

First Quarterly Statement 2023/2024

Hönle Group



Earnings Development in T€	01.10.2023- 31.12.2023	01.10.2022- 31.12.2022	+/- %
Revenue	23,787	27,618	-13.9
Gross profit	14,425	17,233	-16.3
Operating result/EBIT	-779	2,348	-133.2
Earnings before tax/EBT	-1,274	2,028	-162.8
Consolidated net income/loss from continued operations	-861	1,597	-153.9
Result from discontinued operations	0	327	-100.0
Consolidated profit for the year	-861	1,924	-144.8
Earnings per share in €	-0.15	0.32	-146.5
Number of shares	6,062,930	6,062,930	0.0

Statement of Financial Position in T€	31.12.2023	30.09.2023	+/- %
Non-current assets	106,011	108,718	-2.5
Current assets	62,021	67,438	-8.0
Equity	93,519	96,133	-2.7
Non-current liabilities	46,174	47,775	-3.4
Current liabilities	28,339	32,248	-12.1
Total assets	168,032	176,156	-4.6
Equity ratio as a %	55.7	54.6	2.0

Liquidity Development in T€	01.10.2023- 31.12.2023	01.10.2022- 31.12.2022	+/- %
Cash generated from operations	2,111	4,471	-52.8
Cash flow from operating activities	1,723	2,627	-34.4
Cash flow from investing activities	-541	932	-158.0
Cash flow from financing activities	-1,917	-3,144	39.0
Change in cash and cash equivalents	-764	408	-287.3

Staff	01.10.2023- 31.12.2023	01.10.2022- 31.12.2022	+/- %
Average number of employees	581	636	-8.6
Average number of employees from continued operations	581	570	1.9

Market Development

Growth of the global economy was sluggish overall. However, the pace of growth varied widely depending on the region. The US economy proved to be especially robust as production ticked up sharply. By contrast, overall production growth was weak in the EU, especially in Germany.

The pronounced slowdown in global economic activity feared by many experts in light of last year's inflation shock, and the resulting tightening of monetary policy, has thus far failed to materialise. For the fourth quarter from October to December 2023, the global economic climate indicator calculated by the Kiel Institute for the World Economy on the basis of confidence indicators from 42 countries signals a slowdown in economic momentum. Industrial production and global trade have recently lacked momentum, and the machinery and plant engineering sector has suffered from marked investor reluctance.

However, inflationary pressure is easing notably as energy prices in particular provide some relief. Food and services were the only areas where prices continued increasing at a rapid pace in the eurozone.

Course of Business

The Höhle Group generated lower sales and earnings in the initial three months of financial year 2023/24 than in the prior-year period due to the weak market environment in the machinery and plant engineering sector and as a result of order delays. Customer demand for printing applications saw an especially notable decline.

Sales revenues came to T€ 23,787 and the operating result (EBIT) was T€ -779. In the prior-year period, revenue of T€ 27,618 had led to an operating result of T€ 2,348.

Business Development by Segment

In the Adhesives segment, the Höhle Group generated revenue of T€ 7,162 in the first quarter. Revenue in the prior-year period was T€ 7,316. In light of projected growth in the area of adhesives applications, additional employees were hired in both sales and development. The increase in personnel and the decline in revenue contributed to the operating result in the Adhesives segment dropping to T€ -78 in the first quarter, down from T€ 650 in the prior-year period.

The Equipment & Systems segment was impacted by the aforementioned investor restraint in the machinery and plant engineering sector. Customer demand for printing applications saw an especially notable decline, as evidenced by the segment operating result of T€ -868 reported by the Höhle Group based on revenues of T€ 12,776. In the previous year, the segment had generated an operating result of T€ 1,189 based on revenues of T€ 16,041.

uv-technik Speziallampen GmbH, which is a major contributor to business in the Glass & Lamps segment, had a weaker start to the new financial year due to order postponements. Sales in the Glass & Lamps segment therefore declined to T€ 3,849 from the previous year's T€ 4,262. The operating result dropped from T€ 509 in the previous year to T€ 166 in the current financial year.

Segments in T€	01.10.2023- 31.12.2023	01.10.2022- 31.12.2022	+/- %
Revenue Adhesives	7,162	7,316	-2.1
Revenue Equipment & Systems	12,776	16,041	-20.4
Revenue Glass & Lamps	3,849	4,262	-9.7
Operating result/EBIT Adhesives	-78	650	-111.9
Operating result/EBIT Equipment & Systems	-868	1,189	-173.0
Operating result/EBIT Glass & Lamps	166	509	-67.3

Results of Operations

At T€ 23,787, the Hönlle Group's sales revenues in the first quarter of the financial year were down 13.9% from the prior-year period. Gross profit dropped by 16.3% to 14,425 T€. At 40.1%, the cost of materials ratio was slightly above the previous year's figure of 39.3%. Personnel expenses advanced from 9,358 T€ to T€ 9,954, which corresponds to a personnel expense ratio of 41.8% (PY: 33.9%). The increase in personnel expenses is attributable to a staff increase and adjustments in wages and salaries. In the current financial year, the Other operating expenses ratio came to 16.0% (PY: 14.7%).

The operating result (EBIT) stood at T€ -779 (PY: 2,348 T€) and earnings before taxes (EBT) came to T€ -1,274 (PY: 2,028 T€). After taxes, Hönlle reported a consolidated net loss of T€ 861 (PY: consolidated net profit of T€ 1,924), which corresponds to earnings per share of € -0.15 (PY: 0.32 €).

Earnings Development in T€	01.10.2023- 31.12.2023	01.10.2022- 31.12.2022	+/- %
Revenue	23,787	27,618	-13.9
Gross profit	14,425	17,233	-16.3
Operating result/EBIT	-779	2,348	-133.2
Earnings before tax/EBT	-1,274	2,028	-162.8
Consolidated net income/loss from continued operations	-861	1,597	-153.9
Result from discontinued operations	0	327	-100.0
Consolidated profit/loss for the year	-861	1,924	-144.8
Earnings per share in €	-0.15	0.32	-146.5
Number of shares	6,062,930	6,062,930	0.0

Financial Position

In the first quarter of financial year 2023/24, the Hönlle Group generated cash flow from operations in the amount of 2,111 T€ (PY: -4,471 T€). After payment of interest and income taxes, the cash flow from operating activities attributable to continued and discontinued operations came to 1,723 T€ (PY: 2,627 T€).

The cash flow from investing activities reflects payments for the acquisition of property, plant and equipment and, in the previous year, instalment payments relating to the disposal of the Raesch Quarz Germany GmbH business unit, which, on balance, led to a positive cash flow from investing activities in the amount of T€ 932 in the prior-year period. This cash flow came to T€ -541 in the reporting period.

The cash flow from financing activities amounted to -1,917 T€ (PY: T€ -3,144) and is largely due to the repayment of liabilities to banks.

In all, cash and cash equivalents contracted by -764 T€ during the first three months of the current financial year (PY: increase of T€ 408).

Liquidity Development in T€	01.10.2023- 31.12.2023	01.10.2022- 31.12.2022	+/- %
Cash generated from operations	2,111	4,471	-52.8
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Change in cash and cash equivalents	-764	408	-287.3

Net Assets

On the assets side of the statement of financial position, property, plant and equipment decreased by T€ 1,062 to T€ 74,066 as at 31 December 2023 due to regular impairments. The Hönlle Group has existing interest rate swap agreements to hedge against interest rate risks. The change in interest rates led to a decline in Other non-current assets on the assets side of the statement of financial position and, at the same time, to a drop in other comprehensive income.

Cash and cash equivalents stood at T€ 8,553 as at 31 December 2023 (PY: T€ 9,317). With an equity capital ratio of 55.7%, the Hönlle Group continues to be solidly financed.

Non-current loans decreased by T€ 1,077 to T€ 40,706 and current loans contracted by T€ 464 to T€ 11,952. Other current liabilities declined by T€ 2,184 to T€ 4,512 due to the utilisation of personnel-related provisions.

Statement of Financial Position

in T€	31.12.2023	30.09.2023	+/- %
Non-current assets	106,011	108,718	-2.5
Current assets	62,021	67,438	-8.0
Equity	93,519	96,133	-2.7
Non-current liabilities	46,174	47,775	-3.4
Current liabilities	28,339	32,248	-12.1
Total assets	168,032	176,156	-4.6
Equity ratio as a %	55.7	54.6	2.0

Outlook

Overall Market

Although the economy is stable, economic growth remains slow. However, the situation is expected to ease somewhat compared with the situation in recent years, which has seen crises, wars, high inflation and rising interest rates. Inflation is falling rapidly, driven especially by lower energy prices, which are providing some relief. Price pressure is also lessening significantly upstream of consumer prices, i.e. at the producer level, where deflationary tendencies are already predominant. Moreover, the price components of purchasing managers' indices (PMIs) indicate declining cost pressure in the industry. A number of indicators point to monetary policymakers starting to lower interest rates around mid-2024, which would facilitate investment. However, there are no signs of an economic upturn at present. In the advanced economies, the uncertain economic outlook is holding back growth and in China, economic momentum remains slow due to structural problems.

In its latest World Economic Outlook, the International Monetary Fund forecast growth of 3.1% for the global economy in 2024, as in the previous year. Unlike in its previous outlooks, however, the current forecast indicates that risks to global growth are now broadly balanced, i.e. the risk of a hard landing has receded.

Outlook for the Hönlle Group

New orders in the Hönlle Group were lower in the initial three months of financial year 2023/24 than in the prior-year period due to the weak market environment in the machinery and plant engineering sector and as a result of order delays. However, the Management Board believes that investor reluctance, which has been prevalent to date, will gradually dissipate. The Board's assumption is supported by market observations as well as the level of orders scheduled for delivery in the second half of the year. In May, the Hönlle Group will be participating in Drupa, the world's largest printing equipment trade fair, as an exhibitor. This is also expected to increase demand for printing equipment and contribute to a corresponding increase in new orders for the Hönlle Group, which is expected to lead to a considerable upturn in business in the second half of the financial year in particular.

On the whole, the Management Board is optimistic about the business trend for the rest of the financial year and has confirmed the annual targets. The Board is projecting sales revenues of between €105 million and €115 million and an operating result of between €6 million and €9 million for financial year 2023/24.

Restructuring of Activities into Business Units

Following the planned restructuring, Hönlle's business units will have a much more customer-centric focus than in their previous iteration, thus laying the foundation for higher revenues and improved EBIT margins in the business units. The Company's operations will then be divided into three units: Curing, Disinfection, and Adhesive Systems. The half-year report as at 31 March 2024 will presumably be made for the first time on the basis of the new business units. Project management will be either implemented or improved in the business units with a view to strategically targeting the application fields of the future. Company-wide meetings are held at manager and expert level for the purpose of promoting information sharing within the business units and identifying and leveraging synergies.

Adhesives Segment

From a regional perspective, the Group will continue to focus on developing the US market. Demand for customised industrial adhesives is high in North America, where Hönle has been underrepresented thus far. Hönle plans to continue developing the US sales market by working closely together with key account customers.

Hönle has a wide range of speciality adhesives for the electronic packaging sector, which is expected to see substantial growth in the future. In the coming years, more and more data will be generated and processed worldwide. This usually requires customised adhesives, making this an ideal field of activity for the Hönle Group as an adhesives specialist. The adhesives can be used, for instance, in smart phones, wearables or data processing systems for autonomous cars. Another growth area is adhesives used in medical technology, where one important field of application is adhesives for bonding needles to syringes, an area in which the Hönle Group has proven expertise in the adhesive systems required for this purpose.

The Management Board believes that sales of adhesives and adhesive systems, i.e. UV-reactive adhesives and the associated UV curing equipment, will rise sharply in the coming years. Profitability is expected to rise at an exceptionally high rate as sales revenues grow.

Equipment & Systems Segment

Project management is being expanded with the goal of strategically targeting the application fields of the future. Active product management is being established for UV curing systems in all application areas relevant to Hönle. In addition to printing machines, these include technical films, coated components used in automotive engineering, and floor coverings.

New products are being strategically developed to improve the Hönle Group's competitive standing. The development process centres on the customer with the aim of providing user-friendly systems, which will create the foundation for increasing sales volumes over the coming years. Profitability improvements are expected from restructuring the product range and from leveraging savings potential on the procurement side.

Glass & Lamps Segment

The Hönle Group is well positioned with its Glass & Lamps segment. The segment's products are used to disinfect water by means of ultraviolet radiation. This environmentally friendly process is applied increasingly in the treatment of ballast water, drinking water, process water, and ultrapure water. In these fields of application, the Hönle Group supplies leading manufacturers of water treatment systems with lamps, sensors and electrical components. The pharmaceutical and electromobility sectors represent additional growth markets. The Group's selective expansion of product management will enable a targeted development of new, high-potential fields of application.

On the whole, the Management Board expects sales and earnings to increase in the Glass & Lamps segment over the next few years.

Consolidated Income Statement

01.10.2023 until 31.12.2023

in T€	01.10.2023- 31.12.2023	01.10.2022- 31.12.2022
Revenue	23,787	27,618
Changes in inventories of finished goods and work in progress	10	-40
Other operating income	172	500
Cost of purchased materials and services	-9,545	-10,844
Personnel expenses	-9,954	-9,358
Depreciation and amortisation of property, plant and equipment and intangible assets	-1,013	-1,097
Amortisation of rights of use IFRS 16	-371	-397
Other operating expenses	-3,819	-4,042
Impairment pursuant to IFRS 9	-47	9
Operating result/EBIT	-779	2,349
Profit/loss from investments accounted for at equity	0	41
Financial income	3	45
Financial expenses	-497	-405
Financial result	-494	-319
Earnings before tax/EBT from continued operations	-1,274	2,030
Income taxes	412	-431
Consolidated net income/loss from continued operations	-861	1,599
Earnings from discontinued operations after taxes	0	327
Consolidated profit/loss for the year	-861	1,926
Share of earnings attributable to non-controlling interests	40	5
Share of earnings attributable to Dr. Hönle AG shareholders	-901	1,921
Earnings per share (basic) from continued operations in €	-0.15	0.32
Earnings per share (basic) from discontinued operations in €	0.00	
Earnings per share (diluted) from continued operations in €	-0.15	0.32
Earnings per share (diluted) from discontinued operations in €	0.00	
Average number of shares in circulation (basic)	6,061,854	6,061,854
Average number of shares in circulation (diluted)	6,061,854	6,061,854

Consolidated Statement of Financial Position

as at 31.12.2023

in T€	31.12.2023	30.09.2023
ASSETS		
NON-CURRENT ASSETS		
Goodwill	18,400	18,400
Intangible assets	1,244	1,304
Property, plant and equipment	74,066	75,127
Investment property	1,005	1,015
Investments accounted for using the equity method	414	381
Financial assets	26	26
Other non-current assets	5,114	7,307
Deferred income tax assets	5,742	5,159
Total non-current assets	106,011	108,718
CURRENT ASSETS		
Inventories	35,282	35,046
Trade accounts receivable	11,580	15,618
Receivables from companies in which an equity investment is held	131	108
Finance lease receivables	50	57
Other current assets	1,524	1,871
Current tax assets	4,027	3,910
Cash and cash equivalents	8,553	9,317
Assets held for sale	873	1,510
Total current assets	62,021	67,438
TOTAL ASSETS	168,032	176,156
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	6,063	6,063
Own shares (Treasury Stock)	-8	-8
Capital reserves	41,979	41,979
Retained earnings	45,217	47,787
Equity attributable to Dr. Höhle AG shareholders	93,250	95,820
Non-controlling interests	268	313
Total equity	93,519	96,133
NON-CURRENT LIABILITIES		
Non-current loans (less current portion)	40,706	41,783
Non-current lease liabilities	1,066	1,274
Other non-current liabilities	261	269
Pension provisions	3,168	3,212
Accrued public investment grants	62	63
Deferred income tax liabilities	910	1,175
Total non-current liabilities	46,174	47,775
CURRENT LIABILITIES		
Trade accounts payable	6,546	7,558
Liabilities to companies in which an equity investment is held	3	4
Contract liabilities	1,842	1,711
Current lease liabilities	1,254	1,333
Current liabilities to banks and current portion of non-current loans	11,952	12,416
Other current liabilities	4,512	6,696
Other provisions	372	382
Income tax liabilities	1,356	1,361
Liabilities associated with assets held for sale	502	788
Total current liabilities	28,339	32,248
TOTAL EQUITY AND LIABILITIES	168,032	176,156

Statement of Consolidated Cash Flows

01.10.2023 to 31.12.2023

in T€	01.10.2023- 31.12.2023	01.10.2022- 31.12.2022
Cash flow from operating activities		
Consolidated profit/loss from continuing operations before taxes	-1,274	2,028
Adjustments for:		
Profit/loss from discontinued operations before taxes	0	327
Amortisation/depreciation of intangible assets, property, plant and equipment and investment property	1,384	1,494
Gains/losses from the disposal of intangible assets, property, plant and equipment and investment property	-3	1
Financial income	-3	-86
Financial expenses	497	405
Other non-cash expenses/income	-180	-424
Operating result before changes to net current assets	421	3,745
Increase/decrease in provisions	-97	-110
Increase/decrease in trade accounts receivable	3,992	3,123
Increase/decrease in receivables from investees	-21	21
Increase/decrease in other assets	354	-1,219
Increase/decrease in reinsurance	-12	-54
Increase/decrease in inventories	78	1,309
Increase/decrease in trade accounts payable	-1,003	-997
Increase/decrease in liabilities to investees	0	5
Increase/decrease in contract liabilities	131	-405
Increase/decrease in other current liabilities	-1,733	-946
Cash generated from operations	2,111	4,471
Interest paid	-462	-337
Income taxes received / paid	74	-1,418
Cash flow from operating activities - continued operations	1,723	2,715
Cash flow from operating activities - discontinued operations	0	-88
Cash flow from operating activities - continued and discontinued operations	1,723	2,627
Cash flow from investing activities		
Payments for the acquisition of property, plant and equipment and intangible assets	-219	-1,371
Payments received from non-current receivables	2	-3
Interest received	1	45
Payments received from the disposal of business units	0	2,436
Payments for corporate acquisitions relating to previous years	-325	0
Cash flow from investing activities - continued operations	-541	1,642
Cash flow from investing activities - discontinued operations	0	-175
Cash flow from investing activities - continued and discontinued operations	-541	932
Cash flow from financing activities		
Payments received from loans and liabilities to banks	0	650
Payments for loans and liabilities to banks	-1,547	-3,353
Payments for the repayment portion of leasing liabilities	-369	-416
Cash flow from financing activities - continued operations	-1,917	-3,119
Cash flow from financing activities - discontinued operations	0	-25
Cash flow from financing activities - continued and discontinued operations:	-1,917	-3,144
Currency-related changes in cash and cash equivalents	-29	-7
Net change in cash and cash equivalents	-764	408
Cash and cash equivalents at the beginning of the reporting period	9,317	7,131
Cash and cash equivalents at the end of the reporting period	8,553	7,539

Financial Calendar

20 March 2024
Annual General Meeting

8 May 2024
Half-Year Report 2023/2024

7 August 2024
Third Quarterly Statement 2023/2024

Note

For reasons of better readability, the masculine form is often used for personal designations and personal words. The shortened form of language is for editorial reasons only and does not include any rating. Corresponding terms refer to all genders (male, female, diverse) in the sense of equal treatment.

The quarterly statement is unaudited. It was prepared based on the accounting regulations applied in the most recent consolidated financial statements.

The statements and information provided by Dr. Hönle AG in the quarterly statement also relate to future periods. These forward-looking statements represent assessments which were made based on all information available at the time the statement was prepared. Should the assumptions underlying the forecasts prove to be incorrect, the actual developments and results may deviate from the current expectations. The Company assumes no obligation to update the information contained in this quarterly statement with the exception of publishing such updates as required by statutory provisions.

The figures and percentages contained in this statement may be subject to rounding differences.



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