

Hartmann steered safely through turbulent Q2 2021

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Hartmann steered safely through the turbulent second quarter of 2021, although the exceptionally strong demand witnessed during the COVID-19 pandemic was replaced by below-normal demand during the off season. At the same time, raw materials prices continued steeply uphill. Despite the abrupt fall in consumer demand following the phasing out of COVID-19 restrictions and the gradual reopening of the restaurant and catering industries, Hartmann delivered unchanged revenue and reasonable profitability. Hartmann maintains its guidance, which was revised on 10 August.

Revenue was largely unchanged in the second quarter. The Q2 performance was supported by the addition of activities in India and Russia and increased machinery sales. On the other hand, packaging sales were strongly impacted by the phasing out of COVID-19 restrictions and an abrupt decline in demand in several of the group's markets in combination with a DKK 34 million negative currency impact.

Profitability remained solid in the Q2 off season, although earnings were significantly affected by steep increases in raw materials prices and the abrupt decline in demand for eggs and packaging. Market developments led to reduced capacity utilisation and production efficiency at the group's factories, which was partly offset by an improved price and product mix.

Driven by continuing expansion and optimisation of production capacity, the level of investments increased in the second quarter. Additional production capacity is scheduled to be put into operation in the USA and Europe later in the year.

Q2 2021

- Group revenue was DKK 659 million (2020: DKK 662 million).
- Operating profit* came to DKK 71 million (2020: DKK 137 million) corresponding to a profit margin of 10.8% (2020: 20.5%).
- Investments increased to DKK 139 million (2020: DKK 89 million).

CEO Torben Rosenkrantz-Theil says: "We delivered reasonable Q2 performance although raw materials prices continued uphill and the favourable knock-on effects on sales of the COVID-19 pandemic were replaced by unusually weak sales during the off season following the phasing out of COVID-19 restrictions in several markets and a temporary decline in egg promotions in supermarkets. The prolonged period of exceptionally strong sales has thus been replaced by below-normal sales, but the situation is expected to normalise towards the end of the year."

Guidance for 2021

Hartmann maintains its 2021 guidance of revenue of DKK 2.6-2.9 billion and a profit margin* of 10-13%, as revised in company announcement no. 11/2021 of 10 August 2021 and set out in the section on events after the balance sheet date.

The group's guidance is affected by the steep upward trend in the prices of its most important raw materials – recycled paper and energy – and the abrupt decline in demand for egg packaging. The exceptionally strong retail demand for eggs witnessed during the COVID-19 pandemic has been replaced by below-normal demand in the Q2-Q3 off season as a result of the phasing out of restrictions and the gradual reopening of the restaurant and catering industries combined with fewer special offers on eggs in supermarkets.

The remaining part of 2021 is expected to be adversely impacted by additional increases in raw materials prices and below-normal demand during the Q3 off season. Increasing raw materials prices, the temporary decline in demand and reduced capacity utilization will combine to drive production costs significantly higher. These negative effects will be partially offset by targeted efforts to adjust selling prices and improve the overall price and product mix.

Guidance includes licence income of DKK 78 million resulting from the settlement in the first quarter of an intellectual property rights dispute concerning Hartmann's imagic® products.

COVID-19 is still causing significantly increased operational risk and reduced visibility, while at the same time the ramifications of the pandemic are giving rise to volatile foreign exchange rates.

Investments are still expected at about DKK 550 million in 2021, including the DKK 113 million acquisition of Gotek-Litar in Russia.

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

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About Brødrene Hartmann A/S

Hartmann is the world's leading manufacturer of moulded-fibre egg packaging and a market-leading manufacturer of fruit packaging in South America and India. The group is also 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 2,500 employees. Hartmann's production platform consists of 15 factories in Europe and Israel, North and South America, and India and Russia.

Attachments

- [Hartmann interim report H1 2021.pdf](#)