Press Release
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Hexaom
ENSEMBLE POUR BÂTIR L'AVENIR

2023 HALF-YEAR RESULTS ARE UP: REVENUE OF €552 MILLION OPERATING INCOME OF €21.6 MILLION

POSITIVE OUTLOOK FOR 2023 SOLID FOUNDATIONS FOR 2024

Hexaom's board of directors met on October 4th, 2023, and approved the financial statements for the first half of 2023.

Consolidated results in €M (unaudited) (January 1 – June 30)	First half-year 2023	First half-year 2022(1)
Revenue	**552.0**	**500.5**
Operating income	**21.6**	**20.7**
Operating margin	*3.9%*	*4.1%*
Net financial income	-0.5	-0.5
Net income from continuing operations	**15.4**	**15.0**
Net margin from continuing operations	*2.8%*	*3.0%*
Net income from discontinued operations(1)	-0.8	-14.9
Net income	**14.7**	**0.1**

(1) Application of IFRS 5 (see paragraph relating to the discontinued B2B renovation operations)

Growing solid earnings and a very sound financial structure

Despite inflation and the pressure on construction costs remaining high, Hexaom delivered strong operational results in the first half of 2023.

Revenue amounted to €552 million, up 10.3% on a like-for-like basis, and operating income rose by 4.3% to €21.6 million, resulting in an operating margin of 3.9%.

This performance is the result of:

- Robust production levels for the core business of Home Building.
- The group's ability to reliably assess its margins at completion in a long-term contract context for which construction costs have undergone significant inflation over the past two years.
- The growth of the diversification businesses, both in volume and margin, which has positively influenced the group's overall operating margin.
- The decision to exit the B2B Renovation business in the first half of 2023.

The contribution of each of the group's businesses to these results was as follows:

Earnings by business	Revenue € million	Current operating income € million	%
Home Building	472.0	15.9	3.4%
Real estate development	36.4	2.0	5.5%
Land Development	15.5	1.6	10.3%
B2C Renovation	28.1	2.0	7.1%
Total	552.0	21.6	3.9%

The Home Building business reported solid performance, with production up 10.8% to €472 million. However, margins on variable costs suffered further erosion during the half-year, hitting a low point as many projects sold in 2021, generating margin erosion, are now delivered.

While production remains buoyant, the operating income of this business benefited from slightly lower fixed costs which are the first visible effects of the action plan implemented in 2023 to adjust the cost structure to the expected decrease in production in 2024 and 2025.

Real Estate Development revenue is up 16.3% to €36.4 million. Its operating income amounted to €2.0 million. The operating margin stood at 5.5% of revenue, compared to 3.5% in the first half of 2022, indicating effective margin management.

Amidst a market downturn, the Land Development business posted revenue of €15.5 million and operating income of €1.6 million, resulting in an operating margin of 10.3%.

B2C Renovation posted sustained, profitable growth, with revenue up 6.4% to €28.1 million. Its operating income rose to €2 million, accounting for 7.1% of revenue, compared to 5.3% the previous year, underlining the relevance of its business model, based partly on franchising.

Over the first half of 2023, these three diversification sectors brought in €80 million in revenue and generated operating income of €5.6 million, resulting in an operating profit margin of 7%.

With a financial loss of -€0.5 million and €5.6 million tax, net income from ongoing operations amounted to €15.4 million, i.e. 2.8% of revenue.

The group share of net income amounted to €14.6 million.

The financial structure of the group is very strong. The group share of equity at June 30th, 2023 amounted to €195.3 million and its cash position stood at €170.0 million. Net cash amounted to €71.5 million.

Discontinuation of the B2B renovation business – Judicial liquidation of the L'Atelier des Compagnons subsidiary

The group confirms its exit from the B2B Renovation business, announced in its press release dated June 9th, 2023.

The judicial reorganization initiated by the L'Atelier des Compagnons subsidiary on June 13th, 2023 has since been converted by the commercial court into a judicial liquidation.

Since the group no longer has control over this subsidiary, it is no longer consolidated in the June 30th, 2023 financial statements. In accordance with IFRS 5, the B2B Renovation business has been classified as discontinued operations and is recognized under "income from discontinued operations." Its revenue, as well as its pre-tax gains and losses, do not contribute to the corresponding lines of the consolidated income statement. The 2022 comparative income statement has also been restated.

Operations that put margin before volume

At the end of August 2023, the order intake mirrored the challenging conditions of the real estate market (sharp increase in interest rates and stricter financing terms) as well as the managerial decisions made since March 2022 to:

- Accelerate the development of the B2C Renovation business

- Maintain the group's financial equilibrium by ensuring strong margins across all its businesses

Home Building Business

In this context, at the end of August, the Home Building business posted an order intake representing revenue of €398.8 million. This reflects a decrease of 39.8% in value and 44.8% in volume compared to the corresponding period in 2022.

With construction costs starting to stabilize in the last two months, the average selling price, which had surged in the past two years, is now rising at a more gradual pace. Over 8 months, it amounted to €166.2k excluding tax compared to €154.5k excluding tax at the end of December 2022.

In this challenging market environment, the group expects to increase its market share due to its leading position, its strong financial structure (which attracts customers seeking reliable companies), its focus on medium to high-end offerings, and its nationwide presence.

The current market environment will create opportunities for gaining market shares and progressively taking over construction projects from defaulting builders.

Land and Real Estate Development Businesses

At the end of August 2023, the order book (reserved land for which a deed has not yet been signed) for the Land Development business stood at €16.0 million, representing 204 lots.

On the same date, the Real Estate Development business backlog was €137.7 million (including €54 million related to a Hibana program signed in June 2023) and the total potential inventory to be delivered (including projects where a preliminary land deal has been signed) represented 1,870 housing units and potential revenue of €406.4 million. The group remains focused on small and medium-sized projects aimed at first-time homebuyers or large-volume sales. It is also closely monitoring the pre-booking rate.

B2C Renovation Business

This business continues to grow steadily. At the end of August 2023, "general contractor" order intake amounted to €27.5 million. Order intake from the franchisee network (intermediated revenue) increased by 24.8% to €65.4 million.

The growth of this business is expected to pick up speed in the coming months, fueled by rather positive market conditions (government subsidies, increasing energy costs, emerging needs, etc.) and an expansion of the sales network:

- Recruitment of new ILLICO Travaux franchisees (160 franchises to date) and CAMIF Habitat (32 franchises to date)

- Gradual expansion of the general contractor "renovation/extension" offer in all of the group's construction branches

- In the fourth quarter of 2023, creation of a franchise network dedicated to energy renovation under the Rénovert brand

A solid foundation for weathering the current crisis

For 2023, the group confirms annual revenue growth (on a like-for-like basis) of between 5% and 7%, with improved operating profitability.

In 2024, the group expects market conditions to remain challenging, especially in the first quarter, and confirms a decline in production (around 25 to 30%) that it has been anticipating for several months now.

Nevertheless, the group can count on:

1. The fundamentals of its business model, which have demonstrated resilience during past crises (high adaptability thanks to significant cost variability, limited inventories, 18-month visibility, etc.)

2. Its extremely sound financials, which ensure continued trust from all its stakeholders, including customers, suppliers, subcontractors, guarantors, banks, etc.

3. Strict oversight of its financial equilibrium (aligning selling prices with inflation, increasing its gross margin, managing working capital, etc.)

4. Measures taken as early as 2022 to adapt to the market downturn (group-wide cost-reduction plan, optimization of the sales network, consolidation of structural costs, etc.)

5. Opportunities to take over construction sites from defaulting builders.

In the current landscape, Hexaom can leverage its top-tier position and quality offering to capture a larger market share in an industry that is trending towards ever more consolidation.

Lastly, the group will continue to benefit from the contribution of its diversified Real Estate Development, Land Development and Services businesses, and from an acceleration in the B2C Renovation business.

Considering these factors and its solid financial structure, the group's management is confident in its ability to navigate this market cycle and come out even more resilient in all its business lines.

Information meeting, October 5th, 2023 at 10:00 am via webcast.
If you would like to attend this presentation, please send your request to hexaom@edifice-communication.com and you will receive a link to join.
Next press release: 2023 Q3 Revenue, November 6 th, 2023, after market close.

ABOUT THE GROUP

Since 1919, five generations of the same family have successively taken over the helm of HEXAOM, a group that drives and federates an ecosystem of 46 brands and subsidiaries with complementary expertise. A unique story of family entrepreneurship characterized by its stability in a complex market sector. The group, leader in the home building, renovation, and first-time owners' markets in France currently serves more than 12,000 customers a year, has built more than 110,000 houses, has carried out over 85,000 renovations, employs more than 1 700 people, and recorded revenue of €964 million in 2022.

HEXAOM is listed on Euronext Growth Paris.
HEXAOM equities are eligible for PEA-PME equity savings plan. ISIN code: FR 0004159473 - Mnemonic ALHEX

CONTACTS HEXAOM

Loïc Vandromme
Chief Executive Officer - Tel: + 33 2 33 80 66 61
E-mail: secretariat.direction@hexaom.fr

Jean-Christophe Godet Chief Financial Officer- Tel: + 33 2 33 80 66 61
E-mail: finances@hexaom.fr

Amalia Naveira - Analyst/Investor/Press Relations - Tel: + 33 6 31 35 99 50
E-mail: hexaom@edifice-communication.com

hexaom.fr

GLOSSARY:

Gross order intake: a contract is recorded in the gross order intake as soon as it is signed by the customer and accepted by our sales administration department (administrative control of the documents and validity of the financing plan, site inspection, verification, and acceptance of the selling price). The amount recorded corresponds to the revenue excluding taxes to be generated by the contract.

Backlog (real estate development): represents the group's already secured future revenue, expressed in euros, for its real estate development business. The backlog includes reservations for which notarial deeds of sale have not yet been signed and the portion of revenue remaining to be generated on units for which notarial deeds of sale have already been signed (portion remaining to be built).

Order book (land development): represents recorded land orders that have not been canceled and for which notarial deeds of sale have not yet been signed.

Production in progress: all orders for which the conditions precedent to begin work have been met (building permit and client financing obtained, client ownership of the land) and which have not been accepted by the client (delivered)

Change in like-for-like revenue: changes in revenue for the periods under comparison, recalculated as follows:

- in the event of an acquisition, revenue from the acquired company is deducted from the current period if it was not part of the group during the previous period,

- in the event of a sale, the revenue of the divested company that is no longer part of the group during the current period is deducted from the comparison period.

B2B (business to business): refers to transactions conducted between two companies.

B2C (business to consumer): refers to transactions conducted between the company and consumers.

Net contribution margin: corresponds to the difference between the revenue generated by contracts and the costs directly related to these contracts (construction costs, sales or broker commissions, taxes, insurance, etc.).

Current operating income: intended to present the group's operating performance excluding the impact of non-recurring operations and events during the period.

Cash position: includes cash on hand and demand deposits.

Debt: includes all current and non-current financial liabilities except leases according to the restatement of IFRS 16.

Net cash: cash position less debt.