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Hornbach posts jump in earnings for 2019/20 financial year – cautious outlook due to coronavirus risks

2019/20 Annual Report published:

- Strong customer demand drives consolidated sales up by 8.4 % to Euro 4.7 billion
- Adjusted operating earnings (EBIT) rise by 68 % to Euro 227 million
- To date, coronavirus crisis has only temporarily impacted on DIY retail business
- Consistent dividend planned

Bornheim/Pfalz, May 27, 2020. The Hornbach Group (Hornbach Holding AG & Co. KGaA Group) generated substantial sales and earnings growth in its 2019/20 financial year (March 1, 2019 to February 29, 2020). The sales and earnings performance in the first three months of the 2020/21 financial year proved pleasingly robust despite the measures taken to contain the coronavirus pandemic. Due to incalculable macroeconomic risks, the Board of Management nevertheless remains cautious in its forecast for the current year.

“The past 2019/20 financial year was extremely successful for us. The weather played along, our concept resonated with customers, and we had our costs under control. All in all, we generated very profitable growth”, commented Albrecht Hornbach, Chief Executive Officer of Hornbach Management AG, the general partner of Hornbach Holding AG & Co. KGaA, at the company’s Annual Results Press Conference.

Sales forecast met – strong growth in all regions

The Hornbach Group met its 2019/20 sales forecast, with net sales growth of 8.4 % to Euro 4,729 million. Hornbach Baumarkt AG, the largest operating subgroup which operated 160 DIY and garden centers (2018/19: 158) and online stores in nine countries across Europe as of the balance sheet date on February 29, 2020, increased its sales by 8.1 % to Euro 4,428 million. On a like-for-like basis and net of currency items, group-wide sales at the DIY stores with garden centers (DIY) rose by 7.7 %. At Euro 2,386 per square meter, surface productivity in the DIY retail business reached a new record level in 2019/20. Online retail, which Hornbach combines with its stationary DIY business to form interconnected retail (ICR), contributed to the Group’s dynamic sales performance with double-digit growth. The Hornbach Baustoff Union GmbH subgroup reported sales growth of 13.2 % to Euro 299 million.

Operating earnings with significant growth

Thanks to its strong sales growth and improved cost ratios, Hornbach significantly increased its operating earnings strength compared with the previous year. EBIT adjusted for non-operating one-off items (adjusted EBIT) rose by 68.3 %, or Euro 92.1 million, to Euro 227.0 million in the past financial year. Of this improvement in earnings, around 86 % was due to the operating business and only 14 % to first-time application of the new IFRS 16 lease accounting standard. Adjusted EBIT at the Hornbach Baumarkt AG subgroup more than doubled to Euro 181.8 million.

“Greater cost efficiency and transparency for maintenance, and particularly conversion measures at the stores, coupled with a focus on essentials in individual administration projects – these factors all paid off”, added Albrecht Hornbach. Overall, costs rose significantly more slowly than consolidated sales and gross profit. One key focus of the DIY group in the 2019/20 financial year was on the development in profitability in Germany. Albrecht Hornbach: “We achieved a real turnaround in our earnings here.”

The Hornbach Group’s reinvigorated earnings and financial strength is also reflected in its cash flow statement. In the 2019/20 financial year, the cash flow from operating activities rose from Euro 54 million to Euro 324 million. At Euro 131 million, the investments made by the Hornbach Group were around a third lower than one year earlier. Net of investments and adjusted to exclude IFRS 16 effects, the Group’s free cash flow reversed from minus Euro 137 million in the previous year to plus Euro 130 million most recently.

2020/21 earnings forecast: coronavirus crisis harbors opportunities and risks for DIY retail

Due to the coronavirus crisis, the start to the new 2020/21 financial year was subject to great uncertainties. The DIY retail business was then affected less severely than initially feared by the restrictions imposed on large areas of social and economic activity. Hornbach DIY stores with garden centers were obliged to halt their stationary business with private consumers in several countries and regions, in some cases for several weeks. Purchases via the online shop in particular, the collection of goods reserved online and, in most cases, sales with commercial customers were nevertheless still possible. This meant that no location suffered a complete shutdown. As the spring quarter progressed, it became apparent that the coronavirus-related losses of sales were being more than offset, and that to an ever greater extent, by high sales at the DIY stores still open or freshly reopened, the online DIY shops, and the builders’ merchant outlets. Since May 6, 2020, all 160 Hornbach DIY stores with garden centers have once again been open to all customers.

As already communicated in an ad-hoc announcement on May 18, 2020, both consolidated sales and adjusted consolidated operating earnings (EBIT) for the first quarter of the 2020/21 are expected to significantly exceed the previous year’s figures.

Due to the implications of the coronavirus crisis, which remain incalculable, the Board of Management nevertheless sees significant economic risks for the remaining nine months of the 2020/21 financial year. These are expected to impact negatively on the sales and earnings performance of the Hornbach Group in the further course of the financial year. For the current year (March 1, 2020 to February 28, 2021), the Hornbach Group therefore expects to generate consolidated sales at the previous year’s level (Euro 4.7 billion) and adjusted EBIT slightly below the level reported for the 2019/20 financial year (Euro 227.0 million).

Key figures of the Hornbach Group (Hornbach Holding AG & Co. KGaA Group)

Key figures Hornbach Holding AG & Co. KGaA Group (in Euro million, unless otherwise stated)	2019/20 financial year	2018/19 financial year	± in %
Net sales	4,729.2	4,362.4	8.4
of which Hornbach Baumarkt AG subgroup	4,428.0	4,095.5	8.1
- Germany	2,244.7	2,118.4	6.0
- Other European countries	2,183.4	1,977.1	10.4
Like-for-like sales growth (DIY)	7.7%	4.2%	
of which Hornbach Baustoff Union GmbH subgroup	299.5	264.6	13.2
Gross profit	1,694.2	1,570.1	7.9
Gross margin (as % of net sales)	35.8%	36.0%	
EBIT	213.8	120.6	77.3
Adjusted EBIT¹⁾	227.0	134.9	68.3
of which Hornbach Baumarkt AG subgroup	181.8	81.9	>100
Consolidated earnings before taxes	166.2	98.5	68.7
Consolidated net income before minority interests	123.3	75.1	64.1
Earnings per Hornbach Holding share (basic/diluted in €)	6.56	4.08	60.8
Investments	131.2	195.9	-33.0

Misc. key figures Hornbach Holding AG & Co. KGaA Group	February 29, 2020	February 28, 2019	± in %
Shareholders' equity as % of total assets	42.7%	50.0%	
Number of DIY stores with garden centers	160	158	1.3
Sales areas in 000 m ² (BHB)	1,889	1,853	1.9
Number of employees	21,505	21,055	2.1

Differences due to figures being rounded up or down; percentage changes calculated on basis of Euro 000s.

¹⁾ Adjusted to exclude non-operating income and expenses

Note

The Annual Reports of the Hornbach Holding AG & Co. KGaA Group and the Hornbach Baumarkt AG subgroup for the 2019/20 financial year are available online at: www.hornbach-group.com