
# Wienerberger Results H1 2019

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# Highlights H1 2019



## Record H1 results highlight consistent implementation of value-enhancing growth strategy

| | | |
|---|---|---|
| Revenues | € 1,736 mn | \| +8% |
| EBITDA LFL | € 287 mn | \| +33% |
| Net profit | € 127 mn | \| >100% |

## Excellent progress on Fast Forward Program

H1 earnings contribution € 25 mn

## Confident in delivering our 2019 growth ambition

Given strong H1 performance, guidance for EBITDA LFL has been narrowed down to € 570 – 580 mn (previously € 560 – 580 mn)

# Highlights H1 2019

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H1 trading environment broadly consistent with expectations at the beginning of the year

Increasing volatility in certain regions in Q2

Improved product mix and favorable pricing drive earnings improvement

Strong earnings contribution from bolt-on M&A deals

# Wienerberger Building Solutions
# Excellent performance in H1

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- Growth in almost all our core markets
- Early start to building season due to favorable weather conditions
- Normalization of demand in Q2 as expected & increased volatility in certain end markets
- Enhanced share of high added-value solutions supports pricing
- Strong earnings contribution from consistent implementation of Fast Forward Program
- Bolt-on acquisitions show highly satisfactory performance

| **WBS** (in € mn) | **H1 2019** | **H1 2018** | **Chg. in %** |
|---|---|---|---|
| External revenues | 1,074.1 | 978.4 | +10 |
| EBITDA LFL | 219.1 | 160.5 | +37 |
| EBITDA | 221.7 | 156.8 | +41 |
| EBITDA LFL margin | 20.7% | 16.4% | - |

## Special topic - Brexit

# Wienerberger is a leading player in the UK

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- Strong performance in H1
- Leading market position
- Majority of products for the UK market are produced in the UK
- Unique portfolio complemented by products from Benelux
- Core market with highly attractive long-term outlook
- Underlying need for new housing
- Structural deficit of domestic brick supply
- Long-term commitment confirmed with acquisition of BPD Group – a specialist producer for roofing accessories and wall membranes for the off-site housing market

**Strong industrial base – 15 plants**

**Leading market positions**

#2 in facing bricks

Leading position in roof tiles

Special topic - Brexit

# Proactive contingency planning for hard Brexit

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| Risks | Impact | Wienerberger position |
|---|---|---|
| Tariffs under WTO agreement | low | › Local production accounts for majority of sales and provides natural hedge<br>› Duties on imports of building materials are negligible under WTO agreements<br>› Local organization is prepared to operate in new customs regime |
| Congestion at UK border | low / temporary | › Increased stocks of imported products in the UK<br>› Stocking up inventories for spare parts as buffer for expected delays to secure continuity of supply<br>› Enhanced usage of vessels loaded at Wienerberger wharves and discharging at smaller UK ports<br>› Discharging directly into our storage facilities at the port allows for single customs clearance for entire cargo |
| Potential cooldown of UK housing activity | medium | › Base case<br>  › Sound market environment to continue<br>  › Underlying need for new housing is supported by Help to Buy and availability of mortgages<br>  › Products from Benelux remain a core element of our unique product portfolio and help address domestic structural supply deficit<br>› Bear case<br>  › Contingency plans for adjusting our cost position to market demand |

## Wienerberger Piping Solutions
# Significant earnings growth

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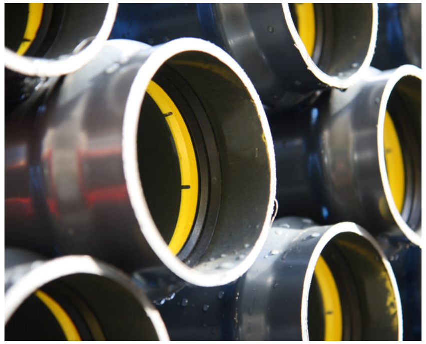
- Normalization of demand in-line with expectations after strong start to the year
- Strong growth in electro business
- Earnings increase in water management activities supported by improving demand in Eastern Europe
- Increasing project volumes in the energy sector drive growth with special pipes
- Improved product mix and proactive price policy support earnings growth
- Successful delivery on EBITDA enhancement from Fast Forward projects

| WPS (in € mn) | H1 2019 | H1 2018 | Chg. in % |
|---|---|---|---|
| External revenues | 497.0 | 478.5 | +4 |
| EBITDA LFL | 51.7 | 35.2 | +47 |
| EBITDA | 51.1 | 20.7 | >100 |
| EBITDA LFL margin | 10.3% | 7.3% | - |




North America

# Mixed developments in H1

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- Sound demand for facade solutions in our relevant core markets
- Strong earnings contribution from acquired facing brick producer
- Stricter housing market regulation continued to weigh on our Canadian business
- US plastic pipe business could not match prior year's record result due to weather related project delays
- Fast Forward optimization measures contributed to earnings improvement

| North America (in € mn) | H1 2019 | H1 2018 | Chg. in % |
|---|---|---|---|
| External revenues | 164.9 | 149.3 | +10 |
| EBITDA LFL | 15.8 | 19.3 | -18 |
| EBITDA | 22.8 | 21.4 | +7 |
| EBITDA LFL margin | 10.6% | 12.9% | - |

Special topic – Labor shortage across our regions

# Major challenges …

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- Limiting factor for housing activity
- Delays of started projects
- Major cost driver
- High performance building materials may underperform due to wrong handling

**Special topic – Labor shortage across our regions**

# … and interesting opportunities

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## Expanding our share in the value chain

- ✓ Partner for entire projects
- ✓ Increasing our service revenue contribution
- ✓ Cost reduction and more reliable planning for our customers
- ✓ Improving quality through easier handling

## OUR SOLUTIONS

### PREFABRICATION

### AUTOMATION


### SERVICES

### SMART SYSTEMS

Enhancing our sustainable business model

# Sustainability Roadmap 2020

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- Our Sustainability Roadmap 2020 is a self-imposed commitment to continuously improve our ecological, social, societal and economic performance across the entire value creation process
- Strategic considerations take into account the interests of our organization as well as those of our stakeholders

**Significant progress [1)]**

| | |
|---|---|
| Accident frequency rate | -50% |
| Recycled materials in plastic pipes | +28% |
| Revenue share of innovative products | +500bp |
| Incidents of corruption | 0 |
| Specific $CO_2$ emissions | -800bp |

*1) Refers to the development between 2013 - 2018*

# OUTLOOK 2019

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Business development

# Growth drivers for 2019

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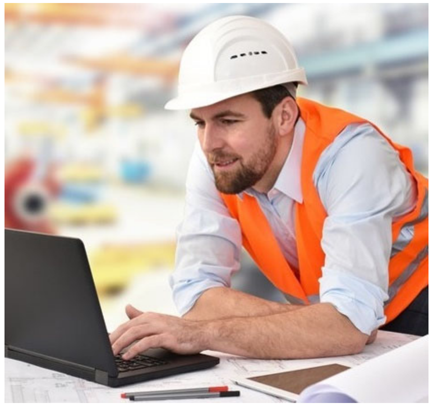
**1** Sound market environment

**2** Solutions offering across the portfolio



**3** Continued delivery of Fast Forward Program

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

## Market development 2019
# Wienerberger Building Solutions

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- Trading environment broadly confirms expectations from the beginning of the year
- Slight growth in European residential construction
- Increasing volatility in certain regions

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

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

# Wienerberger Piping Solutions

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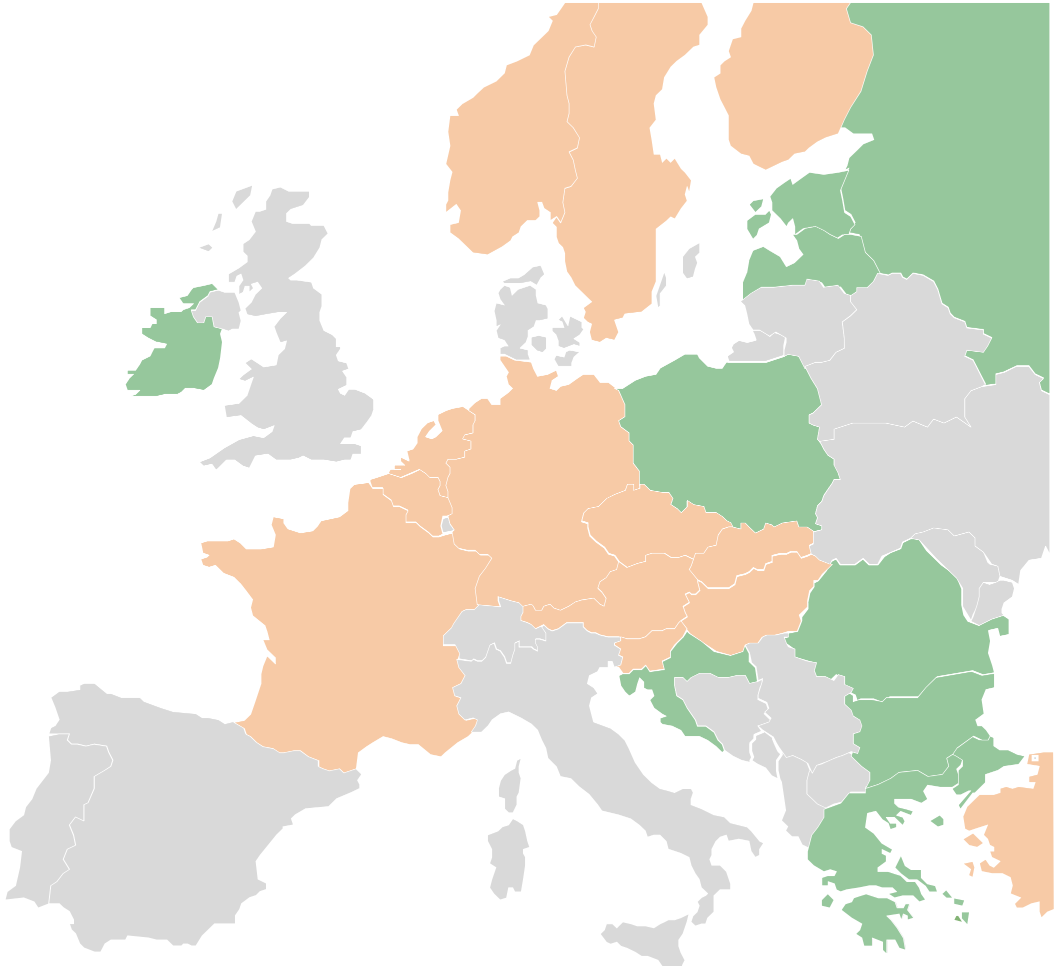
- Sound environment in European piping markets confirms expectations
  - Stable development in Western Europe
  - Sound Nordic markets
  - Eastern Europe remains growth region with certain markets showing signs of stabilization



- 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 development 2019

# North America

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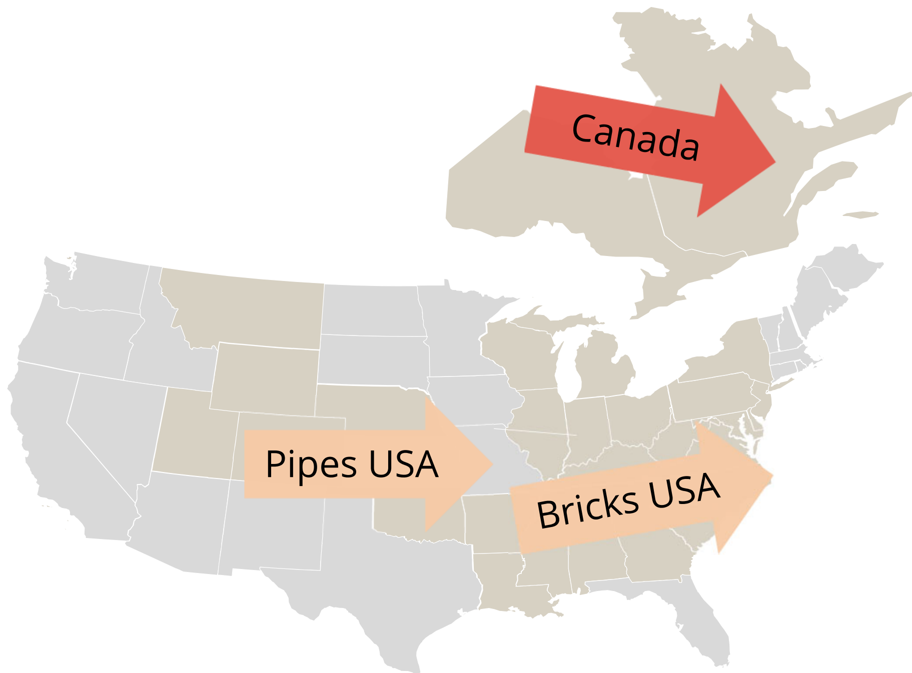
- North American end markets show mixed trends
  - Slight growth in our relevant brick markets
  - Unfavorable weather conditions limit growth in otherwise sound US piping markets
  - Government measures causing slowdown of housing activity in relevant Canadian markets




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 – narrowing guidance range

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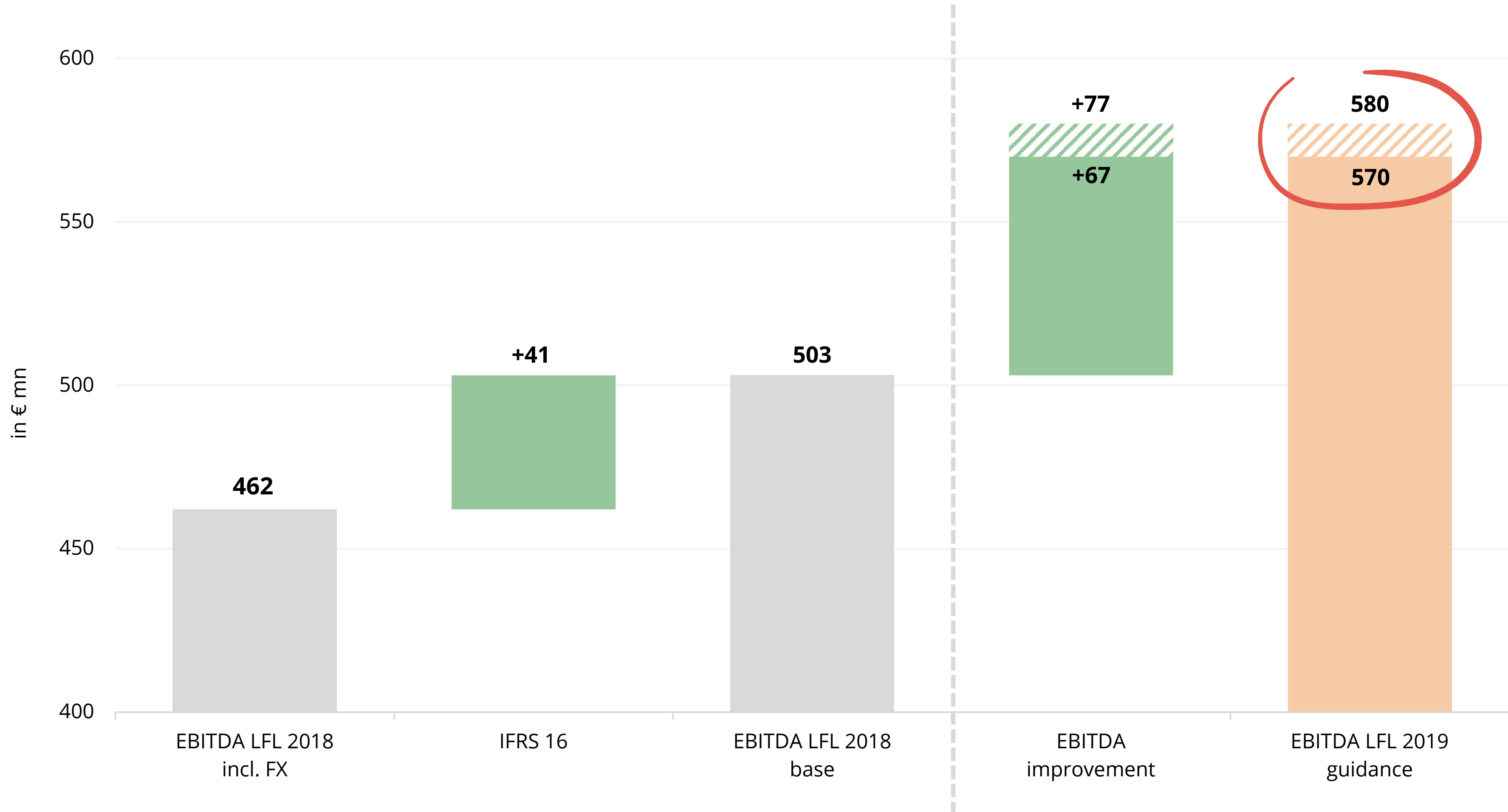


*Note: Rounding differences may arise from automatic processing of data*

Outlook 2019

# Strong commitment to updated goals

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**EBITDA LFL** » **€ 570 mn - € 580 mn**

vs. previously € 560 mn - € 580 mn

**Normal capex** » **~ € 200 mn**

**Growth capex** » **€ 47 mn invested in H1 2019**

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


# KEY FINANCIALS

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H1 2019

# Record performance

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**Revenues**

**€ 1,736.4 mn**

(H1 2018: € 1,606.9 mn | +8%)

*LFL [1]: +6%*

**EBITDA LFL [2]**

**€ 286.6 mn**

(H1 2018: € 214.9 mn | +33%)

**Net profit**

**€ 126.9 mn**

(H1 2018: € 53.2 mn | >100%)

**EBITDA LFL margin**

**16.8%**

(H1 2018: 13.4% | +340 bp)

*1) Adjusted for effects from consolidation and FX*
*2) Adjusted for effects from consolidation, sale of non-strategic and non-operating assets, FX, structural adjustments*
*Note: H1 19 EBITDA LFL includes an effect of € 21.3 mn from the implementation of IFRS 16*

## Operating performance

# Strong growth of EBITDA LFL

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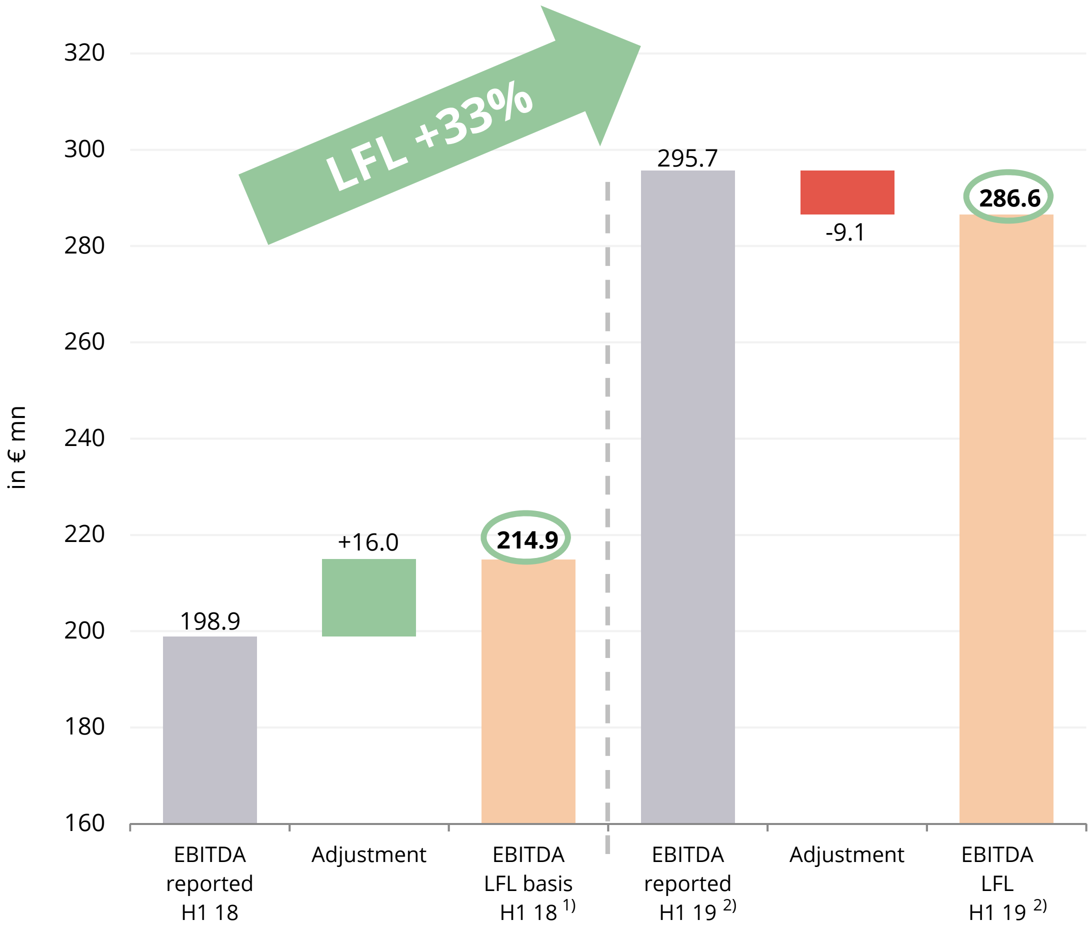


| EBITDA adjustment (€ mn) | H1 19 | H1 18 |
|---|---|---|
| **EBITDA reported** 2) | **295.7** | **198.9** |
| FX | +1.4 | - |
| Consolidation | -8.0 | - |
| Sale of assets 3) | -3.2 | -9.3 |
| Structural adjustments | +0.7 | +25.3 |
| **Total adjustment** | **-9.1** | **+16.0** |
| **EBITDA LFL** 2) | **286.6** | **214.9** |

*1) H1 2018 EBITDA not adjusted for IFRS 16*
*2) Includes an effect of € 21.3 mn from the implementation of IFRS 16*
*3) Sale of non-strategic and non-operating assets*
*Note: Rounding differences may arise from automatic processing of data*

## Income statement
# Net result more than doubled

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| in € mn | H1 2019 | H1 2018 | Chg. in % |
|---|---|---|---|
| Revenues | 1,736.4 | 1,606.9 | +8 |
| **EBITDA LFL** | **286.6** | **214.9** | **+33** |
| **EBITDA** | **295.7** | **198.9** | **+49** |
| **EBIT** | **181.5** | **107.7** | **+69** |
| Financial result | -14.8 | -21.1 | +30 |
| **Profit before tax** | **166.7** | **86.6** | **+93** |
| Income taxes | -32.9 | -27.1 | -21 |
| Hybrid coupon and non-controlling interests | -6.9 | -6.3 | -8 |
| **Net result** | **126.9** | **53.2** | **>100** |
| EPS | 1.11 | 0.46 | >100 |

*Note: Rounding differences may arise from automatic processing of data*

## Accounting change
# Impact of IFRS 16 implementation

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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 underlying cash flows

**€ 21.3 mn effect on EBITDA in H1 19**

### Impact of implementation in H1 19

| Income Statement | in € mn |
|---|---|
| **EBITDA** | +21.3 |
| **Depreciation** | -20.8 |
| **EBIT** | +0.6 |
| **Interest result** | -1.7 |
| **Net income** | -1.2 |

| Balance sheet | in € mn |
|---|---|
| **Change of net debt** | +160.6 |

*Note: Rounding differences may arise from automatic processing of data*

## Cash flow development

# Gross cash flow reflects strong earnings increase

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| in € mn | H1 2019 | H1 2018 | Chg. in € mn | Chg. in % |
|---|---|---|---|---|
| **Gross cash flow** | **215.4** | **132.6** | **+82.8** | **+62** |
| Change in working capital 1) | -210.3 | -193.5 | -16.7 | -9 |
| Normal capex | -68.5 | -60.7 | -7.9 | -13 |
| Divestments and other 2) | -17.3 | +74.2 | -91.5 | <-100 |
| **Free cash flow** | **-80.7** | **-47.4** | **-33.3** | **-70** |
| Growth capex 3) | -47.2 | -60.9 | +13.7 | +22 |
| Dividend & share buyback 4) | -60.4 | -57.3 | -3.1 | -5 |
| Hybrid coupon & buyback | -20.6 | -13.6 | -7.0 | -51 |
| **Net cash flow** | **-208.9** | **-179.2** | **-29.7** | **-17** |

*1) Adjusted for changes in the consolidation range*
*2) Including lease payments, which are reported in cash flow from financing activities upon the implementation of IFRS 16*
*3) Including the buyout of minorities*
*4) Including dividends paid to non-controlling interests*
*Note: Rounding differences may arise from automatic processing of data*

Balance sheet

# Sound ratios despite IFRS 16 impact

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| in € mn | 30/6/2018 | 31/12/2018 | 30/6/2019 | Chg. in % vs. 31/12/2018 |
|---|---|---|---|---|
| Equity [1) | 1,855.9 | 1,939.1 | 1,980.4 | +2 |
| Equity ratio | 47% | 52% | 49% | - |
| Net debt | 778.7 | 631.6 | 982.3 | +56 |
| Net debt / EBITDA [2) | 1.8 | 1.4 | 1.8 | - |
| Gearing | 42% | 33% | 50% | - |

*1) Including non-controlling interest and hybrid capital (100% equity according to IFRS)*
*2) Calculated based on 12-months EBITDA*
*Note: Rounding differences may arise from automatic processing of data*

## Development of net debt

# IFRS 16 and WC seasonality cause increase

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*Note: Rounding differences may arise from automatic processing of data*

## Financing
# Balanced financing structure

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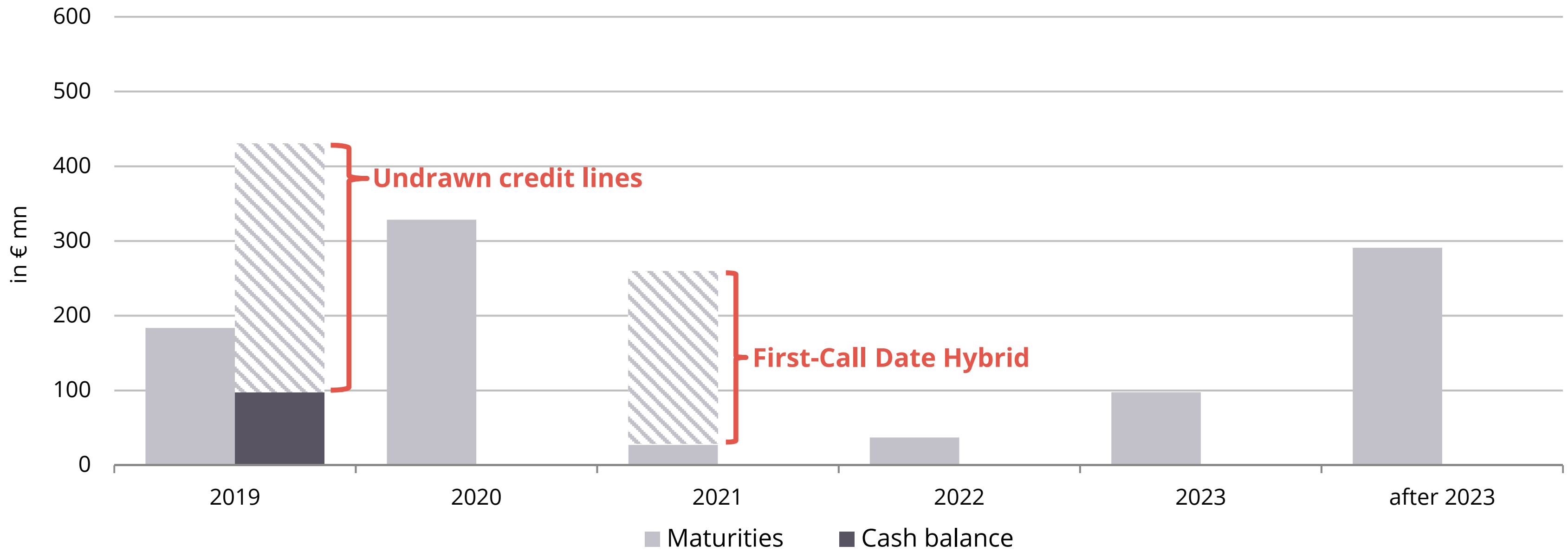
- Cash 30/6/2019: € 99 mn
- Credit lines: € 400 mn
  - Thereof drawn 30/6/2019: € 70 mn
- Term structure:




*Note: Term structure of gross debt excluding lease liability, cash position and financial liabilities as of 30/6/2019*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geared for growth