AIRTIME

Friday, June 19 2026 | 08:30 AM CET

HORNBACH HOLDING AG & CO. KGAA

XTRA:HBH

Q1 2026/27 Earnings Call Transcripts

Table of Contents

Call Participants

Executives

Antje Kelbert
Head of Investor Relations

Joanna Kowalska
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

Analysts

Michael Heider
Joh. Berenberg, Gossler & Co. KG, Research Division

Miro Zuzak
JMS Invest AG

Volker Bosse
Baader-Helvea Equity Research

Presentation

Antje Kelbert
Head of Investor Relations

Good morning, and welcome to our Q1 update call for HORNBACH Holding. My name is Antje Kelbert, Head of Investor Relations. Earlier today at 7 a.m., we published our financial results for the first 3 months of fiscal year 2026-'27, covering the period from 1st of March until the end of May 2026.

I extend my warmest welcome to our CFO, Dr. Joanna Kowalska, who will be our host today presenting our latest set of numbers. Please note that this conference call, including the Q&A session, will be recorded and made available along with the transcript on our company website. Kindly also take note of the disclaimer, which applies to the entire presentation as well as the Q&A session. After the presentation, we will take your questions. The technicalities will be explained by our operator at the beginning of the Q&A session.

With that, I'm delighted to hand over to Joanna to walk us through the key developments of the first quarter of this year. Over to you, Joanna.

Joanna Kowalska
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

Good morning, everyone. Thank you, Antje. It's a pleasure to be back and to share our latest results with you. Before turning to the details, let me briefly outline the broader macroeconomic and retail environment we faced over the course of the first quarter. Consumer sentiment remains subdued, particularly in Germany, but also across other markets. GDP growth and forward-looking expectations remain modest overall. However, against this backdrop, we have made a successful start to the new financial year. And on a personal note, I'm incredibly proud to be serving as CFO at a time when we have recorded the highest quarterly net sales in our company's history, with May being the strongest month ever.

This positive development has -- was driven by solid like-for-like sales growth in our existing stores, along with additional contributions from newly opened stores. The spring season went well, with customers appreciating our broad and project-focused assortment and services as well as our everyday low price promise. While these achievements belong to the entire organization, it's rewarding to see our strategy, execution and teamwork translate into record results. Overall, I can say we are happy with our figures, especially against the backdrop of the challenging macro environment I have just outlined.

Let me now guide you through today's results. We will cover 3 topics. The first one, an overview of the Q1 key financial figures. The second one, details on the P&L, balance sheet and cash flow. And the third one, the guidance for the current fiscal year. Let me start with the key financial figures. HORNBACH Group net sales reached EUR 2 billion, an increase of 4.9% from last year. This was mainly driven by international sales at HORNBACH Baumarkt AG. Like-for-like sales at HORNBACH Baumarkt grew by 2.8% and once again outperforming the DIY sector as a whole. The DIY sector in Germany saw significantly weaker figures from March to May compared to our results. This is based on data by the industry association, BHB. And additional market research data proves that in our other European countries, we at least matched or outpaced the overall sector performance.

Gross profit increased by 4.0% or EUR 27 million to EUR 700 million. This resulted in a gross margin of

35.0%. Adjusted EBIT reached EUR 161 million, matching last year's level. We opened a new store in Trnava, Slovakia and continued to invest in further future growth. Overall, we remain very much committed to our organic expansion plans. And despite recording higher CapEx, our free cash flow was only slightly below prior year's level.

So what do our Q1 figures look like in detail? Let's start by taking a closer look at our sales performance. As yet mentioned, group sales increased by 4.9% to a total of EUR 2 billion. Looking at sales at HORNBACH Baumarkt AG, we saw an increase of 4.7% to EUR 1.9 billion. We are benefiting significantly from our diversified European footprint. Sales in our other European markets grew by 7.5% and now account for 53% of group sales. However, Germany also achieved sales growth of 1.8%. We further strengthened our international presence, and our business resilience is resulting from a well-balanced geographical mix. We remain firmly committed to this strategic direction and continue to push ahead with our expansion plans in a controlled manner. Also, Baustoff Union, as you can see, contributed to our growth, increasing in sales by 6.8%.

And now let us take a look at market shares in the DIY retail segment. Once again, we were able to further expand our market shares in all HORNBACH countries for which data is available. The left side shows our top 3 regions in terms of market share growth. In Czechia, we are #1, and were able to further increase our market share to above 40%. This is a continuation of a strong momentum of recent years. In the Netherlands, customers value our product-focused offering. This has led to an increase in our market share to 40.4%. We also continued to improve our position in Switzerland. The right side of the slide shows that we also achieved gains in highly competitive markets such as Germany and Austria. In Germany, our largest market, market share rose further, an increase of 0.5 percentage point year-on-year. We also recorded further gains in Austria.

Overall, these results underline that HORNBACH is very well positioned in its market, and our ambition is to continue strengthening and expanding our presence across Europe. And this is not only about expansion, but also very much about driving profitable growth in our existing retail space. We were yet successful in this regard in the first quarter of '26-'27. As you can see, sales on a like-for-like basis, excluding new opened stores, increased by 2.8%. This was preliminarily driven by bigger basket size, but also customer frequency developed positively.

You can see that our international regions are growing relatively faster on a like-for-like basis. However, Germany also recorded growth of 1.0%. This means that we once again outperformed the German DIY market, which developed negatively from March to May. The other European countries achieved growth of 4.4%. We achieved these growth rates against a very strong prior year quarter, underlying our resilience. Our top 3 performance in this respect are Slovakia, the Netherlands and Czechia. Slovakia recorded strong growth of over 9%. In the previous year, local purchasing power had been subdued due to political changes. The Netherlands continued its successful development, achieving growth of just under 9%, and Czechia grew by 5.6%, showing even stronger growth than in the prior year quarter.

All other countries performed also very well. At the bottom of the table, you can see a decline in Romania, where consumer sentiment is temporarily impacted by tax increases impacting consumer spending in general. Overall, like-for-like sales growth trends give us confidence for the future. Considering that sales development was also affected by negative calendar effects, this performance is particularly encouraging. We had 2 business days lower than in the previous year, and also our e-commerce contributed to the increase in sales.

Here, we recorded an increase of EUR 20 million, which is a plus of 9%. Direct delivery accounted for the largest share of our online business, growing by 5%, and Click & Collect recorded an increase of 18%. This development shows us that our Click & Collect offering is meeting customers' demand. As you can see, the e-commerce share of HORNBACH Baumarkt sales rose to 13.6% in the last quarter. And compared to the pre-pandemic period, we have nearly doubled our e-commerce sales. By seamlessly integrating our e-commerce offering with our stores, we are able to provide customers with a truly interconnected shopping experience. We were among the pioneers in Germany in the e-commerce space, investing in this business more than 15 years ago. And this is now paying off.

Let us now have a look on the profits for the period. Our gross profit increased by EUR 27 million. The margin -- the gross margin was slightly below the prior year at 35%. The development of gross profit was preliminarily driven by sales growth. At the same time, challenges in logistics and increasing purchase prices driven by the current geopolitical environment put pressure on the margins. We are monitoring, of course, these developments very closely and aim to mitigate the impact through prudent planning.

On the right side, you can see the total costs, which increased overall by EUR 27 million or 5.2%. We were able to fully offset the increase in cost through higher gross profit. Where did the increase in costs come from? Mainly from selling and store costs. Those rose due to new stores and increases in operating costs, mainly maintenance, cleaning and payment transaction costs. However, the cost ratio remained stable at 22.6% of sales.

As you can see also, general and admin costs also increased. Here, too, higher personnel expenses were the main driver as expected. And in addition, costs for our IT infrastructure have increased. These investments are essential for us to future-proof our business model, optimize processes, increase efficiency and consistently drive forward our digital transformation.

The central cost ratio remained at a comparable level to the previous year. Preopening costs were slightly before the previous year's level. And as personnel costs are the key component of both store and central costs, let me briefly provide you here some further details on that. Total personnel costs across all mentioned cost categories amounted to around EUR 370 million, an increase of 5.5%. This increase was mainly driven by a higher number of employees as a result of the new opened stores compared to Q1 of the prior year as well as salaries.

Let us now turn to adjusted EBIT. Adjusted EBIT amounted to EUR 161 million, remaining largely in line with the prior year level. There were no nonoperating effects to adjust for the first quarter. On the right side, you can see the contribution from Germany and the rest of Europe to adjusted EBIT. Countries outside Germany contributed 62% to adjusted EBIT. This share increased and is 2 percentage point above the previous year's level.

Let us now take a look at the cash flow statement. Operating cash flow plays an important role in our strategy of organic expansion, which is largely financed by our cash flow. The slight increase in operating cash flow to EUR 199 million was mainly driven by increased funds from operations. CapEx amounted to EUR 56 million and increased by EUR 11 million compared to the previous year. This is in line with our strategy of organic growth. Around 46% of investments related to land and real estate, preliminary in connection with the development of new store locations. 34% of investments was located -- was allocated to store equipment for new and existing stores.

The remainder was invested mainly in software to further advance digitalization. And in this context, migration to SAP S/4HANA should also be mentioned, which is being driven forward with high priority. Free cash flow after CapEx and dividend payments amounted to EUR 143 million. The elevated cash flow from financing activities includes new promissory note loan. This will be used for refinancing the bond of HORNBACH Baumarkt, which will be redeemed early at the end of July.

Due to the new loans, the balance sheet total increased to EUR 5.3 billion. The equity ratio decreased to 42.3%, in line with the higher balance sheet total. However, it remains at a very solid level. Net financial debt decreased by 9.2%. This was mainly due to the higher liquid funds. And the leverage ratio defined as net debt-to-EBITDA of 2.5 was below the year-end level. Looking ahead, we will continue to manage our leverage prudently. At the same time, we will ensure efficient financial flexibility to support further organic growth.

This brings me to our guidance for the current fiscal year. We made a successful start to the '26-'27 financial year. We also saw a good customer response in the first weeks of Q2 and expect to benefit from the selling days that were missing in Q1. At the same time, there exist many uncertainties. Challenges in logistics arising from the current geopolitical situation as well as rising raw material prices are expected to persist for the time being and continue to put pressure on margins. Also, discussions on wage arrangements with trade unions are currently still ongoing in Germany. Based on the outcome, this might have an effect on personnel expenses.

Against this backdrop, we remain prudent in our forecasts and confirm the guidance issued in May. For the HORNBACH Holding Group, we currently expect net sales to be at or slightly above the level of the prior year financial year. Adjusted EBIT is expected to be roughly at the previous year's level. We will continue to maintain a controlled pace of further organic expansion. Therefore, we expect increased investment in the coming financial year. CapEx is likely to be significantly above the prior year level, and for sure, this will put some pressure on our free cash flow compared to last year.

Nevertheless, our operating cash flow remains solid. As long as this holds, investing in future growth opportunities justifies a somewhat lower free cash flow in the current fiscal year. We continue to see significant medium- and long-term growth potential in the home improvement sector. All in all, we are pleased with the results in the first quarter, and Q2 has started, and we are well prepared. We are doing our best to maintain our positive momentum and continue delivering a strong performance. Just in line with our motto, there is always a job to be done.

Antje Kelbert
Head of Investor Relations

Thank you for your valuable insights, Joanna. We are now happy to take your questions. In the interest of time, please limit yourself to 1 or 2 questions. Please state one question at a time. And now I hand over to our operator to explain the technicalities of our Q&A session. Please go ahead.

Question & Answer

Operator

[Operator Instructions] There is Mr. Maul. Mr. Maul? So we might move to another participant, Mr. Bosse.

Volker Bosse
Baader-Helvea Equity Research

Can you hear me?

Operator

Yes, we can hear you.

Q

Volker Bosse
Baader-Helvea Equity Research

Perfect. Okay. Sorry. I would have 2 questions. You speak about cost increases in general, but you also mention negotiations with the trade unions, so also potential cost increases. Could you give us here an update? What kind of negotiations are currently running? And what kind of outcome do you expect from these trade unions negotiations and from the overall cost inflation trend, which we see, to get your view here? And the second question would be on the 2 openings. Congratulations to the first opening in Q1. Where and when will be the mentioned 2 other openings in the year to come?

A

Joanna Kowalska
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

Volker, thank you very much for your question. Let me start with the first one on personnel costs, the development there. Personnel costs increased by 5.5% in the first quarter. And as I mentioned, there are some negotiations in Germany. The situation is this: that the negotiations start always once a year, and we never know how will be the outcome, yes. Therefore, it is very difficult to make any clear statement on this matter. But of course, we plan with the increase and for the full year with 4% nearly. And we -- yes, the prediction is very difficult.

But to be honest, the cost increases are in line with HORNBACH's strategy and the growth agenda. The increase in expenses reflects 2 factors. The wage increases as always to keep pace with inflation, and also the increase in head count, which is a natural consequence of our ongoing expansion program with the opening new stores. And to be honest, I see we are investing in our employees, and this is really an asset of HORNBACH. Investing in employees is essential to expand our customer reach and to continue providing first-class service at every location.

And if you consider that we performed such as we performed even in this strong competition, even in these challenging times, having the best quarter results ever, in the history. Our strategy to really invest in the people is, I think, very, very good. And -- but of course, we always are committed to finding the right balance between investment in our people and maintaining the cost discipline. Therefore, also we -- yes, we are -- we monitor all costs and try to find efficiency gain going forward.

Q **Volker Bosse**
Baader-Helvea Equity Research

Yes. I do not complain about your strategy, and I see the reasons for investing. Just for a clarification, you mentioned you have 4% full year cost increases. This is on personnel costs or cost increases overall. And if you say in personnel costs, this includes also new employees, of course, on the back of the store expansions.

A **Joanna Kowalska**
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

I mentioned the 4.4% increase. It relates only to the personnel costs.

Q **Volker Bosse**
Baader-Helvea Equity Research

And includes new employees as well, right?

A **Joanna Kowalska**
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

Of course, this is total. And yes, this is a roughly prediction. [Never know what] it will come. And...

Q **Volker Bosse**
Baader-Helvea Equity Research

Would you say that overall cost inflation is also in the range by 4%, so exclude -- or including personnel, overall costs, so to say, OpEx in general? Is that a rough

A **Joanna Kowalska**
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

It's difficult to say. To be honest, of course, as I mentioned, we have also pressure in the gross margin, logistic costs, and to make any prediction on the increase of this cost or energy or -- it's very difficult. Yes, but 60% of our total costs are personnel costs. Therefore yes. And Volker, you mentioned also the question, too, about other openings, yes. So we plan 2 new openings. The first one is Vloeren in the Netherlands, and the second one is Graz in Austria.

Q **Volker Bosse**
Baader-Helvea Equity Research

When to come roughly? Summer, autumn or next year?

A **Joanna Kowalska**
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

Yes. Both are planned for autumn this year.

Operator

So we move to another participant dialed in by phone, Mr. Heider.

Michael Heider
Joh. Berenberg, Gossler & Co. KG, Research Division

It's Michael Heider from Berenberg Bank. [Foreign Language]

Operator

Mr. Heider, in English, please.

Q Michael Heider
Joh. Berenberg, Gossler & Co. KG, Research Division

Yes. Okay. Sorry for that. I have 2, 3 questions, if I may. First one on CapEx. We had EUR 55 million, or you had EUR 55 million in the first quarter. Last year it was EUR 220 million. You say this year you expect significantly higher CapEx. I suppose that's in relation to the 2 more openings coming. But I mean, is there -- can you be a little bit more specific here after the first quarter? Yes, is my assumption right here that this is going to accelerate in the rest of the year? That would be my first question.

Then second question on the Baustoff Union, which saw a nice acceleration in growth, can you give us the reasons behind this? And then the last one, you touched upon it, but maybe you can elaborate a little bit more on the current pricing environment. Do you think we have reached the peak here now with the political situation currently? Or what is your expectation here?

A Joanna Kowalska
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

Thank you, Michael, for your questions. So I'll start with the first one about the CapEx. Yes, the CapEx grew by EUR 11 million, and it reflects the higher investment in expansion. To your question, to be more specific on that, unfortunately, I appreciate your interest in this topic. However, this is not information we disclose. And I can only tell you our strategic growth strategy, yes. In this year -- we have in this year many opportunities and also many options to invest. Therefore, I announced that the CapEx will be at higher level than the last year. Let me answer -- and the second question was about

Michael Heider
Joh. Berenberg, Gossler & Co. KG, Research Division

Baustoff Union.

Joanna Kowalska
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

And here, we are really happy and very, very satisfied with the development in this quarter. This is really something which we, for a long time, waited for. And both driven by existing location plus the M&A transaction. Maybe you remember St. Wendel. We bought a small store or location from Baustoff Union, but the most impact of the growth are coming from existing locations, and we are very happy having the situation now. And of course, the situation stays tense in the building sector. But yes, we hope that the next months will develop as in the -- yes, in the same line with the last month. We hope. We will see.

Q **Michael Heider**
Joh. Berenberg, Gossler & Co. KG, Research Division

So is this related to increasing construction activity in the area or you gaining market share or something?

A **Joanna Kowalska**
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

We see a little bit of recovery in the building sector. Last year, we see that the permit -- how to say permit

A **Antje Kelbert**
Head of Investor Relations

Building permit.

A **Joanna Kowalska**
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

Building permits were rising, and it was last year. Therefore, I think this is a result of that. Of course, good weather, yes. And yes, we have to see how the next months will develop.

And your question three was the, yes, the current situation on the market and the price increases. Let me answer in this way. The situation remains volatile. Of course, supply chains from Asia continue to face extended lead times and higher container rates, and more and more suppliers really are demanding higher prices nearly each day. And we are continuously in negotiations with them. And not all claims are justified, but in some cases, we need to make concessions.

What we value long-term supplier relationships, and it is important to us that our supply chain remains stable to provide our customers with everything they need. And to make some details on the price increases, this preliminary affects all freight-intensive product ranges, such as building materials, garden constructions materials as well as oil-based products. And this is only a part of our product range.

What we see is the increase in freight costs. And this affects not only HORNBACH directly, but also our suppliers. Therefore, yes, we -- the pressure on the gross margin is expected to continue in coming quarters at a similar level, I would say. Of course, yes, we all know the current situation is very volatile, and each day we have new news. But to be honest, yes, I expect to -- that we will face the pressure on the gross margin and higher logistic costs and purchase prices.

Operator

So we move on to the next participant, [Mr. Saripalli]. So this seems not to be able for him, unfortunately. And we therefore get to Mr. Miro Zuzak.

Miro Zuzak
JMS Invest AG

Can you hear me?

Antje Kelbert
Head of Investor Relations

Yes, we can hear you.

Q

Miro Zuzak
JMS Invest AG

I have a question regarding the reverse factoring program. So I see from -- I would like to understand how it works. I see from, basically, the balance sheet that you repaid EUR 149 million during the quarter, and I would like to understand against or how this is booked. Basically, what -- how -- whether this moves through the P&L or how it moves through the P&L and the cash flow statement.

A **Antje Kelbert**
Head of Investor Relations

Yes, so how to understand the reason of that? I think this is a normal procedure. We see for the last couple of years, we are conducting this instrument. So in Q4, we normally start with that. We are then fully repay in Q1. So this is the pattern. In the end, it's to prolong our paying terms to industry standards. So it's a procedure. I think we've taken over a couple of times now to make balanced cash flow situation. This is just to smoothen our cash flow structures. And I think the booking will taken by Joanna.

A **Joanna Kowalska**
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

So of course, the EUR 150 million from the last year was recorded as a payables and when we repay this, we have this not on our balance sheet. This is a matter of cash, yes. But in the P&L, we only see the cost for this program, and the benefits of the program clearly exceed the costs. We had -- in the last year, we have EUR 100 million of the reverse factoring, and now in this year we had the EUR 150 million. And in the current financial year, we plan to use it at the same level.

Q **Miro Zuzak**
JMS Invest AG

And sorry to ask it again. So if you repay the roughly EUR 150 million, what is -- basically it reduces your liability? Is it booked against cash? Or is it booked against another like balance sheet position against, I don't know, inventories or...

A **Joanna Kowalska**
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

No, no. This is like payables to suppliers. Therefore, yes, with this instrument, we just postpone our payment terms, and have a little bit air to -- yes, to balance our season.

Miro Zuzak
JMS Invest AG

And the account would be payables?

Joanna Kowalska
CFO & Member of the Mgmt., Board of HORNBACH Mgmt., AG

Exactly. Exactly.

Operator

So due to the fact that we don't have any risen hands, I hand back over to Antje Kelbert.

Antje Kelbert
Head of Investor Relations

Okay. So thank you. Those who had some technical issues can always come back to us. So for those who were unable to unmute and post their questions, so we are here at the Investor Relations team, just come back to us. But the other questions, it looks like all those have been addressed now. And with that, also thank you for Joanna for her contribution today.

After the summer break, we will have already scheduled participation in several capital market events and conferences. And we look forward to engaging in personal conversations with many of you there. So you can also find an overview of the upcoming Investor Relations activities on our website. So as already said, if anything comes afterwards or you were not able to post your questions during the call, just don't hesitate to come back to the Investor Relations team.

And all the others, thank you very much for your interest and time this morning. We hope to see you soon, and we wish you a great summertime. Thank you very much.

Disclaimer