


Strictly Confidential

PETRUSADVISERS



**Wienerberger —
update materials**

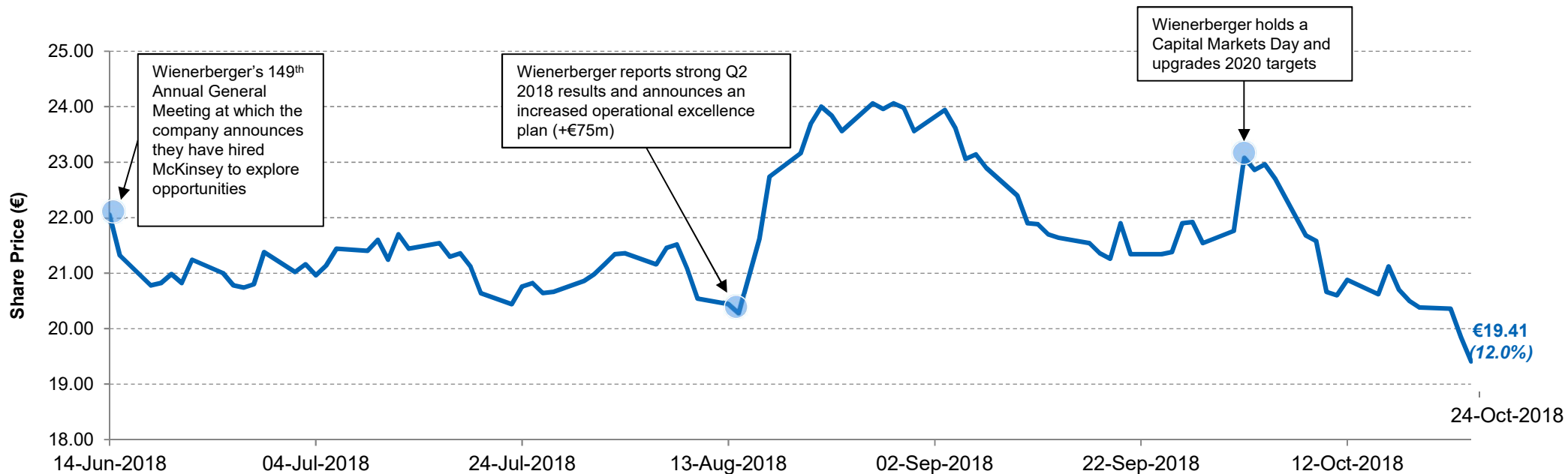
October 2018

Summary of observations

- Since Petrus Advisers engagement, Wienerberger has made tangible progress
 - €95m improvement potential identified, of which €75m by 2020
 - Strong YTD operating performance with LTM like-for-like EBITDA of €440m up from 2017 EBITDA of €415m
 - 2018 EBITDA guidance upgraded to €460-470m
- Capital markets have not fully bought into the Wienerberger equity story
 - Share price gains have repeatedly evaporated despite strong news flow
 - Analysts and investors remain outspokenly sceptical of the implementation success
 - Management guidance through 2020 implies a 2019 target share price of €38, i.e. ~2x the current share price
- Petrus Advisers demands
 - Greater transparency on the management plan including net profit guidance
 - More ambitious implementation timing of the improvement plan
 - Review of hard cost saving opportunities, especially SG&A
 - A meaningful share buyback programme plus increased dividend distributions based on a 40% payout ratio

A promise to focus on value but no one gives credit

- The market has not shown any appreciation for the progress the company has communicated
- Analysts don't give any credit for the execution of the operational excellence initiative



Brokers are oblivious to Wienerberger's progress

- Wienerberger's Capital Markets Day did nothing to address the company's credibility issue
- Brokers remain sceptical about management's ability to execute against the operational excellence programme

Broker recommendations

| | Pre-Q2 | Post-Q2 | Post-CMD |
|--------------------------|--------|---------|----------|
| UBS | €21.4 | €21.4 | €21.4 |
| Kepler | €19.0 | €21.5 | - |
| Exane¹ | €28.5 | €26.5 | €27.5 |
| Berenberg | €22.0 | €24.0 | €24.0 |
| Citi | €21.0 | €21.0 | €21.0 |

Key: Sell Hold Buy

Selected broker commentary

UBS: “[...] the market has overreacted to the new cost savings announced and is pricing in its full delivery on top of the previously announced targets. [...] we integrate 60% of the announced savings, lifting our EBITDA forecasts by 4% [...]”.

Berenberg: “[...] management now has many ambitious targets to meet with many moving parts we are wary of execution risk [...]. [...] While the shares appear cheap, we believe there is substantial execution risk with the proposals outlined at the CMD”.

Kepler: “[...] the announcement of its ‘FastForward 2020’ operational excellence programme [...] provides the company with self-help potential to get closer to its >€600m 2020 EBITDA target”.

Source: Bloomberg, UBS, Kepler, Exane, Berenberg, Citi

1) Exane increased their target price to €27.5 before the capital markets day, on 24 September 2018.

Management guidance implies a whooping target price of €38 in 2019

- By simply using management's guidance, 70% of EBITDA growth to 2020 drops through to the bottom line
- Valuing the company using the long-term average 8x multiple on 2020 EBITDA, we'd get to an implied price of €38 per year-end 2019 with the balance sheet delevering fast to 0.8x EBITDA by 2020

Forecasts based on management guidance

| Figures in €m | 2018E | 2019E | 2020E | CAGR, 2018-20 |
|--|------------|------------|------------|---------------|
| EBITDA¹ | 465 | 540 | 635 | 16.9% |
| Organic growth ² | | ~15 | ~15 | |
| Operational excellence ² | | 40 | 60 | |
| M&A ² | | ~20 | ~20 | |
| D&A ³ | (200) | (220) | (220) | |
| EBIT | 265 | 320 | 415 | 25.1% |
| Hybrid coupon | (30) | (30) | (30) | |
| Interest costs ⁴ | (22) | (16) | (14) | |
| Profit before taxes | 213 | 274 | 371 | |
| Taxes @25% rate | (53) | (68) | (93) | |
| Net profit | 160 | 205 | 278 | 31.9% |
| D&A | 200 | 220 | 220 | |
| Total capex | (238) | (340) | (330) | |
| Normal capex ⁵ | (160) | (160) | (160) | |
| Growth capex ⁶ | (78) | (150) | (150) | |
| Fastforward-related capex ⁷ | - | (30) | (20) | |
| Portfolio optimisation ⁸ | 44 | 53 | 53 | |
| Free cash flow to equity | 167 | 138 | 221 | 15.3% |
| Dividends @40% payout | (35) | (64) | (82) | |
| Net debt | 700 | 626 | 487 | |
| Leverage | 1.5x | 1.2x | 0.8x | |

Implied share price in 2019

| | 2019 | 2020 |
|---------------------|--------------|------|
| EBITDA | | 635 |
| EV/EBITDA | 8.0x | |
| Target price | €38.0 | |

Source: company filings, Bloomberg, Petrus estimates. Note: returns as per year-end 2019 calculated using estimated net debt as of 31 December 2019, inclusive of hybrid capital.

1) Mid-point of 2018 EBITDA guidance of €460-470m. Excludes IFRS16 effects, estimated to amount to €43m in 2020. 2) As per the management plan presented at the 2018 capital markets day. 3) As per Bloomberg consensus. 4) As indicated at the 2018 capital markets day. 5) As per the management plan presented at the 2018 capital markets day. 6) Assumes add-on acquisitions will be completed at 7.5x EBITDA, as hinted by the CEO at 2018 capital markets day. 7) Capex in connection with the Fastforward operational excellence programme. 8) As per the management plan presented at the 2018 capital markets day. Actual proceeds on 2018 have been deducted from the total targeted amount and the remainder has been assumed to be evenly distributed in 2019 and 2020.

Wienerberger to distribute 40% of profits and consider a buyback

- Despite its very depressed share price, Wienerberger's dividend yield is comparatively low
- The significant growth in earnings and cash flow will enable Wienerberger to catch up to peers and distribute 40% of net profit
- In addition, leverage will come down rapidly despite planned growth capex – this opens up to a meaningful share buyback programme

40% payout and fast deleveraging possible

| <i>Figures in €m</i> | 2018 | 2019 | 2020 |
|-----------------------------------|-------------|-------------|-------------|
| Net profit | 160 | 205 | 278 |
| <i>Dividend payout</i> | 28.3% | 40.0% | 40.0% |
| Dividend per share | €0.30 | €0.55 | €0.70 |
| Dividend yield¹ | 1.5% | 2.8% | 3.6% |
| <i>Leverage</i> | 1.5x | 1.2x | 0.8x |

Strong cash generation allows for buyback

| <i>Figures in €m</i> | 2018 | 2019 | 2020 | Cumulative |
|---------------------------------|------------|------------|------------|------------|
| Free cash flow to equity | 167 | 138 | 221 | 526 |
| Dividends | (35) | (64) | (82) | (181) |
| Cash to delever | (132) | (74) | (139) | (345) |
| <i>Leverage</i> | 1.5x | 1.2x | 0.8x | |

Peer dividend payout ratios

| Dividend payout % | 2016 | 2017 |
|--------------------------|-------------|-------------|
| Ibstock | 35% | 50% |
| Forterra | 42% | 40% |
| Heidelberg Cement | 48% | 39% |
| Kingspan | 24% | 23% |
| Rockwool | 34% | 33% |
| Vicat | 48% | 47% |
| CRH | 47% | 32% |
| Average | 40% | 38% |

Source: company filings, Bloomberg, Petrus estimates

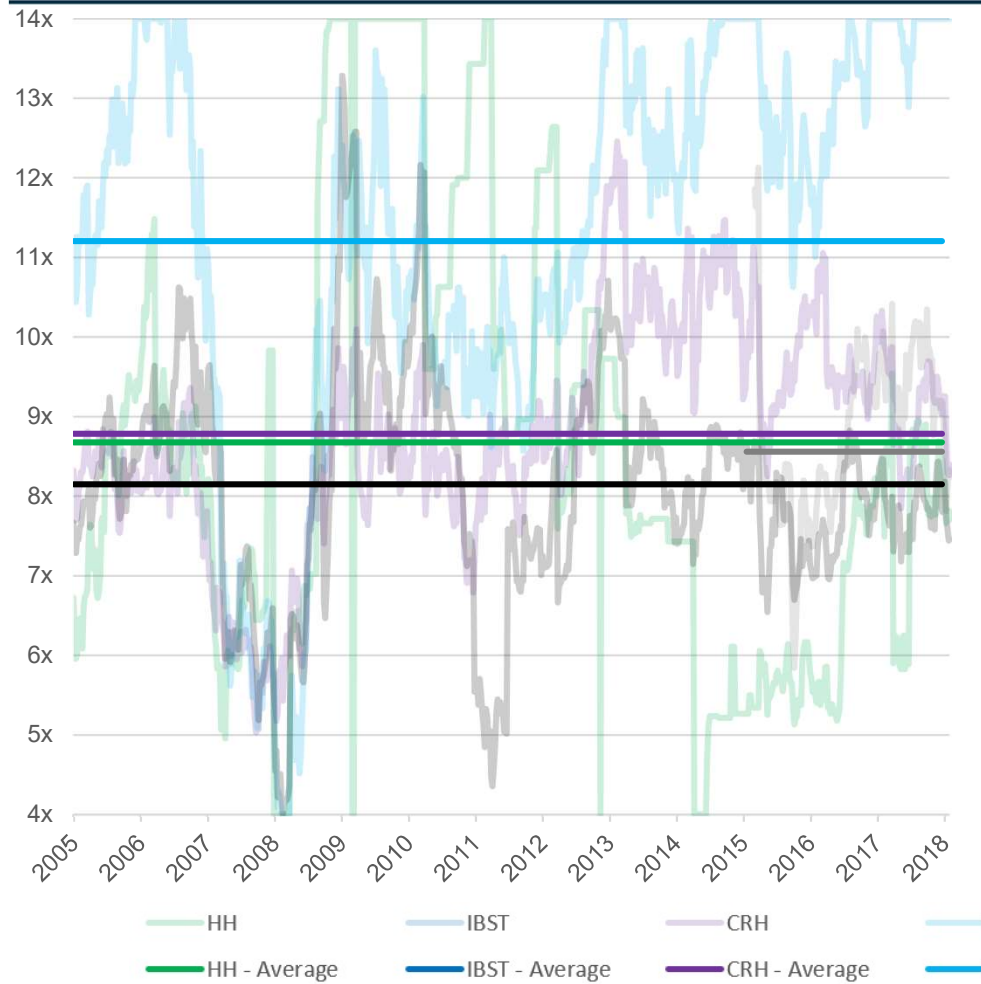
1) Based on a share price of €19.41 as of 24 October 2018.

Appendix

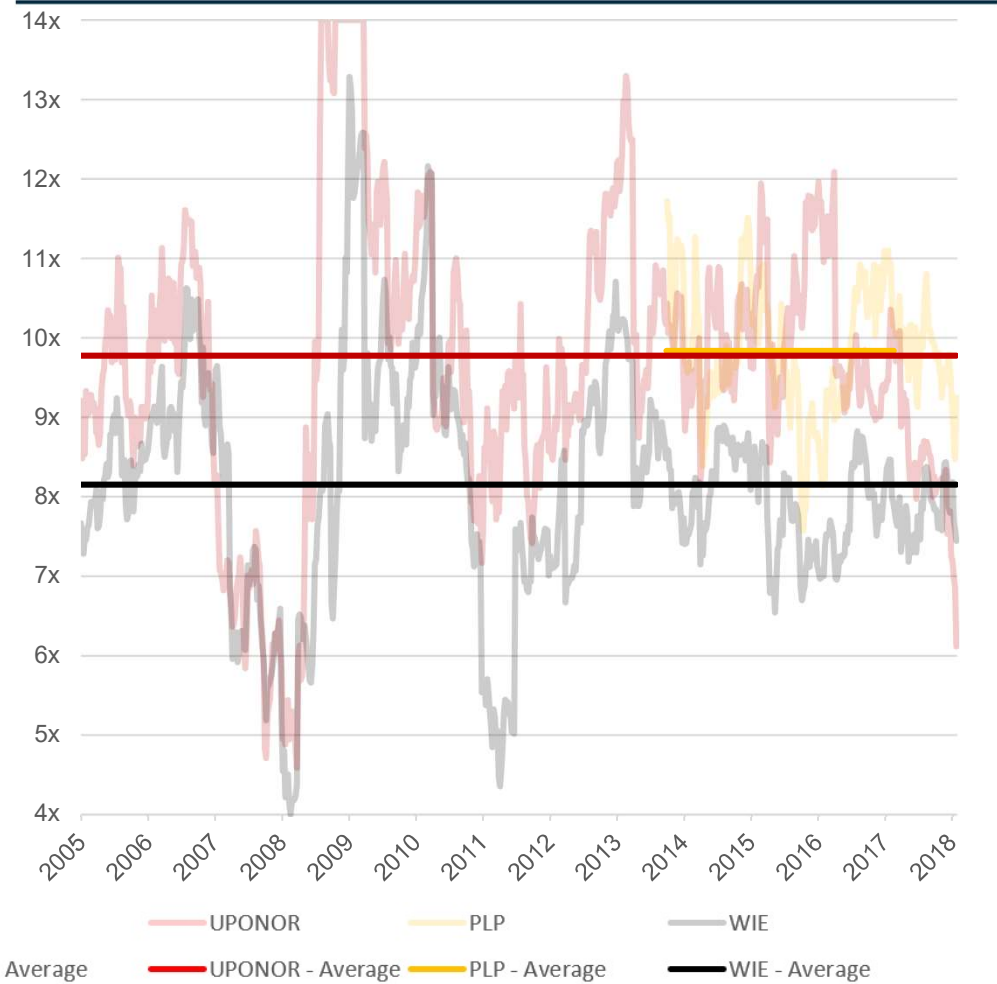
Wienerberger's 1 year Forward EBITDA multiple development

8x Forward EBITDA is in line with Wienerberger's long-term valuation and substantially lower than peers'

EV / 1y Fwd EBITDA – Construction peers¹



EV / 1y Fwd EBITDA – Pipe peers¹



1) Data Winsorised at 4 and 14x to control for outliers.

Source: Bloomberg as per 24th of October 2018