

# Interim report Q1 2020

**Investor presentation  
13 May 2020**



# Q1 2020 highlights

## Growth

**+11%**

- Strong volume growth in core business
- Good utilisation of expanded capacity
- Intensified sales and marketing efforts

## Earnings

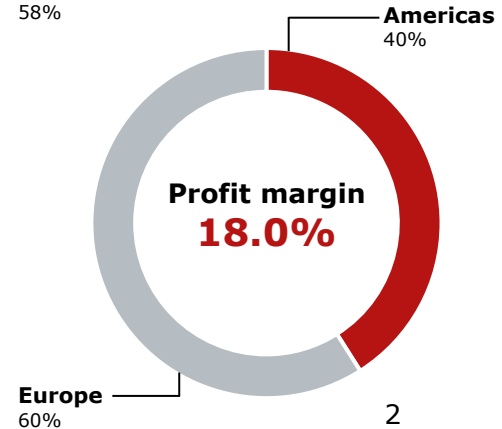
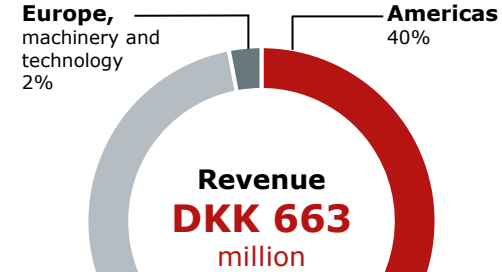
**+95%**

- Historically high earnings
- High utilisation and production efficiency
- Improved raw material prices

## Investments

**+49%**

- Expansion plans in Europe, the USA and Brazil
- Conditional acquisition of Mohan Fibre in early 2020
- Mohan Fibre acquisition expected to close by mid-2020



# Segment overview

## Americas

**Revenue:** DKK 264m (+7%)

**Profit margin:** 19.1% (2019: 13.5%)

Expanded capacity enabled strong volume growth

High utilisation and production efficiency lifted earnings

Economic downturn in Argentina and currency effects

## Europe

**Revenue:** DKK 398m (+14%)

**Profit margin:** 18.9% (2019: 9.7%)

Strong utilisation of expanded production capacity

Solid volume growth and improved product mix

Higher technology sales and improved raw material prices

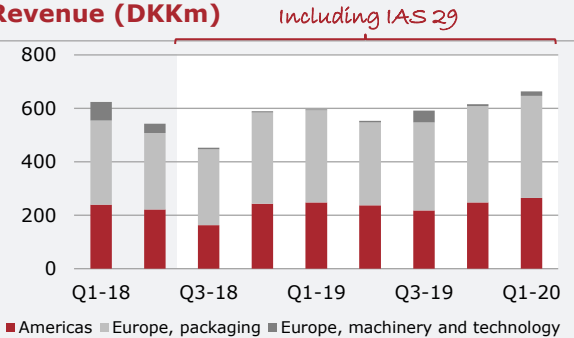


# Financials Q1 2020

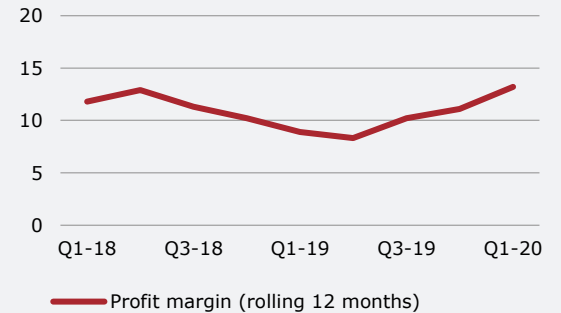
- Significant revenue growth across markets
  - Strong development in volumes and product mix
  - Higher machinery and technology sales of DKK 16m (2019: DKK 4m)
- Historically strong earnings
  - Volume growth and high utilisation of expanded capacity
  - Higher revenue and improved product mix and raw material prices

| DKKm                                      | Q1 2020 | Q1 2020<br>excl. IAS 29 | Q1 2019 | Q1 2019<br>excl. IAS 29 |
|---|---------|-------------------------|---------|-------------------------|
| Revenue                                   | 663     | 663                     | 596     | 599                     |
| Operating profit                          | 116     | 119                     | 58      | 61                      |
| Special items                             | (5)     | (5)                     | 0       | 0                       |
| Profit                                    | 58      | 63                      | 37      | 41                      |
| Free cash flows (operating and investing) | 30      | 30                      | 18      | 18                      |
| Invested capital                          | 1,472   | 1,423                   | 1,434   | 1,397                   |
| Profit margin, %                          | 17.5    | 18.0                    | 9.8     | 10.2                    |
| ROIC, %                                   | 20.6    | 22.0                    | 13.6    | 14.7                    |

## Revenue (DKKm)



## Profit margin excl. IAS 29 (%)



# Strategy – trends and strengths

## Trends

### Demographics

**10**

billion people  
in 2050



Population growth  
Increasing prosperity  
Urbanisation  
Retail growth

### Sustainability

**4x**

plastic consumption  
in 2050



Growing awareness  
Single-use plastic ban  
Well-proven alternative

### Consumer behaviour

**58%**

more product launches  
in 2018 versus 2014



Consumption growth  
Demand for more egg types  
Focus on nutrition and animal welfare  
Clear differentiation of eggs

## Strengths

### Expertise



Customer advice  
Consumer research  
Data-based approach

### Platform



Solid market positions  
+50 countries  
12 factories + 2 in 2020

### Products



Versatile portfolio  
Renewable and tailored  
FSC and CO<sub>2</sub> neutral

### Technology



Proven since 1936  
Industry-leading  
Internal and external

# Strategy – focus

## Capacity



- Increase capacity
- Strengthen presence in existing markets
- Explore new markets

### Initiatives

Added capacity in  
Europe and Argentina

Significant expansions in 2020

Indian acquisition in 2020

## Efficiency



- Continuous cost reduction
- Automation of production
- Improved processes and methods

### Initiatives

Investments in automation

Technology implementation

Organisational adjustments

Higher output per employee

## Marketing



- Focus on expertise and products
- Highlight moulded fibre eco-friendliness

### Initiatives

Several consumer surveys

Customer sparring and advice

Intensified marketing efforts

# Guidance 2020 and financial ambitions

## Guidance 2020

Revenue

**DKK 2.4-2.6bn**

Profit margin\*

**12-15%**

Investments

**DKK ~400m**

- Profit margin guidance lifted to 12-15% from 10-12% on 30 April after strong Q1
- Volume growth in core business
- Slightly higher machinery sales
- Moderate contribution from India
- Investments include conditional acquisition of Indian business for DKK 119m
- COVID-19 entails reduced visibility and increased operational risk

\*Before restatement for hyperinflation and special items

## Ambitions

Continual growth in packaging sales



Year-on-year revenue growth



Profit margin\* of at least

**14%**



More on COVID-19  
in the Q1 interim  
report on page 8

## Contact information

Brødrene Hartmann A/S  
Ørnegårdsvej 18  
DK-2820 Gentofte  
Tel. (+45) 45 97 00 00  
investor@hartmann-packaging.com

### Upcoming events

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|                   |                  |
|-------------------|------------------|
| Q2 interim report | 19 August 2020   |
| Q3 interim report | 18 November 2020 |

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Torben Rosenkrantz-Theil  
CEO



Flemming Steen  
CFO



## Appendix: Key figures and financial ratios

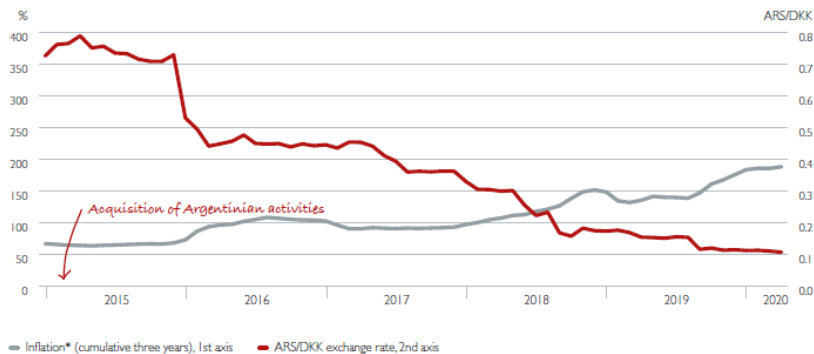
| DKK <b>m</b>                     | Q1          |                                     |            |                                     |
|----------------------------------|-------------|-------------------------------------|------------|-------------------------------------|
|                                  | 2020        | 2020<br><small>excl. IAS 29</small> | 2019       | 2019<br><small>excl. IAS 29</small> |
| <b>Revenue</b>                   | <b>663</b>  | <b>663</b>                          | <b>596</b> | <b>599</b>                          |
| Europe, packaging                | 382         | 382                                 | 345        | 345                                 |
| Europe, machinery and technology | 16          | 16                                  | 4          | 4                                   |
| Americas                         | 264         | 265                                 | 248        | 250                                 |
| <b>Operating profit</b>          | <b>116</b>  | <b>119</b>                          | <b>58</b>  | <b>61</b>                           |
| Europe                           | 75          | 75                                  | 34         | 34                                  |
| Americas                         | 48          | 51                                  | 31         | 34                                  |
| Special items                    | (5)         | (5)                                 | 0          | 0                                   |
| Net financials                   | (32)        | (30)                                | (7)        | (7)                                 |
| Profit                           | 58          | 63                                  | 37         | 41                                  |
| Free cash flows                  | 30          | 30                                  | 18         | 18                                  |
| <b>Profit margin, %</b>          | <b>17.5</b> | <b>18.0</b>                         | <b>9.8</b> | <b>10.2</b>                         |

## Appendix: Balance sheet

| DKKm                      | 31.03.20 | 31.03.20<br><small>excl. IAS 29</small> | 31.03.19 | 31.03.19<br><small>excl. IAS 29</small> |
|---------------------------|----------|---|----------|---|
| Assets                    | 2,054    | 2,012                                   | 1,975    | 1,941                                   |
| Net working capital (NWC) | 346      | 345                                     | 304      | 304                                     |
| Invested capital (IC)     | 1,472    | 1,423                                   | 1,434    | 1,397                                   |
| Net interest-bearing debt | 607      | 607                                     | 640      | 640                                     |
| Equity                    | 872      | 838                                     | 816      | 791                                     |
| ROIC, %                   | 20.6     | 22.0                                    | 13.6     | 14.7                                    |
| Equity ratio, %           | 42.4     | 41.6                                    | 41.3     | 40.7                                    |
| Gearing, %                | 69.6     | 72.4                                    | 78.4     | 80.9                                    |

# Appendix: Hyperinflation

## Inflation and exchange rate developments in Argentina

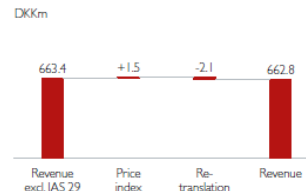


## Effects of restating for hyperinflation on selected accounting figures year to date

| DKKm                                 | Excl. IAS 29 | Price index | Re-translation | Total adjustment | 2020 to date |
|--------------------------------------|--------------|-------------|----------------|------------------|--------------|
| Revenue                              | 663.4        | 1.5         | (2.1)          | (0.6)            | 662.8        |
| Operating profit before depreciation | 152.8        | (1.0)       | (0.6)          | (1.6)            | 151.2        |
| Operating profit                     | 114.7        | (2.8)       | (0.4)          | (3.2)            | 111.5        |
| Financial items, net                 | (30.4)       | (1.2)       | 0.1            | (1.1)            | (31.5)       |

\* Restatement for hyperinflation is made based on Argentina's Wholesale Price Index up to 31 December 2016 and on the National Consumer Price Index from 1 January 2017.

## Effect of restating year-to-date revenue



The total effect on Q1 2020 revenue of restating for hyperinflation under IAS 29 is a combination of restating for price index developments and the effect of using the exchange rate at the balance sheet date for purposes of translating from the Argentine peso into Danish kroner.

The price index rose by 8% during the first three months of the year, boosting revenue by DKK 1.5 million. However, the increase was offset by a decline in the ARS/DKK cross rate from 0.1114 at the beginning of the year to 0.1059 at 31 March 2020 reducing revenue by DKK 2.1 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 662.8 million after a net negative impact of restating for hyperinflation of DKK 0.6 million.

For more information about hyperinflation, see page 21 and note 34 in the annual report for 2019.

Read more in the Q1 interim report on page 10

# Forward-looking statements

## Disclaimer

This presentation contains forward-looking statements reflecting management's expectations of future events and must be viewed in the context of among other things the business environments and currency markets, which may cause actual results to deviate materially from those projected by Hartmann.