

Hartmann delivered historically strong results in Q2 2020 driven by COVID-19

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Hartmann lifted egg packaging sales and generated significant revenue and earnings growth in Q2 2020 on the back of growing demand in the wake of the COVID-19 outbreak combined with an improved product mix, higher capacity utilisation and production efficiency gains. Hartmann maintains its 2020 guidance of revenue of DKK 2.5-2.7 billion, a profit margin of 15-18% and the investment level, which was lifted from DKK 400 million to DKK 450 million on 19 August following a decision to invest substantially in expansion of production capacity in the USA and Europe.

Momentum in egg packaging sales accelerated further across the group's markets and Hartmann recorded its highest quarterly revenue and earnings ever in Q2 2020.

Growth was driven primarily by a significant increase in retail demand for eggs in the wake of the COVID-19 outbreak, combined with the ongoing conversion from oil-based plastic packaging to sustainable moulded-fibre packaging. Hartmann kept production going at all its factories amid the COVID-19 outbreak, while at the same time capacity utilisation was high and production efficiency improved.

The COVID-19 pandemic is causing strong demand in Hartmann's markets, but is also accompanied by limited visibility and increased operational risk. In the American markets, in particular, there is still a significant risk of non-delivery of raw materials, temporary fluctuations in raw materials prices, potential production and logistics interruptions and adverse economic ramifications and currency fluctuations.

The work to expand capacity in Europe and at the US factory and to establish a new factory in Brazil continued in the second quarter. The new capacity is still expected to commence operations in 2020. Encouraged by a positive demand outlook for moulded-fibre egg packaging, Hartmann plans to invest substantially in additional production capacity at the factory in the USA and several factories in Europe. The new capacity in the USA is expected to commence operations in the second half of 2021, while the new capacity in Europe is expected to be operational during the first half of 2021.

- Group revenue increased to DKK 662 million (2019: DKK 553 million).
- Revenue from packaging sales grew to DKK 650 million (2019: DKK 541 million), and revenue from machinery and technology sales increased to DKK 18 million (2019: DKK 6 million).
- Operating profit* increased to DKK 137 million (2019: DKK 47 million) corresponding to a profit margin* of 20.5% (2019: 8.5%).
- Investments were higher and came to DKK 89 million (2019: DKK 49 million).

CEO Torben Rosenkrantz-Theil says: "We successfully maintained momentum in the second quarter with the COVID-19 outbreak causing a strong increase in demand for Hartmann's packaging products. Supported by the exemplary responsibility and great flexibility of our employees, we successfully kept production going at all our factories and were able to meet customer demand amid trying times and to deliver the highest quarterly results in the group's history."

Guidance for 2020

Hartmann maintains its 2020 guidance of revenue of DKK 2.5-2.7 billion, a profit margin before restatement for hyperinflation and special items of 15-18%, and the investment level, which was lifted from DKK 400 million to DKK 450 million on 19 August following a decision to invest substantially in expansion of production capacity in the USA and Europe.

On 5 August 2020, Hartmann upgraded its 2020 guidance from its previous forecasts of revenue of DKK 2.4-2.6 billion and a profit margin of 12-15%. The upgrade was triggered by strong growth in sales of egg packaging in the wake of the COVID-19 outbreak, an improved product mix and high rates of capacity utilisation and production efficiency. This trend is expected to continue through 2020, while at the same time the COVID-19 outbreak is causing reduced visibility and increased operating risk. In addition, Hartmann anticipates a slight increase in sales of machinery and technology and a modest contribution from the acquired Indian activities that are now expected to become a part of the group in the second half of 2020.

The group's investment guidance is stated inclusive of the conditional acquisition of India's Mohan Fibre for DKK 119 million. The acquisition is still expected to entail moderate special items for 2020 as a whole following the expected completion of the transaction.

** Operating profit and profit margin are stated before restatement for hyperinflation and special items.*

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About Brødrene Hartmann A/S

Hartmann is the world's leading manufacturer of moulded-fibre egg packaging, a market-leading manufacturer of fruit packaging in South America and the world's largest manufacturer of technology for the production of moulded-fibre packaging. Founded in 1917, Hartmann's market position builds on its strong technology know-how and extensive experience of sustainable moulded-fibre production dating back to 1936. Hartmann sells egg and fruit packaging to manufacturers, distributors and retail chains, which are increasingly demanding sustainable packaging solutions and specialised marketing expertise. Our versatile product portfolio is customised to accommodate customer and consumer needs in each individual market. Hartmann sells machinery and technology to manufacturers of moulded-fibre packaging in selected markets. Headquartered in Gentofte, Denmark, Hartmann has 2,000 employees. Hartmann's production platform consists of 12 factories in Europe, Israel and North and South America.

Attachments

- [Interim report H1 2020.pdf](#)