

Hornbach reports strong first-half growth

Consolidated sales up 9.0 % to Euro 2,606 million in first six months of 2019/20 / Greater earnings strength: adjusted EBIT up 23.3 % to Euro 198 million / Forecast raised

Neustadt a. d. Weinstrasse, September 26, 2019.

The Hornbach Group (Hornbach Holding AG & Co. KGaA Group) substantially boosted its sales and earnings in the first half of the 2019/20 financial year (March 1 to August 31, 2019). The pleasing growth in consolidated sales by 9.0 % to Euro 2,605.9 million (2018/19: Euro 2,390.6 million) led – together with improved cost efficiency – to disproportionate earnings growth in the first half of the year. This way, the Hornbach Group increased its operating earnings net of non-operating items (adjusted EBIT) by 23.3 % to Euro 198.4 million (2018/19: Euro 160.9 million). Six-month earnings per Holding share came to Euro 6.72 (2018/19: Euro 5.54). Given the positive business performance in the first six months, the Board of Management has slightly raised the full-year forecast for 2019/20.

Hornbach Baumarkt AG, the largest operating subgroup (DIY Retail) which operated a total of 157 DIY megastores with garden centers and online shops in nine European countries as of August 31, 2019, increased its net sales by 8.7 % to Euro 2,444.7 million in the first half of the year (2018/19: Euro 2,249.6 million). On a like-for-like basis and net of currency items, the DIY stores with garden centers generated sales growth of 8.3 % in the first six months.

“The high rate of sales growth already seen in the spring quarter continued in the summer months. We substantially improved our performance across the board compared with the first six months of the previous year. That is especially pleasing in the highly competitive German market, where we further extended our lead over the sector”, comments Albrecht Hornbach, CEO of Hornbach Management AG.

Net sales at the HORNBACH DIY stores and online shop in Germany grew by 7.0 % to Euro 1,255.8 million in the first half of 2019/20 (2018/19: Euro 1,173.9 million). On a like-for-like basis, sales in Germany rose by 7.4 % (2018/19: 0.5 %). In the eight countries outside Germany (other European countries), net sales increased by 10.5 % to Euro 1,188.9 million (2018/19: Euro 1,075.7 million). The international share of sales at the Hornbach Baumarkt AG subgroup rose from 47.8 % to 48.6 %. On a like-for-like basis and net of currency items, sales in other European countries grew by 9.2 % (2018/19: 5.5 %).

The **Hornbach Baustoff Union GmbH subgroup** which, having taken over three new locations in Baden-Württemberg as of April 1, 2019, now operates 31 builders' merchant outlets in south-western Germany and two locations close to the border in France (Lorraine), increased its half-year sales by 14.6 % to Euro 160.3 million (2018/19: Euro 139.9 million).

Adjusted operating earnings show disproportionate growth

The highly dynamic sales performance and improved cost ratios led to substantial operating earnings (EBIT) growth once again in the second quarter. Overall, adjusted EBIT at the **Hornbach Group** grew by Euro 37.5 million (plus 23.3 %) to Euro 198.4 million in the first half of the year (2018/19: Euro 160.9 million). The operating business contributed the predominant share (Euro 31.1 million) of this earnings growth, while the rest (Euro 6.4 million) was due to first-time application of the new IFRS 16 lease accounting requirements. The adjusted EBIT margin rose year-on-year from 6.7 % to 7.6 %. Earnings per Holding share increased to Euro 6.72 (2018/19: Euro 5.54).

On the level of the **Hornbach Baumarkt AG subgroup**, adjusted EBIT grew by 31.5 % to Euro 171.4 million in the first half of 2019/20 (2018/19: Euro 130.4 million). Earnings per Baumarkt share are reported at Euro 3.35 (2018/19: Euro 2.86). The **Hornbach Baustoff Union GmbH** and **Hornbach Immobilien AG subgroups** contributed adjusted EBIT of Euro 3.8 million (2018/19: Euro 4.1 million) and Euro 29.3 million (2018/19: Euro 28.3 million) to consolidated earnings.

Turning to the company's earnings performance in the first half of 2019/20, Albrecht Hornbach added: "We have regained our growth course. The main factor here was the sales growth we generated with higher numbers of customers who also made larger average purchases. That was the case both online and at our stationary stores and both in Germany and abroad. Clearly, our business model is particularly attractive to customers. For confirmation of this, we need look no further than the new Kundenmonitor Deutschland 2019 customer survey, in which Hornbach was voted the best DIY store operator. Having said that, our earnings growth in the first half of 2019/20 was also driven by our increased focus on costs at the Group. After all, those were the reason for the unsatisfactory earnings performance in the previous financial year."

Board of Management raises forecast for 2019/20 slightly

Looking to the second half of the financial year, Hornbach sees greater risks than before, particularly with regard to weather conditions, the macroeconomic framework, and its business performance. Given the strong growth achieved in the first half of the year, however, the sales and earnings forecasts of the Hornbach Group for 2019/20 have been raised slightly. Accordingly, the Board of Management now expects sales to show growth in a medium to upper single-digit percentage range and EBIT adjusted to exclude non-operating earnings items to increase by more than 20 % compared with the figure reported for the 2018/19 financial year (Euro 134.9 million). Adjusted EBIT at the Hornbach Baumarkt AG subgroup is expected to grow by more than 40 % (2018/19 financial year: Euro 81.9 million).

Note: The quarterly statements of Hornbach Holding AG & Co. KGaA and Hornbach Baumarkt AG can be downloaded from the "Publications" section of our website. Link: www.hornbach-group.com

Key Figures of the Hornbach Group for the 2nd Quarter and 1st Half Year at a Glance

Key figures: Hornbach Holding AG & Co. KGaA Group (in Euro million, unless otherwise stated)	2 nd Quarter 2019/20 ¹⁾	2 nd Quarter 2018/19	± in %	1 st Half 2019/20 ¹⁾	1 st Half 2018/19	± in %
Net sales	1,267.5	1,163.3	9.0	2,605.9	2,390.6	9.0
of which Hornbach Baumarkt AG subgroup	1,184.0	1,087.6	8.9	2,444.7	2,249.6	8.7
of which in Germany	601.7	561.2	7.2	1,255.8	1,173.9	7.0
of which in other European countries	582.3	526.4	10.6	1,188.9	1,075.7	10.5
Like-for-like sales growth (DIY) ²⁾	8.8%	3.4%		8.3%	2.8%	
of which in Germany	8.0%	1.2%		7.4%	0.5%	
of which in other European countries ²⁾	9.6%	5.8%		9.2%	5.5%	
Net sales of Hornbach Baustoff Union GmbH subgroup	83.1	75.2	10.4	160.3	139.9	14.6
Gross margin (as % of net sales)	35.5%	35.9%		35.9%	36.2%	
EBIT	102.4	81.5	25.7	199.3	160.7	24.0
Adjusted EBIT	101.5	81.9	23.8	198.4	160.9	23.3
Net profit ³⁾	70.0	56.5	23.9	132.7	110.3	20.4
Earnings per share (Euro)	3.57	2.85	25.3	6.72	5.54	21.3
Investments	30.8	67.3	(54.3)	79.5	136.6	(41.8)

Misc. key figures: Hornbach Holding AG & Co. KGaA Group	August 31, 2019 ¹⁾	February 28, 2019	± in %
Shareholders' equity as % of total assets	42.0%	50.0%	
Number of DIY stores with garden centers	157	158	(0.6)
Sales area of DIY stores with garden centers (in 000 m ²)	1,852	1,853	(0.1)
Number of employees	21,597	21,055	2.6

Rounding up or down may lead to discrepancies between percentages and totals. Calculation of percentage figures based on Euro 000s.

¹⁾ Figures for 2019/20 financial year take due account of first-time application of new IFRS 16 lease accounting requirements. Previous year's figures not adjusted.

²⁾ Excluding currency items

³⁾ Including minority interests pursuant to IFRS