

Brdr. Hartmann ("Hartmann" or "the Company") is a Danish egg packaging manufacturer, with more than 100 years of experience in the packaging business. Starting off as a local Danish enterprise, the Company has since established itself as a global leader. Hartmann's earnings have historically been volatile and last year, the Company ran into profitability problems ending with a negative EPS of DKK -2.5 in Q4-21. Analyst Group estimates that the Company is ready to do a turnaround, as the profitability is estimated to return in 2022 and increase further in 2023 reaching an EPS of DKK 20. We base our valuation of 2023 on a forward P/E multiple of 15x, which on a EPS of DKK 20 corresponds to a net present value per share of DKK 263.

• ESG Trends set to Launch Market Tailwind

Brdr. Hartmann operates in the egg packaging market in Europe, Americas and Asia. The egg consumption has historically been stable, meaning a fairly stable market for the packaging business.¹ A market tailwind is now anticipated to launch stemming from ESG trends, where an increased awareness of plastic's environmental damage is expected to increase the penetration rate of paper packaging companies, as it is a sustainable substitute to plastic. Hartmann's presence in markets where plastic packaging shares an equal part of the market as paper offers growth opportunity. The global market for egg packaging made of paper is estimated to grow at a CAGR of 5.8% 2022-2029 and Analyst Group estimates Hartmann to grow revenue at a CAGR of 11.4% 2021-2023, reaching DKK 3 402.6m.²

• Estimated EPS growth of 37.2% CAGR

The Company has an energy-intensive production where recycled paper is the main material used. As the input costs increased sharply last year, the Company faced difficult circumstances to remain profitable and reported a loss per share of -2.5 DKK in Q4-21. The stock is currently trading at 11.9x 2023 EPS and Analyst Group does not find the true profitability reflected in the depressed valuation, as the EPS is estimated to grow at a CAGR of 37.2% between 2021-2023.

• Ambitious Goals Hard To Achieve in Near-term

Hartmann has announced that the Company under normal circumstances should be able to maintain an EBIT margin of at least 10%, while also reporting a more optimistic goal of an EBIT margin exceeding 14%. The Company's sustainable product offering, and leading market position increases the probability of realizing the long-term ambitions, although Analyst Group finds it unrealistic within the forecasted period due to the macro economic situation with high inflation and volatile input costs.

SHARE PRICE | DKK 230.5

VALUATION INTERVAL

BEAR DKK 181.2 | **BASE** DKK 263.0 | **BULL** DKK 349.5

BRDR. HARTMANN				
Share Price (2022-11-03)	230.5			
Number of Shares Outstanding	7 015 090			
Market Cap (DKKm)	1 659.6			
Net cash(-)/debt(+) (DKKm)	991.5			
Enterprise Value (DKKm)	2 651.1			
W.52 Price Intervall (DKK)	201.5-395.7			
List	Mid Cap Copenhagen			
DEVELOPMENT				
1 Week	-1.5%			
1 Month	+4.3%			
3 Months	-20.8%			
Since IPO	-15.8%			
MAIN SHAREHOLDERS (2021-03-31)				
Thornico Holding A/S	68.6%			
Lannebo Funds AB	5.0%			
CEO AND CHAIRMAN OF THE BOARD				
CEO	Torben Rosenkrantz-Theil			
Chairman of the Board	Jan Klarskov Henriksen			
FINANCIAL CALENDAR				
Quarterly Report Third Quarter 2022	2022-11-15			
ESTIMATES (BASE), DKKM	2020	2021	2022E	2023E
Revenue	2 567.4	2 744.0	3 184.8	3 402.6
Gross profit	1 698.3	1 612.5	1 713.9	1 872.9
Gross margin	66.1%	58.8%	53.8%	55.0%
EBIT	424.1	114.0	158.0	228.9
EBIT margin	16.5%	4.2%	5.0%	6.7%
EPS (DKK)	39.0	10.6	12.5	20.0
EV/S	1.7x	1.1x	0.8x	0.8x
EV/EBITDA	7.8x	10.6x	8.0x	6.4x
EV/EBIT	10.3x	25.5x	16.8x	11.6x
P/E	13.6x	26.5x	19.0x	11.9x

¹Statista
²Future Market Insights

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Bull and bear

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Definition Bull

Bull is a metaphor for an optimistic view of the future. It indicates a belief in improvement.

Definition Bear

Bear is a metaphor for a pessimistic view set on the future. It indicates a belief deterioration.

Other

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