Press release

Number: 01224-PIU05 | Date 28 March 2024

BayWa AG expects earnings to improve in the financial year 2024

- BayWa AG closes the financial year 2023 with operating earnings of €304.0 million, just below the forecast for the year.
- The rapid rise in interest rates is having a negative effect on earnings across all business divisions.
- After interest and tax, the consolidated net loss for the year stands at €93.4 million, compared to a net profit of €239.5 million in the previous year.
- With “Strategy 2030”, CEO Marcus Pöllinger aims to boost the Group’s profitability in the long term and return BayWa to positive territory in 2024.

Munich, 28 March 2024 – After years of strong growth, the macroeconomic environment changed massively for BayWa AG in 2023, as reflected in the balance sheet for the most recent financial year. Consolidated revenues totalled €23.9 billion in the financial year 2023 (2022: €27.1 billion). At €304.0 million (2022: €504.1 million), operating earnings before interest and tax (EBIT) were down on the previous year’s exceptional results, as expected. The Group therefore only fell just short of its annual forecast of €320 to €370 million. Although BayWa succeeded in increasing EBIT by 14% compared to 2021, before the start of the war against Ukraine, the rapid rise in interest rates had a negative impact on all business divisions and put pressure on the internationally active portfolio company’s earnings. After deducting interest and tax, BayWa closed the past financial year with a loss of €93.4 million, down €332.9 million year on year.

“We are using 2024 for consolidation,” says Marcus Pöllinger, Chief Executive Officer of BayWa AG. “To this end, we are currently looking at each of our 500-plus Group companies and defining areas for growth or optimisation, as well as business areas that BayWa intends to divest. Going forward, each entity must be profitable in its own right. By rolling out our ‘Strategy 2030’, we will increase BayWa’s profitability and reduce our costs across all business divisions and administrative units. This will enable us to move the equity ratio towards 20% in the medium term and continue to strengthen our crisis resilience. The Board of Management’s goal is to return BayWa to profitability by 2024.”

The company aims to achieve earnings of between €470 and €520 million by the end of 2026, having originally intended to reach this target in 2025. BayWa is counting on the consistently strong appeal of the markets it serves in the fields of food and energy, both of which offer good prospects for the future. “Our major growth areas are the international grain and speciality products trade, as well as renewable energies,” Pöllinger says. “Those are fields where we are making sustainable investments. I see a need for optimisation in the agriculture and building materials business units. That is something we are tackling with determination.”

Operating earnings satisfactory in 2023 – Cefetra Group and Agricultural Equipment improve on high prior-year level once again

In the Agricultural Equipment Segment, sales were boosted by the resolution of supply chain problems and farmers’ high propensity to invest. As a result, the previous year’s record revenues and EBIT were once again exceeded. The Cefetra Group Segment was able to successfully seize trading opportunities offered by fluctuating prices in both the traditional and speciality business.

In the Renewable Energies Segment, increased earnings in energy trading were unable to compensate for the weak demand and drop in prices in the solar module business. Both revenues and EBIT fell short of an exceptional 2022.

The Global Produce Segment continued to struggle with the consequences of Cyclone Gabrielle, which destroyed large parts of the plantations and harvest in New Zealand in February 2023. Alongside the harvest losses, insurance payments, some of which were not fully settled in the previous year, also impacted the result. Rising prices for exotic fruits on the market were unable to compensate for this shortfall.

The Agri Trade & Service Segment suffered from significant price drops, particularly in the fertilizer business. Extreme weather conditions over the course of the entire growing season also had a negative impact on both the volume and quality collected in domestic grain trading.

The drastic slump in German residential construction led to a huge drop in demand in the Building Materials Segment. The company had already taken steps to counter this trend in the previous year with a cost-cutting programme, site closures and recruitment freeze. The effect of these measures will be reflected in the 2024 result.

Individual segment performance

Renewable Energies Segment

The Renewable Energies Segment closed the financial year 2023 with revenues of €5.8 billion (2022: €6.5 billion) and EBIT of €193.8 million (2022: €239.1 million). Generally weak demand in the solar module trade and increased competitive pressure due to the import of inexpensive solar modules from China weakened the result compared to the exceptionally good figures of the previous year. The IPP (Independent Power Producer) business entity expanded its portfolio by six solar parks compared to 2022. Overall, 31 wind farms and solar parks in Europe, North America and Australia with a total capacity of 0.8 GW were operational at the end of the year. In addition, the foundations were laid in 2023 for a further expansion of the portfolio, with 0.5 GW already under construction or about to start construction.

BayWa expects the Renewable Energies Segment to continue on its growth course in the international markets in 2024. The sale of the solar trading business is also to be continued in the current financial year and finalised in 2025. The planned proceeds from the sale will be channelled into both debt reduction and the core business of BayWa r.e. AG. Specifically, the funds will be allocated to promote the growth of the wind and solar project pipeline, the IPP portfolio and the expansion of the Energy Solutions and Services business.

Energy Segment

In the Energy Segment, BayWa recorded a 15.7% decline in revenues to €2.8 billion (2022: €3.3 billion). At €17.8 million (2022: €53.6 million), EBIT was down by 66.8% year on year. The sector was dominated by weaker trading momentum for fossil fuels and lubricants, as well as lower trading margins in the wake of falling prices on the energy commodity markets. Electromobility continues to gain ground. BayWa Mobility Solutions GmbH entered the charge point operator (CPO) business in 2023 after being awarded the contract for the German network in Bavaria. It will build and operate 20 charging parks by the end of 2026 with an investment volume of €15 million funded by the German federal government. Building services benefited from blanket orders for prefabricated houses and house renovations in 2023. Thanks to the faster pace at which the transition to renewable energies is taking place, BayWa expects the strong demand for refurbishments – especially in the area of heating – to continue in the current financial year.

Cefetra Group Segment

With EBIT of €64.6 million (2022: €59.5 million), the Cefetra Group Segment exceeded its previous record result from 2022 by 8.6%. At €5.3 billion (2022: €6.1 billion), revenues were down on the previous year. This was mainly due to falling prices for many products following the market exuberance in the previous year. In the speciality business, BayWa continues to profit from its strong market position and sound supply chains.
The company anticipates lower volatility on the agricultural commodities markets in the current financial year. The aim is to counteract the shrinking margin potential in the agricultural markets by developing new business areas and continuing to diversify into other sectors, such as pet food and feedstuff for aquaculture. Less profitable sales flows, especially those that employ large amounts of capital, will be rationalised to increase the quality of earnings.

Agri Trade & Service Segment

In the Agri Trade & Service Segment, the financial year 2023 ended with revenues of €4.9 billion (2022: €5.8 billion) and EBIT of €26.4 million (2022: €104.7 million). Market conditions have returned to normal following the outbreak of the war in Ukraine. Improved availability of agricultural commodities led to increased competition for grain and oilseed trading in Germany and Austria. Extreme weather conditions, especially at harvest time, reduced the quantity and quality of products, as well as the demand for agricultural inputs such as crop protection and fertilizer. Nevertheless, BayWa generated more than twice as much EBIT in its domestic agricultural business as in 2021.
For 2024, the company expects earnings to be considerably above the average level of previous years, thanks to positive prospects in the product trade and an expected return to normality in the agricultural input business. BayWa sees opportunities for growth in the seed trade through the cultivation of new and improved varieties with greater resistance to disease and extreme weather conditions.

Agricultural Equipment Segment

The Agricultural Equipment Segment was able to increase the previous year's record result by a clear margin with revenues of €2.2 billion (2022: €2.1 billion) and EBIT of €84.6 million (2022: €70.2 million). Sales of new machinery increased by 5%, while the maintenance and service business, as well as the trading of spare parts and specialised trade products, also performed well.

BayWa expects the upward trend in the new machinery business to continue in the first half of 2024 due to high order backlog. In order to reduce capital commitment and the corresponding interest burden in used and new machinery trading, BayWa will also continue to optimise its inventory management.

Global Produce Segment

Due to persistently difficult conditions, the Global Produce Segment closed the financial year 2023 with EBIT of minus €15.1 million (2022: €21.1 million). Revenues amounted to €0.9 billion (2022: €0.9 billion). Although prices for fresh produce rose due to weak harvests in Europe and other sourcing countries, they were unable to compensate for the losses in the New Zealand apple business following Cyclone Gabrielle.

BayWa anticipates strong earnings growth in the current financial year, largely driven by a good apple harvest in New Zealand. The company also expects a positive turnaround in the exotic fruit trade. In addition, the payment of most of the insurance compensation for the cyclone damage will have a positive effect on EBIT.

Building Materials Segment

Revenues in the Building Materials Segment amounted to €2.0 billion in 2023 (2022: €2.3 billion). EBIT fell to €6.6 million (2022: €70.4 million). Sales fell in the civil engineering, gardening, landscaping and roofing product ranges in particular. As a result, the rapid slowdown in the housing construction sector hit BayWa's business faster than expected.

To counter this trend, BayWa took extensive measures over the most recent financial year. The company reduced costs by optimising processes, increasing efficiency, closing locations that were not economically viable and cutting staff. BayWa does not foresee a rapid trend reversal for the market itself, but expects the Building Materials Segment to show a strong improvement in earnings during the current financial year. The company will also continue its

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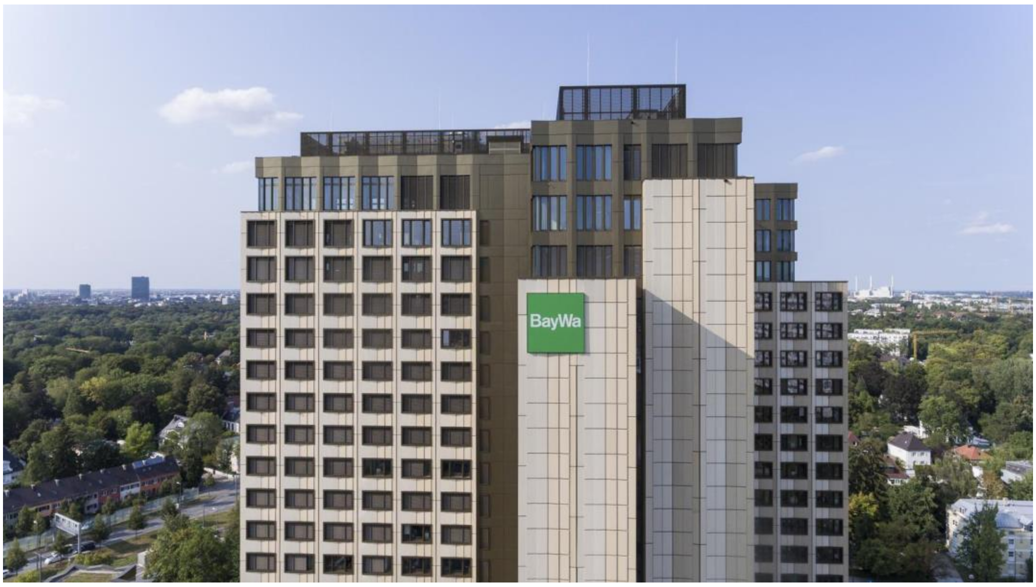
strategy of transformation from a pure product trader to a provider of efficient all-in-one solutions and services. The main focus will be on sustainability in construction and climate protection in the building sector.



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Press contact
BayWa AG
Arabellastraße 4
81925 Munich
Germany
Anja Richter
Tel.: +49 151 16175177
E-mail: anja.richter@baywa.de

About BayWa AG

BayWa AG is a globally active group with the business units energy, agriculture and building materials. As a global player with revenues of €23.9 billion in 2023, it develops innovative and sustainable solutions for the basic human needs of food, energy, heating, mobility, construction and housing. The company has around 25,000 employees in over 50 countries. The headquarters of the parent company, which was founded in 1923 and celebrated its 100th anniversary in 2023, are in Munich. BayWa AG's roots lie in agricultural cooperative trading, and its mission is to provide rural regions with everything they require for agriculture. More information is available at www.baywa.com/press.