

Company announcement No. 471, 2021

H+H International A/S Annual Report 2021: strongest-ever annual results with solid organic growth and record earnings

CORRECTION TO ANNOUNCEMENT NO. 470 OF EARLIER TODAY



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Correction: In Company Announcement no. 470 of 3 March 2022, the headline for the Company's financial outlook incorrectly stated that this was the outlook for 2021 and not 2022. This header is hereby corrected below.

Today, the Board of Directors of H+H International A/S (hereinafter referred to as "H+H" or "the Group") has adopted the Annual Report for 2021.

CEO Michael T. Andersen quote

"I am proud to present the strongest-ever financial results in the history of H+H with solid organic growth and record earnings. These results were to a large extent driven by a swift recovery of the European housing markets following the Covid-19 pandemic, creating high demand and activity across our footprint. I am also proud to announce that H+H has delivered on the promises we made in last year's sustainability report by committing to an ambitious 1.5-degree emissions-reduction target which has been verified by the Science Based Target initiative. In doing so, H+H has become the first manufacturer of AAC and CSU products and one of only six companies within the building products sector in Europe to have science-based targets approved in line with the 1.5-degree scenario."

Selected financial highlights for the full year 2021 and the fourth quarter of 2021

		2021	2020	Q4 2021	Q4 2020
Revenue	DKKkm	3,020	2,654	731	642
Gross profit before special items	DKKkm	905	836	216	196
EBITDA before special items	DKKkm	591	521	139	125
EBIT before special items	DKKkm	408	332	94	74
Profit after tax	DKKkm	321	251	91	66
Cash flow from operating activities	DKKkm	454	425	77	120
Cash flow from investing activities	DKKkm	(427)	(206)	(195)	(67)
Free cash flow	DKKkm	27	219	(118)	53
Organic growth	Percent	13%	(6%)	11%	4%
Gross margin before special items	Percent	30%	28%	7%	6%
EBITDA margin before special items	Percent	20%	17%	5%	4%
EBIT margin before special items	Percent	14%	11%	3%	2%
Return on Invested Capital	Percent	20%	18%	20%	18%
Financial gearing	NIBD to EBITDA ratio	0.6x	0.4x	0.6x	0.4x

Financial review (2020-figures in brackets)

Total revenue increased by 14% to DKK 3,020 million (DKK 2,654 million). Revenue growth before acquisition and divestments measured in local currencies ("organic growth") was 13% (negative 6%).

The organic growth of 13% was primarily driven by a recovery of the UK market following the national lockdown in 2020 as a response to the Covid-19 pandemic. Excluding the UK, organic growth was 6% driven by strong demand and sales-price increases, especially in the Central Western Europe region.

Gross profit before special items was DKK 905 million in 2021 (DKK 836 million), corresponding to a gross margin before special items of 30% (31%).

EBITDA before special items was DKK 591 million (DKK 521 million), corresponding to an EBITDA margin before special items of 20% (20%).

EBIT before special items was DKK 408 million (DKK 332 million), corresponding to an EBIT margin before special items of 14% (13%).

Profit for the period increased was DKK 321 million (DKK 251 million) in 2020.

Cash flow from operating activities was DKK 454 million (DKK 425 million), primarily driven by higher EBITDA and positive working capital development partly offset by tax paid.

Free cash flow amounted to DKK 27 million (DKK 219 million). Excluding acquisitions and divestments, free cash flow amounted to DKK 265 million (DKK 291 million).

Return on invested capital ("ROIC") was 20% (18%).

Financial outlook for 2022

- Revenue growth before acquisitions and divestments measured in local currencies (organic growth) is expected to be in the range of 10% to 15%.
- EBIT before special items is expected to be in the range of DKK 420 million to DKK 500 million

The expectations for H+H's financial performance in 2022 are based on the following specific assumptions:

- Exchange rates, primarily the British pound ("GBP"), the euro ("EUR") and the Polish zloty ("PLN") remain at mid-February 2022 levels.
- Inflation rates related to the cost of energy and raw-materials to stabilise at mid-February 2022 levels.

Increase of long-term financial targets

Over the recent years, H+H has consistently outperformed its long-term financial targets for EBIT margin before special items and ROIC. Supported by the underlying market trends of a continued structural undersupply of housing, demographic growth, urbanisation and governmental support in increasing housing output, it has been decided to increase the Company's long-term targets for EBIT margin and ROIC as follows:

- The long-term financial target for EBIT margin before special items is increased to 12% (previously 11%)
- The long-term financial target for ROIC is increased to 16% (previously 14%)
- The long-term financial target for financial gearing is unchanged at 1-2 times EBITDA before special items

The long-term financial targets reflect the ambition to maintain minimum average levels across a full business cycle.

Share buy-back programme

The Board of Directors has decided to initiate a share buy-back programme of up to DKK 150 million. This corresponds to a total of 828,729 shares, or 4.6 percent of the current total share capital, based on the closing price on 2 March 2022. The decision is supported by the continued strong earnings and free cash-flow generation, which has resulted in a financial gearing comfortably below the Group's long-term financial target of 1-2 times EBITDA.

The Board of Directors continues to prudently balance further investments in growth with returning value to the Company's shareholders. Given relatively low financial gearing, there is an opportunity to return capital to the Company's shareholders while maintaining the ability to potentially pursue further investments in both organic and inorganic growth opportunities.

The share buy-back programme is carried out with the objective of adjusting the capital structure of H+H, and it is expected that any shares bought back under the programme, which are not used to meet obligations relating to the Company's share-based incentive programme, will be proposed cancelled at the Annual General Meeting in 2023.

Announcement of new Chief Executive Officer

With reference to Company Announcement no. 467 of 28 February 2022, the Board of Directors has announced that Dr. Jörg Brinkmann will be appointed as new Chief Executive Officer, replacing Michael T. Andersen who will leave the H+H Group. The changes will come into effect no later than 1 March 2023, and Michael T. Andersen will remain in his position as CEO until Dr. Jörg Brinkmann joins the Company.

Dr. Jörg Brinkmann, 42, is a native German and is currently Managing Director of James Hardie Europe GmbH and part of the Executive Leadership Team of James Hardie Industries plc. Prior to his position with James Hardie, he was CEO of Fermacell GmbH and member of the Xella Group Executive Committee. He holds a master's degree from the University of Duisburg-Essen as well as a PhD from the University of Hohenheim in Stuttgart, Germany.

Full year 2021 conference call

In connection with the release of the Annual Report for 2021, a conference call for investors and analysts is scheduled for 4 March 2022, at 10:00 a.m. CET. On the call, CEO Michael T. Andersen and CFO Peter Klovgaard-Jørgensen will present the annual report. The presentation will be followed by a Q&A session. Investors and analysts are invited to participate via phone:

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Other participants can follow the conference call via live webcast [here](#). The presentation slides for the conference call will be made available beforehand [here](#). A replay of the conference call will be available afterwards on H+H's Investor Relations website [here](#).

Other annual publications

In addition to the Annual Report for 2021, the following documents have today been released and made available on the Group's website:

- [Sustainability Report](#)
- [Annual Remuneration Report](#)
- [Corporate Governance Statement](#)

Kent Arentoft

Chairman of the Board of Directors

Michael T. Andersen

Chief Executive Officer

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H+H International A/S's core activity is the manufacture and sale of wall building materials, with a revenue in 2021 of DKK 3,020 million. The main product lines are aircrete blocks and calcium silicate units used for the residential new building segment. H+H has 31 factories in Northern and Central Europe with a total output of close to 4.5 million cubic metres of products annually and has a leading position in most of its markets. H+H has more than 1,600 employees and is listed on the Nasdaq Copenhagen stock exchange.