18 October 2023 – Neuss, Germany

Rating Action / Update:

Creditreform Rating has affirmed the unsolicited corporate issuer rating of Adolf Würth GmbH & Co. KG at A / Stable

Creditreform Rating (CRA) has confirmed the unsolicited, public corporate issuer ratings of Adolf Würth GmbH & Co. KG and Würth Finance International B.V. – together referred as Group, Company or Würth, as well as the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by Würth Finance International B.V. at A / stable. The initial unsolicited short-term rating has been set to L2 (high level of liquidity). We also refer to our rating report of 22 June 2022, which contains further material information regarding the rating objects.

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Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

- \+ Positive development in the 2022 financial year with overall improved results
- \+ Strong product and geographical diversification, multi-channel strategy and modern logistics solutions facilitate stable development despite gloomy economic sentiment
- \+ Further expansion of e-Business
- \+ Some of the Würth Group's business divisions benefit from long-term trends of digitalization and electrification
- \+ Prudent financial policy and modest dividend payments
- \+ Robust key financial figures, with strong equity and balanced assets and liabilities structure
- \+ Proven access to financial markets
- \+ Overall positive development in 2023, despite slightly worsening operating results

- – Overall uncertainty resulting from the tense geopolitical situation
- – Persistent inflationary environment, tight monetary policy by national authorities, restrained economic outlook
- – Remaining disruptions in supply chains despite overall amelioration
- – Exposure to cyclically sensitive industries, intense competition
- – Decline in operating cash flow in 2022 against the backdrop of growing working capital requirements aimed at maintaining continuous product availability
- – Slightly worsened profitability in 2023 due to the growing costs, cautious outlook for the 2023 financial year

ESG-criteria:

CRA generally takes ESG factors (environment, social and governance) into account within its rating decisions. In the case of Adolf Würth GmbH & Co. KG we have not identified any ESG factors with significant influence.

Sustainability aspects have already been anchored in the strategic orientation of the Würth Group for several years. The Company has recently decided to transform its business practices in line with a circular concept. In particular, Würth plans to focus on three transformation areas:

Climate, Material Life Cycles, and Social Standards. To measure the transformation path, Würth uses the global sustainability indicators defined by the Global Reporting Initiative (GRI), the accounting standard for greenhouse gas emissions according to the Greenhouse Gas Protocol, and the strategic direction laid out by the 17 targets defined by the United Nations to ensure sustainable development: the Sustainable Development Goals.

In line with the European Union's plans to reduce CO_2 emissions by at least 55% by 2030 compared with 1990 levels, Adolf Würth GmbH & Co KG has in particular anchored the reduction of CO_2 emissions in its strategy, objectives and corporate management. Specific measures to avoid and reduce greenhouse gases in operational facilities and vehicles are being formulated and implemented. These measures include converting the vehicle fleet to electric mobility and testing hydrogen cars, optimizing transport routes, building new operating facilities to the highest environmental standards, own photovoltaic systems and expanding the charging infrastructure for electrified vehicles, and implementing projects to support biodiversity. Würth is also involved in numerous projects to promote art and culture, education and inclusion.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

Rating result

The current unsolicited corporate issuer rating of A attests Adolf Würth GmbH & Co. KG a high level of credit worthiness and a low default risk.

In 2022 financial year, despite the overall restrained economic sentiment, the Company was able to demonstrate a solid development with a significant increase in sales and the operating results as well as to maintain its sound financials and further improve its substantial equity base. This development is based on the Group's proven business approach, including strong product and geographical diversification, which enables balancing of negative trends in particular regions and industries, its multi-channel strategy with intense proximity to customers as well as constant product innovation and modern and reliable logistics. Through active working capital management the Company was able to continuously maintain a high level of product availability, which was decisive for the positive development in 2022, albeit negatively affected its operating cash flow. The liquidity position was, however, sufficient in our view. The Group's stable debt structure, which is commensurate with its strong earnings capacity, along with proven access to financial markets underpin our rating assessment.

Risks arise, in our view, from the intense competition and elevated exposure of the main Group's divisions to economic cycles, especially taking into consideration the persistent geopolitical uncertainty and overall subdued economic sentiment as a result of rising inflation, and the tight monetary policy of most national authorities. Nevertheless, we consider the Company's sound balance sheet structure and strong earnings capacity to be stabilizing factors, facilitating the Würth Group to withstand any temporary declines in demand.

Outlook

The one-year outlook for the rating is stable. Despite the slight deterioration in its operating results in the first six months, and the somewhat restrained outlook for the remainder of the 2023 financial year, we consider the Company's solid financials to date, and its strong equity, to be stabilizing factors for the rating. We view the Company as being in a good position to master the challenges related to increased cost pressure, or which could arise from possible temporary declines in demand. So far, the Company has demonstrated a sound management strategy and a good ability to adapt to economic slowdowns, including cautious investment and dividend policies, and as a result of its established market position and diversified business model.

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Best-case scenario: A+

In the best-case scenario for one year, we assume that Würth will be able to continue its sales growth and that this will be accompanied by an enhanced profitability, which, with a continued moderate dividend policy, will form the basis for an overall improvement in the result of the financial ratio analysis. The current uncertainty resulting from the tense geopolitical situation and ongoing economic slump, increasing cost pressure following a rising number of employees and an inflationary environment make this scenario appear unlikely.

Worst-case scenario: A-

The rating in the worst-case scenario for one year could be impaired in the event of a significant deterioration in earnings as a result of negative economic developments, elevated costs, or further tightening on the procurement markets, significantly hampering the Company's profitability and earnings capacity. Another factor could be a substantial increase in debt due to ambitious growth strategy or major acquisitions, leading to sustained deterioration in the results of our financial ratio analysis.

Business development and outlook

Despite the challenging economic environment, especially in Europe, with elevated energy prices triggered by the Russian invasion of Ukraine, the resulting sustained inflation, heightened interest rates, as well as since the outbreak of the COVID-19 pandemic continuing disruptions in supply chains, the Würth Group achieved a clearly positive result in the 2022 financial year. Partly due to price effects, the Company posted an increase in sales of 17% to EUR 19,933 million (2021: EUR 17,060 million). Due to the ongoing optimization efforts and digitalization process initiated by Würth in the previous years, with resulting gains in productivity, and further reduced expenses for travel, trade fairs and conferences, the Company showed a historically high operating result, with an EBIT of EUR 1,582 million (+22%) and net income for the year of EUR 1,194 million (an increase by 24%). Regardless of the increased CRA cost of materials ratio (52.8%; 2021: 51.25%) due to the overall rise in purchase prices and energy costs, the CRA profitability key figures improved in 2022; in particular return on investment (7.28%; 2021: 6.87%), net profit margin (5.97%; 2021: 5.64%) and operating margin (7.91; 2021: 7.58%) edged up.

Table 1: Financials of Adolf Würth GmbH & Co. KG I Source: Würth Group Annual Report 2022, standardized by CRA

Adolf Würth GmbH & Co. KG Selected key figures of the financial statement analysis Basis: consolidated financial statements as of 31.12. (IAS)	CRA standardized figures[1]	
	2021	2022
Sales (EUR million)	17,060	19,933
EBITDA (EUR million)	2,073	2,385
EBIT (EUR million)	1,297	1,582
EAT (EUR million)	965	1,194
EAT after transfer (EUR million)	654	1,176
Total assets (EUR million)	14,831	16,899
Equity ratio (%)	44.86	45.94
Capital lock-up period (days)	23.36	22.84
Short-term capital lock-up (%)	18.61	15.62
Net total debt / EBITDA adj. (factor)	3.35	3.30
Ratio of interest expenses to total debt (%)	0.91	1.15
Return on Investment (%)	6.87	7.28

All of the Company's divisions contributed to this favorable development, with the majority posting double-digit growth in sales. One of the Company's competitive strengths is its multi-channel distribution approach, enabling better proximity to customers, with 2,594 pick-up shops worldwide and well-developed e-business offerings including online shops, e-commerce and the Würth App. In particular, e-business has gained importance since COVID-19 pandemic, due to the possibility of contactless procurement. The share of e-business rose to 20.7%, thus achieving a proportion of over 20% for the first time. Due to the timely stocking of important materials and components, the Company was continuously able to ensure a high product availability. Additionally, according to management, the Group was able to remain to a significant extent independent from the global supply chain disruptions thanks to its own production in Germany and Europe. Product innovation and modern logistics solutions are further strengths of the Group which have contributed to positive development in 2022. The division Electrical Wholesale and Electronics saw a significant increase in sales of 24.8% and 22.0% respectively, benefiting in particular from the trends of expanding renewable energies and overall enhanced digitalization and electrification.

We also consider the Group's geographical diversification to be its key business advantage, enabling offsetting of negative effects of regional economic downturns. Würth has 400 companies in 80 countries. Germany remains the most important market for Würth with 39.4% of sales in 2022, followed by the Americas (15.7%), Southern Europe (14.5%), Western Europe (13.4%), Eastern Europe (7.4%) and other countries. In Germany, sales growth amounted to 13.1% to EUR 7,849 million (2021: EUR 6,939 million), largely driven by the positive results in Electronics and Electrical Wholesale, as well as a recovery in supply to the automotive and mechanical engineer-

[1] For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

ing industries, while international growth was 19.4% (EUR 12,084 million; 2021: EUR 10,121 million). The Company posted double-digit growth rates in all its geographical regions save Scandinavia.

Table 2: The development of corporate divisions in 2022 I Source: Würth Group Annual Report 2022)

in EUR million	2021	2022	Δ %
Würth Line	**9,330.5**	**10,791.8**	**15,8**
Metal	2,564	2,929	14.2
Industry	1,894	2,290	20.9
Auto	1,874	2,072	10.6
Wood	1,672	2,079	24.3
Construction	1,327	1,472	10.9
Allied Companies	**7,729.4**	**9,141.3**	**18.3**
Electrical Wholesale	2,781	3,472	24.8
Electronics	1,125	1,372	22.0
Production	837	946	13.0
RECA Group	762	835	9.6
Chemicals	664	738	11.1
Trade	539	596	10.6
Tools	419	446	6.4
Screws and Standard Parts	333	405	21.6
Financial Services	140	164	17.1
Other	129	167	29.5

Cash flow from operating activities decreased by 16% year-on-year to EUR 867 million (2021: EUR 1,034 million), mainly due to an increase in the purchase of inventories in order to build up safety stocks and ensure high product availability despite the tight procurement markets. These measures led to an increase in inventories by 25% to EUR 3,828 million (2021: EUR 3,064 million). The expanded trade receivables contributed to this effect. As a result of pent-up demand for investment after the years of cautious investment policy during the pandemic, capex jumped by 48.5% in the 2022 financial year to EUR 821 million (2021: EUR 553 million) with a focus on IT infrastructure, warehouse and logistics capacities, and other technical equipment. Dividend payments edged up slightly to EUR 370 million (2021: EUR 326 million).

Due largely to the elevated levels of inventories and trade receivables, the CRA adjusted total assets increased by 19% to EUR 16,899 million. The adjusted equity was up by 17% to EUR 7,764 million, in particular against the backdrop of an increase in reserves and retained earnings, in line with the Company's moderate dividend policy and strategy of reinvesting net income over recent years. This policy results in a very solid equity base with a further increased CRA adjusted equity ratio of 45.94% (2021: 44.86%). Following growing working capital requirements, net financial debt increased to EUR 987 million as of 31 December 2022 (31 December 2021: EUR 567 million). The Group maintains a sufficient level of liquidity with EUR 1,215 million cash and cash equivalents as of 31 December 2022, which is supported by the available unused syndicated credit facility of EUR 500 million, committed until 2027. The Group had four bonds issued on the capital market with a total amount of EUR 1,850 million and CHF 300 million. We consider the Group's financing structure to be very stable and commensurate with its earnings capacity, and the maturities of the debt to be well-distributed. The CRA net total debt / EBITDA adj. improved slightly to 3.30x (2021: 3.35).

For the first six months of the 2023 financial year, Würth Group announced a further increase in revenues of 5.9% to EUR 10.5 billion, driven in particular by the German market, which stipulated a growth rate of 9.6% to EUR 4.2 billion. Würth companies abroad saw a slowdown in growth rates to 3.5%. The operating result edged down compared to the same period of 2022 to EUR 680 million (6M 2022: EUR 720 million), driven by the increase in personnel expenses and overall cost increases, in particular for mobility and maintenance. In the first half of 2023, the Company hired 1,409 employees and employed 87,046 people as of 30 June 2023, half of them in sales.

Against the backdrop of the persistently tense geopolitical situation, the global economic situation remains uncertain. Alongside the enduring inflationary environment with the resulting tight monetary policy of national authorities, and subdued economic sentiment, further energy price increases following the conflict in the Middle East cannot be ruled out. However, we do not currently derive any negative consequences for the rating of Würth from the overall deteriorated economic environment. Our assessment is based on the Company's proven, successful business model, with strong product and geographical diversification and an established market position in its relevant markets. Construction industry, which was the growth driver in the past two years, currently suffers under the elevated interest rates. This is, however, offset by positive development in the Electronics and Electrical Wholesale divisions, benefitting from the overall long-term trends of digitalization and electrification. The Company's prudent financial policy, and its moderate dividend payments over the years, are the basis for its currently balanced financing structure and the solid equity, enabling good access to financial markets and a certain increase in debt, if needed, without negative changes in our rating assessment. The overall result of our financial key figures analyses shows a very solid basis which enables the Group in our view to withstand potential economic downturns and temporary deteriorations in demand.

Further ratings

In addition to the rating of Adolf Würth GmbH & Co. KG the following Issuer and its issues (see below), have been rated:

- Würth Finance International B.V.

Due to the corporate, strategic, liability, financial, economic and performance-related interdependencies of Würth Finance International B.V. with Adolf Würth GmbH & Co. KG, we derive its unsolicited issuer rating from the unsolicited issuer rating of Adolf Würth GmbH & Co. KG and set it equal to its rating of A / stable.

Based on the long-term issuer rating and taking into account our liquidity analysis, the short-term rating of Adolf Würth GmbH & Co. KG and the above-mentioned subsidiary was set at L2 (standard mapping), which corresponds to a high level of liquidity assessment for one year.

The rating objects of the issue ratings are exclusively long-term senior unsecured issues, denominated in euro, issued by Adolf Würth GmbH & Co. KG and by Würth Finance International B.V., which are included in the list of ECB-eligible marketable assets.

Adolf Würth GmbH & Co. KG is guarantor of the issues that have been issued under the Debt Issuance Programme, with the last prospectus of 5 May 2023.

We have provided the long-term local currency senior unsecured notes issued by Adolf Würth GmbH & Co. KG and Würth Finance International B.V. with an unsolicited rating of A / stable. The rating is based on the respective corporate issuer rating.

Long-term local currency senior unsecured notes issued by Adolf Würth GmbH & Co. KG and Würth Finance International B.V., which have similar conditions to the current Debt Issuance Programme, denominated in euro and included in the list of ECB-eligible marketable assets, generally receive the same ratings as the current LT LC senior unsecured notes issued under the Programme. Notes issued in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Overview

Table 3: Overview of CRA Ratings I Source: CRA

Rating Category	Details	
	Date	Rating
Adolf Würth GmbH & Co. KG (Issuer)	18.10.2023	A / stable / L2
Würth Finance International B.V. (Issuer)	18.10.2023	A / stable / L2
Long-term Local Currency (LC) Senior Unsecured Issues	18.10.2023	A / stable
Other	--	n.r.

Appendix

Rating history

The rating history is available under https://www.creditreform-rating.de/en/ratings/published-ratings.html.

Table 4: Corporate Issuer Rating of Adolf Würth GmbH & Co. KG

Event	Rating created	Publication date	Result
Initial rating	16.08.2018	27.08.2018	A / stable

Table 5: Corporate Issuer Rating of Würth Finance International B.V.

Event	Rating created	Publication date	Result
Initial rating	16.08.2018	27.08.2018	A / stable

Table 6: LT LC Senior Unsecured Issues issued by Würth Finance International B.V.

Event	Rating created	Publication date	Result
Initial rating	10.08.2018	27.08.2018	A

Table 7: Short-term issuer ratings of Adolf Würth GmbH & Co. KG, Würth Finance International B.V.

Event	Rating created	Publication date	Result
Initial rating	18.10.2023	www.creditreform-rating.de	L2

Regulatory requirements

The rating[2] was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public/private. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

[2] In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

A management meeting did not take place within the framework of the rating process.

The documents and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
Corporate Ratings	2.4	July 2022
Corporate Short-Term Ratings	1.0	June 2023
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Elena Damijan	Lead-analyst	E.Damijan@creditreform-rating.de
Artur Kapica	Analyst	A.Kapica@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Stephan Giebler	PAC	S.Giebler@creditreform-rating.de

On 18 October 2023, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the Company on 19 October 2023. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

Creditreform Rating AG ensures that the provision of ancillary services does not present conflicts of interest with its credit rating activities and discloses in the final rating reports any ancillary services provided for the rated entity or any related third party. The following ancillary services were provided for the rating entity or for third parties associated with the rated entity:

Credit Service ancillary services for the rated entity.

For the complete list of provided rating and credit service ancillaries please refer to the Creditreform Rating AG's website: https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html#non-core-business-activities.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report

2. Website

3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating

2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website.

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct, which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

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