



**Q1 2012/13**

**CHR. HANSEN HOLDING A/S**

**16 January 2013**

**CHR HANSEN**

*Improving food & health*

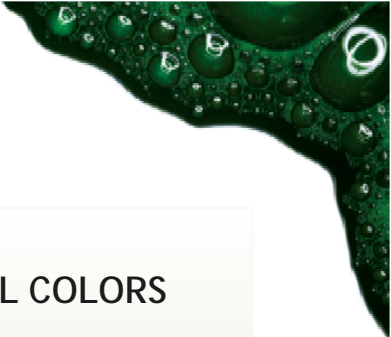
# Highlights Q1 2012/13



- Revenue EUR 179 million, up 7%
- Profit for the period EUR 32 million, up 22%
- EPS, continuing operations EUR 0.24, up 26%
- R&D expenditures incurred EUR 12 million, 6.7% of revenue
- Free cash flow EUR (27) million compared to EUR (23) million in Q1 last year
- NIBD EUR 420 million or 1.7x EBITDA

	Q1 12/13	Q1 11/12
Organic growth	5%	13%
Organic growth excl. carmine price	7%	12%
EBIT margin	26.7%	24.5%

# Revenue Growth per Division Q1 2012/13



**CULTURES & ENZYMES**  
(63%)



**10%** organic growth  
**12%** EUR growth

**HEALTH & NUTRITION**  
(14%)



**9%** organic growth  
**15%** EUR growth

**NATURAL COLORS**  
(23%)



**0%** organic growth\*  
**(9)%** EUR growth

\*excluding carmine price effect



# Regions Q1 2012/13

South America  
(13%)



**14%** organic growth\*

- Strong growth in cultures for fermented milk & cheese as well as probiotics
- Decline in carmine volume offset by continued conversion

North America  
(26%)



**19%** organic growth\*

- Growth across all divisions

Europe  
(43%)



**1%** organic growth\*

- Good growth in Cultures & Enzymes Division despite lower sale of probiotics
- Decline in carmine volume and price only partly offset by growth in other colors

APMEA  
(18%)



**3%** organic growth\*

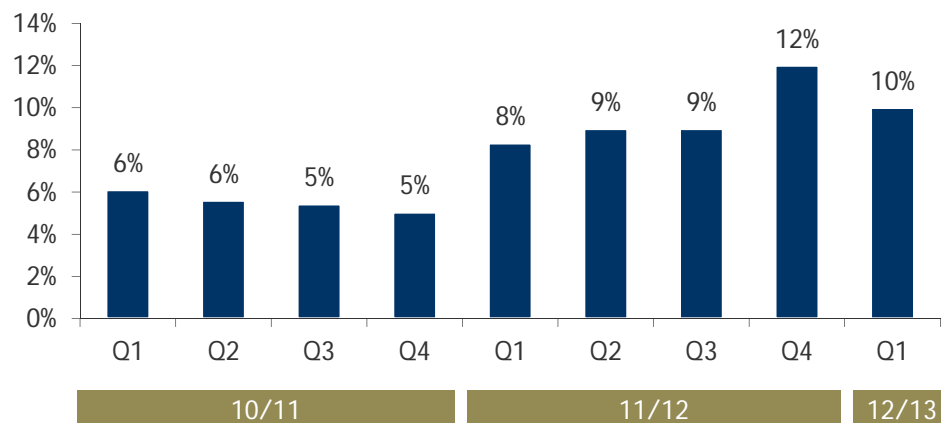
- Good growth in Cultures & Enzymes Division
- Natural colors experienced declining sales

# Cultures & Enzymes Division



EUR million	Q1 12/13	Q1 11/12
Revenue	112.3	100.6
Organic growth	10%	8%
EBITDA	42.6	36.1
EBITDA margin	37.9%	35.9%
EBIT	34.1	28.1
EBIT margin	30.4%	28.0%
ROIC excl. goodwill	35.0%	29.2%

Organic growth



## Organic growth

- Driven by continued strong growth in sales of cultures for cheese fermented milk and meat
- Probiotic cultures slightly positive
  - Strong growth in APMEA and South America partly offset by decline in Europe and North America
- Enzymes delivered modest organic growth primarily due to a strong Q1 last year

## EBIT margin

- Up 2.4%-points driven by scale benefits

## ROIC excl. Goodwill

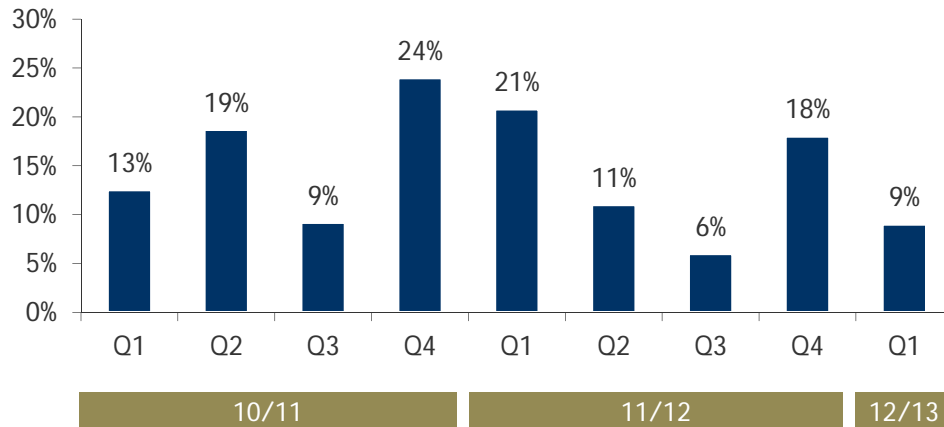
- Up 5.8%-points driven by scale benefits

# Health & Nutrition Division



EUR million	Q1 12/13	Q1 11/12
Revenue	25.5	22.2
Organic growth	9%	21%
EBITDA	10.3	8.6
EBITDA margin	40.4%	38.8%
EBIT	8.6	6.8%
EBIT margin	33.6%	30.7%
ROIC excl. goodwill	33.7%	28.6%

Organic growth



## Organic growth

- Solid growth driven by the animal health businesses especially within the poultry and cattle segments while sales of silage inoculants declined
- Human health experienced solid organic growth driven by dietary supplements in North America

## EBIT margin

- Up 2.9%-points driven by scalability effects from the increased sales volume, production efficiencies and positive currency exchange effects

## ROIC excl. goodwill

- Up 5.1%-points driven by scalability

# Natural Colors Division



EUR million	Q1 12/13	Q1 11/12
Revenue	40.7	44.8
Organic growth	(10%)	19%
- excl. carmine price effect	0%	18%
EBITDA	6.1	7.2
EBITDA margin	15.0%	16.1%
EBIT	4.9	6.1
EBIT margin	12.1%	13.7%
ROIC excluding goodwill	24.7%	35.4%

## Organic growth

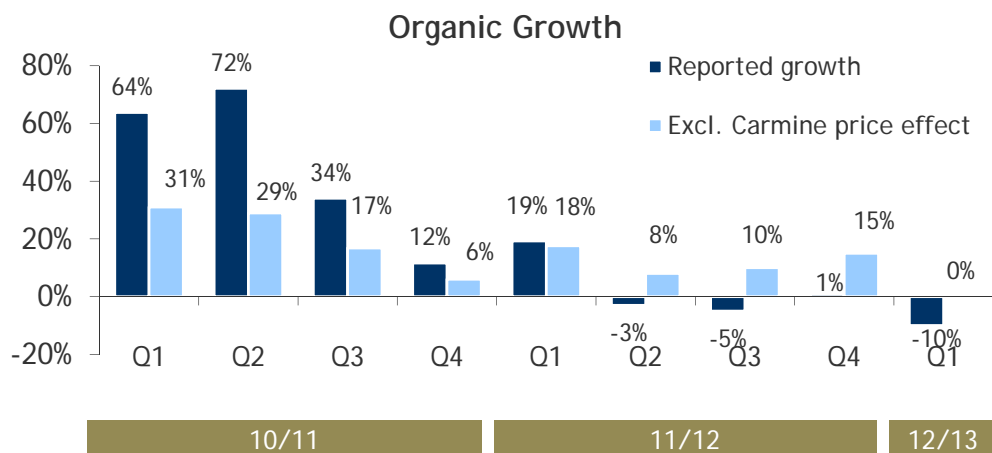
- Carmine prices and volumes declined
- Modest growth in other product areas, negatively affected by volume declines in APMEA and a strong Q1 last year

## EBIT margin

- Down 1.6%-point primarily driven by flat volume combined with investments in the sales platform - partly offset by positive effect from margin improvement in carmine

## ROIC excl. goodwill

- Down 10.7%-points driven by the lower result and invested capital up 16% mainly due to investments in production facilities and increased net working capital



# Profit & Loss



EUR million	Q1 12/13	Q1 11/12	Index
Revenue	178.5	167.6	107
Organic growth	5%	13%	
Organic growth excl. carmine effect	7%	12%	
Gross margin	52.2%	49.4%	
EBIT	47.6	41.1	116
EBIT margin	26.7%	24.5%	
Net financials	(3.7)	(5.5)	68
Tax	(11.8)	(9.2)	128
<b>Profit, continuing operations</b>	<b>32.1</b>	<b>26.4</b>	<b>122</b>
<b>EPS continuing operations, diluted</b>	<b>0.24</b>	<b>0.19</b>	<b>126</b>

- Gross margin improvement primarily driven by
  - Lower raw material prices for carmine,
  - Scale benefits
  
- Net financials down 32%
  - Net interest EUR 3.1 million; down EUR 1.1 million or 26%
  - Negative exchange rate adjustments EUR 0.6 million compared to negative with EUR 1.3 million in Q1 last year
  
- Tax rate 26.9% vs. 25.9% in Q1 last year



# Research & Development

EUR million	Q1 12/13	Q1 11/12
R&D expenses	8.3	7.3
- Amortization	1.0	1.1
+ Capitalization	4.6	6.0
<hr/> R&D expenditures incurred	<hr/> 11.9	<hr/> 12.2
R&D % of revenue	6.7%	7.3%

## Selected Product Launches in Q1

- New generation cultures for continental cheese types including better phage protection (CED)
- OpenIT™ range PS culture for mild flavor and faster ripening time for Swiss cheese types (CED)
- The I-Colors® Orange 700 WSS-P for coloring orange powder beverages (NCD)

## Clinical studies

Clinical studies, investigating the effect of probiotic strains on the gastrointestinal health are continuing as planned. The clinical phase of the first study was concluded late 2012 with external statistical assessment of the results ongoing.

## EFSA status

- The transition period for rejected health claims for use on food under Article 13.1. ended on 14 December 2012

# Cash flow and Balance sheet

EUR million	Q1 12/13	Q1 11/12
<b>Cash flow</b>		
Cash flow - operating activities	(12.8)	(10.3)
Cash flow - investing activities	(13.9)	(12.6)
Free cash flow	(26.7)	(22.9)
<b>Balance sheet</b>		
Total assets	1,341	1,354
Equity, excl. minorities	604	604
Net interest-bearing debt (NIBD)	420	376
<b>Key Figures</b>		
ROIC excluding goodwill %	33.3%	29.9%
Net working capital %	19.3%	19.5%
Capital expenditure %	7.8%	7.5%
Research & Development %	6.7%	7.3%
NIBD/EBITDA	1.7x	1.8x

➤ Cash flow from operating activities declined by EUR 2.5 million

- Higher operating profit (EUR +7 million)
- Working capital (EUR -4 million)
- Higher taxes paid (EUR -6 million)

➤ CAPEX driven by

- Frozen packaging and freeze drying capacity for cultures
- Clinical studies
- IT systems related to automation of processes



# Outlook 2012/13

Unchanged



Org. growth excl. carmine price effect	Org. growth	EBIT margin before impair. & special item	Free cash flow before acquisitions and divestments
8-10%	7-9%	Above last year	Same level as last year

The 2012/13 outlook is sensitive to major changes in the global economy including fluctuations in currencies and raw material prices for natural colors which could impact the financial performance of the company

# Q & A





# Disclaimer

This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance.

Forward-looking statements are other than statements of historical facts. The words "believe," "expect," "anticipate," "intend," "estimate," "will," "may," "continue," "should" and similar expressions identify forward-looking statements. Forward-looking statements include statements regarding: objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; liquidity, capital resources and capital expenditures; economic outlook and industry trends; developments of the Company's markets; the impact of regulatory initiatives; and the strength of competitors. The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in records and other data available from third parties. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond our control. Such risks, uncertainties, contingencies and other important factors could cause the actual results of the Company or the industry to differ materially from those results expressed or implied in this presentation by such forward-looking statements

The information, opinions and forward-looking statements contained in this presentation speak only as at the date of this presentation, and are subject to change without notice. The Company and its respective agents, employees or advisors do not intend to, and expressly disclaim any duty, undertaking or obligation to, make or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this presentation to reflect any change in events, conditions or circumstances

By viewing this presentation, you acknowledge and agree to be bound by the foregoing limitations and restrictions. This presentation does not imply that Chr. Hansen has undertaken to revise these forward looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided



# Chr. Hansen - A Bioscience based Company

Founded in 1874

**Dairy Enzymes**  
(12% of revenue\*)



▼ Cheese



**Cultures**  
(37% of revenue\*)



▼ Yogurt

▼ Meat

▼ Cheese

▼ Wine



**Probiotic cultures**  
(26% of revenue\*)



▼ Yogurt



▼ Food supplements

▼ Infant formula



▼ Animal health

**Natural colors**  
(25% of revenue\*)



▼ Beverage

▼ Confectionary

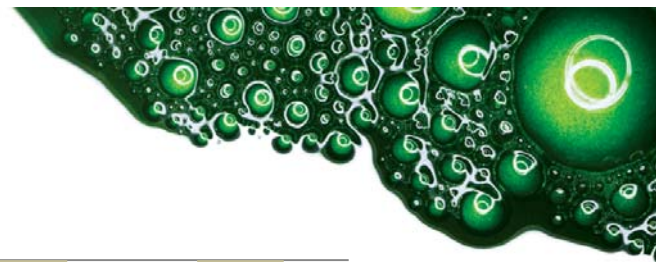
▼ Dairy & fruit preparation

▼ Prepared food



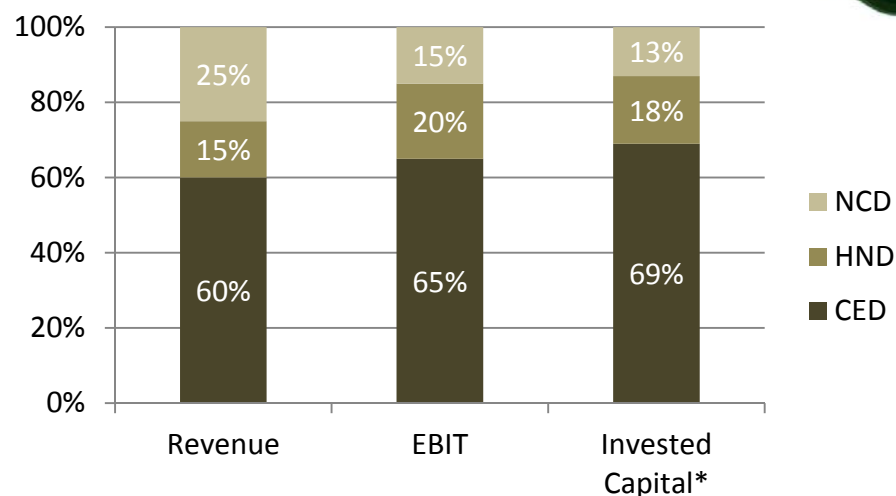
# Chr. Hansen at a glance

## FY 2011/12



### Chr. Hansen

Revenue	EUR 699m
Organic growth	8%/11%
EBIT	EUR 185m
EBIT margin	26.5%
Invested capital*	EUR 552m
ROIC*	34.1%



### Cultures & Enzymes

Revenue	EUR 420m
Organic growth	10%
EBIT	EUR 120m
EBIT margin	28.5%
ROIC*	31.8%
Market share	~45%

### Health & Nutrition

Revenue	EUR 107m
Organic growth	13%
EBIT	EUR 38m
EBIT margin	35.0%
ROIC*	39.1%
Market share	~15%

### Natural Colors

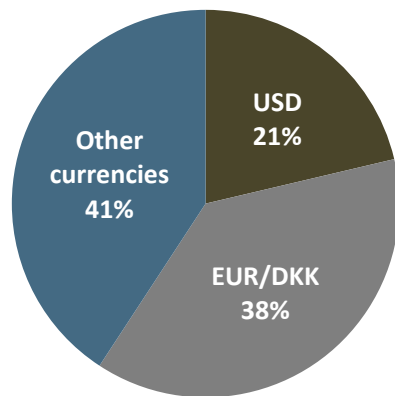
Revenue	EUR 172m
Organic growth	2%/12%
EBIT	EUR 28m
EBIT margin	16.0%
ROIC*	40.5%
Market share	~25%

# Currency split and Cost breakdown

FY 2011/12

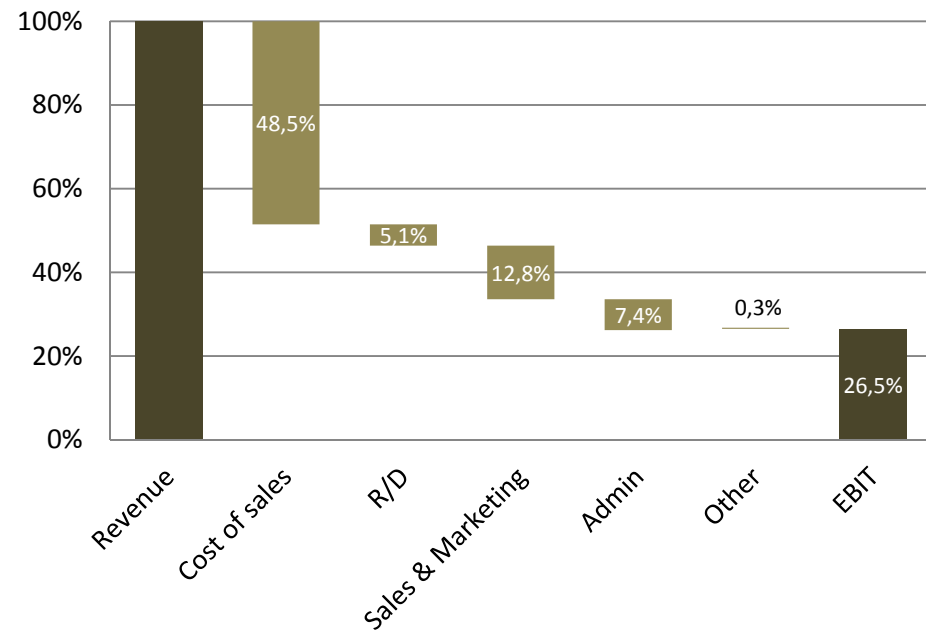


## Currency split on revenue



Other currencies mainly BRL, AUD, PLN & RUB

## Cost breakdown





# Competition



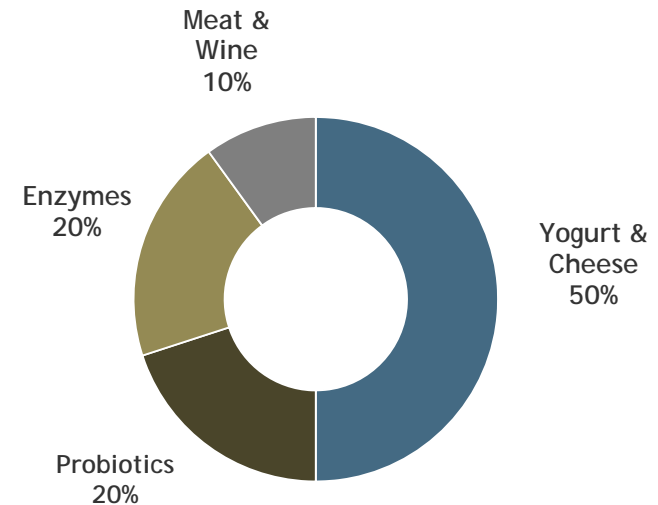
Cultures	Dairy Enzymes	Human Health	Animal Health	Natural Colors
Dupont (US)	DSM (NL)	Dupont (US)	Lallemand (CA)	Sensient (US)
DSM (NL)	Dupont (US)	Lallemand (CA)	Calpis (JP)	San-Ei-Gen (JP)
CSK (NL)	CSK (NL)	Biogaia (SE)	DSM (NL)	GNT (DE)
Clerici Sacco (IT)	Clerici Sacco (IT)		Alltech (US)	Wild (DE)
				Naturex (FR)

# Cultures & Enzymes Division (60% of revenue)



## What are Cultures & Enzymes:

- Cultures are living microorganisms which control fermentation processes in a range of food products
  - Define texture, taste and stability in yogurt, cheese, meat & wine
- Probiotics are cultures with documented health benefits
- Enzymes are proteins which catalyze naturally occurring processes
  - Transforms milk to cheese



## Production:

- Produced through fermentation and delivered to customers – primarily dairies – in concentrated ready-to-use packages (frozen or freeze dried)

# Cultures & Enzymes Division (60% of revenue)



## Growth Drivers

### Fundamental Market Growth

- GDP Growth
- Increased demand for healthy food products
- Increase in middle income groups in Asia, South America and Africa

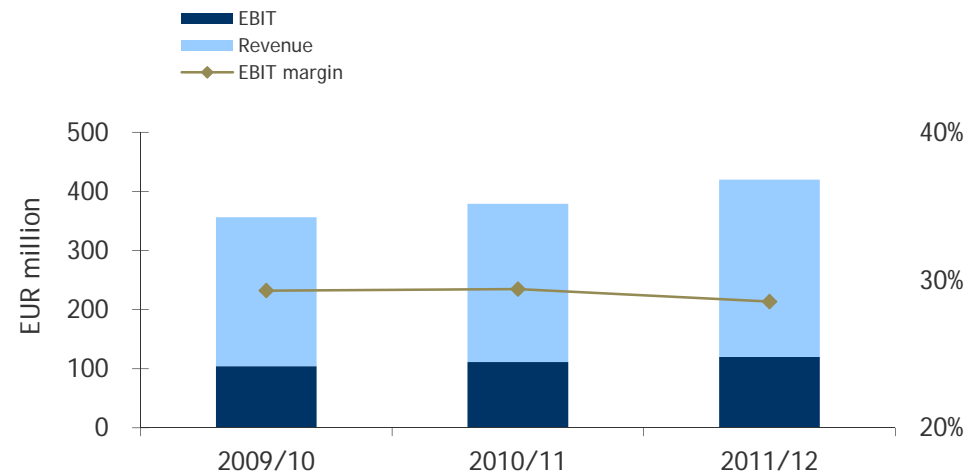
### Conversion of Culture Production

- Dairies outsourcing production of cultures
  - Yogurt: approx. 75% converted\*
  - Cheese: approx. 45% converted\*

### Increased functionality

- Probiotics
- Low fat

### Improved yield/efficiency

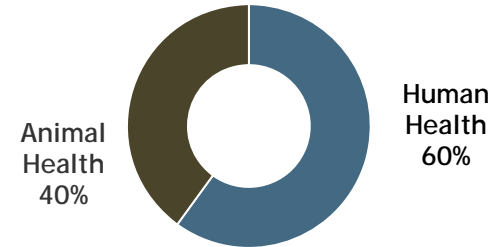


# Health & Nutrition Division (15% of revenue)



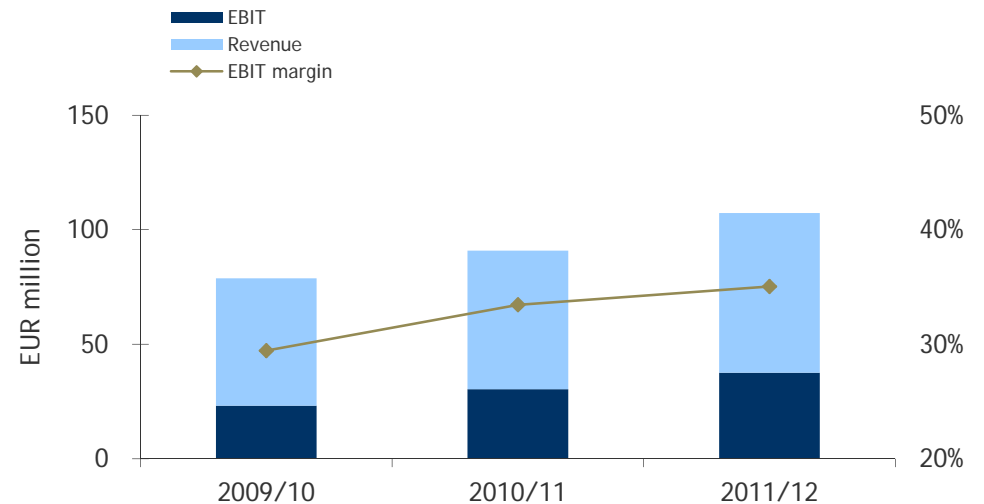
## Human health

- Food supplements with documented health benefits on:
  - Intestinal flora
  - Immune system
- Ingredient in infant formula
- Customers: Pharmaceutical and health companies



## Animal health

- Preserve nutritional value of silage
- Increased feed uptake and reduce mortality in livestock
- Customers: Agricultural industry, primarily within pigs, poultry and cattle





# Natural Colors Division (25% of revenue)

## What are Natural Colors?

- A complete color range extracted from seeds, roots, and berries
- Natural alternative to synthetic colors
- Customers: Food & Beverage companies

## Challenges Working with Natural Colors

- Stability
- Access to raw materials and price volatility
- Higher cost in use than synthetic colors



# Natural Colors Division (25% of revenue)



## Growth drivers

### Increased Regulation

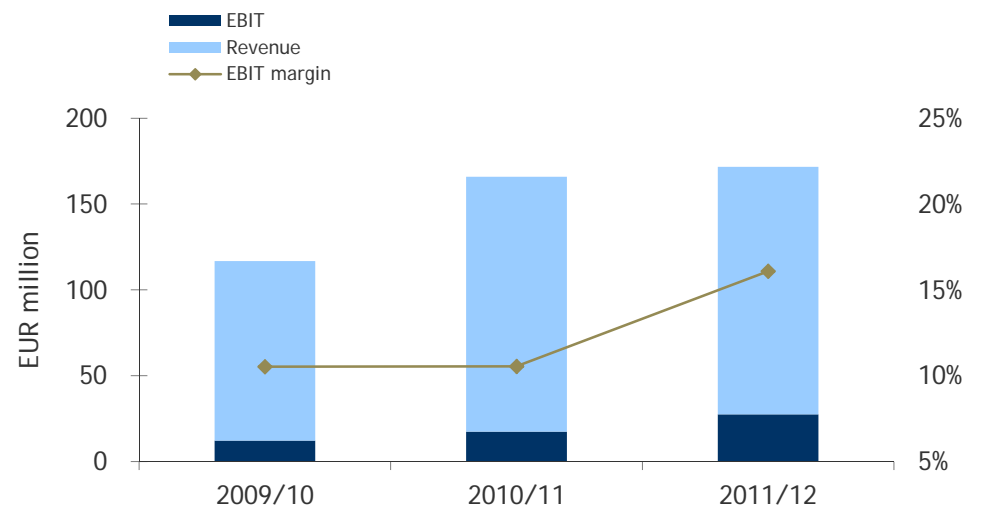
- Warning label on Southampton six colors in EU from July 2010 – latest adopted by Russia

### Consumer Health Concerns

- Increased consumer demand for natural ingredients

### Future Conversion opportunity

- Natural colors account for approx. 25-30% of volume in the total color market in food and beverages

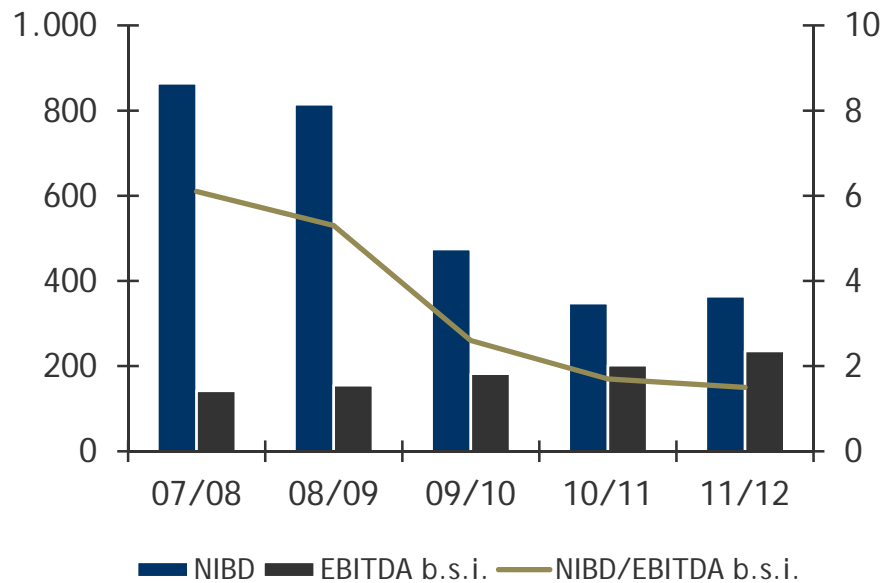


# Gearing Level and Dividend Policy



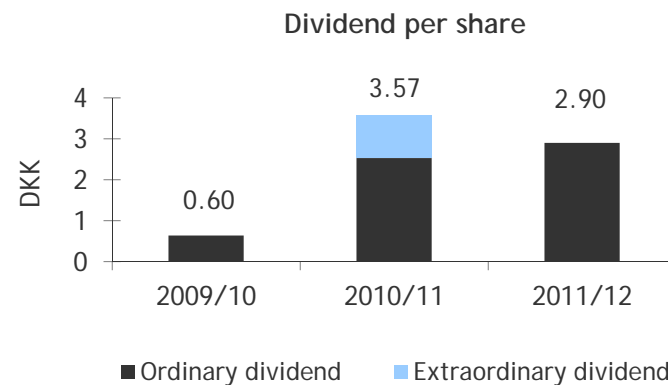
The Board of Directors is committed to maintaining leverage consistent with a solid investment grade credit profile while returning excess cash to shareholders either through normal and extraordinary dividends or share buy-back programs

## Gearing Level



## Dividend Policy

➤ Pay out ratio: 30%-50% of net profit

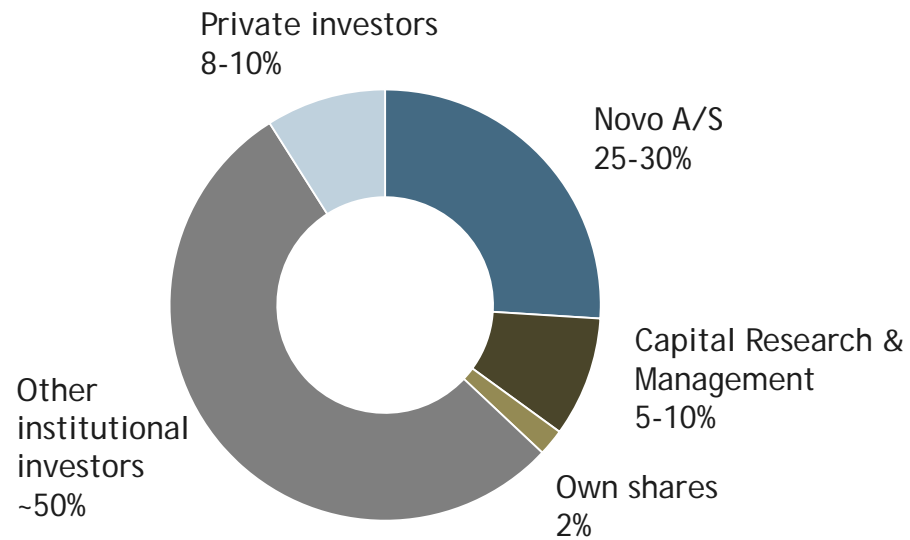


# Shareholder Structure

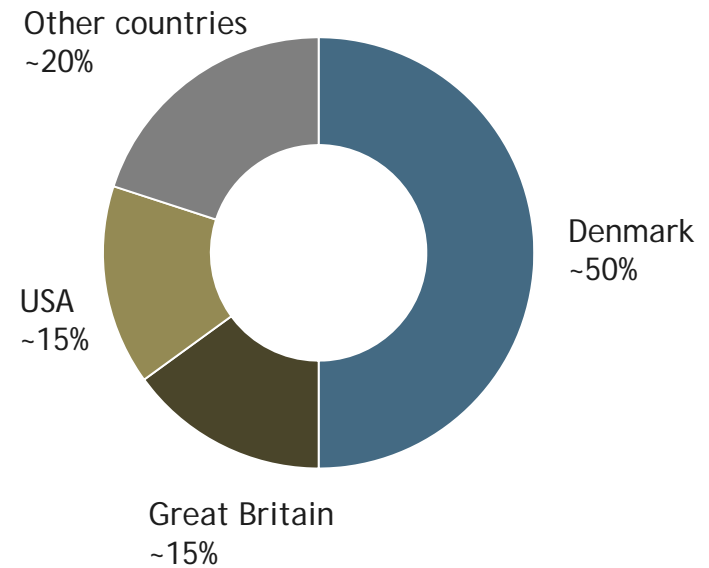
Jan 2013



## Shareholder Type



## Countries



# Chr. Hansen

## Financial Calendar 2012/13

11 April 2013 Interim Report Q2  
3 July 2013 Interim Report Q3  
23 October 2013 Annual Report 2012/2013

## Interactive Annual Report 2011/12

<http://annualreport1112.chr-hansen.com>

## Share Data (after cancellation)

Share capital	1,344,999,760
Number of shares	134,499,976
Outstanding shares	131,624,177
Classes of shares	1
Voting & Ownership restrictions	None
Stock exchange	NASDAQ OMX Copenhagen
ISIN code	DK0060227585
Ticker symbol	CHR

## Contact Chr. Hansen

Head of Investor Relations  
Senior Director  
Anders Mohr Christensen  
Tel: +45 4574 7618  
Email: [dkamc@chr-hansen.com](mailto:dkamc@chr-hansen.com)

## Homepage

[www.chr-hansen.com](http://www.chr-hansen.com)

## Product videos

[www.video.chr-hansen.com](http://www.video.chr-hansen.com)

