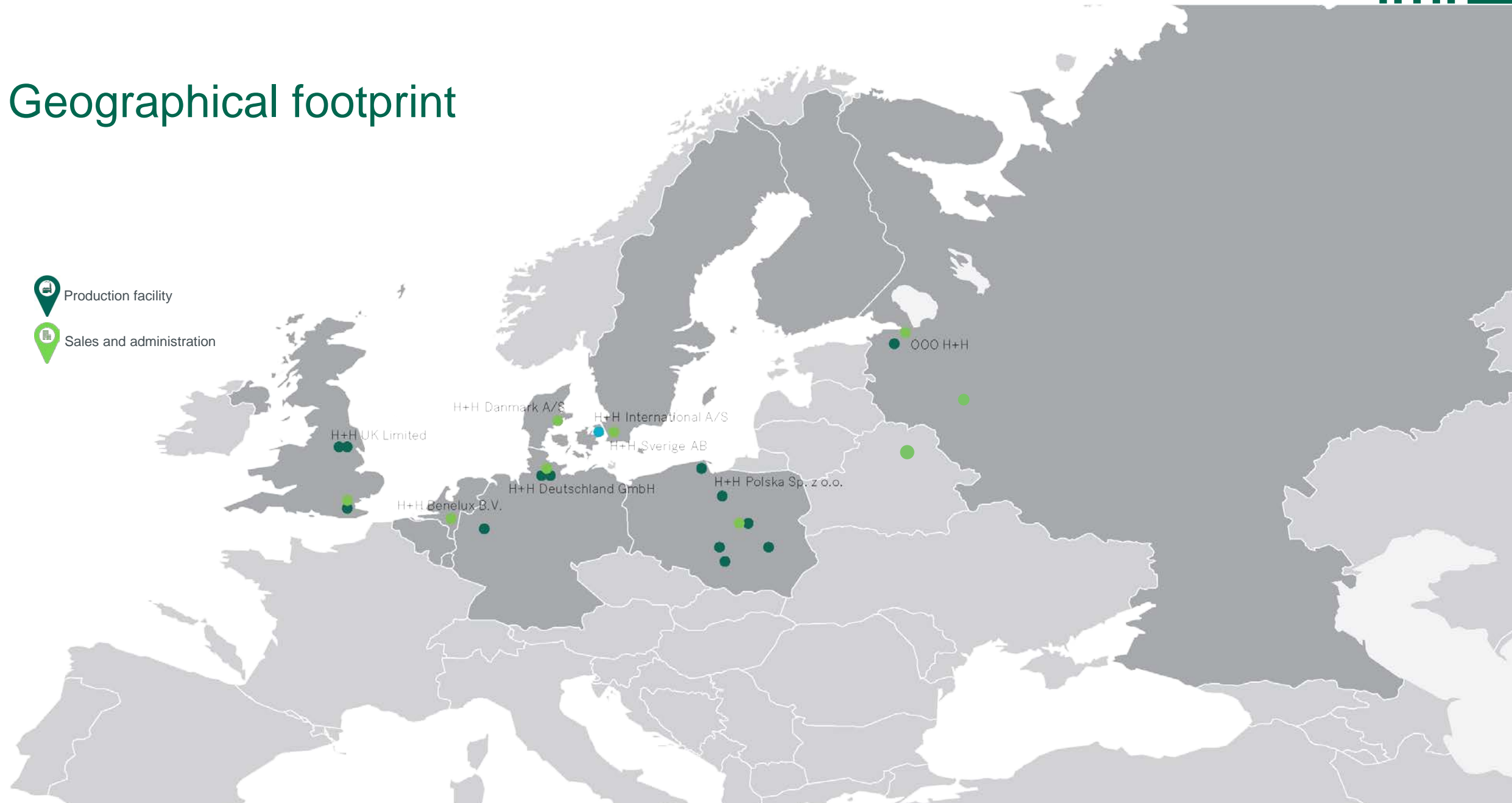
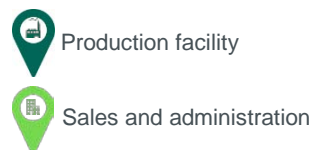
H+H International A/S
Dampfærgevej 3, 3rd Floor
2100 Copenhagen Ø
Denmark

+45 35 27 02 00

info@hplush.com
www.hplush.com

Appendices

Geographical footprint



Strategy and external growth drivers



- GDP growth
- Inflation
- Governmental stimuli of housebuilding



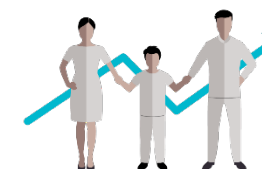
MACROECONOMIC
DEVELOPMENT

- Capacity utilisation in the aircrete industry
- Capacity utilisation in the building materials industry
- High entry barriers



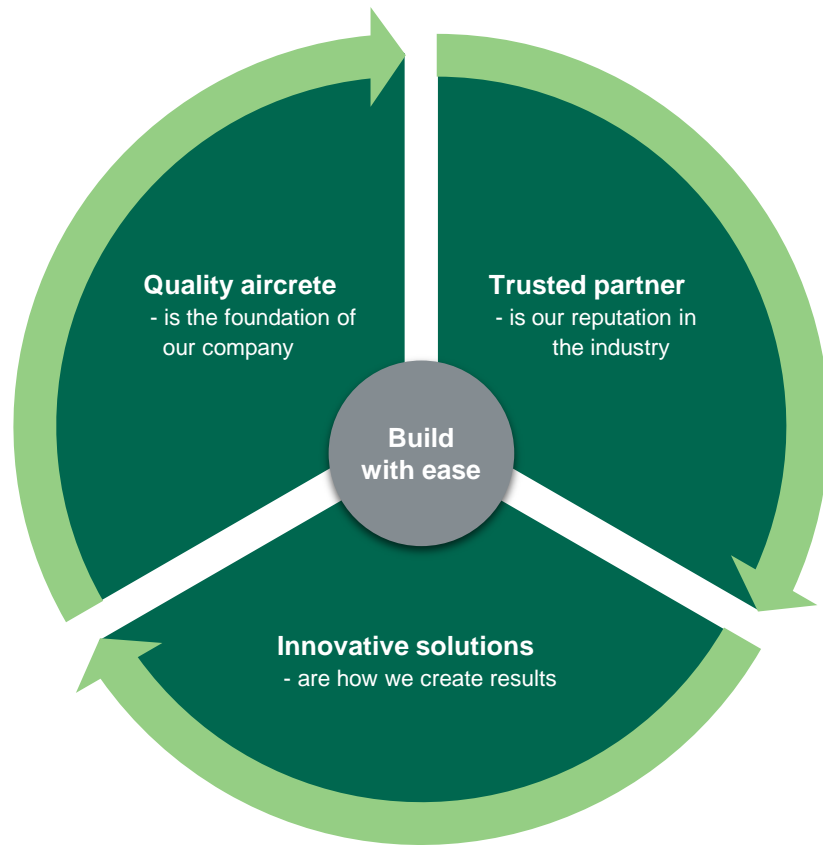
CAPACITY
UTILISATION

- Urbanisation
- Housing stock
- Demand for high-rise/low-rise

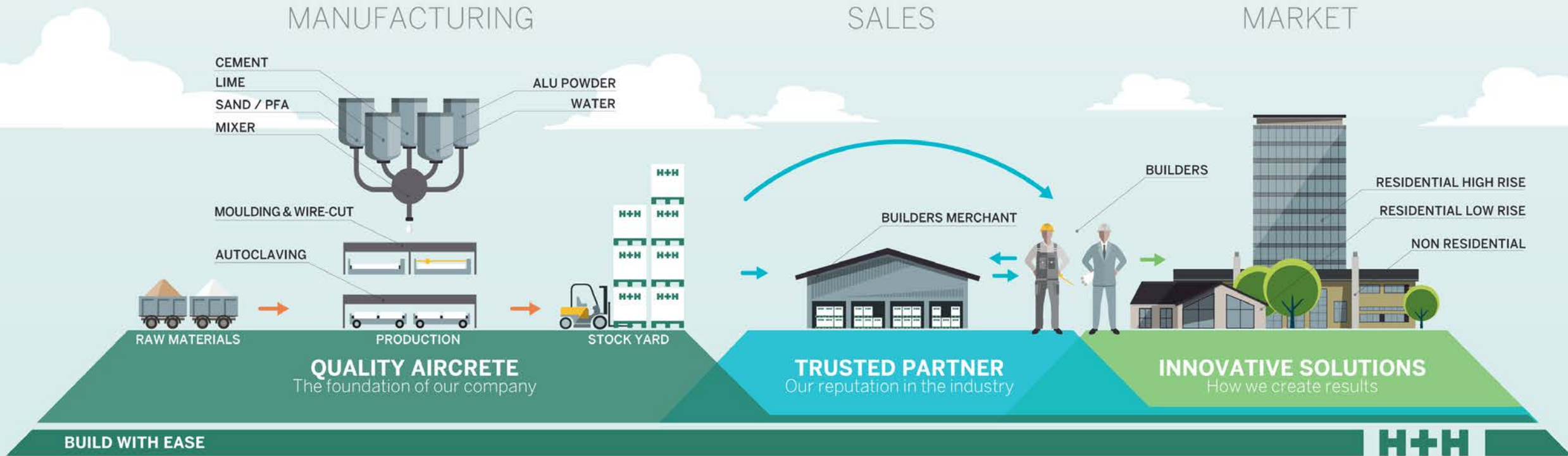


DEMOGRAPHY

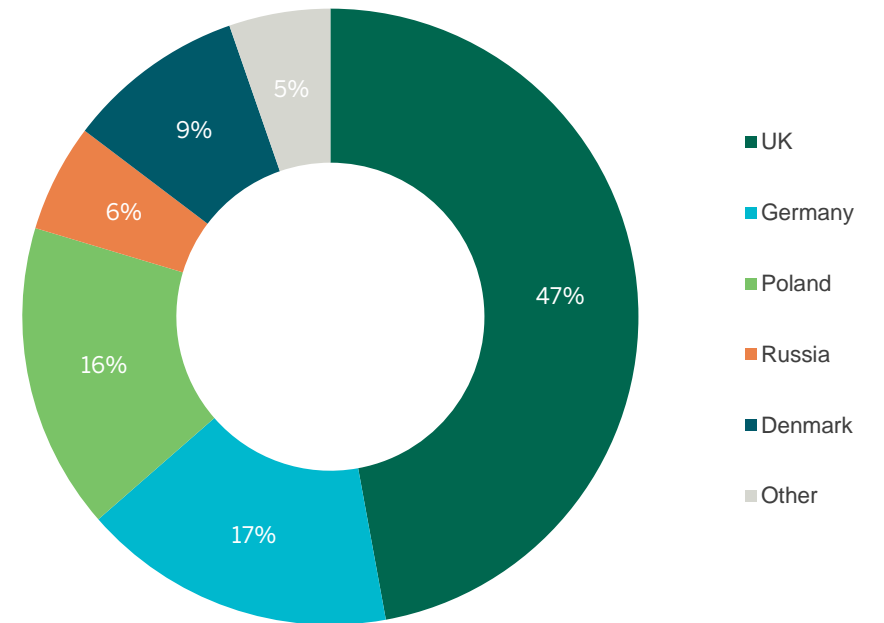
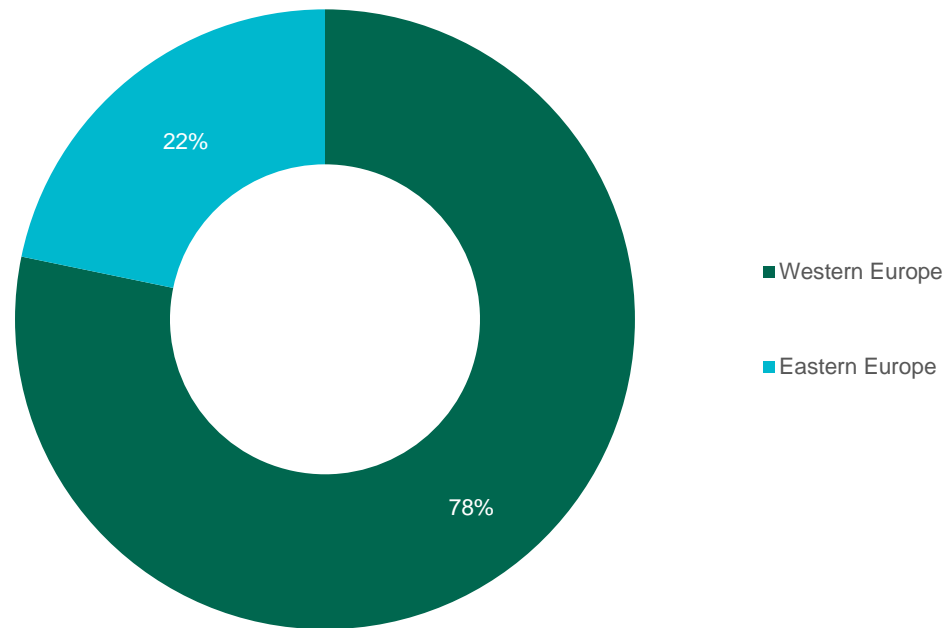
Commercial approach



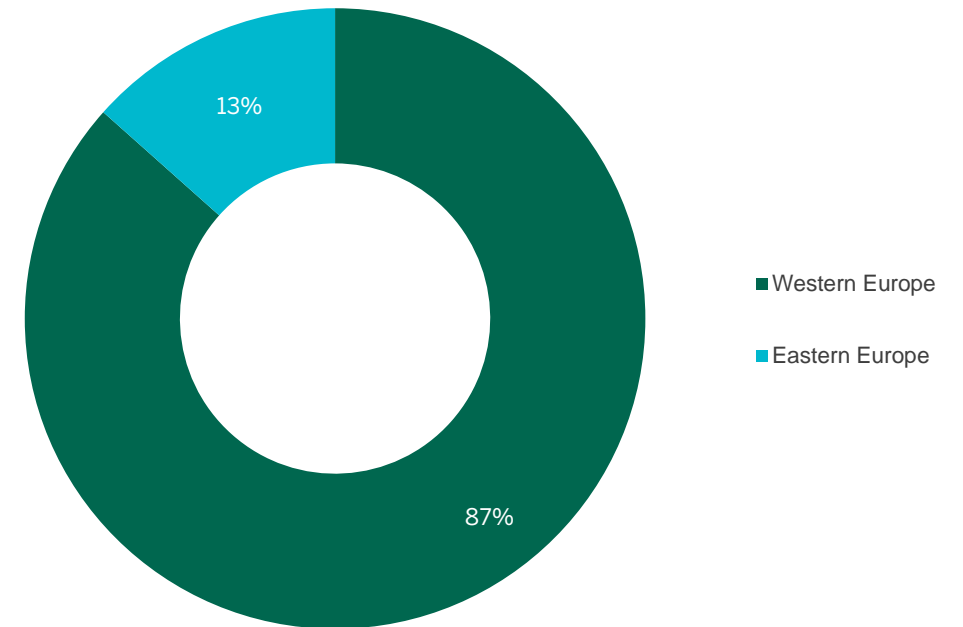
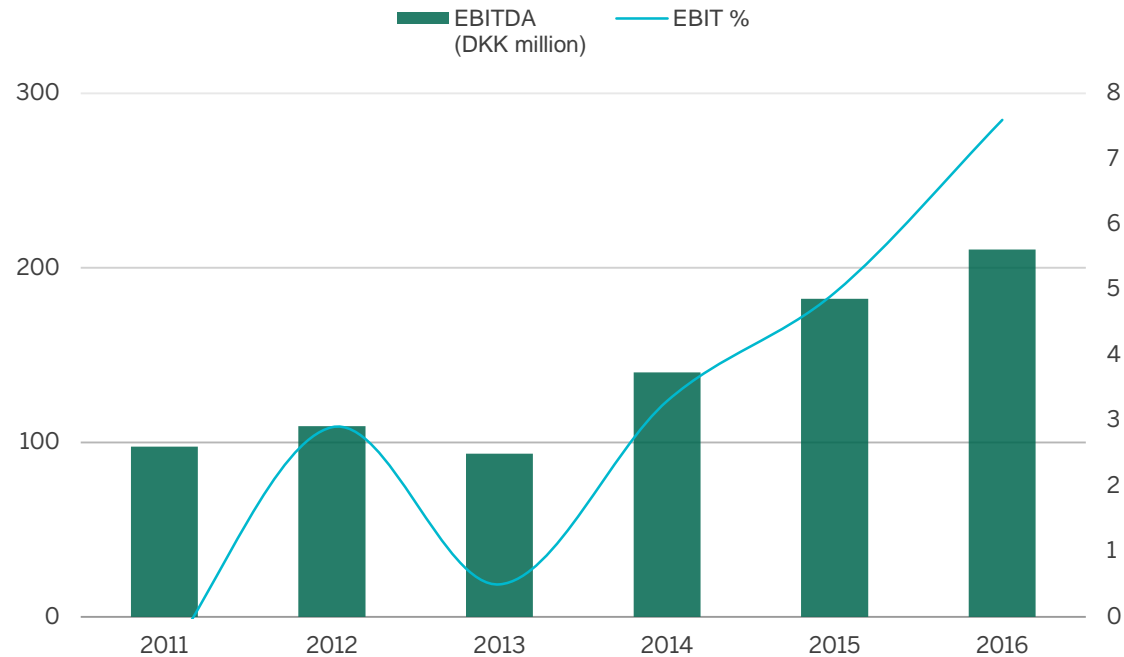
Business model



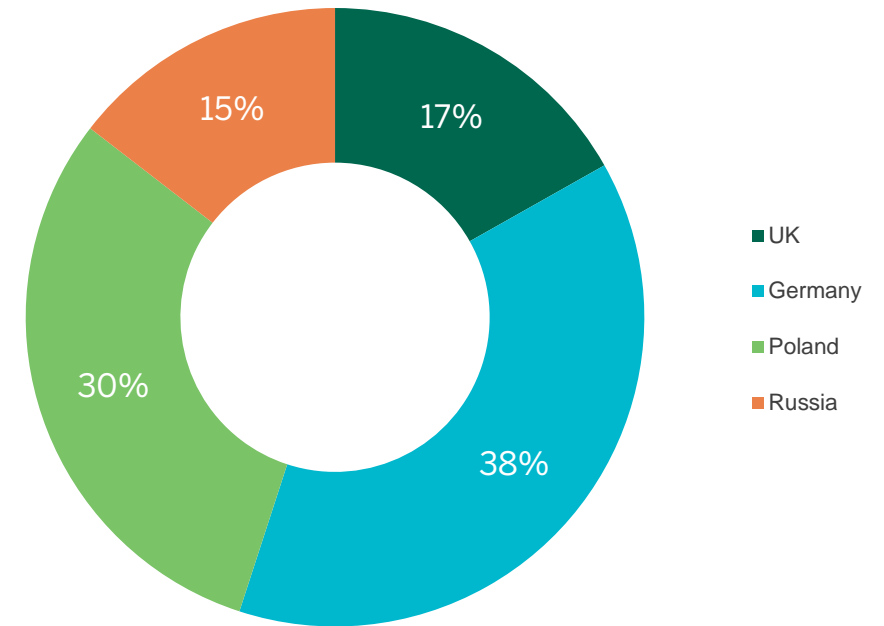
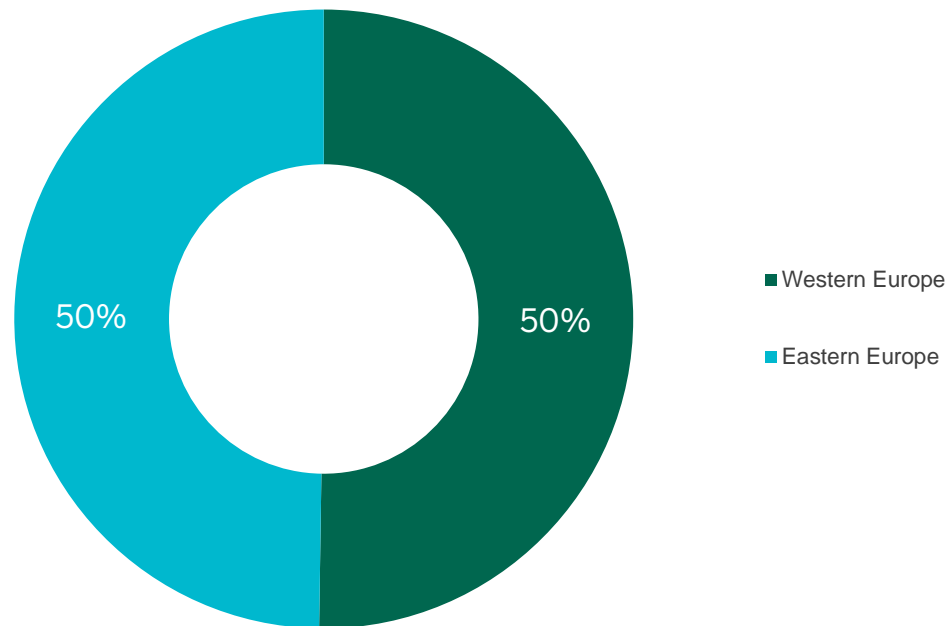
Revenue allocation 2016



EBITDA and EBIT margin development and EBITDA allocation 2016



Non-current asset allocation as of 31 December 2016



Net interest-bearing debt development and allocation as of 31 December 2016

