

Harboes Bryggeri (HARBB)

Denmark | Beverage Producer | Market Cap: 888 DKKm

01 June 2025

Buy

Target price: DKK 236
Current price: DKK 148
Upside: 59.4%

Brewing stability in an uncertain market

Harboes Bryggeri ("Harboe" or "The Company") is a Danish beverage producer with customers in over 90 countries, holding a 15% volume share of the Danish beer market. Through 10 private label brands, Harboe targets the low-price beverage segment and utilizes excess capacity to manufacture third-party private label products. As demand for non-alcoholic beverages rises, total volume is expected to shift towards the non-alcoholic segment. With non-alcoholic beverages yielding an average gross margin of 33.0%, compared to 20.0% in the alcoholic segment, total gross margin is estimated to increase from 23.3% to 27.6% between 2023/24A and 2026/27E. Additionally, through the production and sale of malt extracts, sweeteners and byproducts, Harboe leverages a trading segment to further support margin expansion. With facility investments in place, future production will be marked by cost synergies, reflected in an estimated EBIT margin expansion from 4.2% to 7.6% between 2023/24A and 2026/27E. With an equally weighted DCF and relative valuation, applying a target EV/EBIT 2027E multiple of 10x, a target share price of DKK 228 is implied, indicating a potential upside of 59.4%.

Key Takeaways

- **Product Innovation and the Shift Towards Non-Alcoholic Beverages:** Harboe currently operates through 10 private label brands, with non-alcoholic beverages accounting for 65.0% of total beverage sales, corresponding to 1,064 DKKm. Harboe's non-alcoholic beverages average DKK 4.5 per liter in shelf price, compared to peers' average of DKK 6.1 per liter. Gross margins within the non-alcoholic segment amount to 33.0%, compared to alcoholic beverages' 20.0%. With increasing demand for non-alcoholic beverages and upselling of higher-priced products to current customers, total gross margin is estimated to reach 27.6% in 2026/27E, from 23.3% in 2023/24A
- **Scalable Trading Segment:** In addition to beverage sales, Harboe produces and sells malt extracts and sweeteners, and trades various commodities. Additionally, byproducts from the beverage production are sold as animal feed and to heating plants through the segment, allowing Harboe to realize high gross margins on these products. With the segment's potential recently recognized, focus on growth and development has significantly increased. This is expected to drive the segment's estimated contribution of 1.8 percentage points to the Company's total EBITDA margin of 11.8% in 2026/27E.
- **Cost Synergies Through Operational Efficiencies:** Recent investments in production facilities have increased capacity and enhanced efficiency. This will support cost synergies in connection with the projected volume growth from the trading and non-alcoholic segments. The estimated increase in utilization rate from 47.0% in 2023/24A to 54.0% in 2026/27E will be supported by cost synergies, reflected in a projected increase in EBIT from 77 DKKm in 2023/24A to 162 DKKm in 2026/27E.

Analysts

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Nika Lundh Equity Analyst

Market Data, DKK

Exchange OMX Small Cap Copenhagen
Shares (m) 6.0
MCAP (m) 888.0
EV (m) 998.0

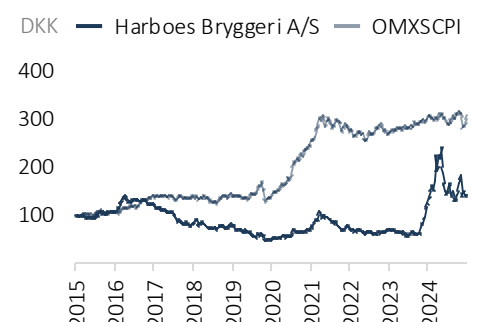
Metrics & Drivers	23/24A	24/25E	25/26E
EV/EBIT	12.9x	16.3x	8.2x
EV/EBITDA	6.3x	6.9x	4.8x
EV/S	0.5x	0.5x	0.5x
P/E	16.8x	21.6x	10.1x
ND/EBITDA	0.7x	0.8x	0.5x

Forecast, DKKm	23/24A	24/25E	25/26E
Total revenue	1,827	1,992	2,065
Rev. growth y/y	11.9%	9.0%	3.7%
Gross Profit	425	496	541
Gross Margin	23.3%	24.9%	26.2%
EBITDA	158	145	209
EBITDA Margin	8.7%	7.3%	10.1%
EBIT	77	61	122
EBIT Margin	4.2%	3.1%	5.9%

Major Shareholders

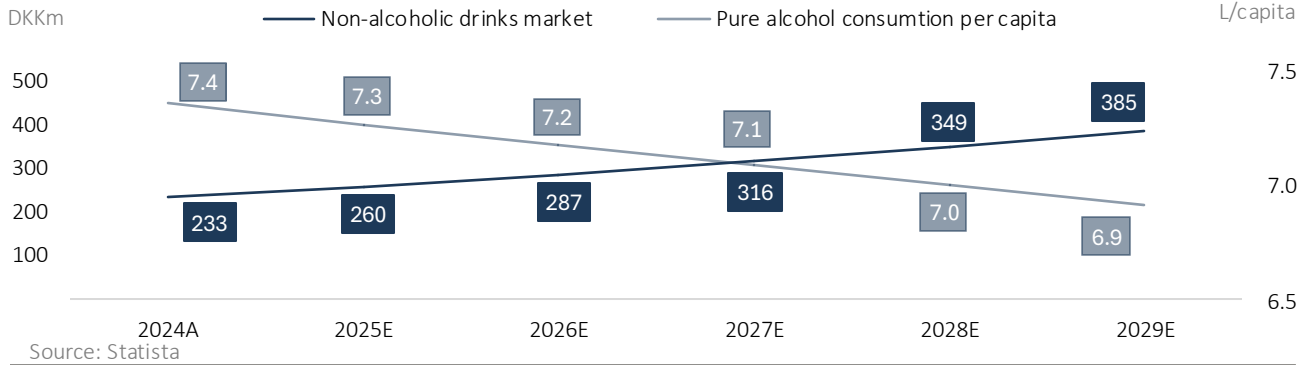
Nordea AB 11.9%
Olav W. Hansen A/S 9.2%
Bernhard Griesse 8.6%

Price Development

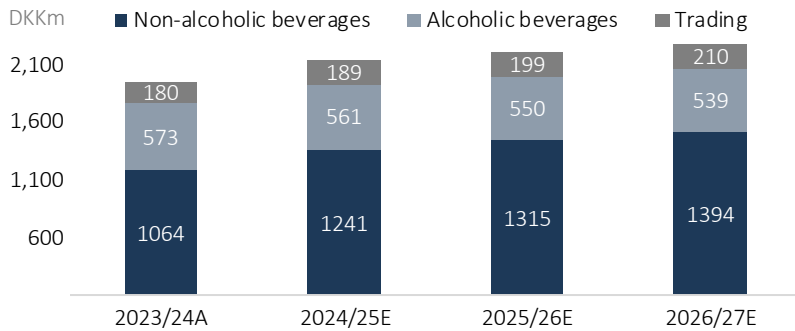


Investment thesis in charts

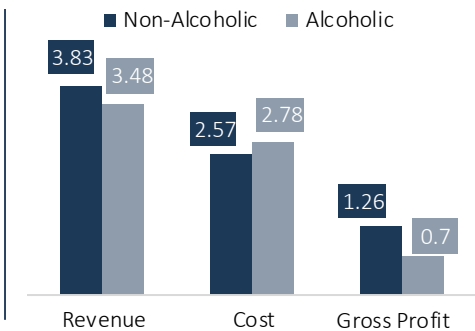
Non-Alcoholic Drinks Market and Average Alcohol Consumption Decrease in Denmark



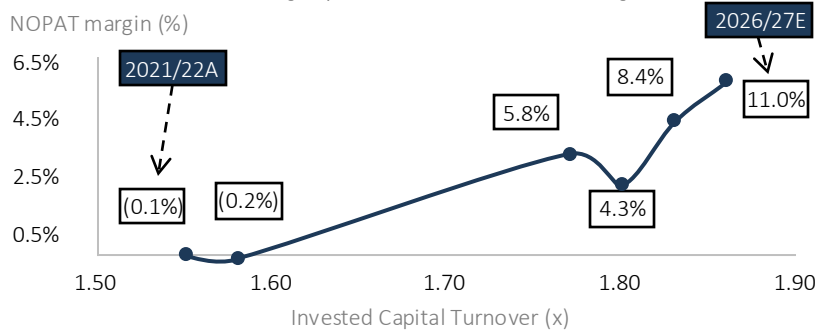
Estimated Sales-Split



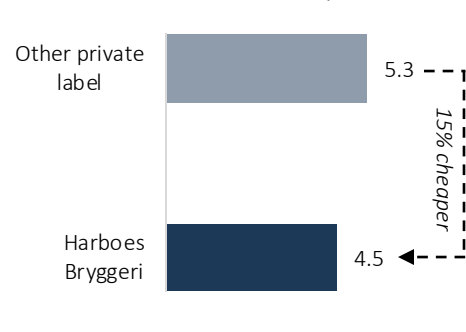
Revenue and Cost per Liter



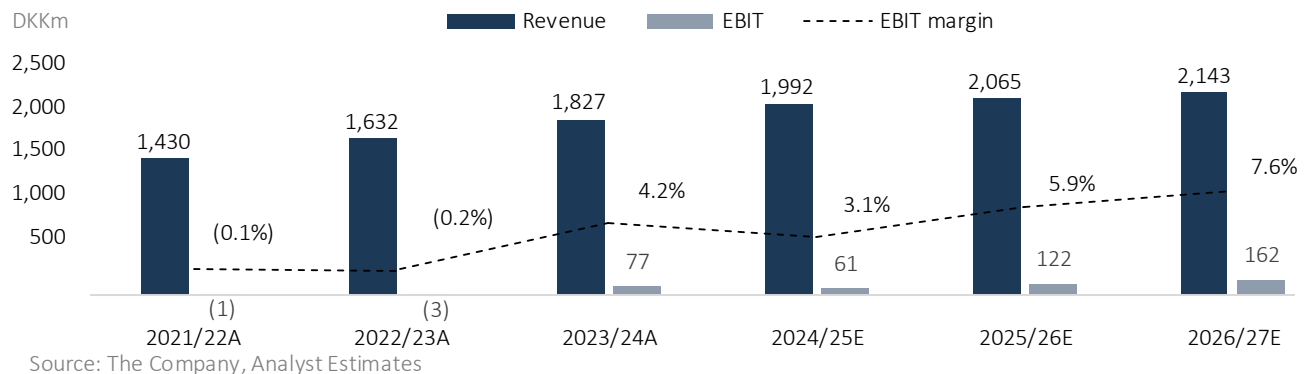
ROIC Estimation – Increasing Capital Turnover and NOPAT-margin



Price in Stores – Harboe vs. Competitors



Estimated Revenue and EBIT Growth



Investment thesis

Product Innovation and the Shift Towards Non-Alcoholic Beverages

Harboe operates through 10 private label brands, offering beverages ranging from traditional beer to organic soft drinks. In 2023/24A, non-alcoholic beverages accounted for 65% of Harboe's total beverage sales. Non-alcoholic beverages carry the traits of higher pricing, lower production costs, and are estimated to experience a structural growth rate of 10.3% through 2029E, driven by increased consumer consciousness and health awareness. Harboe's non-alcoholic products carry an average gross margin of 33.0%, compared to the 20.0% average gross margin in the alcoholic segment. The non-alcoholic segment is in total averaging prices 10.0% higher than those within the alcoholic segment. Some products, such as the Company's organic soft drink EGO has double the sales price, compared to average prices in the segment, and one new EGO version will be launched every year going forward. New releases of energy drinks and alcohol-free beer, e.g. Nailed and Caribia, are also priced higher than traditional products. Consequently, as total volume is estimated to shift towards the non-alcoholic segment, the analysts project the total gross margin to reach an estimated 27.6% in 2026/27E, from 23.3% in 2023/24A. The non-alcoholic segment is estimated to grow at 6.0% annually through 2026/27E, derived from 4.0% revenue growth from current customers and private label contracts, and 2.0% from new customers. Furthermore, increased capacity utilization and higher pricing motivate the estimated increase in EBIT from 77 DKKm in 2023/24A to 162 DKKm in 2026/27E.

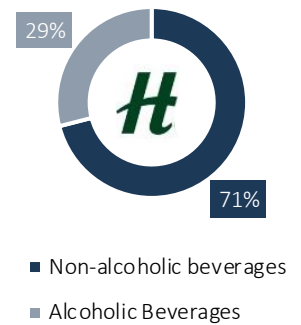
Scalable Trading Segment

In addition to beverage sales, Harboe produces malt extracts and sweeteners, and trades various commodities such as fruits and ginger. As a brewery, Harboe offers products with broader applications than competitors focused solely on niche goods. Hence, Harboe can deliver cheaper products with better quality, while adhering to customers' individual needs. With growing demand for malt extracts and organic sweeteners, the segment is projected to grow top-line at a CAGR of 5.0%, reaching 210 DKKm in revenue in 2026/27E, an increase from 180 DKKm in 2023/24A. Furthermore, byproducts of the beverage production are sold as animal feed and to heating plants, allowing Harboe to realize high gross margins on these sales. With the Company recently recognizing the segment's potential, focus on growth and development has significantly increased. Due to the trading segment's product portfolio mainly consisting of bulk-produced in-house products or byproducts, additional volumes in the segment do not require additional hires, nor CAPEX investments. Consequently, the segment has demonstrated operational leverage by increasing the segment's EBITDA margin from 4.0% in 2019 to 16.7% in 2023/24A. Given rising demand and ability to scale using excess capacity, the analysts estimate the segment to reach an EBITDA margin of 18.0% in 2026/27E, strengthening the Company's total EBITDA margin by 1.8 percentage points in 2026/27E. Due to limited disclosure, the market continues to overlook this segment's growth and profitability.

Cost Synergies Through Operational Efficiencies

Production and facility investments made in 2023/24A enable Harboe to manage volume growth more efficiently. These investments included production line upgrades that increased fills per minute and overall production capacity. In 2023/24A, utilization stood at approximately 47.0% in 2023/24A, with analysts estimating an increase to 54.0% by 2026/27E, driven by volume growth in both the trading and non-alcoholic segments. To utilize overcapacity, the Company produces third-party private label products, and in 2023/24A, Harboe discontinued selected low-margin and low-volume contracts in order to enhance focus on those with higher volumes and higher margins. This supports the estimated EBIT improvement of 85 DKKm between 2023/24A and 2026/27E. With CAPEX estimated to normalize at 4.4% of sales through 2035E, further production will be marked by cost synergies, reflected in the analysts estimated increase in FCFF from 55 DKKm in 2023/24A to 105 DKKm in 2026/27E.

Beverages Sales Split 2030E



Company Overview

Low Price Soft Drinks, Mineral Water and Beer

Founded in 1883, Harboes Bryggeri is Denmark's third largest brewery, holding a 15.0% share of the domestic beer market by volume, following Carlsberg and Royal Unibrew. In addition to beer, the company offers a broad range of soft drinks and mineral waters. The product portfolio consists of 10 private label brands targeting Danish and German markets. Germany is Harboe's largest revenue contributor, generating 654 DKKm (40.0% of sales), mainly from third-party private label production. These external brands typically carry lower gross margins than in-house produced products. Danish sales consist primarily of in-house private labels, contributing with 454 DKKm (28.0% of sales). Combined export sales amounts to 709 DKKm (32.0% of sales), spread across 90 countries. In 2023/24A, total beverage sales amounted to 90.0% of revenue, with Trading accounting for the remaining 10.0%.

Business Model

Producing Alcoholic and Non-Alcoholic Beverages

Harboe sources raw materials from both local and international suppliers, with contracts renegotiated every 1-3 years to reduce input volatility and maintain stable gross margins. The Company operates through two fully owned production facilities, ensuring control over manufacturing and packaging. Beverage production is split between Harboe's own private label brands, as well as production of other companies' private label brands. In house production is primarily based in the Danish facility, while the third-party private label production is based in Germany. Furthermore, through integrated R&D departments, the Company significantly reduces time between innovation and production. Beverages are sold to customers such as retail chains and supermarkets, which deliver the products to end consumers. Harboe's core value proposition is to deliver affordable, high-quality beverages at scale.

Trading Segment

In addition to beverage production, Harboe operates a Trading segment consisting of three product categories: Malt extracts, natural sweeteners, and production byproducts. The segment leverages the Company's existing brewing infrastructure and supplier network, allowing efficient production with minimal incremental costs.

Market Overview

The Non-Alcoholic Beverage Sector

According to Statista, the non-alcoholic beverage market is expected to grow at a CAGR of 10.3% through 2029E, driven by increasing demand for healthier beverages and substitutes for alcoholic drinks. The market consists of middle-priced organic soft drinks, energy drinks and substitutes for classic alcoholic beverages. Additionally, it benefits from lower taxes and fewer regulations, allowing products to be produced and sold at lower costs. The low-price soft drinks market is projected to experience annual growth of 2.3% through 2029E. Competition in the low-price segment is merely based on price, with competitors offering similar products under different brands.

The Alcoholic Beverage Sector

The Danish beer market is highly consolidated, with the three largest players accounting for 93.0% of volume sales. To compete on price, economics of scale are essential, as the alcoholic beverage market is market by high upfront investment requirements and strict regulation. The Danish beer market was approximately 11,000 thl in 2024, and is projected to decline at a negative CAGR of 1.3% through 2029, driven by decreasing alcohol consumption.

Valuation

Undervalued Compared To Peers Despite Profitable Growth

Harboe trades at an EV/EBIT 2027E multiple of 6.1x, significantly below the peer group average of 11.5x, indicating a clear valuation discount. The peer group includes both diversified beverage producers (non-alcoholic and alcoholic) and pure-play alcoholic producers operating in the mid-price segment. With further focus on higher-margin products, and positioned to capitalize on market trends, Harboe trades at an unjustified discount. With a sales split weighted, and 10% discounted, target EV/EBIT of 10x, an upside of 70% is implied, with a target share price of 252 DKK.

Blended Beverages	MCAP	EV	ND/EBITDA	EBIT-Margin	Sales CAGR	Gross-Margin	Gross-Margin	EV/EBIT	EV/EBIT
DKKm	DKKm	DKKm	X	2024A	3 years	2024A	2027E	2024A	2027E
Olvi Oyj	5,388	4,943	(0.4x)	12.4%	12.4%	40.6%	44.2%	9.2x	7.5x
Royal Unibrew	27,384	31,774	2.2x	13.1%	19.8%	42.5%	44%	16.1x	12.9x
Average	16,386	19,085	0.9x	12.7%	16.1%	41.6%	44.1%	12.7x	10.2x
Harboes	888	998	0.7x	4.2%	9.3%	23.3%	27.4%	12.9x	6.1x

Alcoholic Beverages	MCAP	EV	ND/EBITDA	EBIT-Margin	Sales CAGR	Gross-Margin	Gross-Margin	EV/EBIT	EV/EBIT
DKKm	DKKm	DKKm	X	2024A	3 years	2024A	2027E	2024A	2027E
Anora Group	1,626	2,499	2.0x	3.2%	13.1%	42.4%	43.4%	10.5x	6.7x
Kopparbergs	1,66	1,707	0.1x	5.3%	8.6%	52.6%	53.7%	12.8x	18.9x
Average	1,643	2,101	1.0x	4.2%	10.9%	47.5%	48.5%	11.6x	12.8x
Harboes	888	998	0.7x	4.2%	9.3%	23.3%	27.4%	12.9x	6.1x

Equally Weighted DCF and Relative Valuation Implies an Upside Reaching 59.4%

The Discounted Cash Flow valuation is based on the forecasted unlevered free cash flow (FCFF) through 2035E. An implied equity value is derived from an applied WACC of 10%, in turn derived from a pre tax cost of debt of 3.5%, and cost of equity of 11.4%. The terminal period is based on the Gordon Growth model, with a terminal growth rate of 2% and a target EBIT-margin of 7.6% throughout the terminal period. This results in an implied target equity value per share of 220 DKK, indicating an upside potential of 48%.

DCF Valuation Breakdown, DKKm	
PV of Forecasted Cash Flows	651
PV of Terminal Value	777
Enterprise Value, DKKm	1,428
Net debt	110
Equity Value, DKKm	1,318
Numbers of Shares outstanding (m)	6.0
Implied Share Price	220
Implied Upside	48%

		WACC				
TGR	148	9.0%	9.5%	10.0%	10.5%	11.0%
	1.0%	202	187	173	162	151
	1.5%	229	211	195	181	169
	2.0%	260	239	220	203	188
	2.5%	297	270	247	228	210
	3.0%	340	307	280	256	235

Appendix

Income Statement, DKKm	2021/22A	2022/23A	2023/24A	2024/25E	2025/26E	2026/27E
Total Revenue	1,430	1,632	1,827	1,992	2,065	2,143
<i>y-o-y chg</i>	<i>N/A</i>	14.1%	11.9%	9.0%	3.7%	3.8%
COGS	(1,088)	(1,282)	(1,402)	(1,496)	(1,524)	(1,551)
<i>% of sales</i>	76.1%	78.5%	76.7%	75.1%	73.8%	72.4%
Gross Profit	342	350	425	496	541	592
<i>Gross Margin</i>	23.9%	21.5%	23.3%	24.9%	26.2%	27.6%
Logistics & Sales	(188)	(201)	(187)	(256)	(236)	(242)
Administration & General	(52)	(60)	(77)	(90)	(92)	(94)
Other Operating Expenses	(3)	(4)	(2)	(4)	(4)	(4)
Total Operating Costs	(243)	(265)	(267)	(350)	(331)	(339)
<i>% of sales</i>	17.0%	16.2%	14.6%	17.6%	16.1%	15.8%
EBITDA	99	85	158	145	209	253
<i>EBITDA Margin</i>	6.9%	5.2%	8.7%	7.3%	10.1%	11.8%
<i>y-o-y chg</i>	<i>N/A</i>	(13.9%)	85.6%	(8.0%)	43.9%	20.8%
D&A	(100)	(88)	(81)	(84)	(87)	(90)
<i>% of sales</i>	7.0%	5.4%	4.4%	4.2%	4.2%	4.2%
EBIT	(1)	(3)	77	61	122	162
<i>EBIT Margin</i>	(0.1%)	(0.2%)	4.2%	3.1%	5.9%	7.6%
Net Financial Items	(6)	(6)	(9)	(9)	(9)	(9)
EBT	(7)	(9)	68	53	113	153
Taxes	-	-	15	12	25	34
Net Income	(7)	(9)	53	41	88	119
<i>Net Income Margin</i>	(0.5%)	(0.6%)	2.9%	2.1%	4.3%	5.6%

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Disclaimer

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Other

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