

Hawesko Holding AG
Hamburg

ISIN DE0006042708

Reuters HAWG.DE, Bloomberg HAW GR

Quarterly statement to 31 March 2020

Hamburg, 12 May 2020

Highlights

in € (millions)

	1. Quarter		
	<u>1.1.–31.3.2020</u>	<u>1.1.–31.3.2019</u>	+/-
Consolidated sales	123.8	119.7	+3.4%
Result from operations (EBIT)	3.9	3.8	+2.6%
Consolidated net income excluding non-controlling interests	1.9	1.9	0.0%

Please note: The figures for the previous year have been adjusted via the retroactive application of IFRS 16 options.

Dear shareholders,
Dear friends of the Hawesko Group,

Shortly after announcing our figures for the past fiscal year, we are now presenting the results of the first quarter of the current fiscal year 2020 to you.

We increased sales in the first quarter by 3.4% over the same quarter in the previous year, despite the considerable upheaval caused by the coronavirus pandemic in March. This is a positive development, due primarily to our diversified positioning in the widely varied wine market. But the gradual expansion of digitalisation across the Hawesko Group is also bearing fruit, particularly in this exceptional situation. However, upon closer examination, the Group's segments reveal considerable differences in their performance. In the age of COVID-19, E-commerce is growing fast and vigorously, Retail is proving very robust despite some restrictions imposed by the authorities, and B2B is facing difficulties due to the nearly complete absence of orders from restaurant, hotel and catering customers. In figures, this is reflected in the quarter under review with increases in sales in the E-commerce and Retail segments of 5.6% and 4.3% respectively, while the B2B segment is stagnating.

This division is largely reflected in the operating result (EBIT): the absolute front runner with regard to results is the E-commerce segment with an increase of € 1 million over the same quarter of the previous year (+52.6%). The Retail segment was able almost completely to compensate planned non-recurring expenditures of approximately € 1 million related to transitioning the logistics to a new service provider, remaining nearly unchanged from the previous year's level with a decline of just under € 0.3 million. The B2B segment declined from € 0.7 million in the first quarter of the previous year to € –0.2 million, due primarily to lower margins caused by shifts within the sales channels in the wake of the shutdown in the restaurant and hospitality industry in March.

BUSINESS PERFORMANCE

Financial performance

First quarter

In the period from January to March 2020, consolidated sales rose by 3.4% from € 119.7 million to € 123.8 million. The consolidated operating result (EBIT) in the first quarter of 2020 amounted to € 3.9 million after € 3.8 million in the same quarter of the previous year. The EBIT margin was 3.2%, as in the previous year.

Sales in the Retail segment (*Jacques' Wein-Depot* and *Wein & Co.*) rose by 4.3% from € 43.7 million in the same quarter of the previous year to € 45.6 million in the quarter under review. In particular, *Jacques'* achieved sales increases over the first quarter of the previous year via the 'Great Wine Tasting' marketing campaign as well as inventory purchases in March. Sales of *Wein & Co.* were significantly adversely affected by the closing of all brick-and-mortar retail shops ordered by the Austrian authorities and fell short of the previous year's level. At the reference date at the end of the quarter, *Jacques'* was operating 320 depots in Germany (previous year: 314). Of these, as of the reference date 79 depots were allowed to operate only under restrictions imposed by the authorities. In the meantime, the restrictions apply only to 11 outlets. *Wein & Co.* operates 20 shops in Austria, which remained closed at the quarterly reference date due to official orders, but most of them are now open again. With regard to *Wein & Co.*, a like-for-like analysis of business performance in the quarter under review is not useful due to the closures. On a like-for-like basis, sales at *Jacques' Wein-Depots* rose by 6.6% compared to the first quarter of 2019. The average receipts declined slightly, while customer frequency and the number of active customers both rose once again. EBIT in this segment amounted to € 2.5 million in the quarter under review and € 2.8 million in the same quarter of the previous year.

The E-commerce segment posted a sales increase of 5.6% over the same quarter of the previous year, so that sales rose significantly (from € 39.1 million to € 41.3 million), driven mainly by online sales. Business at the *HAWESKO* subsidiary benefited particularly from numerous new customers. Sales at *Vinos* got a special boost starting in mid-March - in the quarter under review, sales rose by 11.9% compared to the previous year. The new online shop achieved improvements in visit duration as well as in conversion. *WirWinzer* grew by 47% thanks to a significant increase in new customers and better conversion. In the first quarter of 2020, the share of sales made via the Internet rose sharply compared to the same quarter in the previous year, accounting for 65% of segment sales (previous year: 57%). EBIT in the E-commerce segment increased substantially to € 2.9 million, up from € 1.9 million in the previous year.

In the B2B segment (Wholesale), business performance was hit hardest by the restrictions imposed on the restaurant and hospitality industry in the wake of the coronavirus pandemic, but first-quarter sales at € 36.9 million nevertheless remained at the level of the previous year. Positive effects resulted from the activities of the new subsidiary *Volume Spirits* (spirits distribution) as well as additions to the product range at *Wein Wolf*. In contrast to this, the performance of the remaining B2B subsidiaries declined due to the coronavirus pandemic. In Germany, sales increased overall by 2.0%. Sales at foreign operations were 7.1% below the figure for the previous year. The EBIT of the B2B subsidiaries amounted to € -0.2 million due to the lower margins resulting from the higher weighting of sales channels with weaker margins – more food retail, less restaurant and hospitality – in the wake of the crisis and thus below the figure for the comparable quarter in the previous year (€ 0.7 million).

Consolidated gross profit rose by € 1.0 million to € 53.1 million in the first quarter, corresponding to a margin of 42.9% (previous year: 43.6%). The slight decline in the trading margin resulted primarily from a change in the product mix in the B2B segment. Other operating income of € 5.5 million (same quarter in the previous year: € 5.1 million) consisted for the most part of rental and leasing income at *Jacques'* as well as advertising allowances. Personnel expenses decreased by € 0.1 million to € 15.6 million in the first quarter and accounted for 12.6% of sales (previous year: 13.5%).

Other operating expenses and other taxes compared to those in the same period of the previous year as follows (rounding differences are possible):

in € (millions)	01.01.- 31.03.2020	01.01.- 31.03.2019
Advertising	9.8	9.5
Commissions to partners	9.1	8.9
Freight and logistics*	7.9	6.2
Other	7.3	7.9
	34.1	32.5

*This item was referred to as 'Delivery costs' with the same components until 31 December 2019.

Advertising expenses at € 9.8 million were slightly above the level of the previous year (€ 9.5 million), accounting for 8.1% of sales (previous year: 7.9%). Expenditures for commissions rose to € 8.9 million (previous year: € 8.9 million), accounting for 7.4% of sales (previous year: 7.5%). Expenses for freight and logistics rose to € 7.9 million (previous year: € 6.2 million), accounting for 6.3% of sales (previous year: 5.2%). Overall, other operating expenses and other taxes amounted to € 34.1 million (previous year: € 32.5 million), thus accounting for 27.5% of sales in the quarter under review, up slightly from 27.1% in the same quarter of the previous year.

The consolidated operating result (EBIT) in the first quarter of 2020 was € 3.9 million and thus almost unchanged from the previous year. Corporate costs of € 1.3 million (same quarter in the previous year: € 1.6 million) were deducted from the contributions of the individual segments described above to the operating result and posted in the "Miscellaneous/Consolidation" column in the table on page 10.

The figures from the same quarter in the previous year have been adjusted due to a different application of simplification options within the scope of the first-time treatment under IFRS 16. For the leases of shop premises at *Jacques' Wein Depot*, the Group uses the carrying amount for the valuation of the rights of use as if the IFRS 16 standard had already been applied since the beginning of each individual lease. This led to an increase in EBIT for the first quarter of the previous year in the amount of € 0.3 million as well as an increase in the financial expenditure of € -0.2 million, and consequently to consolidated net income of € 0.1 million compared to the figure in the published quarterly report to 31 March 2019.

The financial result amounted to € -1.1 million in the quarter under review and the same quarter in the previous year. The result before taxes on income at € 2.8 million remained unchanged from the previous year. The tax result is € -0.9 million (previous year: € -0.8 million). Consolidated net income paid out to the shareholders of Hawesko Holding AG amounted to € 1.9 million (previous year: € 1.9 million). Earnings per share amounted to € 0.22, as in the preceding year. This was based on the figure of 8,983,403 shares in the reporting period (unchanged from the previous year).

Net worth

Structure of the consolidated balance sheet

in € millions, rounding differences are possible

	31.03.2020		31.12.2019		31.03.2019	
<u>Assets</u>						
Non-current assets	196.4	50%	197.7	50%	201.9	53%
Current assets	<u>195.6</u>	<u>50%</u>	<u>197.3</u>	<u>50%</u>	<u>180.1</u>	<u>47%</u>
Balance sheet total	<u>392.0</u>	<u>100%</u>	<u>394.9</u>	<u>100%</u>	<u>381.9</u>	<u>100%</u>
<u>Liabilities and shareholders' equity</u>						
Shareholders' equity	112.9	29%	110.9	28%	102.0	27%
Long-term provisions and liabilities	142.8	36%	143.1	36%	145.1	38%
Current liabilities	<u>136.3</u>	<u>35%</u>	<u>140.9</u>	<u>36%</u>	<u>134.8</u>	<u>35%</u>
Balance sheet total	<u>392.0</u>	<u>100%</u>	<u>394.9</u>	<u>100%</u>	<u>381.9</u>	<u>100%</u>

Changes since the reference date on 31 December 2019

The balance sheet total at 31 March 2020 was € 392.0 million, and thus roughly at the level at 31 December 2019 (€ 394.9 million). For reasons of seasonality, short-term assets showed a reduction of € 1.6 million compared to the reference date at the end of the year. The primary reason for this was a reduction in trade receivables (trade receivables typically reach their highest level at 31 December).

Total equity capital increased from € 110.9 million at 31 December 2019 to € 112.9 million at 31 March 2020 as a consequence of the net income for the period. Short-term liabilities declined by € 4.6 million to € 136.3 million (trade receivables typically reach their highest level at 31 December).

Changes from the previous year's reference date 31 March 2019

The balance sheet total increased from € 381.9 million to € 392.0 million. From this standpoint as well, the largest increases occurred in the current assets (particularly inventories) and liabilities.

The working capital requirement at 31 March 2020 increased in comparison to the reference date in the previous year.

Financial position

Liquidity analysis

The cash flow from current operations for the Hawesko Group in the three-month period amounted to € -9.1 million, compared to € -7.4 million in the same period of the previous year. Due to the seasonal nature of the business, cash flow from ongoing business activity is usually negative in the first quarter of the fiscal year. The funds employed for investment activities amounted to € 1.7 million in the first three months of 2020 (same period in the previous year: € 2.0 million).

Consolidated cash flow in € millions, rounding differences are possible	1.1.– 31.03.2020	1.1.– 31.03.2019
Cash flow from current operations	–9.1	–7.4
Cash flow from investment activity	–1.7	–2.0
Cash flow from financing activities	10.6	1.0

Free cash flow amounted to € –11.7 million in the first quarter of 2020, compared to € –10.4 million in the same period of the previous year. It was calculated from the net outflow of payments from current operations (€ –9.1 million), less funds of € 1.7 million employed for investment activities and interest received and paid out (€ –0.9 million).

Investment analysis

Investments were divided into those in intangible assets (€ 0.8 million; previous year: € 0.7 million), which were related primarily to customer relationship management and online shop software, and those in tangible assets of € 1.1 million (previous year: € 1.3 million). The latter were related in particular to investments in remodelling, expansion and replacement.

REPORT ON OPPORTUNITIES AND RISK

There were no significant changes in the risks and opportunities of Hawesko Holding AG compared to the situation described in the 2019 annual report.

REPORT ON EXPECTED DEVELOPMENTS

Outlook

There were no significant changes in the forecast for fiscal year 2020 of the Hawesko management board compared to the situation described in the 2019 annual report. The effects due to the spread of the coronavirus are still difficult to assess, so that a reliable forecast is currently impossible.

Consolidated profit and loss statements for the period from 1 January to 31 March 2020

(in € millions, unaudited, rounding differences possible)

1.1.–31.3.
2020

1.1.–31.3.
2019*

	1.1.–31.3. 2020	1.1.–31.3. 2019*
Sales revenues from contracts with customers	123.8	119.7
Increase in finished goods inventories	—	0.1
Other production for own assets capitalised	0.2	0.2
Other operating income	5.5	5.1
Cost of purchased goods	-70.6	-67.5
Personnel expenses	-15.6	-16.1
Depreciation/amortisation and impairment	-5.3	-5.2
Other operating expenses and other taxes	-34.2	-32.4
<i>of which impairment of financial assets</i>	<u>-0.1</u>	<u>-0.1</u>
Result from operations (EBIT)	3.9	3.8
Financial result		
Interest income/interest expense	-0.9	-1.0
Other financial result	-0.3	-0.1
Income from companies reported using the equity method	<u>0.1</u>	=
Earnings before income taxes	2.8	2.7
Taxes on income and deferred tax	<u>-0.9</u>	<u>-0.8</u>
Consolidated net income	1.9	1.9
of which attributable		
– to shareholders of Hawesko Holding AG	1.9	1.9
– to non-controlling interests	0.0	0.0
Earnings per share(in €, basic = diluted)	0.22	0.22
Average number of shares in circulation (Numbers in thousands, undiluted = diluted)	8,983	8,983

* The figures from the same quarter in the previous year have been adjusted due to a different application of simplification options within the scope of the first-time treatment under IFRS 16; see the section entitled 'Financial Performance' above.

Consolidated balance sheet

in € millions

ASSETS

Non-current assets

Intangible assets	56.1	56.4	61.4
Tangible assets*	126.0	127.1	128.6
Investments accounted for using the equity method	3.8	3.9	3.2
Other financial assets	0.1	0.1	0.1
Advance payments for inventories	3.2	3.1	2.0
Receivables and other assets	1.0	0.9	0.9
Deferred tax	6.2	6.1	5.6
	196.4	197.6	201.8

Current assets

Inventories and advance payments for inventories	130.0	120.9	119.6
Trade receivables	30.5	45.8	30.4
Receivables and other assets	9.2	5.0	5.6
Accounts receivable from taxes on income	7.1	6.9	7.8
Cash in banking accounts and cash on hand	18.8	18.7	16.7
	195.6	197.3	180.1

392.0 394.9 381.9

LIABILITIES

Shareholders' equity

Subscribed capital of Hawesko Holding AG	13.7	13.7	13.7
Capital reserve	10.1	10.1	10.1
Retained earnings*	85.6	83.6	75.1
Other reserves	-0.2	-0.2	-0.2

Equity of the shareholders of Hawesko Holding AG

Non-controlling interests	3.7	3.7	3.3
	112.9	110.9	102.0

Long-term provisions and liabilities

Provisions for pensions	1.1	1.1	1.1
Other long-term provisions	1.6	1.8	1.7
Borrowings	15.4	16.1	24.6
Lease liabilities*	107.4	108.5	104.1
Contract liabilities	5.4	5.4	2.5
Other liabilities	8.0	6.2	7.3
Deferred tax	3.9	4.0	3.8
	142.8	143.1	145.1

Current liabilities

Minority interest in the capital of unincorporated subsidiaries	0.2	0.3	0.2
Borrowings	31.6	15.3	26.9
Lease liabilities*	11.8	12.8	10.8
Trade payables	54.7	71.0	51.2
Contract liabilities	12.6	13.8	11.8
Income taxes payable	3.5	4.0	3.4
Other liabilities	21.9	23.7	30.5
	136.3	140.9	134.8

392.0 394.9 381.9

Rounding differences are possible

* The figures from the same quarter in the previous year have been adjusted due to a different application of simplification options within the scope of the first-time treatment under IFRS 16; see the section entitled 'Financial Performance' above.

Consolidated Cash Flow Statement

(in € millions, unaudited, rounding differences possible)	1.1.– <u>31.3.2020</u>	1.1.– <u>31.3.2019</u>
Earnings before income taxes	2.8	2.7
Depreciation and amortisation of fixed assets*	5.3	5.2
Other non-cash expenses and income	0.4	-0.1
Interest result*	0.9	1.0
Result from the disposal of fixed assets	0.0	0.0
Income from companies reported using the equity method	-0.1	-
Dividend payouts received from distributions by investments	-0.1	-
Change in inventories	-9.1	-5.0
Change in receivables and other assets	9.8	17.7
Change in provisions	0.6	-0.0
Change in liabilities (excluding borrowings)*	-17.9	-27.5
Interest received	0.0	0.0
Taxes on income paid out	<u>-1.7</u>	<u>-1.4</u>
Net outflow of payments from current operations	-9.1	-7.4
Acquisition of subsidiaries net of funds acquired	-	-
Outpayments for property, plant and equipment and for intangible assets	-1.9	-2.0
Inpayments from the disposal of intangible assets and property, plant and equipment	0.2	0.0
Inpayments from the disposal of financial assets	=	=
Net funds employed for investing activities	-1.7	-2.0
Outpayments for dividends	-	-
Outpayments to non-controlling interests	0.0	-
Outpayments to NCI Forwards	-	-
Outpayments for lease liabilities	-2.9	-2.7
Raising and repayment of borrowings	14.4	4.7
Interest paid	-0.9	-1.0
Inflow of net funds for financing activities	<u>10.6</u>	<u>1.0</u>
Effects of exchange rate changes on cash	0.3	0.0
Net decrease/increase of funds	<u>0.1</u>	<u>-8.4</u>
Funds at start of period	18.7	25.1
Funds at end of period	18.8	16.7

* The figures from the same quarter in the previous year have been adjusted due to a different application of simplification options within the scope of the first-time treatment under IFRS 16; see the section entitled 'Financial Performance' above.

Consolidated segment reporting

for the period from 1 January to 31 March 2020

in € millions	1.1-31.3. <u>2020</u>	1.1-31.3. <u>2019</u>
Retail		
External sales	45.6	43.7
EBIT*	2.5	2.8
B2B		
External sales	36.9	36.9
EBIT*	-0.2	0.7
E-commerce		
External sales	41.3	39.1
EBIT*	2.9	1.9
Miscellaneous/Consolidation		
External sales	0	0
EBIT*	-1.3	-1.6
Group		
External sales	123.8	119.7
EBIT*	3.9	3.8

* The figures from the same quarter in the previous year have been adjusted due to a different application of simplification options within the scope of the first-time treatment under IFRS 16; see the section entitled 'Financial Performance' above.

Information on the quarterly statement to 31 March 2020

The present quarterly financial report does not contain all of the information and data required for a consolidated financial statement and is therefore to be read in conjunction with the consolidated financial statements for 2019.

It has neither been audited in accordance with section 317 of the German Commercial Code (HGB) nor reviewed by an auditor.

Other information	1.1.–31.3. <u>2020</u>	1.1.–31.3. <u>2019</u>
Employees (average during the period)	1,187	1,170

Calendar:

Annual shareholders' meeting 2020	15 June 2020 (will take place later this year due to the coronavirus pandemic)
Half-year interim report to 30 June 2020	6 August 2020
Quarterly statement to 30 September 2020	5 November 2020
Preliminary figures for fiscal year 2020	Early February 2021

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