

Update Call Q2/H1 2023/24

HORNBACH Holding AG & Co. KGaA

September 27, 2023, 8:30 a.m. CEST

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HORNBACH Holding AG & Co. KGaA

Karin Dohm (CFO)

September 27, 2023, 8:30 a.m. CEST

Sales and earnings stabilizing in Q2

Q2 sales increase driven by robust sales performance at HORNBACH Baumarkt

- Q2 2023/24 net sales increased by 1.1% to € 1,667.9m – HORNBACH Baumarkt net sales up by 1.9% with strong development in the Netherlands
- HORNBACH Baumarkt continued to expand market share in Germany, the Netherlands, Switzerland and Czechia

Earnings stabilizing in Q2 following a challenging Q1 spring season

- Q2 2023/24 adj. EBIT at € 111.9m (-13.3%)
- Q1 2023/24 adj. EBIT at €109.4m (-26.2%)

Adjusted free cash flow in H1 for reverse factoring effect above previous year

- Significant improvement in working capital through inventory reductions net of reverse factoring repayments
- Stable dividend payment of € 38.4m underlining the resilience and strength of the business – payout ratio increased to 24.4% (2022/23: 19.2%)

FY outlook 2023/24 updated on Sept. 15, 2023 to reflect increasingly challenging macroeconomic environment

- Sales expected to be at or slightly below previous year's level (€ 6,263m)
- Adjusted EBIT to come in -10% to -25% below FY 2022/23 (€ 290.1m)



Investing in ICR footprint and ESG while continuing to optimize processes

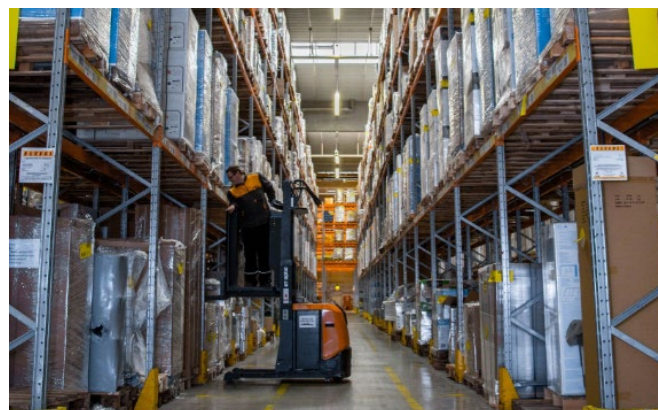
Investing in growth

- New logistics center in **Essingen (Germany)**
- Opening of our 18th Store in the **Netherlands** in **Nijmegen**
- **Online shop** backend roll-out completed successfully



Optimizing processes

- Continuous roll-out of process automation tools - technology-based **optimization of order processes**
- Further **standardization** of back-office tasks
- Leveraging **digitization** to improve process control and identify sales opportunities



Advancing ESG initiatives

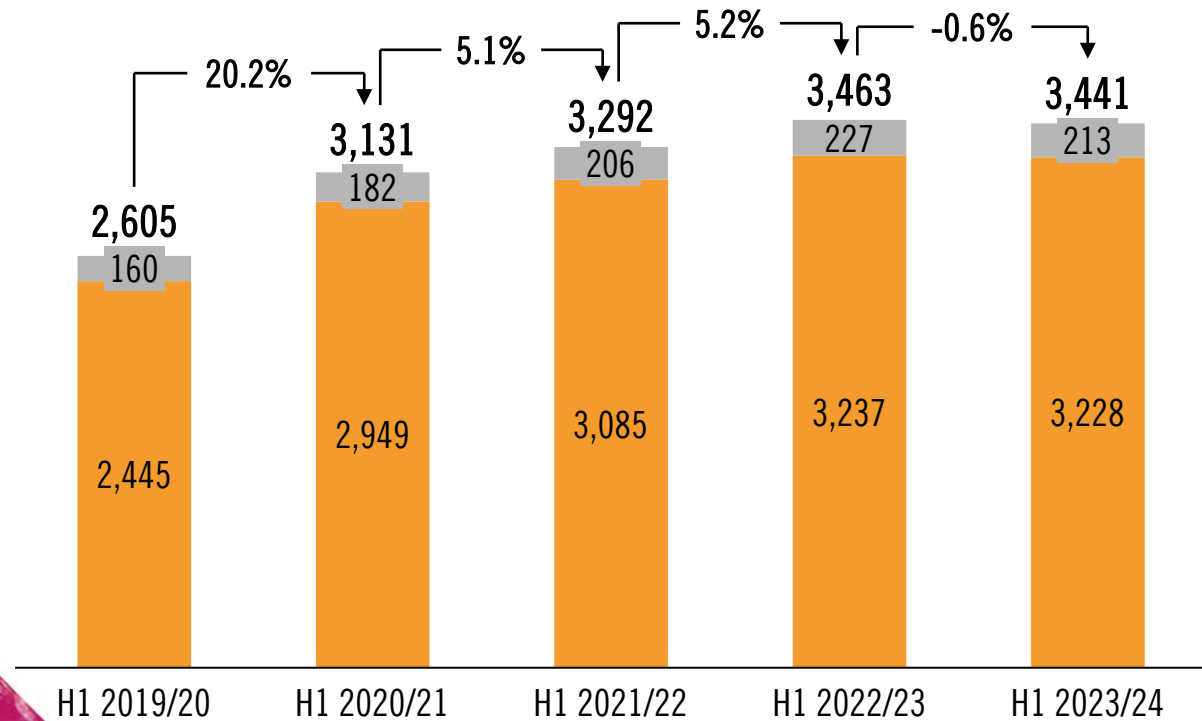
- 20 new **photovoltaic systems** installed on stores and logistics centers
- Private label **plants and seeds** now **bio-certified** in 8 of 9 countries
- Supporting industry initiatives on **measurement of Scope 3 CO₂ emission** and **reduction of plastic waste**



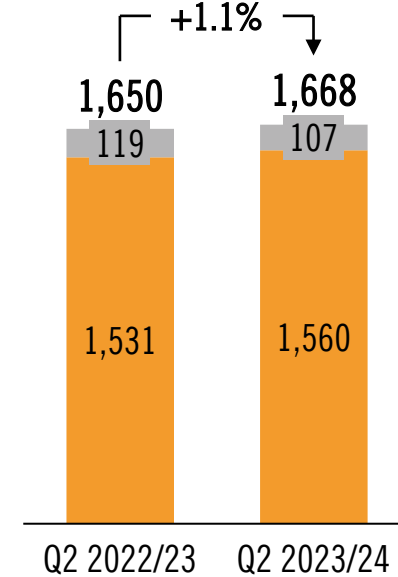
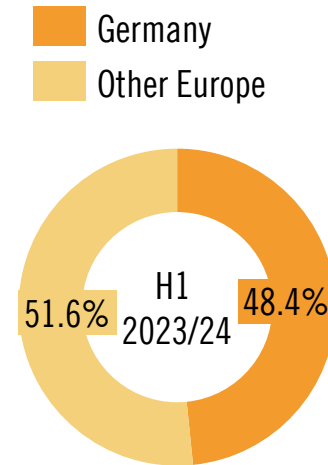
Stable net sales in H1 2023/24 close to previous year's record level

H1 net sales (Mar 1 – August 31)

HORNBACH Baustoff Union
 HORNBACH Baumarkt AG



- H1 net sales **HORNBACH Baumarkt** subgroup -0.3%
 - Q1: -2.2%; Q2: +1.9%
 - Germany: -2.4%; Other Europe: +1.8%
- H1 net sales **HORNBACH Baustoff** subgroup -6.0%
 - Q1: -2.4%; Q2: -9.4%



Like-for-like sales trend positive in Q2

- Demand impacted in Q1 by **unfavorable weather conditions** at the start of the main DIY and gardening season across Europe
- **Strong performance in the Netherlands** driven by increased footfall and strong project sales
- In H1 2023/24 Group-wide on average **0.7 business days less** than previous year (Q1: -1.5 business days; Q2: +0.8 business days)

Like-for-like sales growth¹⁾ per quarter and half year in %

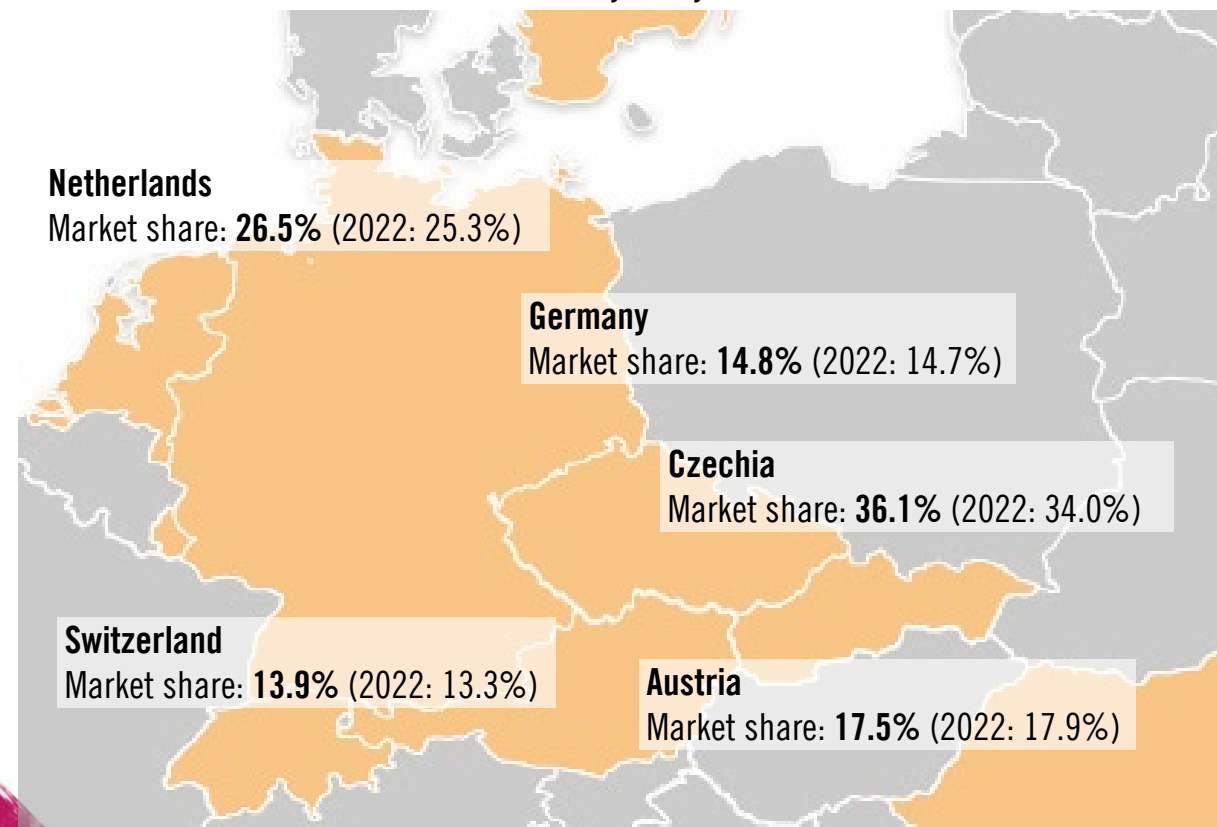
	Q1 2022/23	Q2 2022/23	H1 2022/23	Q1 2023/24	Q2 2023/24	H1 2023/24
Total	5.3	(1.7)	1.9	(3.2)	1.0	(1.3)
Germany	4.4	(2.9)	0.9	(5.7)	0.3	(2.9)
Other Europe	6.2	(0.6)	2.9	(0.8)	1.6	0.3
Austria	(2.5)	(0.8)	(1.7)	(6.6)	(3.5)	(5.1)
Czechia	18.0	(1.2)	8.1	(3.2)	(1.2)	(2.2)
Luxembourg	(7.3)	(2.6)	(5.2)	0.6	7.7	3.9
Netherlands	22.5	0.3	10.7	7.7	7.5	7.6
Romania	14.1	5.8	9.8	(2.2)	(0.9)	(1.5)
Slovakia	16.0	1.2	8.4	(0.4)	1.3	0.4
Sweden	(3.6)	(3.7)	(3.6)	(7.1)	(0.7)	(4.0)
Switzerland	(12.2)	(3.6)	(8.5)	(2.3)	1.6	(0.5)

1) Lfl = Like-for-like, In constant currencies; includes sales from all stores that have been open for at least one year as well as sales from online shop

HORNBACH Baumarkt: Gaining further market share

Large DIY stores > 1,000 sqm

Market share of HORNBACH Baumarkt January – July 2023 in % (GfK)



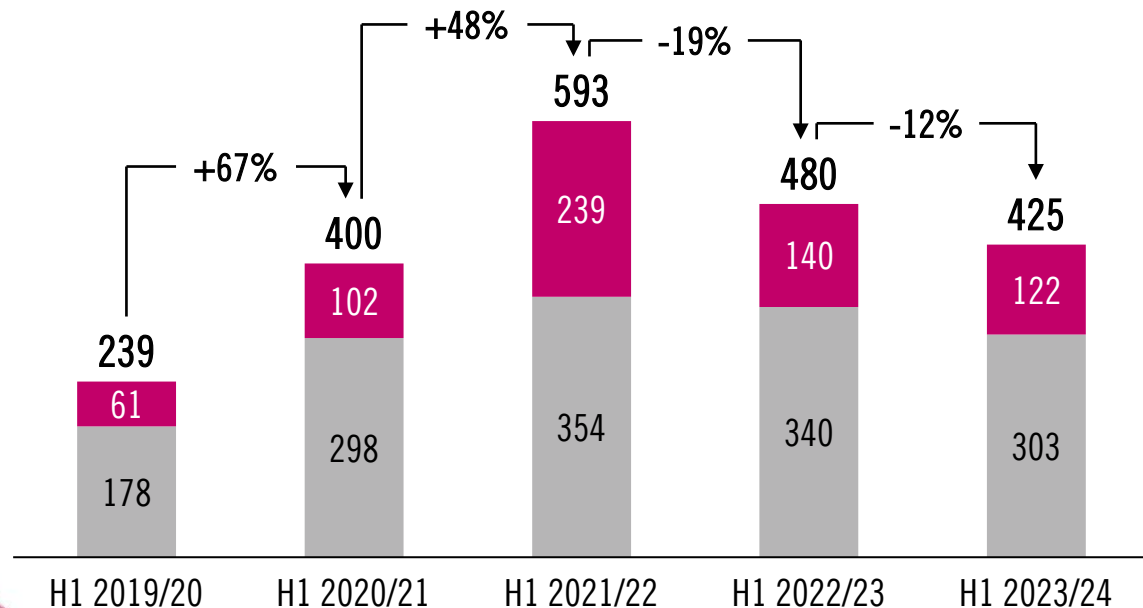
- HORNBACH continued to **gain market share** (GfK) in key markets between January and July 2023
- Strong market share gains in the **Netherlands** (+ 1.2 ppt) and **Czechia** (+2.1 ppt).
- Market share in **Germany** increased to **14.8%**
- Recent store openings in **Germany** (Leipzig) and **the Netherlands** (Enschede, Nijmegen) supporting continued growth

Source: GfK DIY-TSR, no data for Luxemburg, Romania, Slovakia, Sweden

E-commerce share remaining well above pre-Covid levels

9.8%	13.6%	19.2%	14.8%	13.2%	E-commerce share
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■ Click & Collect
 ■ Direct delivery



- **E-commerce share of HORNBACH Baumarkt sales** (incl. Click & Collect) at **13.2%** in H1 2023/24
- **Direct delivery** and **Click & Collect** remain well above pre-pandemic levels – established sales channels in DIY and DIFM
- Number of **customer accounts** increased by **11%** to 3.9 million in H1 2023/24
- More than half of our **online orders** were fulfilled through our stores.

Cost structure in % of net sales and gross margin

Gross margin stabilizing – cost structure impacted by higher wages and impairments

- **Gross margin** lower amid a more challenging market environment – stabilization at the end of Q2

- **Selling and store expenses** in H1 include impairment effects (+€ 20m) and higher personnel costs (+€ 24m) partly offset by lower operating expenses (-€ 13m)

- **General and administration expenses** increase mainly due to personnel and technology/IT investments

€ million

Gross profit

Gross profit margin in %

Selling and store expenses

Pre-opening expenses

General and administration expenses

Cost ratio in %

	Q2 2022/23	Q2 2023/24	Change in %	H1 2022/23	H1 2023/24	Change in %
Gross profit	547	551	0.7	1,167	1,147	(1.7)
<i>Gross profit margin in %</i>	<i>33.15</i>	<i>33.05</i>		<i>33.70</i>	<i>33.34</i>	
Selling and store expenses	362	390	7.6	766	803	4.7
Pre-opening expenses	1	2	59.0	3	4	40.3
General and administration expenses	63	73	16.3	132	148	12.0
<i>Cost ratio in %</i>	<i>25.8</i>	<i>27.8</i>		<i>26.0</i>	<i>27.7</i>	

Adjusted EBIT¹⁾ in € million and adjusted EBIT margin in %

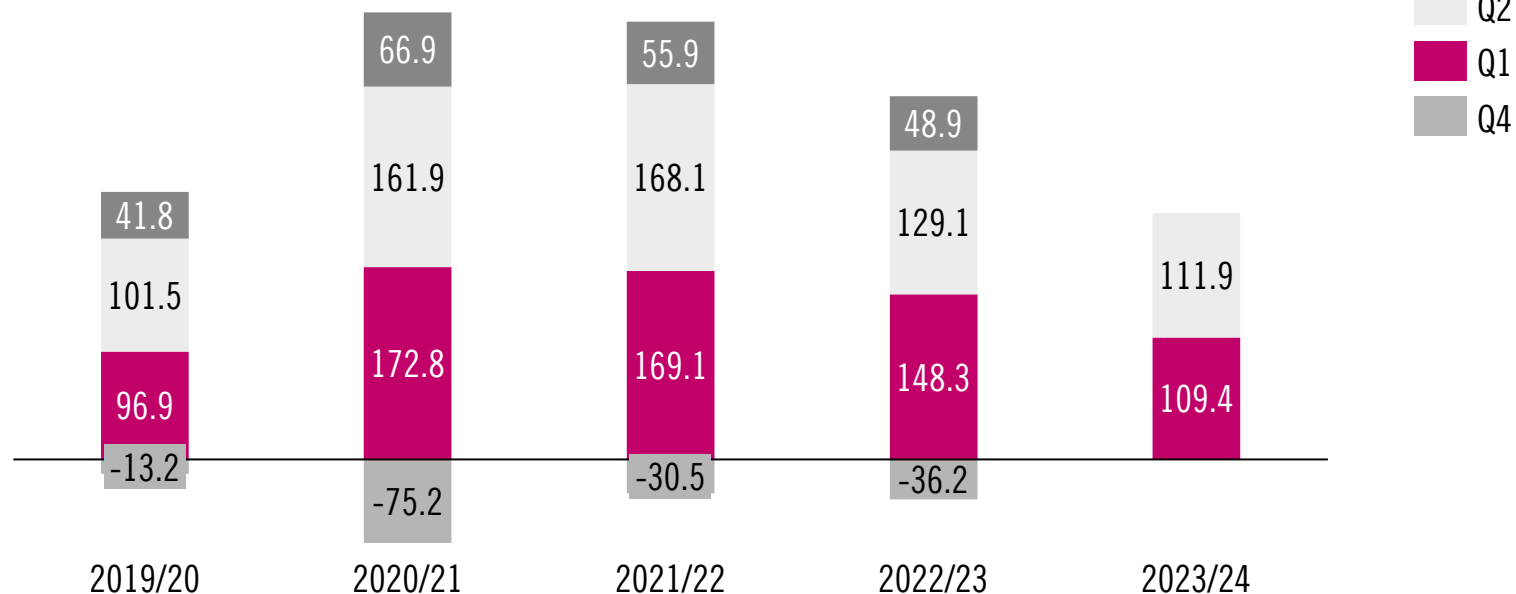
Profit development reflects lower gross margin and wage increases

- Adjusted EBIT on Group level **down 13% in Q2 2023/24** and 20% in H1 2023/24 vs. previous year
- Non-operating effects mainly from impairment of right-of-use assets

Reconciliation (in €m)	H1 2022/23	H1 2023/24
EBIT	275.9	202.0
Non-operating effects	1.5	19.3
Adjusted EBIT	277.4	221.3

Adjusted EBIT and adjusted EBIT margin H1:

7.6%	10.7%	10.2%	8.0%	6.4%
198.4	334.7	337.2	277.4	221.3



1) adjusted to exclude non-operating earnings items, e.g. impairment losses on assets, income from disposals of properties, income from write-ups of assets impaired in previous years

Active management of gross margin and inventory going forward

Gross margin improvement targeted

- Maintaining focus on competitive pricing (EDLP strategy) to protect market share
- Benefitting from decreasing input costs for many products - constructive negotiations with suppliers ongoing
- Effects of lower moving average purchasing costs starting to show

On track with inventory reductions

- Inventories down 14% despite inflation effects
- Optimized purchasing behaviour while maintaining high product availability
- Significant inventory reduction as of end of February expected

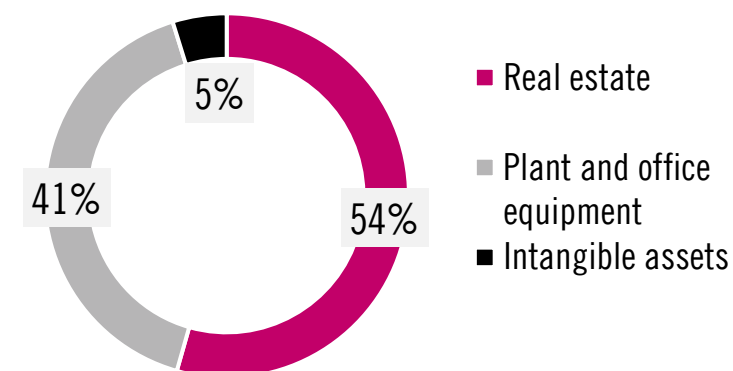


Working capital reduction reflects successful inventory management and reverse factoring

	H1 2022/23	H1 2023/24
Cash flow from operating activities	253.2	122.6
<i>of which: funds from operations</i>	<i>311.7</i>	<i>261.7</i>
<i>of which: change in working capital</i>	<i>-58.5</i>	<i>-139.2¹⁾</i>
Cash flow from investing activities	-110.3	-117.7
<i>of which: gross CAPEX</i>	<i>-114.2</i>	<i>-91.7</i>
<i>of which: fixed-term deposits</i>	<i>0</i>	<i>-30.0</i>
Cash flow from financing activities	-64.0	-91.4
Cash-effective change in cash and cash equivalents	78.9	-86.6
Free cash flow (after net CAPEX and dividend)	102.0	-5.8
Adjusted free cash flow for reverse factoring effect	102.0	244.2

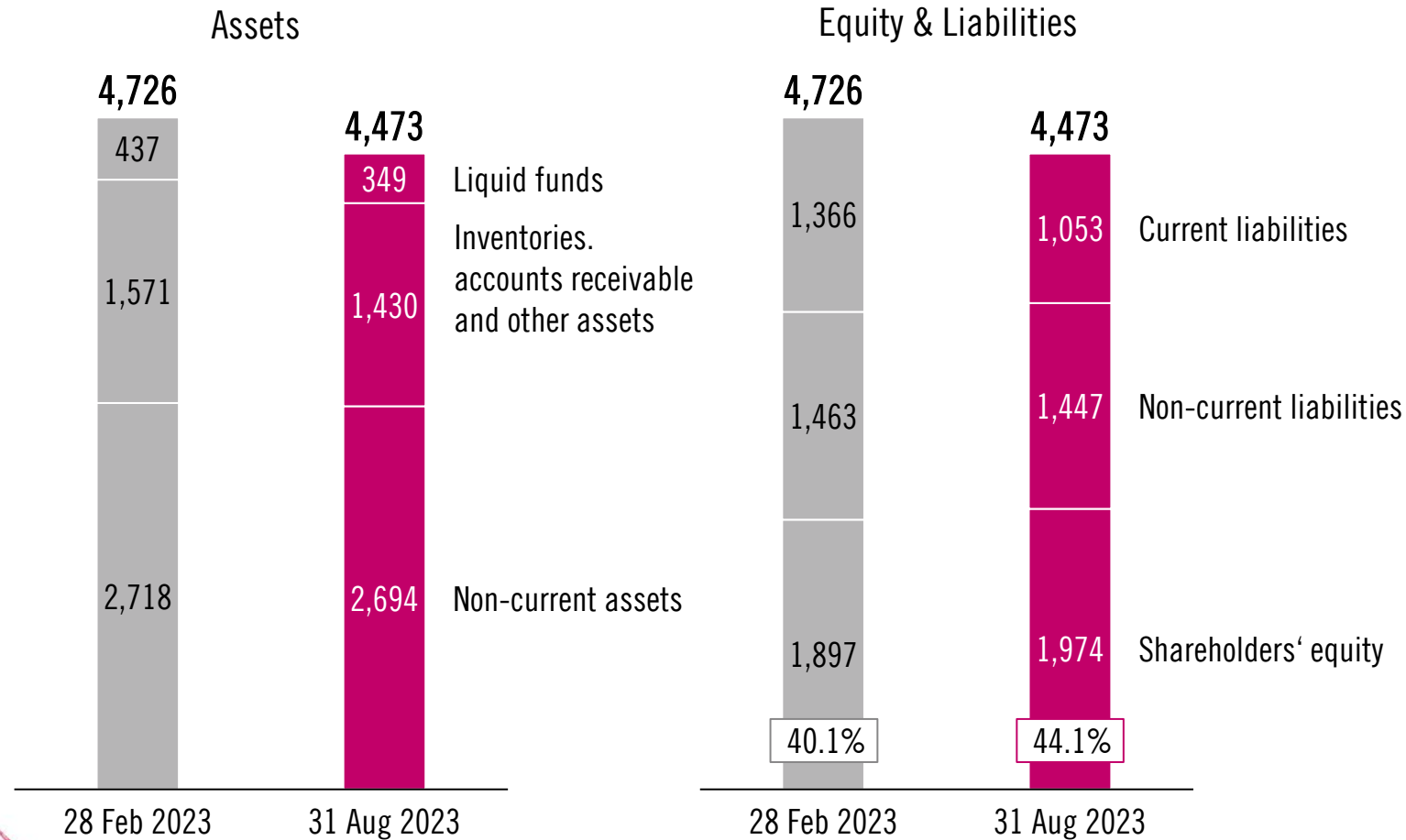
- Change in **working capital** includes repayments from the reverse factoring program (€ 250m), which were partly offset by inventory reductions
- CAPEX reflects ongoing investments into future

CAPEX split of HORNBACH Group H1 2023/24



1) Includes repayments of € 250m from reverse factoring program

Strong balance sheet structure

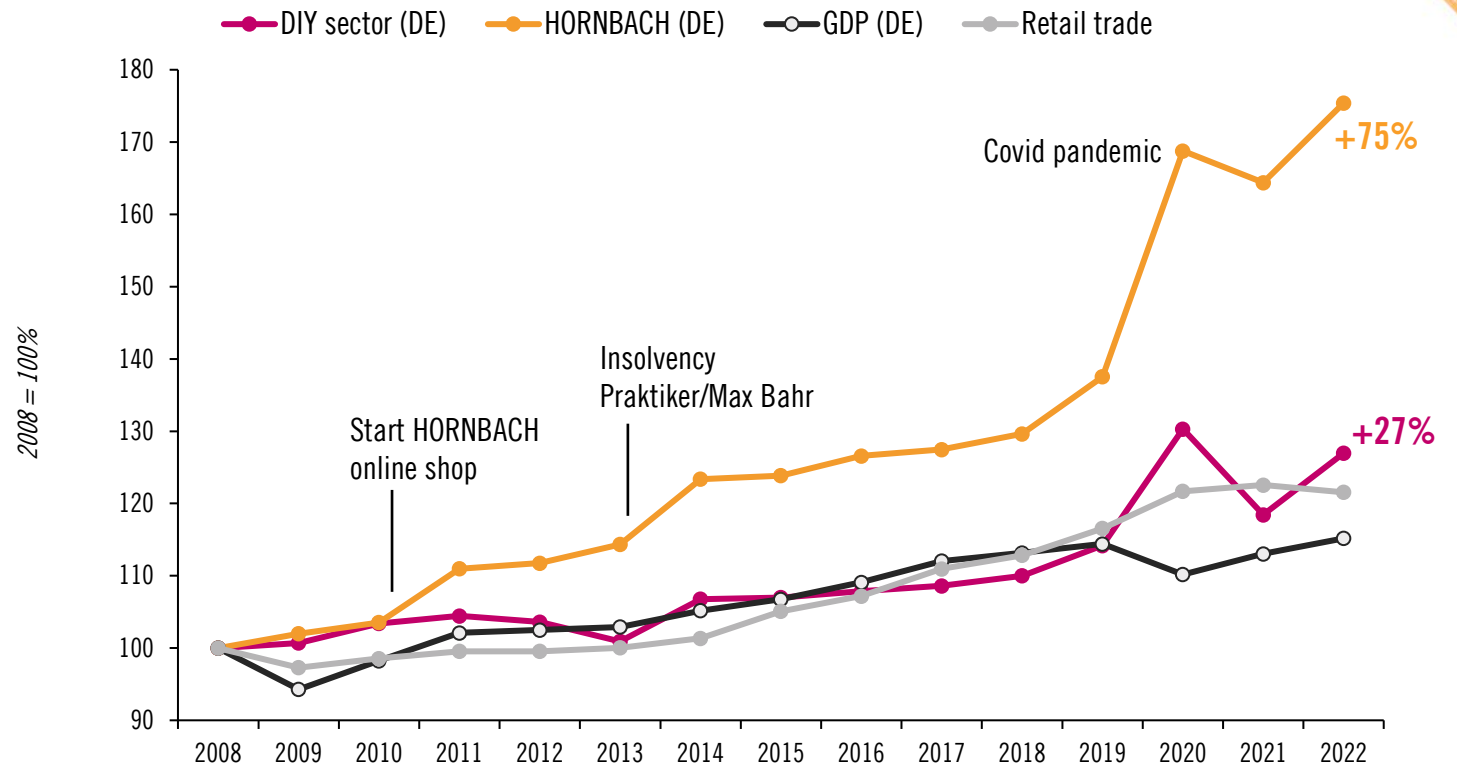


- Successful reduction of **inventories** by € 191m according to plan
- Decrease in liabilities (long- and short term)
- **Equity ratio further strengthened** at 44.1%

Proven resilience through cycles

- **Consistent outperformance** of both the DIY industry and broader retail sector
- History of **continuously increasing market share** – particularly in challenging markets
- **Competitive advantages** allow HORNBAACH to invest in growth and to adapt to external challenges
- Successful introduction of **new sales channels** and **geographic diversification**

Like-for-like growth rate of the German DIY sector / German GDP vs HORNBAACH (calendar year)¹⁾²⁾



1) In constant currencies; includes sales from all stores that have been open for at least one year as well as sales from online shops

2) GfK DIY panel (until 2013), GfK DIY-TSR (since 2014)

Addressing current challenges while pursuing long-term opportunities



- Focused on **improving efficiency** and actively managing costs and inventory
- Maintaining **price leadership** and ensuring we remain a reliable partner to our customers
- Continuing to invest in our ICR strategy and digitalization of our business to **maintain our strong market positions**
- **Committed to sustainability** in our own operations, our supply chain and with regard to our product offering
- **Robust balance sheet** and **reliable dividend**
- **Confident in our business model** and well positioned to navigate current macroeconomic environment and grow market shares

Q & A



Upcoming events & contact

Financial Calendar

November 16, 2023	BofA Consumer & Retail Conference, Paris
November 20, 2023	Equity Forum Winter 1on1 Summit (virtual)
November 27, 2023	Deutsches Eigenkapitalforum, Frankfurt
December 20, 2023	Quarterly Statement Q3 2023/24 as of November 30, 2023
January 9, 2024	Commerzbank & ODDO BHF German Investment Seminar, New York
January 15, 2024	ODDO BHF Forum – Digital Days (virtual)
January 16, 2024	Kepler Cheuvreux German Corporate Conference
March 26, 2024	Trading Statement FY 2023/24 as of February 29, 2024
May 22, 2024	Annual Report FY 2023/24 as of February 29, 2024 / Analyst Conference

Updates on our [IR website](#)

Investor Relations contact

Antje Kelbert

(+49) 0 63 48 / 60 – 2444

antje.kelbert@hornbach.com

Anne Spies

(+49) 0 63 48 / 60 – 4558

anne.spies@hornbach.com

Jonas Peter

(+49) 0 63 48 / 60 – 5398

Jonas.peter@hornbach.com

www.hornbach-group.com

HORNBAACH on [LinkedIn](#)

