

# Interim report Q3 2019

Investor presentation  
13 November 2019



# Q3 2019 highlights

## Sustaining volume growth

- Continued progress in all markets
- Europe and North America showed particularly strong trend

## Improving profitability

- Solid core business performance
- Higher machinery sales
- Substantial licence income

## Lifting machinery sales

- Strong contribution to Q3 results
- Normalised and lower level expected in 2019 from 2018 high

## Investing in new capacity

- European capacity expanded in Q3 and in Q4
- Continued work to expand in Brazil, the US and Europe in 2020

Revenue

**DKK 591m**

DKK 453m

Profit margin

**13.3%**

5.4%

CAPEX

**DKK 58m**

DKK 32m

Currency movements, primarily related to the Argentine peso (ARS), reduced revenue by DKK 30 million while operating profit was largely unaffected in Q3 2019.

# Business overview

## Americas

**Revenue:** DKK 218m (+34%)

**Profit margin:** 10.5% (2018: 8.5%)

Continued volume growth in North and South America

Improved profitability driven by North American progress

Significant negative effect of hyperinflation in comparison period

## Europe

**Revenue:** DKK 374m (+29%)

**Profit margin:** 16.5% (2018: 4.1%)

Higher volumes sales, selling prices and machinery sales

Substantial contribution from licence income

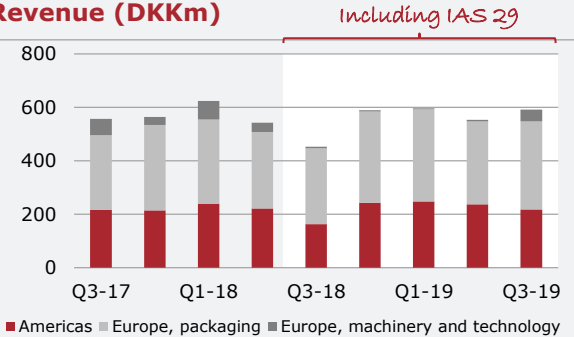


# Financials Q3 2019

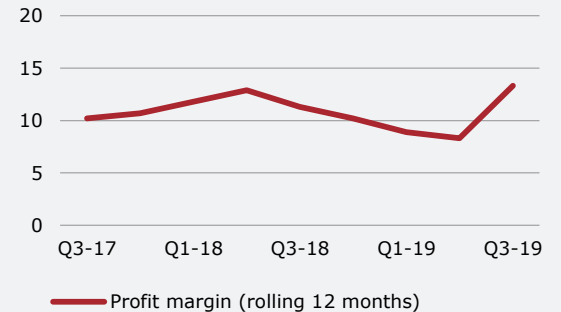
- Revenue grew 30% based on progress in core business and machinery sales
  - Volumes increased and average selling price improved
  - Machinery and technology sales grew to DKK 44m from DKK 6m
  - Licence income in Q3 2019 and negative hyperinflation effect in Q3 2018
- Hartmann lifted profitability to 13.3%
  - Solid core business development and higher machinery sales
  - Supported by substantial licence income
- Currency impacted revenue by DKK -30m with operating profit largely unaffected
  - Significant impact from development in ARS

DKKm	Q3 2019	Q3 2019 excl. IAS 29	Q3 2018	Q3 2018 excl. IAS 29
Revenue	591	604	453	492
Operating profit	76	81	13	26
Special items	0	0	(9)	(9)
Profit	45	48	(5)	(1)
Free cash flows (operating investing)	72	72	(9)	(9)
Invested capital	1,500	1,457	1,309	1,286
Profit margin, %	12.9	13.3	2.9	5.4
ROIC, % (rolling 12 months)	15.5	16.8	17.7	18.9

## Revenue (DKKm)



## Profit margin excl. IAS 29 (%)



# Guidance 2019 and financial ambitions

## Guidance 2019

Revenue

**Upper end of  
DKK 2.2-2.4bn**

Profit margin\*

**~11%**

CAPEX\*

**DKK ~250m**

- Revenue now expected to reach upper end of DKK 2.2-2.4bn range
- Profit margin now expected about 11% against previous guidance of 9-11%
- Volume growth and higher average selling prices in core business
- Efficient core business operations
- Normalised, lower technology sales
- CAPEX expected around DKK 250m against previous estimate of around DKK 300m following protracted administrative processing re. new factory in Brazil

*\*Before restatement for hyperinflation*

## Ambitions

Continual growth in packaging sales



Year-on-year revenue growth



Profit margin\* of at least

**14%**

# Strategy

## Think ahead

- Leverage positive trends and drivers
- Invest to accommodate growing demand
- Enhance utilisation of production capacity
- Improve efficiency through automation and technology development
- Intensify marketing efforts
- Explore potential for attractive acquisitions



# Trends and initiatives

## Europe

- Relatively mature markets
- Strong demographics in Eastern Europe
- Conversion from plastics in selected markets

### Initiatives

- Expand existing capacity
- Develop technology
- Increase automation
- Step up marketing

## North America

- Solid demographics and growing egg sales
- Increased share of premium eggs
- On-going conversion expected to accelerate

### Initiatives

- Add capacity at existing sites
- Intensify marketing
- Improve capacity utilisation
- Implement new technology

## South America

- Long-term growth from demographics
- Positive development in egg category

### Initiatives

- Expand capacity
- Improve capacity utilisation
- Optimise production allocation
- Automate and upgrade

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### Upcoming events

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Annual report 2019	10 March 2020
Annual general meeting	21 April 2020
Q1 interim report	13 May 2020
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

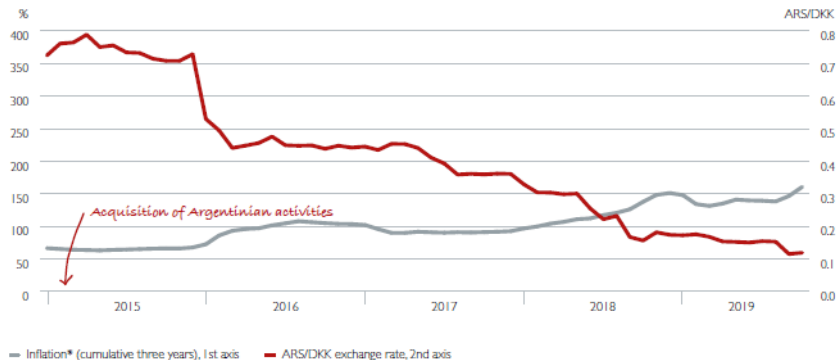
DKKm	Q3				9M	
	2019	2019 excl. IAS 29	2018	2018 excl. IAS 29	2019	2018
<b>Revenue</b>	<b>591</b>	<b>604</b>	<b>453</b>	<b>492</b>	<b>1,741</b>	<b>1,619</b>
Europe, packaging	330	330	283	283	985	885
Europe, machinery and technology	44	44	6	6	54	110
Americas	218	231	163	202	711	663
<b>Operating profit</b>	<b>76</b>	<b>81</b>	<b>13</b>	<b>26</b>	<b>179</b>	<b>165</b>
Europe	62	62	12	12	119	114
Americas	20	24	4	17	78	68
Special items	0	0	(9)	(9)	0	(30)
Net financials	(15)	(18)	(7)	(20)	(28)	(46)
Profit	45	48	(5)	(1)	107	63
Free cash flows	72	72	(9)	(9)	58	89
<b>Profit margin, %</b>	<b>12.9</b>	<b>13.3</b>	<b>2.9</b>	<b>5.4</b>	<b>10.3</b>	<b>10.2</b>

## Appendix: Balance sheet

DKKm	30.09.19	30.09.19 excl. IAS 29	30.09.18	30.09.18 excl. IAS 29
Assets	2,046	2,006	1,770	1,750
Net working capital (NWC)	328	328	336	336
Invested capital (IC)	1,500	1,457	1,309	1,286
Net interest-bearing debt	680	680	620	620
Equity	825	795	704	689
ROIC, % (rolling 12 months)	15.5	16.8	17.7	18.9
Equity ratio, %	40.3	39.6	39.8	39.4
Gearing, %	82.4	85.5	88.1	90.0

# Appendix: Hyperinflation

## Inflation and exchange rate developments in Argentina

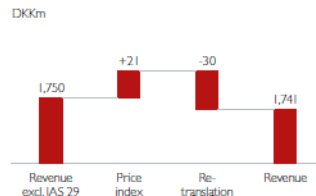


## Effects of restating for hyperinflation on selected accounting figures year to date

DKKm	Excl. IAS 29	Price Index	Re-translation	Total adjustment	2019 to date
Revenue	1,750	21	(30)	(9)	1,741
Operating profit before depreciation	290	(2)	(4)	(6)	284
Operating profit	188	(6)	(3)	(9)	179
Financial income and expenses, net	(32)	2	2	4	(28)

\* 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 9M 2019 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 38% during the first nine months of the year, boosting revenue by DKK 21 million. However, the increase was offset by a decline in the ARS/DKK cross rate from 0.173 at the beginning of the year to 0.119 at 30 September 2019 reducing revenue by DKK 30 million as a result of the practice of using the exchange rate at the balance sheet date for currency translation purposes.

Revenue was DKK 1,741 million after a total negative impact of restating for hyperinflation of DKK 9 million.

For more information about hyperinflation, see page 23 and note 36 in the annual report for 2018.

Read more in the Q3 2019 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.