



# Wienerberger Results 2018

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# Disclaimer

Cautionary note regarding forward-looking statements

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**BUILDING FOR  
PEOPLE**

**CREATING  
VALUE**

**GROWING  
SUSTAINABLY**

**200** YEARS  
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# HIGHLIGHTS 2018

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# 2018: Another outstanding year for Wienerberger

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## Robust top line growth

Revenues € 3,305 mn | +6%



## EBITDA in line with top end of guidance

EBITDA LFL € 469 mn | +15%



## Strong business progression across all Divisions

Substantial expansion of EBITDA LFL margins



## Significant return of capital to shareholders

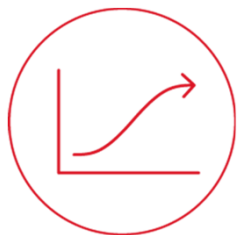
Dividend increased by 70% year-on-year

€ 81 mn returned to shareholders

# 2018: Another outstanding year for Wienerberger

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Strong free cashflow generation

Free cash flow € 237 mn | +55%



Fast Forward 2020 fully on track

€ 20 mn savings delivered on schedule



Significant step-up in M&A activity

Building on excellent track record of value creating bolt-on acquisitions



Consistent delivery on strategic goals

## Clay Building Materials Europe

# Strong top-line growth and margin expansion

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- › Slight growth in European residential construction
- › Positive market environment used to increase volumes and prices
- › Significant improvement of EBITDA
- › Substantial margin improvement in Eastern Europe highlights strong operating leverage
- › Profitability improvement underlines successful repositioning of the German and Austrian organizations
- › Strengthening of our market position through acquisitions of two producers of facade solutions in NL

<b>CBME</b> (in € mn)	<b>2017</b>	<b>2018</b>	<b>Chg. in %</b>
External revenues	1,787.0	1,918.8	+7
EBITDA	324.3	357.6	+10
EBITDA LFL	312.3	367.1	+18
EBITDA LFL margin	17.5%	19.4%	-



## Pipes & Pavers Europe

# Robust growth and portfolio optimization

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- › Sound market environment used for significant earnings increase
- › Recovery of EU-funded infrastructure projects in Eastern Europe
- › Strong development of acquired activities in prewired electro conduits and pre-insulated plastic pipes
- › Repositioning of ceramic pipe business and French plastic pipe activities led to significant increase in profitability
- › Profitable sale of Austrian concrete paving business

<b>P&amp;P Europe</b> (in € mn)	<b>2017</b>	<b>2018</b>	<b>Chg. in %</b>
External revenues	1,014.2	1,070.1	+6
EBITDA	69.7	78.2	+12
EBITDA LFL	83.7	91.2	+9
EBITDA LFL margin	8.4%	8.6%	-





## North America

# Strong earnings growth and selective M&A

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- › Substantial earnings growth
- › Strong performance of US plastic pipe business
- › Significant earnings contribution from facing brick producer acquired in 2017
- › Lower earnings in the Canadian business due to stricter regulations for the housing market
- › Expansion of our presence in the Northeast of the US through an acquisition of a facing brick producer at the end of the year

North America (in € mn)	2017	2018	Chg. in %
External revenues	308.7	306.8	-1
EBITDA	32.0	43.2	+35
EBITDA LFL	31.5	38.6	+23
EBITDA LFL margin	10.2%	12.7%	-



**Group strategy**

**Clear strategy, consistently delivered**

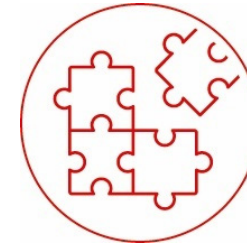
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**Organic growth**



**Operational  
Excellence**



**Growth projects &  
Portfolio optimization**

**It is our culture to strive continuously  
to accelerate our growth efforts**

# How we drive growth

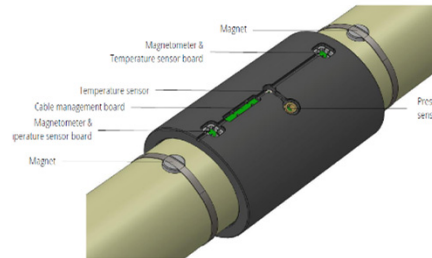
## Organic growth

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### Innovative Solutions

- > Sensors measure various parameters
- > Data support decisions regarding replacement and lifetime prediction
- > Shift from corrective to preventive maintenance

#### Smart fittings & probes



### Digitalization

- > Wienerberger experts handled the design, the digital documentation and the submission for permits
- > Full range of products for e4 Brick house concept used

#### e4 housing development



### Value adding applications

#### Tackling shortage of skilled labor

- > Truck mounted construction robot, Hadrian X
- > Prefabricated brick walls
- > Construction plans are digitally transformed and precisely built according to customer needs



### Market proximity

- > Roofer uses platform for planning, ordering and as CRM tool
- > End customer receives offer generated by tool
- > Wienerberger builds relationships, collects information and serves as one-stop shop

#### Roof planner



## How we drive growth

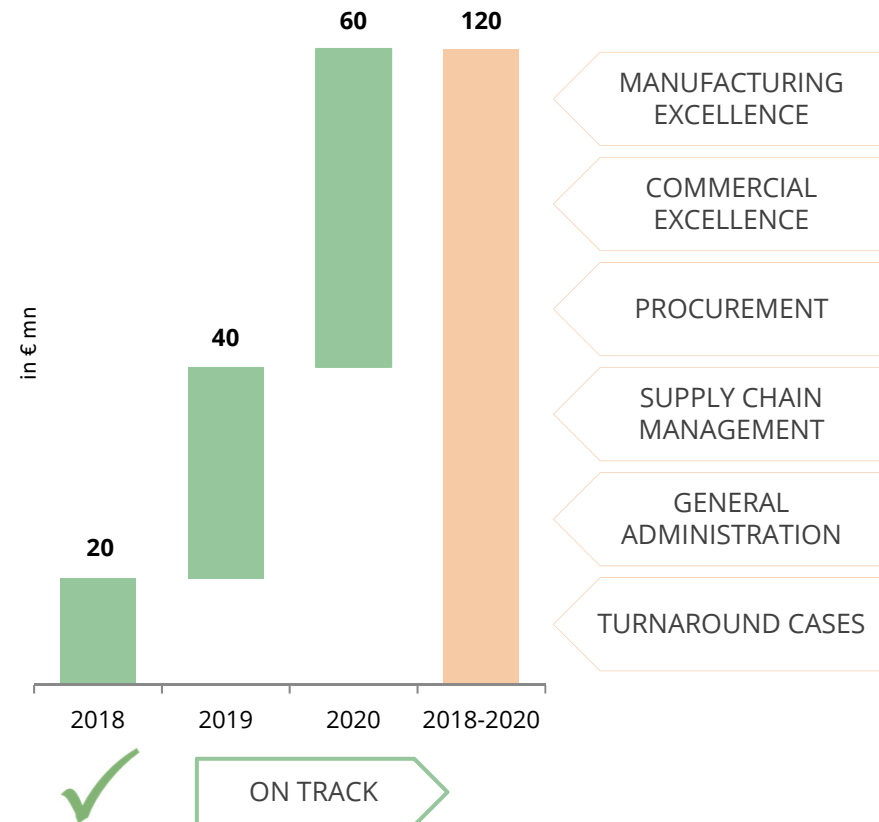
# Operational excellence – Fast Forward 2020

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- › Profitability enhancement plan delivered **€ 20 mn** in 2018
- › Key initiatives already on track to deliver **€ 40 mn** of EBITDA improvements in 2019
- › Streamlining of organization will help drive forward our growth strategy and unlock value

**High confidence in delivery of full optimization potential**

## On track to realize full optimization potential



## How we drive growth

# M&A and streamlining of portfolio are key drivers

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### Growth projects

- › Highly disciplined approach to project evaluation
- › Strict set of strategic and financial evaluation criteria
  - › € 103 mn invested in bolt-on acquisitions
  - › € 56 mn invested in organic growth projects
- › Strong pipeline of growth projects in 2019

### Portfolio optimization

- › Portfolio review with structured process for extracting value from identified assets
- › Profitable sale of Austrian concrete pavers business first major step
- › Target: Unlock value of € 150 mn in the period 2018-2020

**Growth capex 2018:**

**€ 159 mn**

**Total value realised**

**in 2018: € 74 mn**

# How we drive growth

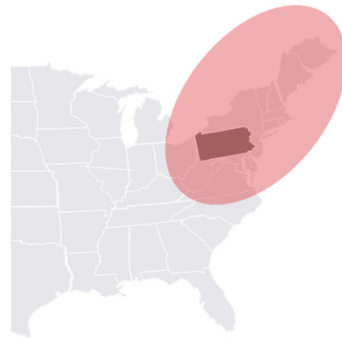
## Growth projects & Portfolio optimization

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### Extension to our geographic footprint

#### *Acquisition of Watsonstown (USA)*

- › Facing brick producer in Pennsylvania
- › Expanding our presence to the Northeast of the US
- › Further driving consolidation in the US



### Innovative additions to our product range

#### *Acquisition of Isoterm (Norway)*

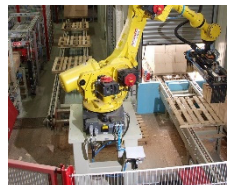
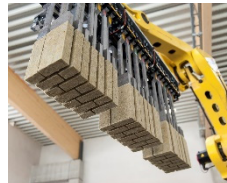
- › Specialized producer of pre-insulated and frost resistant pipes
- › Substantial cost savings due to installation above ground
- › Security of supply for remote regions



### Consolidate fragmented markets

#### *Acquisition of Reetz (Germany)*

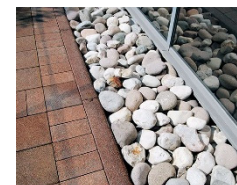
- › Further consolidation of competitive landscape in Germany and Poland
- › Perfect geographic fit to complement our existing plant network
- › Plant with modern product range including infill blocks



### Sale of underperforming businesses

#### *Sale of Austrian concrete paving activities*

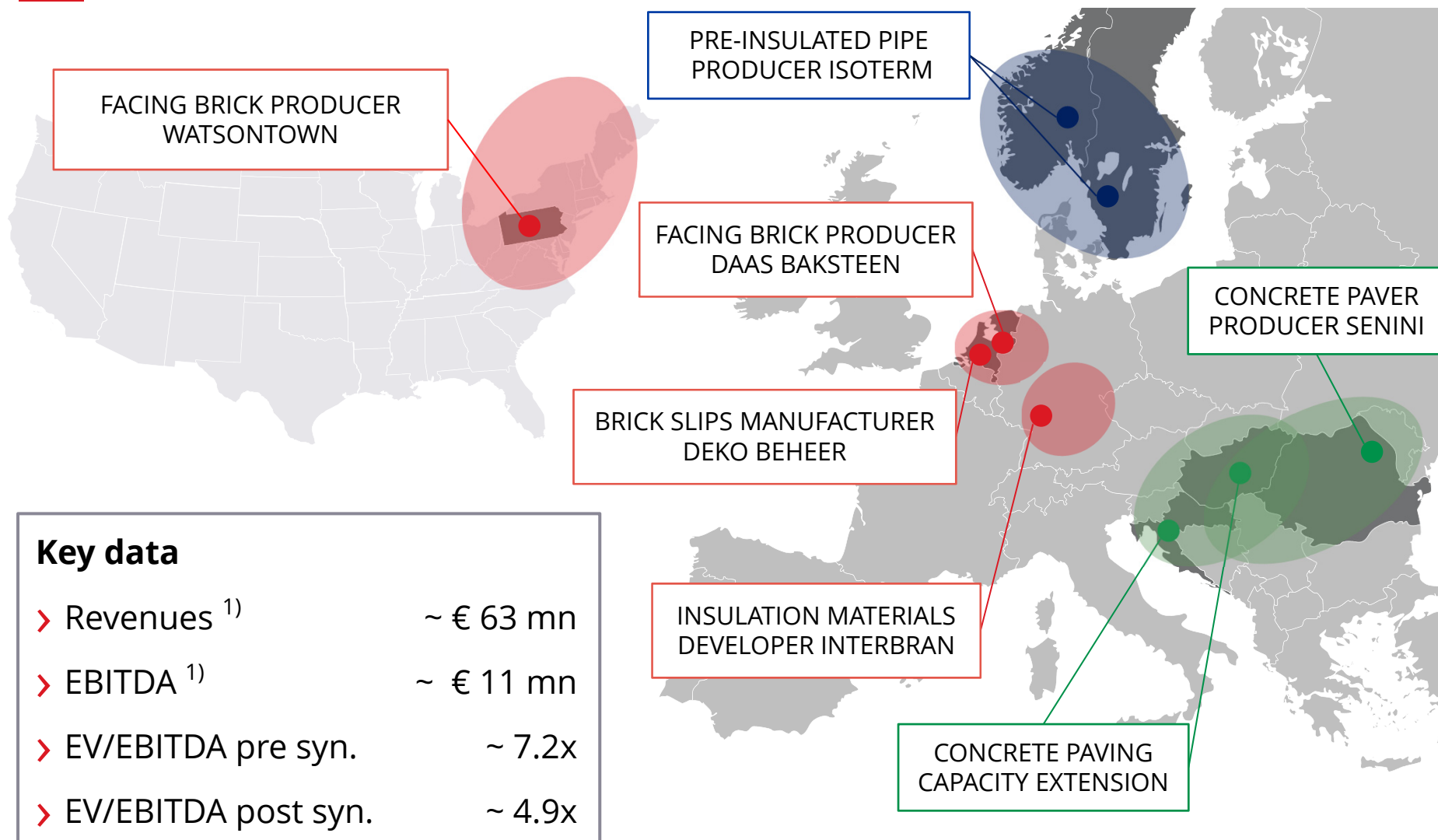
- › Mature market with significant overcapacity
- › Substantial underperformance
- › Maximum value extracted through profitable sale of the Austrian activity



## How we drive growth

# Bolt-on M&A and organic growth projects 2018

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1) Contribution potential of bolt-on acquisitions on 12M basis pre synergies

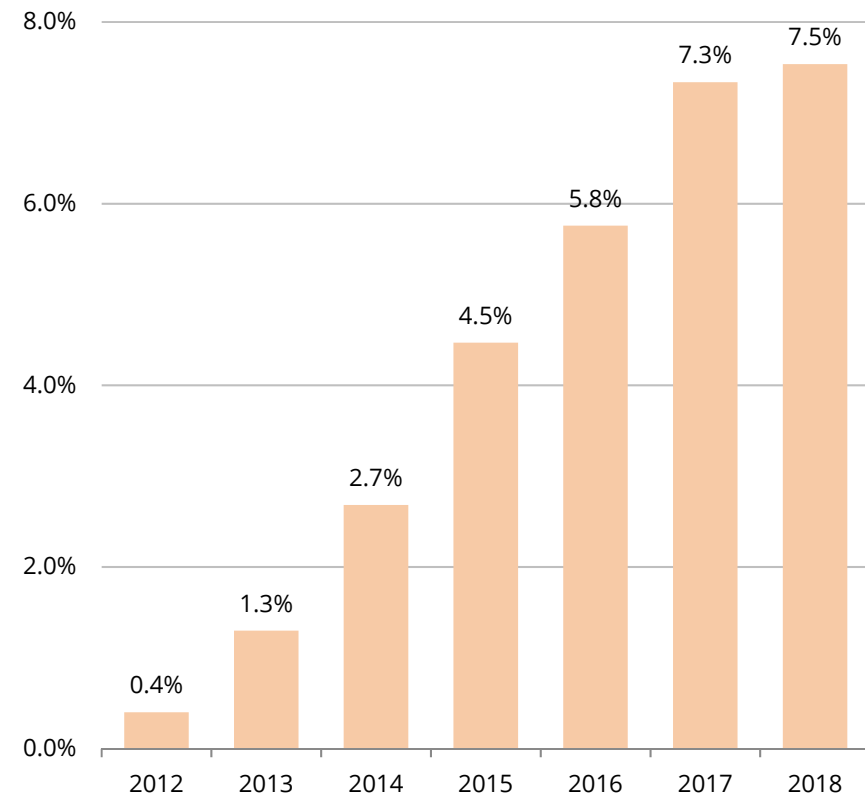
## Value Management

# Committed to maximizing value for shareholders

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- › ROCE serves as key indicator for the value-oriented management of our company and capital allocation decisions
- › Strong growth since 2012
- › ROCE marks 10-year high in 2018

### ROCE grew by **> 700** basis points since 2012





## Shareholder return

# Significant return of capital to shareholders

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### > Dividend

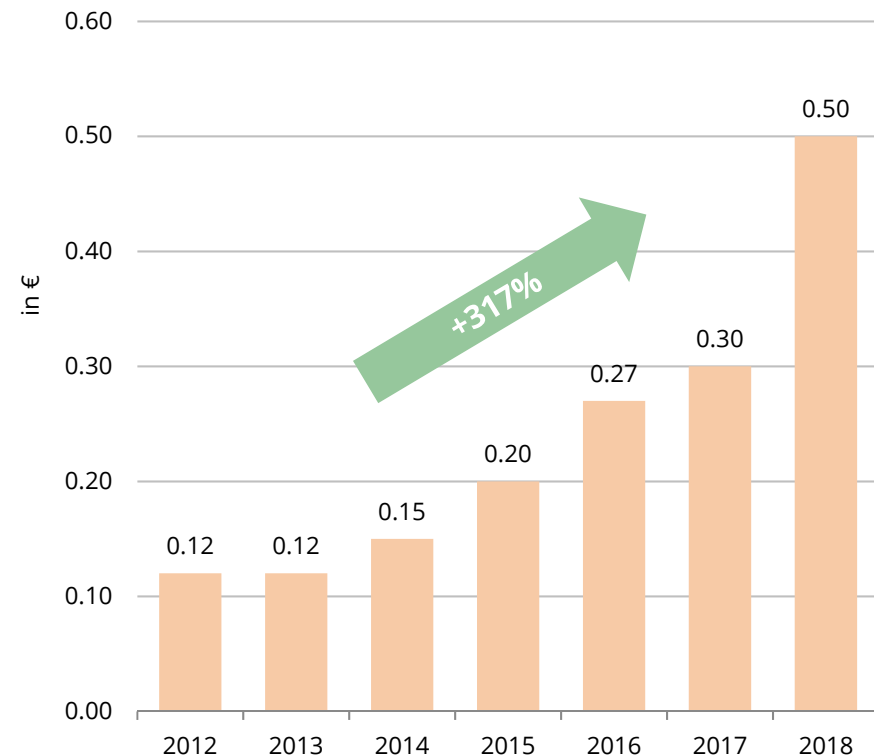
- > Substantial increase of dividend payment reflects strong operating performance
- > Payout of 26% of free cash flow post hybrid coupon in line with policy range of 10-30%

### > Share buyback

- > Buyback of 2% of shares issued completed successfully in 2018
- > Cancellation of 1% of share capital completed in February 2019

**€ 80.6 mn** returned to shareholders in 2018

### Dividend increased by **317%** since 2012



Delivering on our goals

## Summary of 2018 achievements

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Record sales



EBITDA LFL in line with top end of guidance



Fast Forward 2020 fully on track  
€ 20 mn savings delivered on schedule



Dividend increased by 70% year-on-year



Strong free cash flow generation



Fully on track to reach our goals



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# KEY FIGURES

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# Outstanding performance in 2018

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Revenues

**€ 3,305.1 mn**

(2017: € 3,119.7 mn | +6%)

LFL <sup>1)</sup>: +5%

EBITDA LFL <sup>2)</sup>

**€ 469.3 mn**

(2017: € 406.5 mn | +15%)

Free cash flow

**€ 236.5 mn**

(2017: € 152.5 mn | +55%)

EBITDA LFL margin

**14.4%**

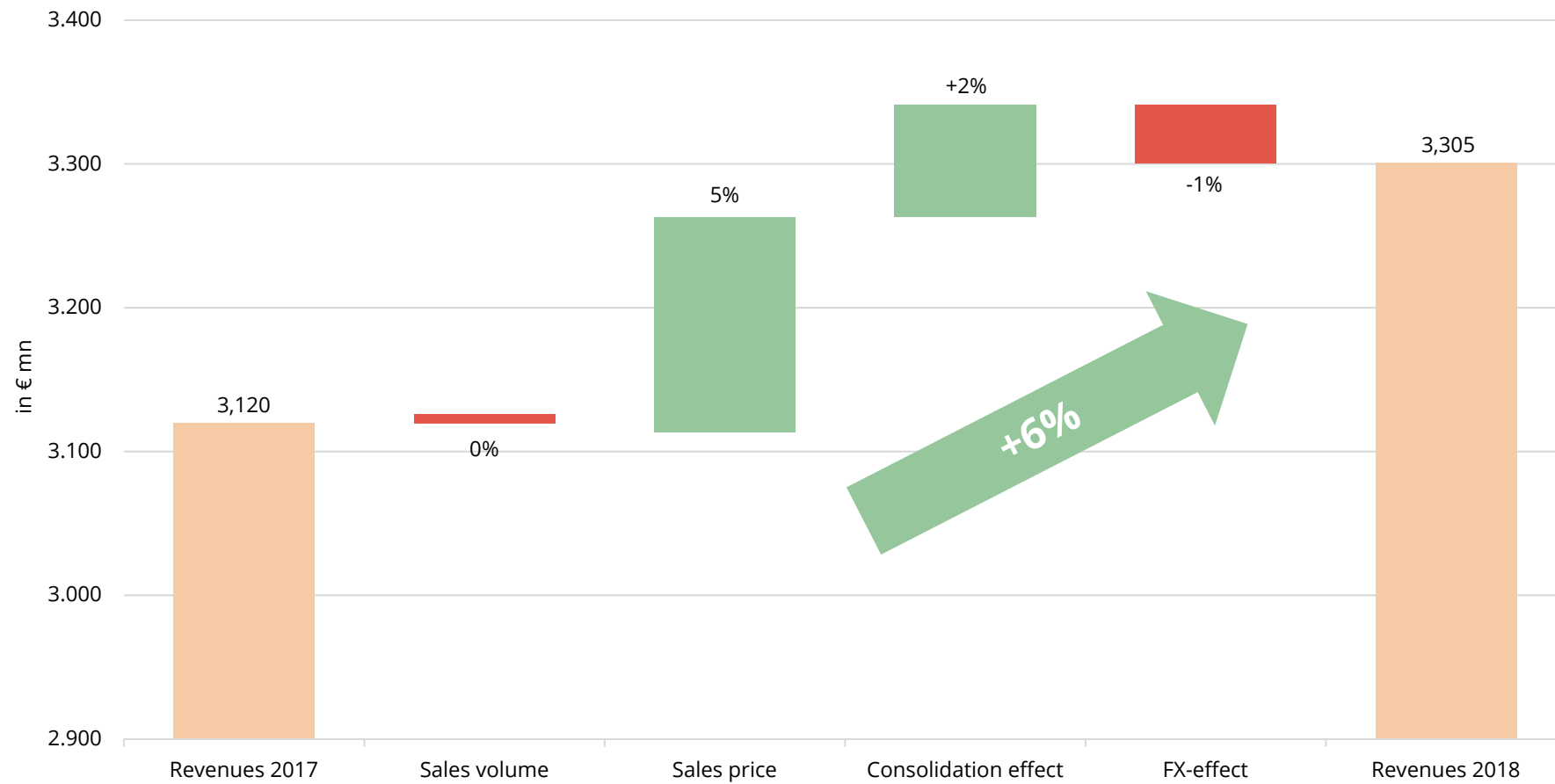
(2017: 13.1%)

1) Adjusted for effects from consolidation and FX

2) Adjusted for effects from consolidation, sale of non-strategic and non-operating assets, FX and structural adjustments

# Record sales in 2018

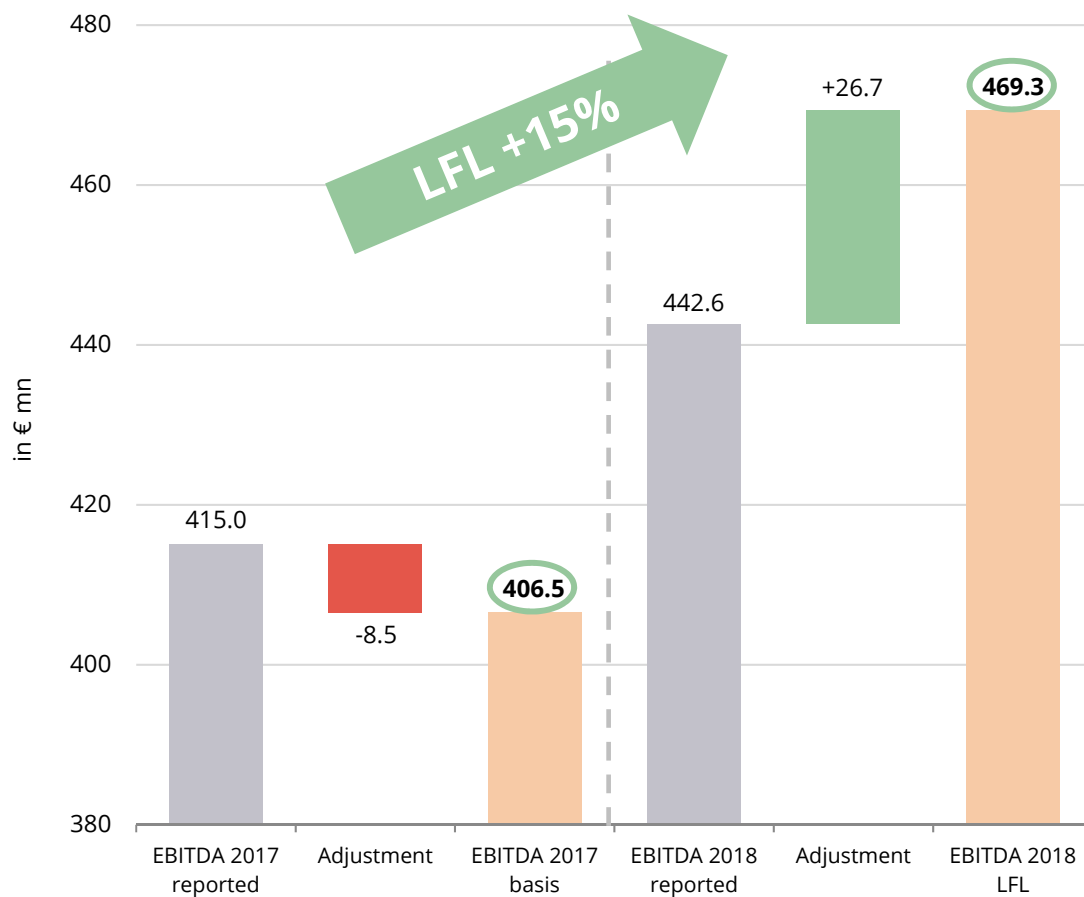
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Note: Rounding differences may arise from automatic processing of data

# LFL EBITDA development

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<b>EBITDA adjustment (€ mn)</b>	<b>2017</b>	<b>2018</b>
FX	-	+7.3
Consolidation	+2.3	-13.2
Sale of assets <sup>1)</sup>	-22.8	-23.2
Structural adjustments	+12.0	+55.8
<b>Total</b>	<b>-8.5</b>	<b>+26.7</b>

1) Sale of non-strategic and non-operating assets  
 Note: Rounding differences may arise from automatic processing of data

# Income statement

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<b>in € mn</b>	<b>2017</b>	<b>2018</b>	<b>Chg. in %</b>
Revenues	3,119.7	3,305.1	+6
<b>EBITDA LFL</b>	<b>406.5</b>	<b>469.3</b>	<b>+15</b>
<b>EBITDA</b>	<b>415.0</b>	<b>442.6</b>	<b>+7</b>
<b>EBIT</b>	<b>178.7</b>	<b>239.8</b>	<b>+34</b>
Financial result	-33.8	-44.5	-32
<b>Profit before tax</b>	<b>144.9</b>	<b>195.3</b>	<b>+35</b>
Income taxes	-4.2	-48.5	<-100
Hybrid coupon and non-controlling interests	-17.5	-13.4	+23
<b>Net result</b>	<b>123.2</b>	<b>133.5</b>	<b>+8</b>

# Cash flow development

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<b>in € mn</b>	2017	2018	Chg. in € mn	Chg. in %
<b>Gross cash flow</b>	<b>302.4</b>	<b>326.5</b>	<b>+24.1</b>	<b>+8</b>
Change in working capital <sup>1)</sup>	-30.1	-7.1	+23.0	+76
Normal capex	-147.5	-166.3	-18.8	-13
Divestments and other	27.6	83.3	+55.8	>100
<b>Free cash flow</b>	<b>152.5</b>	<b>236.5</b>	<b>+84.1</b>	<b>+55</b>
Growth capex <sup>2)</sup>	-58.8	-158.9	-100.0	<-100
Dividend & share buyback <sup>3)</sup>	-31.7	-79.9	-48.3	<-100
Hybrid coupon & buyback	-29.9	-13.6	+16.3	+54
<b>Net cash flow</b>	<b>32.1</b>	<b>-15.9</b>	<b>-47.9</b>	<b>&lt;-100</b>

1) Adjusted for changes in the consolidation range

2) Including the buyout of minorities

3) Including dividends paid to non-controlling interests

Note: Rounding differences may arise from automatic processing of data



## Balance sheet ratios and KPIs

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<b>in € mn</b>	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>Chg. in %</b>
ROCE	7.3%	7.5%	-
Equity <sup>1)</sup>	1,911.2	1,939.1	+1
Equity ratio	52%	52%	-
Net debt	566.4	631.6	+12
Net debt / EBITDA	1.4	1.4	-
Gearing	30%	33%	-

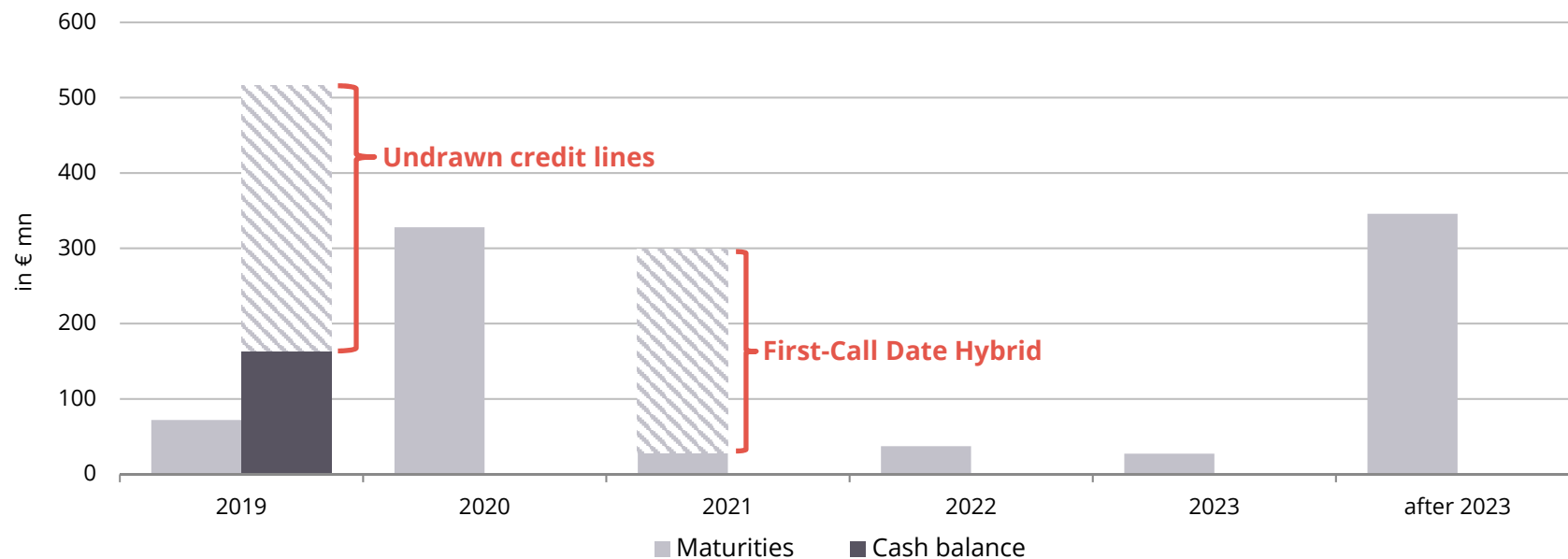
- › Increase in ROCE reflects strong operating performance
- › Net debt / EBITDA remains well under control also after step-up of M&A activity and strong increase of returns to shareholders

1) Including non-controlling interest and hybrid capital (100% equity according to IFRS)  
Note: Rounding differences may arise from automatic processing of data

# Balanced financing structure

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- > Cash 31/12/2018: € 163 mn
- > Credit lines: € 400 mn
  - > Thereof drawn 31/12/2018: € 55 mn
- > Term structure:




Note: Term structure of gross debt, cash position and financial liabilities as of 31/12/2018

# Refinancing opportunities for hybrid instrument

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- › Continuous review of opportunities to optimize our balance sheet
- › All capital commitments are subject to strict criteria for shareholder value creation
- › Key criteria with regards to liability management
  - › **Financial benefit**  
Proposed refinancings need to generate a positive internal rate of return after accounting for all costs and tax implications.
  - › **Corporate strength and flexibility**  
Focus on maintaining strong liquidity, strategic flexibility and robust leverage and financial covenant positions.



**Close monitoring of opportunities to buy back the hybrid instrument in the open market**

## Key data

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- › Perpetual deeply subordinated hybrid bond
- › Wienerberger holds a call option
- › First call date: February 9, 2021
- › Principal amount: € 272,188,000.-
- › Denomination: € 1,000.-
- › Coupon payments are fully tax deductible
- › 5.00% fixed coupon per annum, payable annually in arrears until 2021; thereafter the coupon is determined every five years based on the then prevailing 5-year Swap Rate and a margin of 5.95%
- › Exchange traded instrument

# Implementation of IFRS 16

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- > Extension of the balance sheet
  - > Recognition of "Right of Use Asset" and "Lease Liability"
- > Effects on income statement
  - > ↑ **EBITDA**: no rental / leasing expenses
  - > ↑ **EBIT**: Rental / lease cost is broken down into depreciation of "Right of Use Asset" and interest on the "Lease Liability"
  - > ↓ **Interest result**: interest on "Lease Liability"
- > Change in accounting standard has no impact on cash flows

Implementation as of  
January 1, 2019

## Pro-forma effects of implementation in 2018

Income Statement	in € mn
EBITDA	+41
Depreciation	-39
EBIT	+2
Interest result	-3
Net income	-1

Balance sheet	in € mn
Change of net debt	+200

# IFRS 16 impact on financial framework

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- ✓ 2019 guidance reflects IFRS 16 impact on EBITDA of approx. € 41 mn
- ✓ Internal target for financial discipline increases to Net debt / EBITDA ratio of 2.5 at year-end (from 2.0)
- ✓ Net debt / EBITDA covenant on bank debt will be increased from 3.5 to 3.9

**Change in accounting standard has  
no impact on cash flows**





# VISION AND STRATEGY

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Leveraging our growth potential

New group structure to drive strategic objectives

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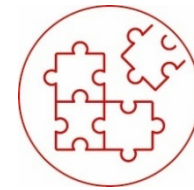


**Organic growth**

*Clear growth strategy*



**Operational Excellence**



**Growth projects & Portfolio optimization**

*Streamlined organizational structure to unlock value*



**Wienerberger Building Solutions**

Solutions for walls, facades, roofs and paving

**Wienerberger Piping Solutions**

Plastic and ceramic piping solutions

**North America**

Facade solutions  
Plastic piping solutions

# Our way forward

## Wienerberger Building Solutions

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### Position today

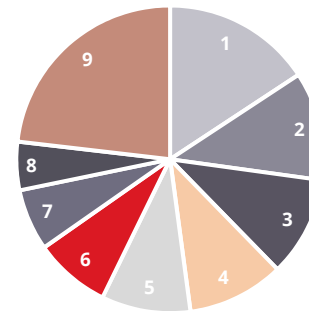
- › Undisputed market leader in clay building materials for walls, facades, roofs and paving
- › Market leader in concrete paving in Eastern Europe
- › Supplier of innovative solutions and leader in the digital transformation of the building materials industry

### Our Vision

- › Integration of concrete paving business and investment in insulation start-up first steps to enlarge the business unit with new materials and applications
- › Targeted acquisitions to complement our geographic footprint and product offering
- › Leverage product innovation and operational excellence across our European platform

### Strong market coverage across Europe

Total Revenues ~ € 2.0 bn



- 1 GREAT BRITAIN 16%
- 2 GERMANY 11%
- 3 NETHERLANDS 11%
- 4 BELGIUM 10%
- 5 POLAND 9%
- 6 FRANCE 8%
- 7 CZECH REPUBLIC 6%
- 8 AUSTRIA 5%
- 9 OTHER COUNTRIES 23%





# Our way forward

## Wienerberger Piping Solutions

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### Position today

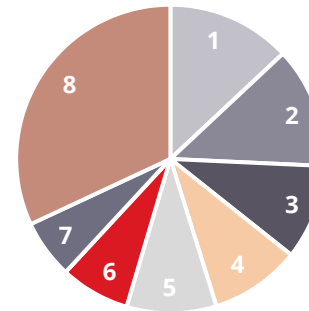
- › Clear market leader in Nordic markets and leading position in Europe
- › Broad portfolio of end markets and significant exposure to counter-cyclical infrastructure spending
- › Track record of bolt-on acquisitions to develop the portfolio

### Our Vision

- › Significant M&A opportunities to consolidate markets and add innovative applications
- › Strategic focus on highly attractive growth areas
  - › Smart infrastructure
  - › In-house solutions
  - › Special industrial and energy applications

### Strong market coverage across Europe

Total Revenues ~ € 1.0 bn



- 1 AUSTRIA 13%
- 2 NORWAY 13%
- 3 BELGIUM 10%
- 4 SWEDEN 10%
- 5 NETHERLANDS 9%
- 6 FINLAND 7%
- 7 POLAND 6%
- 8 OTHER COUNTRIES 32%



# Our way forward

## North America

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### Position today

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- > Leading market position in key US brick markets East of the Mississippi
- > Successful track record of value creating bolt-on M&A
- > Highly profitable positions in Canadian facade market and US piping market

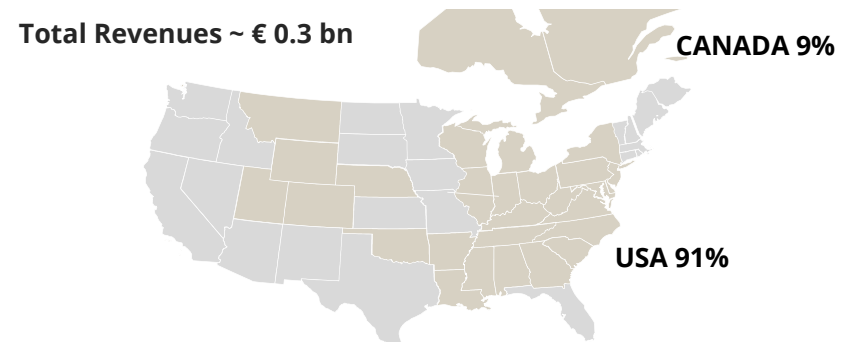
### Our Vision

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- > Drive consolidation in the US brick market through bolt-on M&A
- > Expand geographic market coverage
- > Further develop portfolio to strengthen positioning as solution provider

### Broad coverage of core bricks markets

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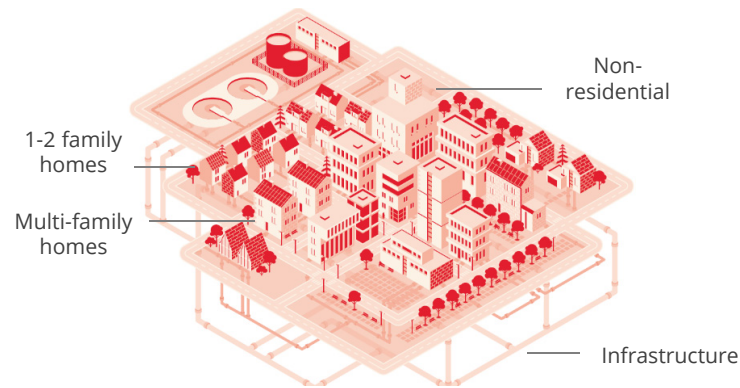


## Outstanding portfolio of leading businesses

# Balanced, resilient and a broad base for growth

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### Leveraging local know-how for cross selling in multiple end markets



### Leading market positions and strong brands

PLASTIC PIPES  
Leading position in Europe



FACING BRICKS  
No. 1 in Europe  
Leading position in USA

CERAMIC PIPES  
No. 1 in Europe



CLAY BLOCKS  
No. 1 worldwide

CONCRETE PAVERS  
No. 1 in CEE



CLAY ROOF TILES  
No. 1 in Europe

### Building on shared platforms

SHARED INNOVATION



CENTRALIZED PROCUREMENT

SHARED DIGITAL PLATFORMS



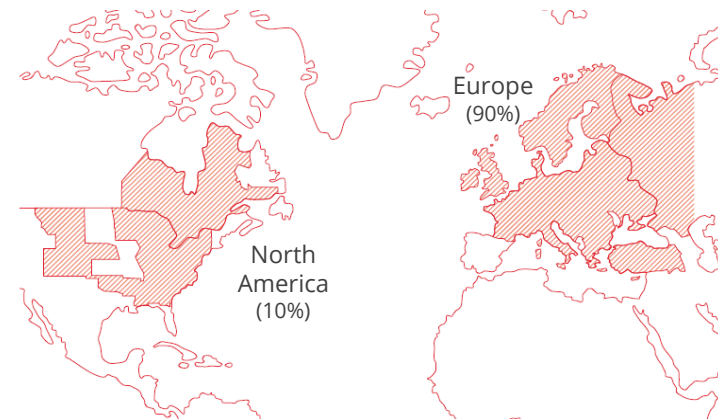
CENTRAL ENGINEERING FUNCTION

COMMERCIAL EXCELLENCE



EFFICIENT GENERAL ADMINISTRATION

### Balanced geographic footprint





# OUTLOOK 2019

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Looking ahead to 2019

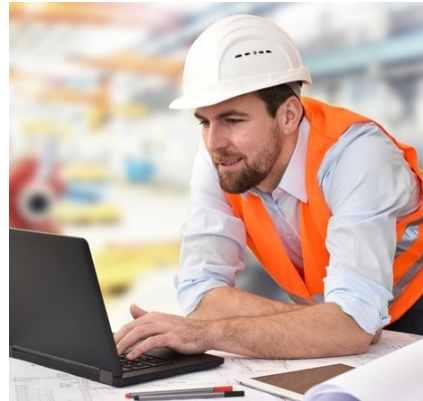
# Favourable growth drivers for 2019

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**1** Constructive environment in core markets



**2** Leverage solutions offering across the portfolio



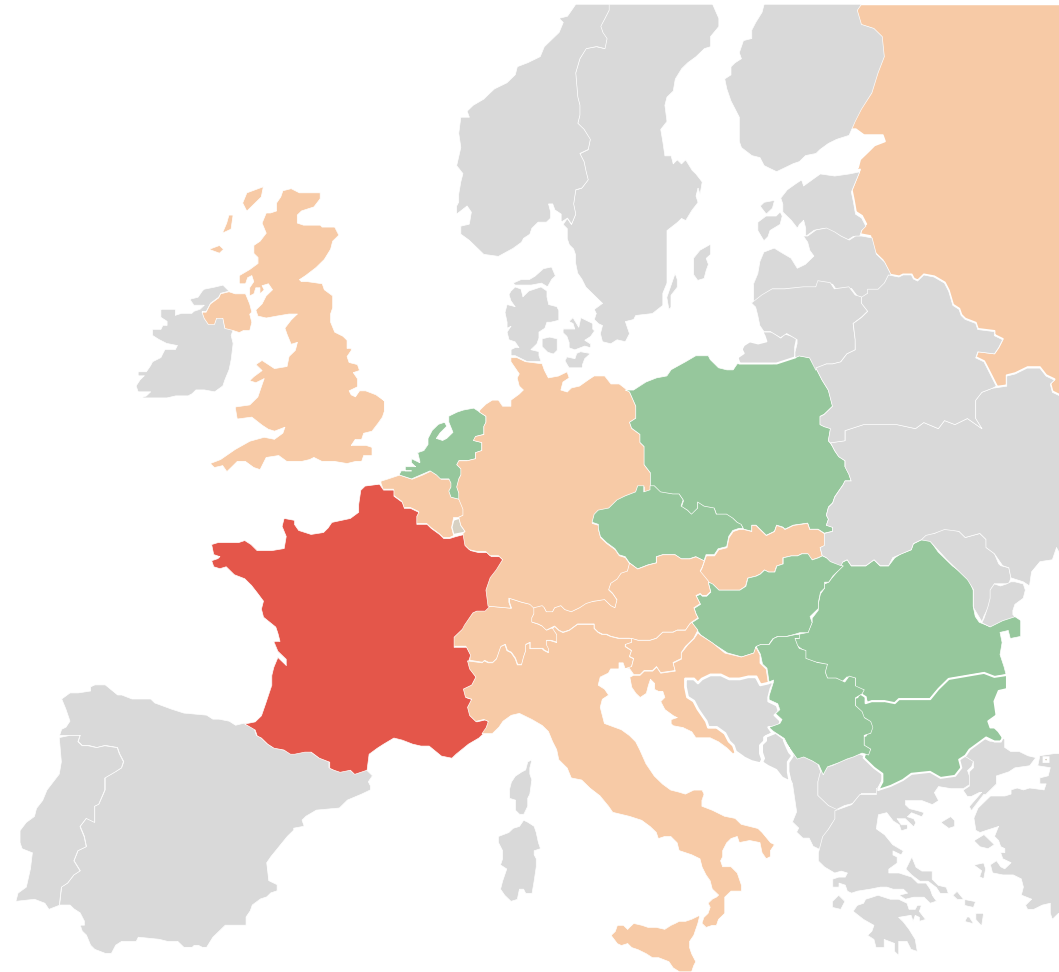
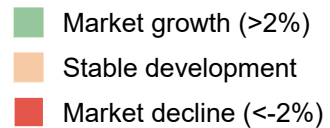
**3** Continued delivery of Fast Forward 2020 savings



**4** Disciplined M&A to strengthen core platforms



- › Slight growth in European residential construction
- › Positive market environment in Eastern Europe
- › Diverging regional trends in Western Europe



*Note: Estimates refer to developments in our relevant markets and applications for new construction and renovation.  
Source: Management estimates*

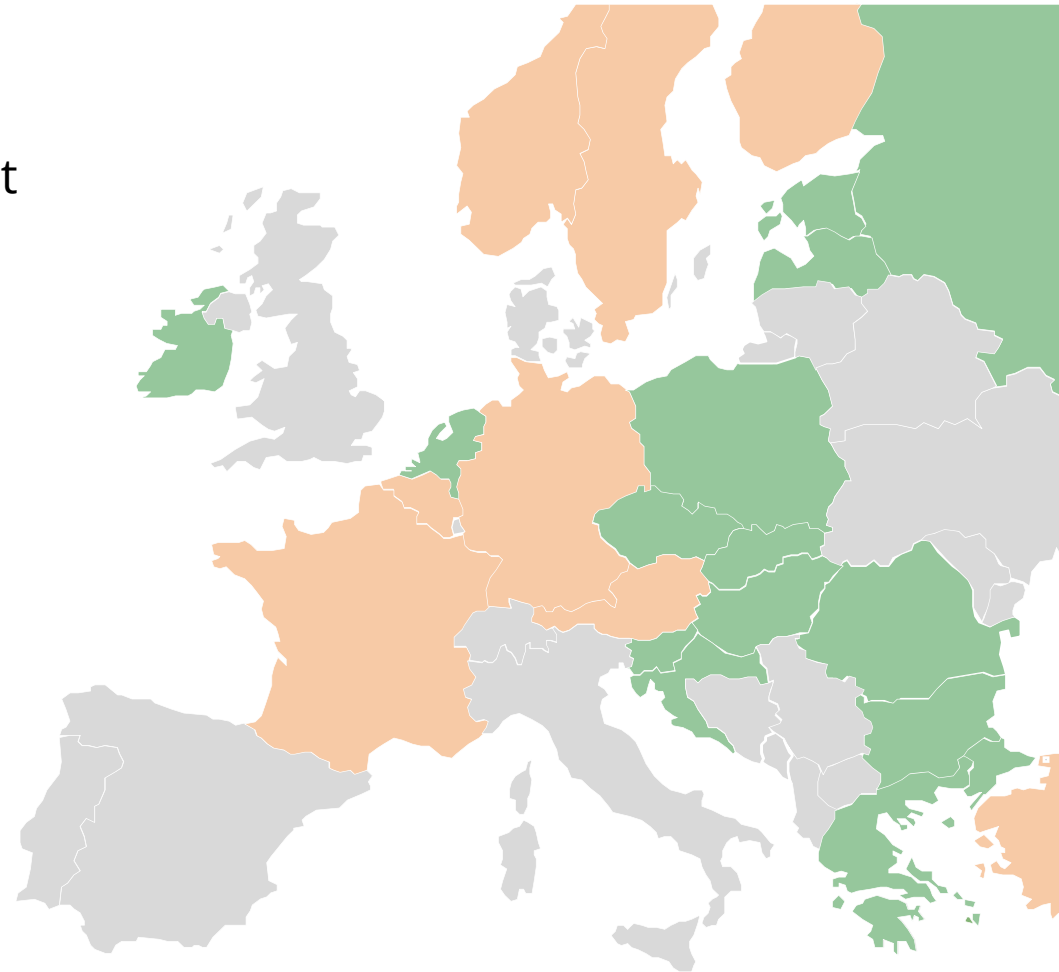
## Market Outlook 2019

# Wienerberger Piping Solutions

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- › Sound environment in European infrastructure market
- › Continuation of the positive market trend in Eastern Europe
- › Stable development in Western Europe
- › Sound Nordic markets

- Market growth (>2%)
- Stable development
- Market decline (<-2%)



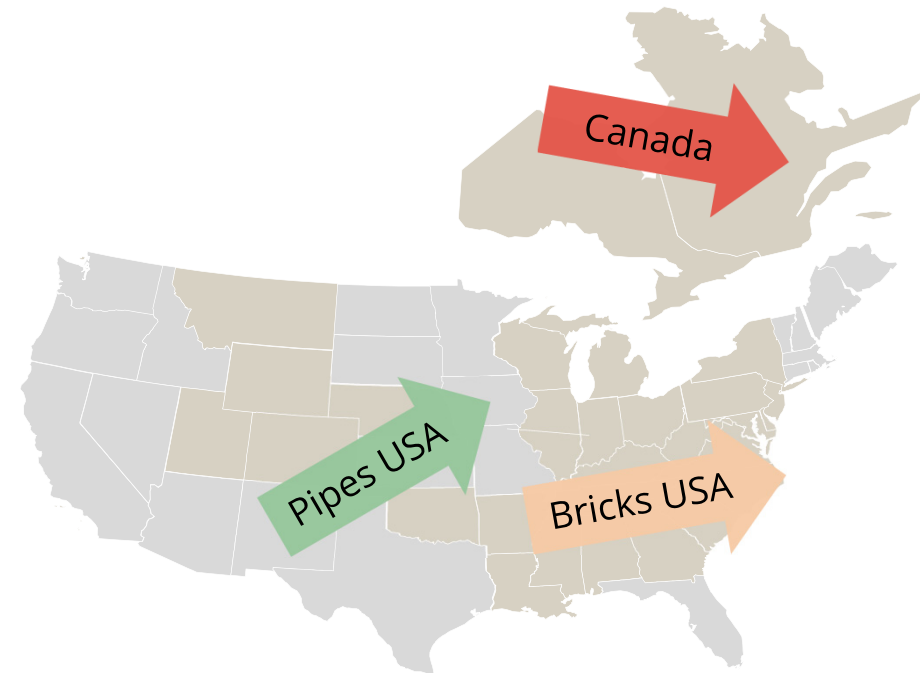
*Note: Estimates refer to developments in our relevant markets and applications in the pipe business.  
Source: Management estimates*

# Market Outlook 2019

## North America

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- > Diverging trends in our North American operations
  - > Slight growth in our relevant brick markets
  - > Sound demand in US piping markets
  - > Government measures cause slowdown of strong housing activity in relevant Canadian markets



- Market growth (>2%)
- Stable development
- Market decline (<-2%)

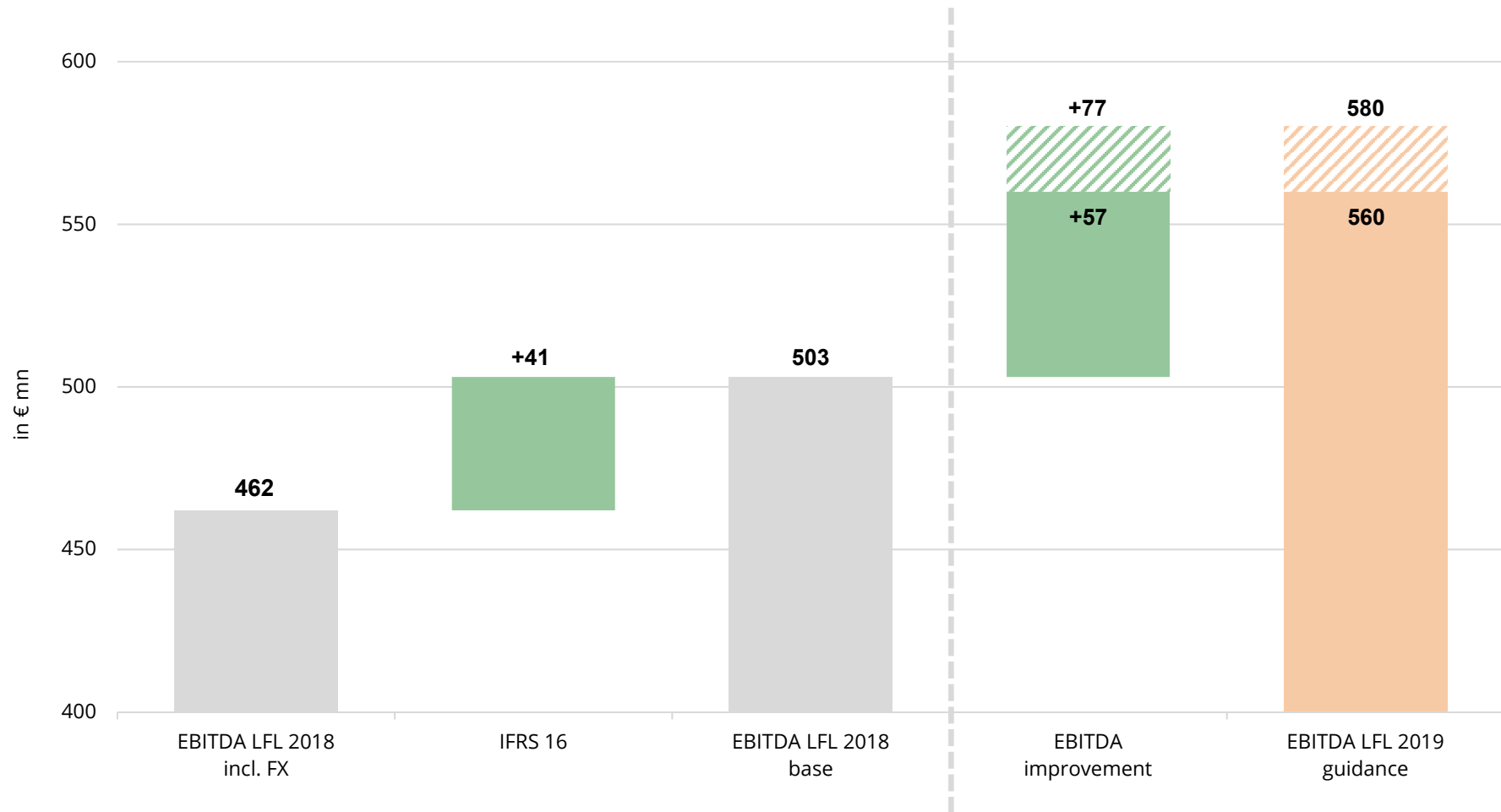
*Note: Estimates refer to developments in our relevant markets and applications.  
Source: Management estimates*



# Outlook 2019

## Confident in delivery

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Note: Rounding differences may arise from automatic processing of data

**Outlook 2019**  
**Clear goals**

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**EBITDA LFL**



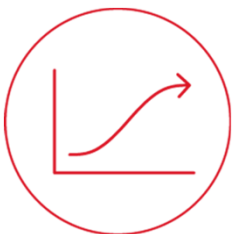
**€ 560 mn - € 580 mn**



**Normal capex**



**~ € 200 mn**



**Growth capex**



We continue to work on a highly attractive deal pipeline and expect to move ahead on a number of M&A opportunities

# wienerberger geared for growth

