

Chr. Hansen launches 2025 Strategy with the ambition to create a differentiated bioscience leader to improve food and health for a sustainable future

- 2025 Strategy founded in strong purpose: “Grow a better world. Naturally”
- Exciting growth and innovation opportunities across food, health and agriculture; new lighthouse in Fermented Plant Bases announced
- Chr. Hansen to focus investments on Microbial Platform going forward; strategic review of Natural Colors progressing well
- New long-term financial and non-financial ambitions until 2024/25

Chr. Hansen Holding A/S (“Chr. Hansen” or “the Company”) today released its 2025 Strategy with the ambition to create a differentiated bioscience company with focus on its microbial and fermentation technology platforms putting Food Cultures & Enzymes and Health & Nutrition at the center of its new strategy. During the strategy period which runs until the end of the financial year 2024/25, Chr. Hansen’s long-term financial ambition is to deliver mid- to high single-digit organic growth, averaged over the period. Furthermore, the Company plans to increase its underlying EBIT margin before special items, before portfolio changes and currency impacts, with efficiency gains and scalability benefits from operations, as well as synergies from recent acquisitions, to be partly reinvested into the business during the strategy period. Average growth in free cash flow before acquisitions and special items is expected to exceed the average absolute EBIT growth.

CEO Mauricio Graber says: *“Chr. Hansen has undertaken a tremendous journey since its start as an ingredient supplier to the dairy industry, and I feel very proud to lead a company with such a strong purpose and so many exciting growth prospects. With the launch of our 2025 Strategy we are stepping up our game to unlock the next wave of value creation by advancing Chr. Hansen into a focused global bioscience player that specializes in fermentation technology and microbial solutions. With this focus we will be uniquely positioned and clearly stand out in our industry.”*

“At Chr. Hansen, we will continue to pioneer microbial science to improve food and health, for a more sustainable future. Already today, more than 80% of our revenue contribute to the United Nation’s Sustainable Development Goals, and we are committed to continuing to leverage the Power of Good Bacteria™ which is also reflected in our newly defined purpose: ‘Grow a better world. Naturally.’”

Underlying markets remain attractive

During its strategy process, Chr. Hansen has conducted a thorough review of industry dynamics, consumer trends and growth opportunities in its existing segments. Megatrends such as a growing world population, demographic shifts, increasing health awareness and a strong climate change agenda continue to support Chr. Hansen’s business model. Growth prospects in the Company’s underlying markets remain attractive.

You can access the CMD microsite directly here: bit.ly/CHR-CMD2020
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2025 Strategy ('where to play')

Under its 2025 Strategy, Chr. Hansen has defined four strategic focus areas that set the framework for its future growth trajectory: REINVEST, LEVERAGE, EXTEND and REVIEW.

REINVEST in core platforms

Chr. Hansen has been the ingredient supplier of choice for the dairy industry for many decades and has also built a strong microbial business for animal feed, dietary supplements and infant formula over the last thirty years. During the strategy period the majority of the absolute growth will come from the core platforms. As such Chr. Hansen will continue to prioritize and invest in Food Cultures & Enzymes, Animal and Human Health. Innovative products, launched across all business areas, are expected in the strategy period, both in existing and new product categories, for example probiotic solutions for foods and pet food.

LEVERAGE the Microbial Platform to grow lighthouses and new areas

Chr. Hansen continues to see many attractive growth opportunities to leverage its technology platform to develop solutions for new applications and end markets. The Company remains committed to further develop its existing lighthouses¹ Bioprotection, Plant Health and Bacthera, and is today launching a new lighthouse in Fermented Plant Bases, where Chr. Hansen sees itself uniquely positioned to gain a meaningful share in this fast-growing market.

"Each of the four lighthouses holds tremendous potential. We are breaking new ground, and I am truly excited about the journey that lies ahead of us when it comes to fighting food waste, shaping the future of food and contributing to sustainable farming and the development of pharmaceuticals based on bacteria," says CEO Mauricio Graber.

Lighthouses at a glance:

- Bioprotection: Special culture range that prevents spoilage, reduces food waste and increases safety of dairy and other foods. The long-term market opportunity is estimated to be around EUR 1 billion with an addressable market of around EUR 200 million in 2025
- Fermented plant bases: Fermentation solutions for spoonable and drinkable fermented milk alternatives and fermented beverages. The long-term market opportunity is estimated to be more than EUR 100 million with an addressable market of less than EUR 100 million in 2025
- Plant health: Crop protection solutions with a focus on bionematicides, biostimulants and biofungicides. The long-term market opportunity is estimated to be more than EUR 1 billion with an addressable market of around EUR 400 million in 2025
- Bacthera: Joint venture with Lonza AG in contract manufacturing for live biotherapeutics. The long-term market opportunity is estimated to be more than EUR 1 billion with an addressable market of EUR 150-200 million in 2025 (only clinical trial market)

¹ New business area of strategic importance with minimum revenue potential of EUR 100m per year and above Group growth rates.

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EXTEND Microbial Platform through M&A and R&D partnerships

During the strategy period Chr. Hansen intends to further strengthen its technology platform across its competencies, such as cultures and probiotics, dairy enzymes and value-added fermentation through acquisitions and the expansion of the R&D partner network. The recent acquisitions of HSO Health Care and UAS Laboratories are examples of this, and both offer attractive commercial, operational and R&D synergy opportunities.

REVIEW strategic options for non-microbial assets

Chr. Hansen's Natural Colors division is the global market leader for natural colors. Whilst the division shares the Company's overall purpose and stand-alone offers an attractive return profile, synergies with the Microbial Platform are limited. As already communicated on July 2, Chr. Hansen has therefore decided to initiate a strategic review of its Natural Colors division. The process is progressing well.

Implementation of 2025 Strategy ('how to win')

Chr. Hansen has defined five dimensions along which the Company is going to implement the strategy:

1. **CUSTOMERS:** Chr. Hansen will further broaden its customer base and expand its global reach to become a truly global bioscience company. The Company aims to increase its presence in emerging markets. Secondly, Chr. Hansen will continue to invest in application development, sales and marketing resources to positively influence end-market demand and advance its digital agenda to deliver best-in-class service to its customers
2. **INNOVATION:** Bringing new innovations with a sustainable impact to market remains a top strategic priority. As such Chr. Hansen will allocate around 75% of the R&D spending during the strategy period towards new product development. Furthermore, the Company will intensify its efforts to bring products to market faster
3. **OPERATIONS:** Chr. Hansen continues to see ample room to realize further operational efficiencies in its production through process innovations and automation/digitization whilst driving scalability benefits through future capacity expansions. Capex spending as a percentage of sales is expected to decline over the period compared to 2018/19
4. **PEOPLE:** As Chr. Hansen grows as an organization it is important to safeguard the Company's unique purpose and performance culture. Furthermore, the Company will continue to invest in talent management and is committed to driving diversity
5. **PURPOSE:** As part of its new strategy, Chr. Hansen will accelerate its sustainability ambition and commits to the Science Based Targets initiative to limit global temperature rise to 1.5 degrees by reducing its environmental footprint with investments into renewable energy, recyclable packaging and circular biowaste management.

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New financial and non-financial ambitions until 2024/25

Chr. Hansen has an ambitious financial agenda and remains committed to delivering industry-leading profitable growth and a strong cash flow generation. From the base year of 2018/19, Chr. Hansen aims to deliver:

- Mid- to high single-digit organic growth, averaged over the period
- An increase in EBIT margin before special items, before portfolio changes and currency impacts. The margin improvement is expected to be based on efficiency gains and scalability benefits from operations as well as synergies from recent acquisitions, which will be partly reinvested into the business during the strategy period
- An average growth in free cash flow before acquisitions and special items exceeding the average growth in absolute EBIT before acquisitions and special items

The financial ambition is based on constant currencies and does not take future acquisitions or divestments into account, even if future activities are likely. The financial ambition is also based on the current political and economic environment and projections, and any deterioration may impact the ambition negatively (please see next page for details on COVID-19).

Chr. Hansen has set the following sustainability and non-financial ambitions:

- Products: More than 80% of revenue from sustainable products that contribute to the United Nation's Sustainable Development Goals 2, 3 and 12; 25 million hectares covered with natural solutions (Plant Health and silage inoculants); 200m people consuming Chr. Hansen's probiotic strains; 2 million tons of yogurt waste reduced
- Planet: As part of its commitment to limit global temperature rise to 1.5 degrees, Chr. Hansen aims for 100% renewable energy, circular management of biowaste and recyclable key packaging materials
- People: the Company aims to have introduced 100% of its new employees to its culture model, have a 1:1 equal ratio between female employees and women in management, have a top 25% score in its employee engagement survey and reach a lost-time incident frequency of below 1.5

Capital allocation priorities

Chr. Hansen's capital allocation framework remains unchanged. Organic growth remains the number one priority followed by bolt-on acquisitions which the Company seeks proactively to strengthen its Microbial Platform, particularly in the dynamic and evolving Health & Nutrition markets. Thirdly, Chr. Hansen will maintain the policy of issuing an ordinary dividend of 40-60% of net income². Finally any excess cash will be distributed as extraordinary dividends or share buy-backs.

² The dividend proposed will depend on the Board of Directors' assessment of factors such as business development, growth strategy, current leverage and financing needs, and there is no guarantee that an ordinary dividend will be proposed or declared in any given year.

Impact of COVID-19 on market outlooks

The global COVID-19 pandemic has changed consumption patterns and consumer choices and has put supply chains globally under pressure. As an essential part of the food supply chain and supplier to the health industry, Chr. Hansen did not see material impacts to its operations or business model from the pandemic. However, during a global recession, potentially lower protein consumption (especially in emerging markets) and delayed or reduced demand from customers may impact Chr. Hansen's ability to drive sales. That said, the pandemic crisis also provides new opportunities, for example through increasing health awareness and interest in probiotics with immunity concepts.

Virtual Capital Markets Day 2020

On the occasion of its strategy launch and as part of its virtual Capital Markets Day 2020 which includes a live Q&A webcast with management on August 25, 2020, at 3:00 p.m. CEST, Chr. Hansen has released a microsite with pre-recorded management presentations and further materials. Investors and analysts are strongly encouraged to watch the videos before the live webcast.

For further information please contact:

Martin Riise, Head of Investor Relations, Tel: +45 5339 2250
Annika Stern, Investor Relations Officer, Tel: +45 2399 2382
Camilla Lercke, Head of Media Relations, Tel: +45 5339 2384

About Chr. Hansen

Chr. Hansen is a leading, global bioscience company that develops natural ingredient solutions for the food, nutritional, pharmaceutical and agricultural industries. We develop and produce cultures, enzymes, probiotics and natural colors for a rich variety of foods, confectionery, beverages, dietary supplements and even animal feed and plant protection. Our product innovation is based on around 40,000 microbial strains – we like to refer to them as 'good bacteria'. Our solutions enable food manufacturers to produce more with less – while also reducing the use of chemicals and other synthetic additives – which make our products highly relevant in today's world. Sustainability is an integral part of Chr. Hansen's vision to improve food and health. In 2019 Chr. Hansen was ranked as the world's most sustainable company by Corporate Knights thanks to our strong sustainability efforts and our many collaborative partnerships with our customers. We have been delivering value to our partners – and, ultimately, end consumers worldwide – for over 140 years. We are proud that more than one billion people consume products containing our natural ingredients every day.

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