

# HORNBACH Holding AG & Co. KGaA

Federal Republic of Germany, Retail & Wholesale

## Rating composition

| Business risk profile        |              |              |
|------------------------------|--------------|--------------|
| Industry risk profile        | BBB          | BBB-         |
| Competitive position         | BBB-         |              |
| Financial risk profile       |              |              |
| Credit metrics               | BBB-         | BBB-         |
| Liquidity                    | +/-0 notches |              |
| Standalone credit assessment |              | BBB-         |
| Supplementary rating drivers |              |              |
| Financial policy             | +/-0 notches | +/-0 notches |
| Governance & structure       | +/-0 notches |              |
| Parent/government support    | +/-0 notches |              |
| Peer context                 | +/-0 notches |              |
| Issuer rating                |              | BBB-         |

## Key metrics

| Scope credit ratios*                         | Scope estimates |         |          |          |
|--|-----------------|---------|----------|----------|
|  | 2023/24         | 2024/25 | 2025/26E | 2026/27E |
| Scope-adjusted EBITDA interest cover         | 10.8x           | 10.8x   | 9.8x     | 9.5x     |
| Scope-adjusted debt/EBITDA                   | 2.5x            | 2.6x    | 2.6x     | 2.4x     |
| Scope-adjusted funds from operations/debt    | 31%             | 30%     | 30%      | 31%      |
| Scope-adjusted free operating cash flow/debt | 15%             | 3%      | 4%       | 7%       |
| Liquidity                                    | 339%            | 922%    | 437%     | 339%     |

## Rating sensitivities

### The upside scenario for the ratings and Outlook:

- Debt/EBITDA significantly below 2.0x

### The downside scenario for the ratings and Outlook:

- Debt/EBITDA significantly above 3.0x

\*All credit metrics refer to Scope-adjusted figures.

Issuer

BBB-

Outlook

Stable

Short-term debt

S-2

Senior unsecured debt

BBB-

## Lead Analyst

Philipp Wass

+49 30 27891-253

[p.wass@scoperatings.com](mailto:p.wass@scoperatings.com)

## Related methodologies

[General Corporate Rating Methodology, Feb 2025](#)

[Retail and Wholesale Rating Methodology, Jun 2025](#)

## Table of content

- [Key rating drivers](#)
- [Rating Outlook](#)
- [Corporate profile](#)
- [Rating history](#)
- [Financial overview \(financial data in EUR m\)](#)
- [Environmental, social and governance \(ESG\) profile](#)
- [Business risk profile: BBB-](#)
- [Financial risk profile: BBB-](#)
- [Supplementary rating drivers: +/- 0 notches](#)
- [Debt ratings](#)

## 1. Key rating drivers

### Positive rating drivers

- High market share in sizeable and mature markets with good growth prospects and strong long-term fundamentals in key end-markets
- Good Scope-adjusted EBITDA margin at the expense of ...
- Robust cash conversion supports high shelf availability and capex needs without external funding, bolstering good leverage levels
- Strong interest cover expected to be maintained thanks to stable debt and growing EBITDA
- Solid geographic diversification, with approximately half of sales generated outside Germany and established omni-channel setup<sup>1</sup>, providing strong access to customers and supporting stable cash flow, minimising business risk

### Negative rating drivers

- Exposed to one consumer goods category with high seasonality but low cyclicalities
- ... a large asset base, resulting in weak Scope-adjusted EBITDA return on assets
- Moderate cash flow cover as capital expenditure increases

## 2. Rating Outlook

The **Stable Outlook** is based on continued growth of the company's top line (CAGR of 3%-4%) and EBITDA (CAGR of around 1%), helping leverage remain at current levels (debt/EBITDA of around 2.5x) in the coming years. The Outlook includes capex of around EUR 625m, dividend payments of about EUR 125m and a stabilisation of the EBITDA margin at 7.5% to 8.0% – all for the three years to end-February 2028.

## 3. Corporate profile

The companies of the HORNBACH Group focus on DIY, garden and home improvement retailing. HORNBACH Baumarkt AG operates DIY megastores with garden centres and online shops in nine European countries. The DIY retail segment accounts for around 94% of consolidated sales. Approximately half of these sales are generated in Germany.

Germany-based DIY retailer

With net sales of around EUR 5.8bn (2024/25), HORNBACH Baumarkt AG is the fifth largest DIY retailer in Europe and the number one DIY retailer in Germany in terms of sales per sq m of sales area. With an online share of around 13% of total sales (including click & collect), HORNBACH is the market leader in the DIY network business.

The HORNBACH Group's retail activities are supplemented by its regional builders' merchant activities, which are pooled in the HORNBACH Baustoff Union GmbH subgroup. The HORNBACH Group uses retail properties with a total area of about two million sq m as DIY megastores with garden centres.

## 4. Rating history









| Date        | Rating action/monitoring review | Issuer rating & Outlook |
|-------------|---------------------------------|-------------------------|
| 15 JAN 2026 | Affirmation                     | BBB-/Stable             |
| 20 JAN 2025 | New                             | BBB-/Stable             |

<sup>1</sup> Also referred to as 'interconnected retail' in this report.

## 5. Financial overview (financial data in EUR m)

| Scope credit ratios                       |              |              |               | Scope estimates |              |              |
|---|--------------|--------------|---------------|-----------------|--------------|--------------|
|   | 2023/24      | 2024/25      | LTM Q3 '25/26 | 2025/26E        | 2026/27E     | 2027/28E     |
| EBITDA interest cover                     | 10.8x        | 10.8x        | 9.7x          | 9.8x            | 9.5x         | 10.5x        |
| Debt/EBITDA                               | 2.5x         | 2.6x         | 2.5x          | 2.6x            | 2.4x         | 2.3x         |
| Funds from operations/debt                | 31%          | 30%          | 31%           | 30%             | 31%          | 33%          |
| Free operating cash flow/debt             | 15%          | 3%           | 0%            | 4%              | 7%           | 8%           |
| Liquidity                                 | 339%         | 922%         | 410%          | 437%            | 339%         | 1790%        |
| <b>EBITDA</b>                             |              |              |               |                 |              |              |
| Reported EBITDA                           | 501          | 503          | 501           | 500             | 506          | 512          |
| Other items (incl. one-offs)              | (2)          | (1)          | (1)           | -               | -            | -            |
| <b>EBITDA</b>                             | <b>499</b>   | <b>502</b>   | <b>501</b>    | <b>500</b>      | <b>506</b>   | <b>512</b>   |
| <b>Funds from operations (FFO)</b>        |              |              |               |                 |              |              |
| EBITDA                                    | 499          | 502          | 501           | 500             | 506          | 512          |
| less: interest                            | (46)         | (47)         | (52)          | (51)            | (53)         | (49)         |
| less: cash tax paid                       | (70)         | (60)         | (60)          | (65)            | (65)         | (67)         |
| Other non-operating charges before FFO    | 3            | (2)          | 1             | 4               | -            | -            |
| <b>Funds from operations</b>              | <b>386</b>   | <b>394</b>   | <b>390</b>    | <b>389</b>      | <b>387</b>   | <b>396</b>   |
| <b>Free operating cash flow (FOCF)</b>    |              |              |               |                 |              |              |
| Funds from operations                     | 386          | 394          | 390           | 389             | 387          | 396          |
| Change in working capital                 | 94           | (66)         | (35)          | (11)            | 10           | 8            |
| Non-operating cash flow                   | (31)         | (14)         | (16)          | 2               | -            | -            |
| less: capital expenditures (net)          | (160)        | (170)        | (237)         | (224)           | (193)        | (200)        |
| less: lease amortisation                  | (107)        | (108)        | (108)         | (111)           | (112)        | (115)        |
| <b>Free operating cash flow</b>           | <b>182</b>   | <b>36</b>    | <b>(5)</b>    | <b>45</b>       | <b>92</b>    | <b>89</b>    |
| <b>Interest</b>                           |              |              |               |                 |              |              |
| Net cash interest per cash flow statement | 16           | 13           | 16            | 18              | 20           | 16           |
| add: interest component, operating leases | 31           | 33           | 36            | 33              | 33           | 33           |
| <b>Interest</b>                           | <b>46</b>    | <b>47</b>    | <b>52</b>     | <b>51</b>       | <b>53</b>    | <b>49</b>    |
| <b>Debt</b>                               |              |              |               |                 |              |              |
| Reported financial (senior) debt          | 1,572        | 1,593        | 1,615         | 1,532           | 1,533        | 1,483        |
| less: cash and cash equivalents           | (370)        | (317)        | (391)         | (285)           | (335)        | (331)        |
| add: non-accessible cash                  | 30           | 31           | 31            | 31              | 31           | 31           |
| add: pension adjustment                   | 2            | 3            | 3             | 3               | 3            | 3            |
| <b>Debt</b>                               | <b>1,234</b> | <b>1,310</b> | <b>1,258</b>  | <b>1,280</b>    | <b>1,231</b> | <b>1,185</b> |

## 6. Environmental, social and governance (ESG) profile<sup>2</sup>

| Environment   | Social   | Governance  |
|---|--|---|
| Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)  | Labour management                             | Management and supervision (supervisory boards and key person risk)    |
| Efficiencies (e.g. in production)   | Health and safety (e.g. staff and customers)  | Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)  |
| Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)  | Clients and supply chain (geographical/product diversification)  | Corporate structure (complexity)   |
| Physical risks (e.g. business/asset vulnerability, diversification)   | Regulatory and reputational risks             | Stakeholder management (shareholder payouts and respect for creditor interests)                              |

ESG factors:  credit-positive  credit-negative  credit-neutral

In many countries, consumer behaviour can be widely influenced by a company's reputation and responsibility towards the environment, its employees and society. We believe HORNBACH has no issues or reputational risk in this regard. For large brick-and-mortar companies such as HORNBACH, the main challenges are: i) the sustainability of the products sold; ii) the health and safety of employees in a labour-intensive business; and iii) its environmental footprint and the further improvement of energy efficiency while maintaining the right number of stores.

ESG targets in line with market

HORNBACH's targets are in line with the EU's goal of achieving climate neutrality by 2050.

The issuer is focusing on Scope 1 and 2 emissions that it can control directly. This includes optimising the operation of stores through better insulation, energy efficiency measures, the replacement of oil- or gas-fired heating systems, LED lighting and the installation of photovoltaic systems. In addition, HORNBACH is improving its fleet management in order to further reduce its carbon footprint.

The company is also working on recording indirect CO<sub>2</sub>e emissions in its value chain (Scope 3) with the necessary transparency needed to use its negotiating power to influence the CO<sub>2</sub> footprint of its suppliers, particularly in the case of private label products. In the case of branded products, the industry is working within a global alliance to improve the transparency of carbon emissions. Once comprehensive data is available, it becomes easier to encourage and help suppliers to set their own targets and negotiate changes in the production cycle. Although this process takes time, many suppliers have their own carbon neutrality targets.

<sup>2</sup> These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

## 7. Business risk profile: BBB-

With 94% of consolidated sales in FY 2024/25 coming from its retail arm HORNBACH Baumarkt AG (DIY), we see HORNBACH Holding AG & Co. KGaA as a non-discretionary retailer that benefits from the low cyclicality of its underlying business. The other two major group companies are the wholesaler HORNBACH Baustoff Union GmbH (6% of consolidated sales; wholesaler for construction materials) and HORNBACH Immobilien AG (0% of consolidated sales, internal leasing of retail space), which owns 26%<sup>3</sup> of the sales area used by the retail division.

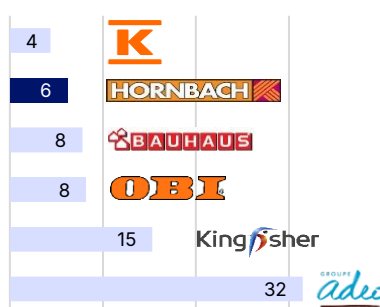
Industry risk profile: BBB

HORNBACH benefits from a moderate market position (top five player in European DIY), operating mainly in large and mature markets<sup>4</sup>. This ensures high market visibility and stable cash flow due to limited supply risk, an established infrastructure and relatively high barriers to entry for new players.

High market share in sizeable and mature markets

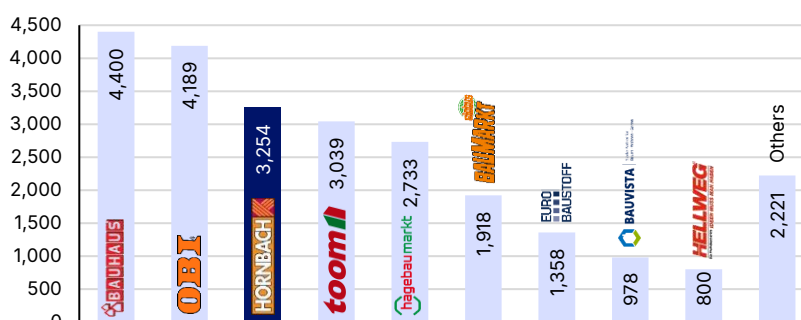
Furthermore, we believe that HORNBACH will be able to easily defend its market shares in the future, driven by a strong position in its main markets. HORNBACH is among the top three peers with high market shares, ranging from 15.1% in Switzerland (up 0.6 pp YoY) to 38.8% in the Czech Republic (up 1.1 pp YoY); all as of end-November 2025. The company also has the highest sales per sq m in its home market of Germany, which provides a solid foundation to: i) counteract any (non-) domestic competitive pressure; as well as ii) grow market shares in its other markets.

**Figure 1: Top DIY chains in Europe (gross revenue in 2024; EUR bn)**



Sources: Public info, Scope

**Figure 2: Top DIY chains in Germany (gross revenue in 2024; EUR m)<sup>5</sup>**



Sources: Public info, Scope

We see good prospects for continued sales growth in the future (2024/25: EUR 6.2bn, up 3.1% YoY; 9M 2025/26: EUR 5.1bn, up 3.8% YoY), leading to improved market shares. This is based on HORNBACH expanding its network by opening four new stores in FY 2025/26 and the announced expansion into Serbia. Further support comes from continued growth in end-markets due to the increasing need to renovate existing buildings in Europe in order to: i) achieve climate neutrality by 2050; ii) counter damage caused by extreme weather conditions; and iii) meet societal demand for barrier-free and adequate housing. We also anticipate continued growth in DIY and DIFM (Do-it-for-Me) due to changing consumers' purchasing power.

Good growth prospects with strong long-term fundamentals in key end-markets

We believe that HORNBACH's structure, which also includes B2B sales, is particularly conducive to the shift in demand. Firstly, more customers are shifting from DIY to DIFM, as fewer people are tempted to carry out larger projects themselves, with HORNBACH providing either the local network of handymen (electricians, carpenters, etc.) or the service itself with some professionals on its payroll. In this way, HORNBACH provides an ecosystem that brings customers and professionals together (B2B2C). Secondly, DIY continues to provide a hedge against macroeconomic developments that could lead to sales volatility. It also remains the main support for sales levels, as homeowners or tenants are more likely to carry out renovation/maintenance work themselves in times of an economic slowdown.

<sup>3</sup> The group owns 61% of the sales area (HORNBACH Baumarkt: 35%; HORNBACH Immobilien: 26%)

<sup>4</sup> 147 out of 172 locations as at end-February 2025 in countries that benefit from a 'high' country retail strength

<sup>5</sup> Eurobaustoff, Hellweg and 'others' as at 2023

HORNBACH has well-established distribution channels (online, brick-and-mortar B2C and B2B), including the B2C division HORNBACH Baumarkt (94.3% of sales in FY 2024/25). This benefits from an established integrated retail concept comprising click & collect and direct delivery, which commenced operations in 2010 and contributed 12.3% to HORNBACH Baumarkt's sales in FY 2024/25 – and the predominantly B2B division (HORNBACH Baustoff Union), which contributed 5.7%.

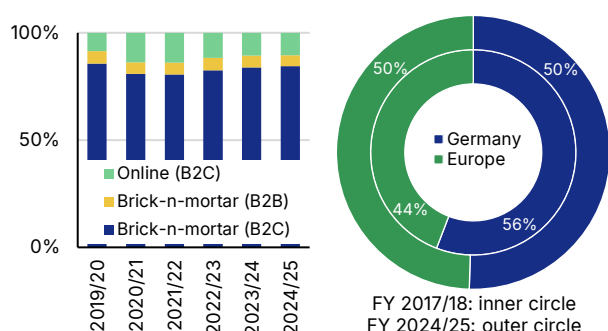
Omni-channel setup provides strong access to customers, supporting stable cash flow

HORNBACH's setup as an omnichannel retailer provides cash flow stability. This was demonstrated when the global disruption caused by Covid, including individual mobility restrictions, led to a sharp decline in footfall in the store network. Nevertheless, HORNBACH's sales continued to grow as most customers switched to click & collect, with online sales reaching up to 17% of HORNBACH Baumarkt's sales in FY 2020/21 and FY 2021/22.

In October 2023, HORNBACH expanded its online presence by introducing a marketplace for independent brands and retailers. We see this as a positive development, as independent brands and retailers will benefit from HORNBACH's brand strength, while HORNBACH will be able to generate margin profits without additional working capital requirements. This consolidates the company's position as one of Europe's largest online retailers by gross merchandise volume (home, garden, DIY) after Kingfisher and France's Leroy Merlin and ManoMano.

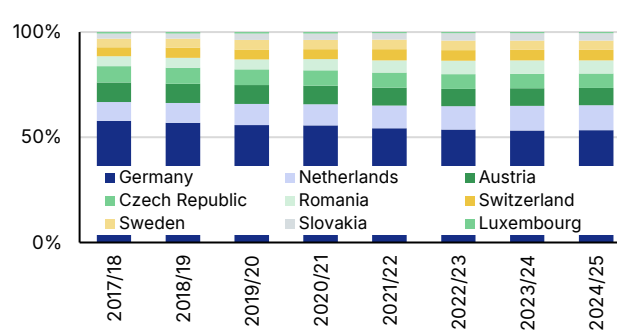
HORNBACH has a flexible logistics network with 18 logistics locations (points of sale [PoS] and fulfilment), with suppliers delivering directly to end customers and an established click & collect system. This ensures high levels of online customer loyalty and satisfaction and helps to defend HORNBACH's position in online retailing.

**Figure 3: Sales by distribution channel and geography**



Sources: HORNBACH, Scope

**Figure 4: Sales area by country**



Sources: HORNBACH, Scope

Although HORNBACH Baustoff Union is only present regionally (39 PoS in the southwest of Germany and France), it provides access to a further clientele, namely commercial customers from the construction industry. These customers are offered construction materials, tools and services in terms of stocking and delivery as well as professional advice for all major product ranges. Although exposed to the more cyclical nature of the construction industry, it offers good cash flow diversification, with seasonal volatility somewhat different to that of the DIY sector.

HORNBACH operates 211 PoS (including 172 HORNBACH Baumarkt locations with 2.1 million sq m of sales area as at end-February 2025) in 10 countries (nine HORNBACH Baumarkt locations). The main markets are Germany (53% of sales area at the end of February 2025), the Netherlands (12%) and Austria (8%). The remainder is spread evenly across the Czech Republic, Romania, Switzerland, Sweden, Slovakia and Luxembourg.

Strong geographical diversification with half of sales generated outside Germany

Thanks to its diversified PoS network, HORNBACH has a broad geographical diversification of sales with an increasing share outside Germany (2024/25: 50%). Strong sales diversification minimises the business risk associated with individual demand patterns, changes in the political landscape, regulations and macro-economic swings in a specific country. The geographically well-diversified cash flow also provides the necessary backing to expand outreach, either to increase market share in existing markets or to enter new ones.

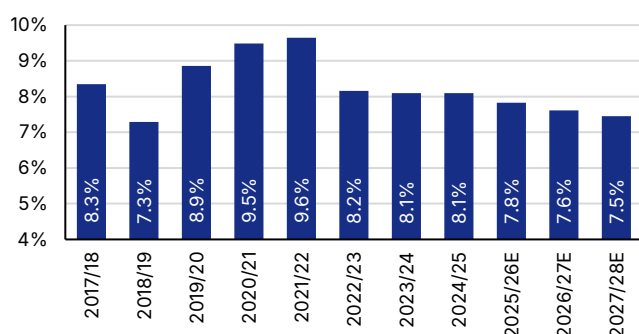
We expect further growth in international sales, as: i) HORNBACH has managed to achieve strong market positions in the countries it is exposed to, providing market visibility and pricing power; ii) further openings are planned over the next few years (announced expansion into Serbia<sup>6</sup>) and; iii) we foresee continued growth momentum outside Germany with a five-year CAGR for like-for-like sales of 5.1% (FY 2024/25) compared to 4.1% from German operations.

The vast majority of HORNBACH sales are in one consumer goods category (home, garden, DIY), which we consider non-discretionary with non-cyclical features, as these products mainly focus on repair and maintenance end-markets. Although the repair and maintenance end-market provides cash flow stability, it suffers from a high degree of seasonality given the offered product range, with peaks between March and August.

Exposed to one consumer goods category with high seasonality but low cyclicity

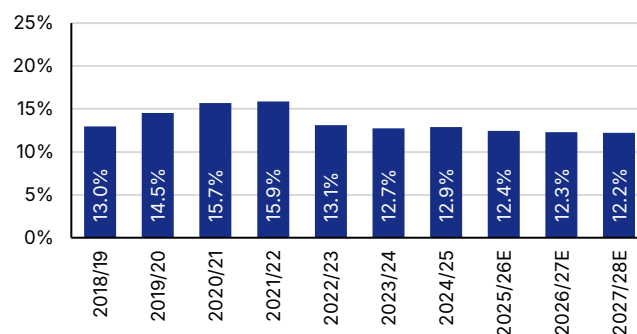
Despite its focus on one consumer goods category, HORNBACH has the highest sales per sq m compared to German peers and the strongest growth in a competitive environment due to successful customer retention and satisfaction. According to management, this is thanks to: i) a broad and deep product range with B2B brands and private labels; ii) expert advice in stores and online; iii) interconnected retail at all customer touch points; and iv) large quantities available on the market for professional and project-related needs. In addition, HORNBACH also offers services to business customers (B2B sales approx. 20% in FY 2024/25), such as delivery to construction sites and financing solutions.

Figure 5: EBITDA margin



Sources: HORNBACH, Scope estimates

Figure 6: EBITDA return on assets



Sources: HORNBACH, Scope estimates

Profitability, as measured by HORNBACH's Scope-adjusted EBITDA margin, is strong compared to other retail peers and has been around 8% in recent years, exceeded only by the much larger Kingfisher Plc (10%-12%). This level of profitability provides the headroom to protect market share against competition from (non)-domestic peers. Further, the margin has been fairly stable, as exemplified by a coefficient of variation of around 10% for the 2017/18 to 2026/27 period. Here, positive (2019/20 to 2021/22) and negative (2018/19) outliers are linked to exceptional market circumstances, i.e. low inflation paired with strong demand cumulating in high revenue growth during Covid (positive outlier) and a strong increase in the cost base (2018/19). The latter was driven partly by the opening of new stores as part of continued expansion, and partly by targeted increases in staff numbers at existing locations, primarily in Germany, to improve customer service and availability.

Strong Scope-adjusted EBITDA margin at the expense of ...

We expect the Scope-adjusted EBITDA margin to remain between 7.5% to 8.0% going forward, supported by: i) lower inflationary pressures, which led to a relatively sharp decline in 2022/23 compared to 2021/22 and 2020/21<sup>7</sup>; and ii) high shelf availability, helping to retain customers and

<sup>6</sup> HORNBACH's announced expansion into Serbia is expected to drive international sales growth. The market offers attractive fundamentals, including high home ownership, rising purchasing power and limited competition, providing an opportunity for HORNBACH to establish a strong presence. The plan involves opening six to eight large DIY and garden centres, as well as an online shop. The first openings are expected at the end of 2027, with permits anticipated by mid-2026.

The programme involves investments totalling around EUR 200m over five years, at an average of EUR 25–40m per location. This will drive expansionary capital expenditure beyond historical levels. Reliance on Austrian infrastructure limits additional logistics and administrative costs. While the expansion will support revenue diversification and EBITDA growth beyond 2027, near-term risks such as delays to the implementation process, difficulties in entering the market, and macroeconomic volatility could temporarily impact cash generation.

<sup>7</sup> The relatively high margin levels between 2020 and 2022 are partly attributable to overspending by customers related to cocooning during the pandemic.



outperform peers in terms of sales per sq m and like-for-like sales growth. Constraints will be an increase in SG&A expenses beyond sales growth in 2025/26, as well as higher store costs linked to (prospective) openings between FY 2025/26 and FY 2027/28.

25% of sales are linked to private labels (issuer target 30%), which are margin accretive and available across all categories and price points. This supports a sustainable Scope-adjusted EBITDA margin of 7.5% to 8.0%.

The Scope-adjusted EBITDA return on assets is modest and has historically been between 13% and 16%. The main reasons for this are: i) high shelf availability leading to comparatively high working capital needs; and ii) the large PoS network with 172 locations, of which 104 (61% based on selling space) were owned by HORNBACH at the end of February 2025.

... a large asset base, resulting in weak Scope-adjusted EBITDA return on assets

Going forward, we do not expect a significant change in the Scope-adjusted EBITDA return on assets. This should remain at 10%-15% given the company's strategy of: i) maintaining high shelf availability; and ii) owning at least 50% of the real estate used for its operations, with lease contracts of seven years on average.

Any improvement will be linked to strong growth in space productivity, while optimising inventory turnover to levels seen before FY 2021/22, i.e. around 67 days of inventory outstanding (FY 2024/25: 70 days). We consider this to be realistic, given that no significant supply chain disruptions are expected in the next few years, and lower inflationary pressures should benefit EBITDA development and limit rent increases for leases linked to the CPI.

## 8. Financial risk profile: BBB-

HORNBACH has typically generated positive Scope-adjusted free operating cash flow (FOCF) due to its good working capital management and the fact that costs generally grow in line with sales. FY 2018/19 was an exception, as HORNBACH prepared more intensively in the fourth quarter for the upcoming DIY spring season (first quarter of 2019/20). The focus was not only on hiring additional specialist sales staff, which led to higher operating expenses, but also on increasing the availability of goods. The latter resulted in a significant rise in inventories. The exceptionally high working capital build-up in FY 2021/22 was related to the increase in inventories to cope with the supply chain disruption during Covid-19. With supply chains fundamentally functioning, working capital levels were reduced to sustainable levels in FY 2023/24, which are expected to be around 12% of sales.

Strong cash generation meets high shelf availability and capex needs without external funding

In general, HORNBACH benefits from strong cash conversion, which enables it to cover high shelf availability and capex requirements without external financing needs. FOCF is expected to remain at break-even despite a further increase in capex (maintenance and expansion) to around EUR 625m for the three years to FY 2027/28 (compared to EUR 530m for the previous three years). This will ultimately help to keep Scope-adjusted debt stable at between EUR 1.2bn and EUR 1.4bn (end-November 2025: EUR 1.3bn). The expenditure is mainly related to expansion investments for up to 13 new PoS openings by the end of February 2028 including expansion into Serbia.

FOCF/debt has fluctuated in line with the aforementioned development, with a sustainable level seen at around 5% (2024/25: 3%; down 12 pp YoY).

Moderate FOCF/debt fluctuating between 5%-15%

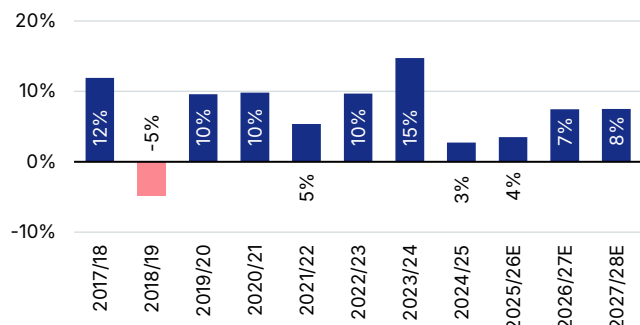
Decreases in net working capital (NWC) in the last quarter of each financial year from 2022/23 are linked to HORNBACH's EUR 150m reverse factoring programme. The programme enables payments to be delayed by two months beyond terms granted by suppliers, thus aligning the cash outflow for the build-up of NWC with the absorption of NWC in the high season (Q1 of each financial year).

However, HORNBACH aims to reduce the use of its reverse factoring programme and offset the impact on NWC by: i) extending payment terms with suppliers; ii) focusing on inventory management (high availability of fast-moving items, selective low reordering of slow-moving items); and iii) fully factored receivables (debit cards and HORNBACH Card for B2B customers). We believe that this will help NWC to grow at a lower rate than sales. However, it is questionable



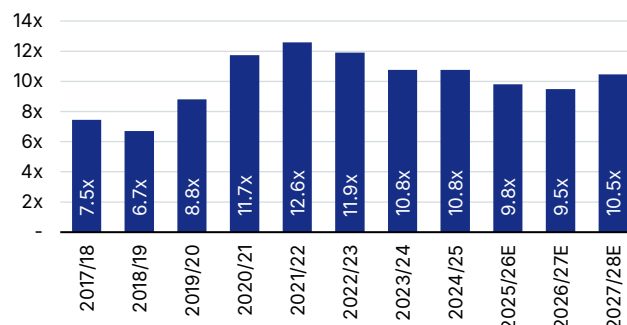
whether suppliers will extend payment terms in all markets and especially in Germany, given HORNBACH's strong but non-dominant position in its home market.

Figure 7: FOCF/debt



Sources: HORNBACH, Scope estimates

Figure 8: EBITDA interest cover



Sources: HORNBACH, Scope estimates

Scope-adjusted EBITDA interest cover is strong and has remained above 7x in recent years. It has benefitted from the low interest rate environment (weighted average cost of debt of 3.1% in FY 2024/25; down 10 bps YoY) and relatively stable Scope-adjusted debt, which has fluctuated between EUR 1.2bn and EUR 1.4bn over the last five years.

Strong interest cover expected to be maintained thanks to stable debt and growing EBITDA

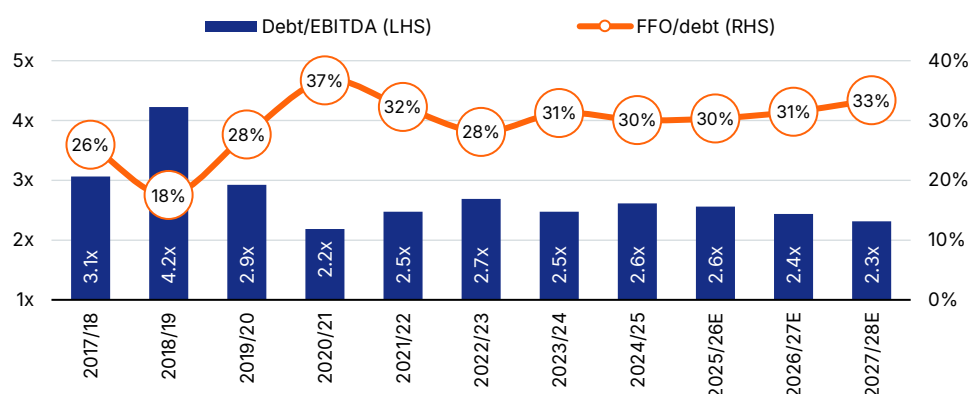
We expect Scope-adjusted EBITDA interest cover to decline but remain comfortably above 7x, thanks to broadly stable debt and Scope-adjusted EBITDA growth (expected CAGR of around 1% over the next three years). This will help to manage the increasing interest burden, as the changed interest rate environment is expected to have pushed borrowing costs to a sustainable level two times higher than in H1 2022. We anticipate that the weighted average cost of debt (excl. operating leases) will reach around 3.8% by FY 2027/28.

Leverage has stabilised at around 2.5x Scope-adjusted debt/EBITDA in recent years (FY 2024/25: 2.6x, up 0.1x YoY), with debt broadly stable thanks to the company's ability to grow without significant external financing.

Stable profitability and debt support current, good leverage levels

Inflationary pressures, especially in FY 2022/23, led to a sharp decline in operating profitability and a slight increase in leverage, returning to the 2.5x target in FY 2023/24 despite impaired consumer spending. The company's like-for-like sales decline of 2% (3.2% for the calendar year 2023) was below the German market, which shrank by 3.4%, and HORNBACH's peers, which saw sharper declines<sup>8</sup>. This was thanks to HORNBACH's successful destocking (EUR 187m), which more than offset the reduction in the use of the reverse factoring programme and drove FOCF.

Figure 9: Leverage



Sources: HORNBACH, Scope estimates

<sup>8</sup> Kingfisher plc. -3.1% (like-for-like); Groupe Adeo -2.5% based on GMV; Kesko -8.7%; Mr. Bricolage -4.3%.

Going forward, we expect leverage to remain at around 2.5x, supported by no significant external financing needs. We foresee EBITDA growing at a CAGR of 1% over the next three years, mainly driven by stabilised profitability and top line growth from new store openings but constrained by muted consumer confidence.

Scope-adjusted funds from operations/debt have fluctuated between 25%-30% in recent years (2024/25: 30%, down 1 pp YoY). We expect it to remain at around 30%, despite the expected increase in interest payments, thanks to sales and EBITDA growth and a broadly stable tax burden.

Liquidity is adequate. Cash sources (EUR 360m in unrestricted cash and a EUR 500m open committed credit line both at end-November 2025<sup>9</sup>; as well as EUR 161m of Scope-adjusted FOCF forecasted from December 2025 to end-February 2028) cover uses (debt due in Q4 2025/26: EUR 83m; FY 2026/27: EUR 250m and FY 2027/28: EUR 50m) by more than 200%. In detail:

Adequate liquidity

**Table 1: Liquidity sources and uses (in EUR m)**

|                                   | 2025/26E        | 2026/27E        | 2027/28E        |
|-----------------------------------|-----------------|-----------------|-----------------|
| Unrestricted cash (t-1)           | 317             | 285             | 335             |
| Non-accessible cash (t-1)         | (31)            | (31)            | (31)            |
| FOCF (t)                          | 45              | 92              | 89              |
| Open committed credit lines (t-1) | 500             | 500             | 500             |
| Short-term debt (t-1)             | 190             | 250             | 50              |
| <b>Liquidity</b>                  | <b>&gt;200%</b> | <b>&gt;200%</b> | <b>&gt;200%</b> |

Sources: HORNBACH, Scope estimates

Financial covenants are the following:

- Equity ratio of at least 25% (end-February 2025: 44.1%)
- ICR of at least 2.25x (end-February 2025: 8.9x<sup>10</sup>)

The company has complied with these covenants with ample headroom.

## 9. Supplementary rating drivers: +/- 0 notches

Financial policy is neutral, even though there are no hard commitments regarding rating levels or credit metrics<sup>11</sup>. This follows the stability of credit metrics in recent years despite the Covid-19-related restrictions, which impacted FY 2018/19.

Financial policy: neutral

HORNBACH intends to pay out dividends at the previous year's level at least, resulting in an average payout ratio of approx. 30% of consolidated net income.

We have no observations regarding the governance and structure of the rated entity.

Governance and structure: neutral

The rated entity is the ultimate parent.

Parent support: neutral

## 10. Debt ratings

As at end-November 2025, HORNBACH had EUR 574m in outstanding capital market debt. The BBB- senior unsecured debt rating is in line with the issuer rating.

Senior unsecured debt rating:  
BBB-

The S-2 short-term debt rating is based on the BBB-/Stable issuer rating and reflects the company's better-than-adequate internal and external liquidity, better-than-adequate banking relationships with several (over 10) banks as well as an adequate standing in the capital markets (EUR 250m bond and four SSDs with a total notional amount of EUR 324m at end-November 2025).

Short-term debt rating: S-2

<sup>9</sup> Maturity 02/09/2029

<sup>10</sup> Only relevant for the RCF

<sup>11</sup> Net debt/EBITDA target level of 2.5x with the aim to reduce to 2.0x and FFO/debt of at least 30% (internal guidance)

## Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin  
Phone: +49 30 27891-0  
Fax: +49 30 27891-100  
[info@scoperatings.com](mailto:info@scoperatings.com)

## Scope Ratings UK Limited

52 Grosvenor Gardens  
London SW1W 0AU  
Phone: +44 20 7824 5180  
[info@scoperatings.com](mailto:info@scoperatings.com)



Bloomberg: RESP SCOP  
[Scope contacts](#)  
[scoperatings.com](https://scoperatings.com)

## Disclaimer

© 2026 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, Scope Innovation Lab GmbH and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin. Public Ratings are generally accessible to the public. Subscription Ratings and Private Ratings are confidential and may not be shared with any unauthorised third party.