

# Interim report Q1 2021

**Investor presentation  
18 May 2021**



# Q1 2021 highlights

## Growth

**+13%**

- Buoyant demand amid COVID-19 pandemic
- Strong growth supported by DKK 78m licence income
- Currency impact of DKK -51m

## Earnings

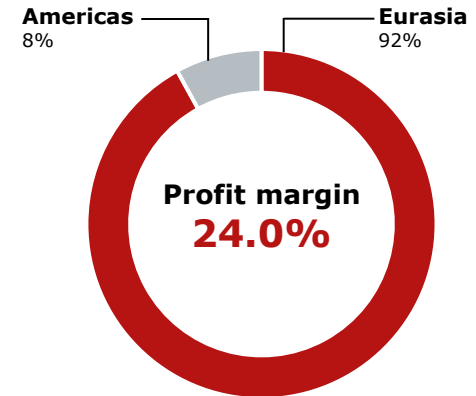
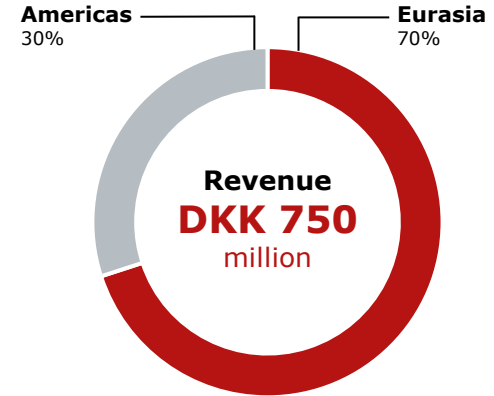
**+51%**

- Exceptional earnings level boosted by licence income
- High activity and improved price and product mix
- Sharp rise in raw material prices and lower efficiency

## Investments

**DKK 185<sub>m</sub>**

- Acquisition of Russian Gotek-Litar
- Capacity expansion in Europe
- US capacity to be installed and put into use in H2



# Segment overview

## Americas

**Revenue:** DKK 224m (-15%)

**Profit margin:** 7.0% (2020: 19.1%)

COVID-19 drove demand and affected operations

Sharp rise in raw material prices and lower efficiency

Moderate volume decline and adverse currencies

## Eurasia

**Revenue:** DKK 526m (+32%)

**Profit margin:** 32.5% (2020: 18.9%)

High activity level and additions in India and Russia

Strong utilisation level and improved price and product mix

Licence income of DKK 78 million

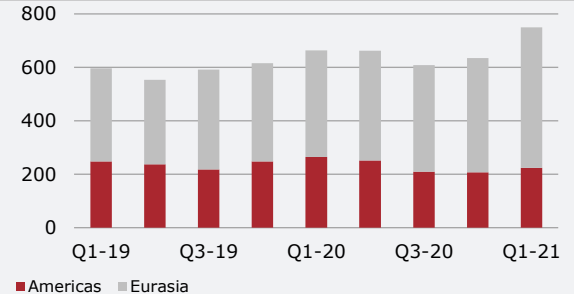


# Financials Q1 2021

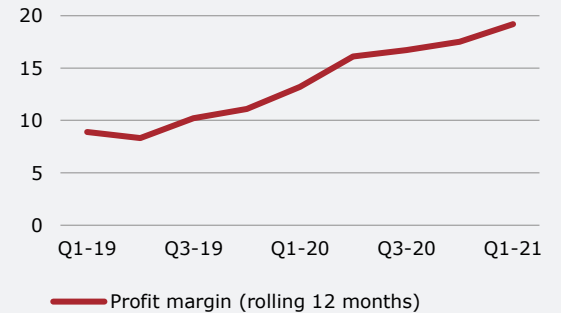
- Revenue boosted by COVID-19 and licence income
  - Solid volume growth and good product mix
  - Licence income of DKK 78 million
  - Negative currency impact of DKK -51 million
- Exceptional earnings and profitability level
  - High volumes and favourable price and product mix
  - COVID-19 challenges and decline in efficiency under ramp-up

DKKm	Q1 2021	Q1 2020
Revenue	750	663
Operating profit	180	119
Special items	0	(5)
Profit	128	58
Free cash flows (operating and investing)	(112)	30
Invested capital	1,934	1,472
Profit margin, %	24.0	18.0
ROIC, %	31.2	20.6

## Revenue (DKKm)



## Profit margin (%)



# Strategy – trends and strengths

## Trends

### Demographics



Population growth  
Increasing prosperity  
Urbanisation  
Retail growth

### Sustainability



Growing awareness  
Single-use plastic ban  
Well-proven alternative

### Consumer behaviour



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  
15 factories

### 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

Acquired Russian Gotek-Litar  
New capacity added in Europe  
Add capacity in Europe and US

## Efficiency



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

### Initiatives

Investments in automation  
Technology implementation  
Reduced raw material per unit

## Marketing



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

### Initiatives

New product launches  
Several consumer surveys  
Intensified marketing efforts

# Guidance 2021 and financial ambitions

## Guidance 2021

Revenue

**DKK 2.7-3.0bn**

Profit margin\*

**14-17%**

Investments

**DKK ~550m**

- Continued volume growth in core business
- Positive COVID-19 impact on volumes and price and product mix expected in H1 2021
- Positive effect from DKK 78m licence income from IPR settlement in Q1
- Negative impact from sharply increasing raw material prices and negative currencies
- Investments include acquisition of Russian business for DKK 113m
- 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 report  
on page 9

# Q&A





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### Upcoming events

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Q2 interim report 2021	17 August 2021
Q3 interim report 2021	16 November 2021

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Torben Rosenkrantz-Theil  
CEO



Flemming Steen  
CFO

## Appendix: Key figures and financial ratios

DKKm	Q1	
	2021	2020
<b>Revenue</b>	<b>750</b>	<b>663</b>
Eurasia	526	398
Americas	224	264
<b>Operating profit</b>	<b>180</b>	<b>119</b>
Eurasia	171	75
Americas	16	51
Special items	0	(5)
Net financials	(5)	(32)
Profit	128	58
Free cash flows	(112)	30
<b>Profit margin, %</b>	<b>24.0</b>	<b>18.0</b>

## Appendix: Balance sheet

<b>DKKm</b>	<b>31.03.21</b>	<b>31.03.20</b>
Assets	2,580	2,054
Net working capital (NWC)	417	346
Invested capital (IC)	1,934	1,472
Net interest-bearing debt	735	607
Equity	1,185	872
ROIC (rolling 12 months), %	31.2	20-6
Equity ratio, %	46.0	42.4
Gearing, %	62.0	69.6

## Appendix: COVID-19 effects



### Impact

- Significant and temporary shift in consumption
- Fluctuations in currencies and raw material prices
- Substitution from food service to retail sales and from open markets to supermarkets

### Risk

- Lower visibility and elevated operational risk
- Economic implications and currency fluctuations
- Temporary production and distribution interruptions as well as raw material price hikes

### Focus

- Protect employees, partners and customers
- Monitor developments across markets
- Ensure supplies, operations and deliveries

# Appendix: Hyperinflation

Inflation and exchange rate developments in Argentina

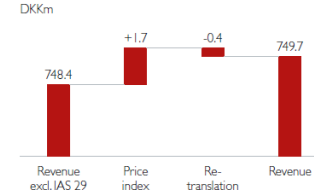


Effects of restating for hyperinflation on selected accounting figures year to date

DKKm	Excl. IAS 29	Price index	Re-translation	Total adjustment	2021 to date
Revenue	748.4	1.7	(0.4)	1.3	749.7
Operating profit before depreciation	213.4	(2.5)	(0.1)	(2.6)	210.8
Operating profit	179.7	(4.3)	0.0	(4.3)	175.4
Net financial items	(4.0)	(1.3)	(0.1)	(1.4)	(5.4)

\* 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.

Effects of restating year-to-date revenue



The total effect on Q1 2021 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 13% during the first three months of the year, boosting revenue by DKK 1.7 million. The increase offset a decline in the ARS/DKK cross rate from 0.07199 at the beginning of the year to 0.06896 at 31 March 2021 reducing revenue by DKK 0.4 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 749.7 million after a net positive impact of restating for hyperinflation of DKK 1.3 million.

*For more information about hyperinflation, see page 84 and note 31 in the annual report for 2020*

Read more in the Q1 report on page 25

# 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.