



Chr. Hansen Holding A/S
Q2 Report 2016/17

Roadshow presentation 7 April 2017

CHR HANSEN

Improving food & health

Safe harbor statement

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Financial highlights YTD 2016/17

Revenue

EUR **501** million
(up 13% on 2015/16)

Operating profit (EBIT) margin before special items

27.1%
(26.6% in 2015/16)

R&D expenditures incurred

EUR **36** million
(7.2% of revenue, compared to 7.5% in 2015/16)

Organic growth

10%
(13% in 2015/16)

Profit for the period

EUR **98** million
(up 28% on 2015/16)

Free cash flow before acquisitions and special items

EUR **30** million
(EUR 16 million in 2015/16)



Strategic & operational highlights 2016/17

No.1

Nature's no. 1 strategy launched in September 2013 with the ambition to pursue growth opportunities in the current core businesses and within new microbial solutions. Strategy reaffirmed at Capital Market Day in April 2016.

- **Bioprotection:** Strong growth of approx. 25%, with momentum in all segments.
- **Plant Health:** Penetration continued with strong growth driven by encouraging field trial results. Pipeline developing as planned.
- **Human Microbiome:** Process development for the first strict anaerobic bacteria, with pharmaceutical potential, at our Microbiome Center.
- **Capacity:** Expansion of production capacity for cultures in Copenhagen progressing as planned.
- **Animal Health:** Back to growth primarily driven by winning customer projects. Market conditions **gradually** improving. Integration of NPC ahead of schedule and synergies are materializing.
- **LGG®:** Integration process on-going with investments targeting both fermented milk and human health.



Maximizing the potential of LGG®

Strengthens probiotic position and expands offering in FC&E

- Existing probiotic range has world's best offering for dairy in bowel function and immune health for the general population
- LGG® strain and the strong combo of LGG® and BB-12® cultures expand into immune function specifically for children and Millennials

Probiotics in yogurt back to growth

- Potential to leverage the LGG® strain in all regions
- Further culture development to expand opportunity



Significant opportunities to increase distribution and differentiation of LGG® in human health

- Strengthen partnership with key customers
- Low penetration of LGG® in many markets
- Carefully manage customer portfolio to protect LGG®

Science continues to strengthen on LGG®

- Further differentiate LGG® vs generics
- Create branded probiotic

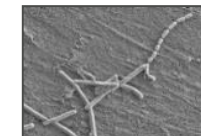


Probiotic strains

The world's two most documented probiotic strains

LGG®

Lactobacillus probiotic strain



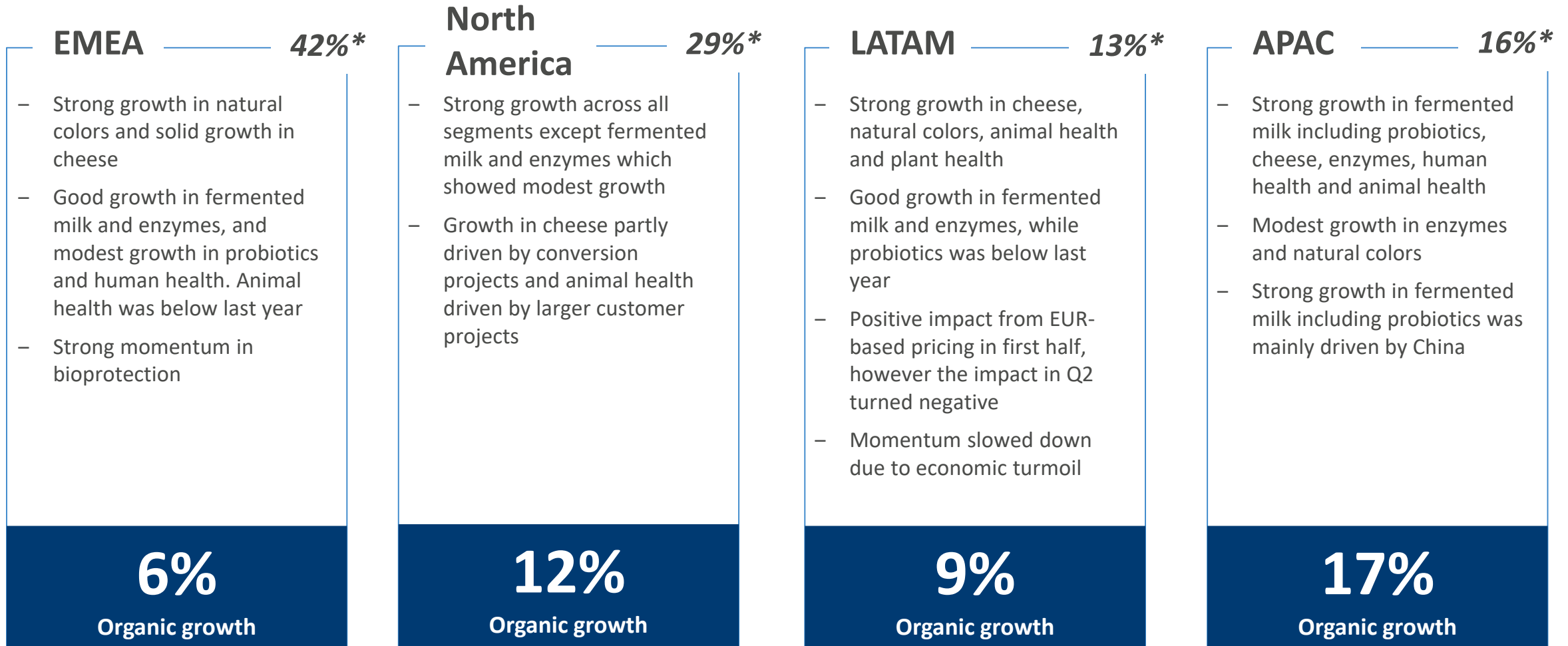
BB-12®

Bifidobacterium probiotic strain

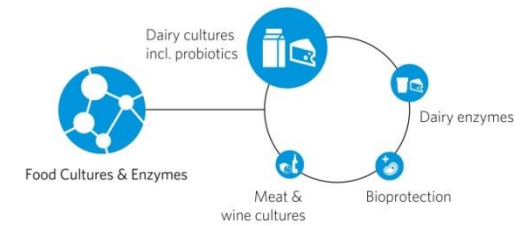


Combining for best offering in gut health and immune health

Regional performance YTD 2016/17



Food Cultures & Enzymes

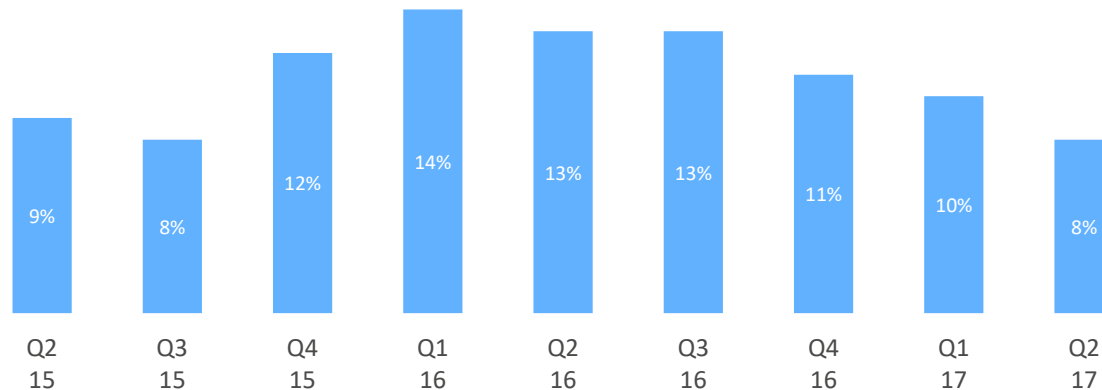


EUR million	Q2 16/17	Q2 15/16	YTD 16/17	YTD 15/16
Revenue	147	135	291	268
Organic growth	8%	13%	9%	13%
EBIT	45	43	95	85
EBIT margin	30.5%	32.1%	32.7%	31.7%
ROIC ex. goodwill			42.0%	40.1%

Organic growth

- Volume/mix 9%. Strong growth in cheese, fermented milk, meat and wine. Solid growth in probiotics, while enzymes showed modest growth
- Growth of approximately 25% in bioprotection driven by the existing segments
- **Q2:** Volume/mix 8%. Strong growth in cheese, meat and wine. Solid growth in fermented milk including probiotics and modest growth in enzymes

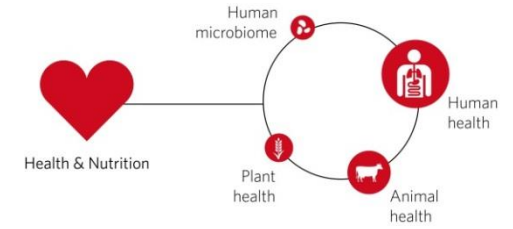
Quarterly organic growth



EBIT margin

- Margin up 1.0%-point on 2015/16
 - Driven by operational efficiencies
 - Partly offset by initiatives to secure full utilization of existing capacity and higher R&D activity
- **Q2:** Margin down 1.6%-points on 2015/16 driven by organizational management change, initiatives to secure full utilization of existing capacity and higher R&D activity

Health & Nutrition

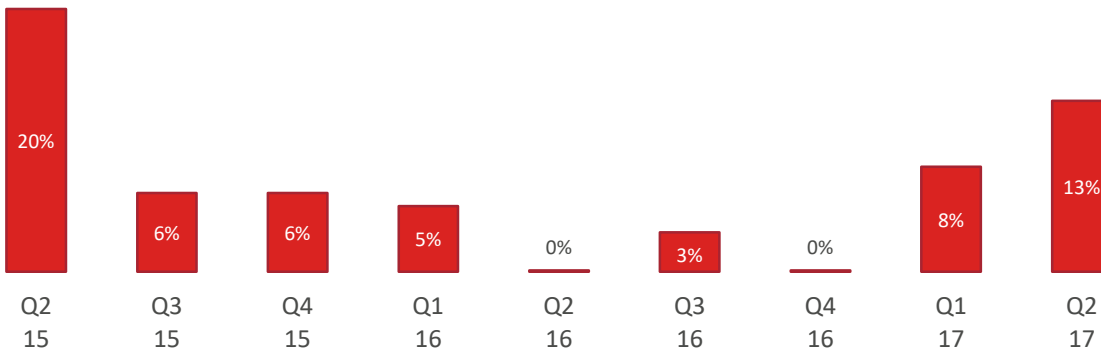


EUR million	Q2 16/17	Q2 15/16	YTD 16/17	YTD 15/16
Revenue	59	45	105	81
Organic growth	13%	0%	10%	2%
EBIT	19	15	28	24
EBIT margin	31.7%	32.5%	27.1%	29.1%
ROIC ex. goodwill			25.4%	28.1%

Organic growth

- Volume/mix 10%
- Strong growth in animal health driven by silage and poultry, while dairy cattle declined. Strong growth in plant health and solid growth in human health driven by dietary supplements in North America
- **Q2:** Strong growth in Animal health and plant health, while human health showed solid growth
- Market conditions for animal health gradually improving

Quarterly organic growth



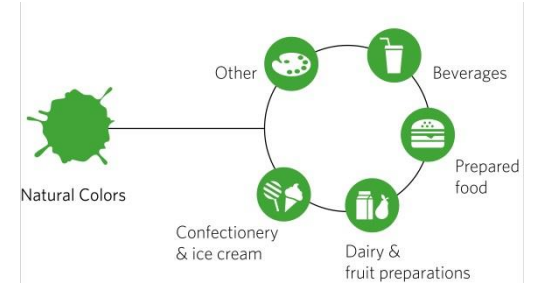
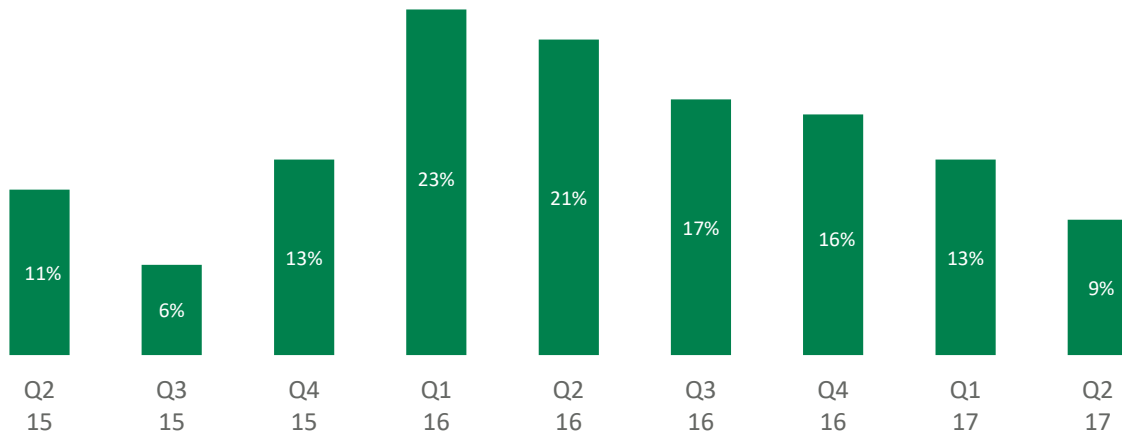
EBIT margin

- Margin down 2.0%-points on 2015/16
 - Driven by timing of production costs related to factory maintenance and inventory levels and higher D&A related to acquisitions
 - Partly offset by lower scrap levels in human health production and currency
- **Q2:** Margin down 0.8%-points on 2015/16 driven by higher D&A and increased R&D activity. Partly offset by lower scrap levels in human health, insourcing of NPC products and currency

Natural Colors

EUR million	Q2 16/17	Q2 15/16	YTD 16/17	YTD 15/16
Revenue	54	49	106	94
Organic growth	9%	21%	11%	22%
EBIT	7	6	12	9
EBIT margin	12.5%	11.9%	11.5%	9.9%
ROIC ex. goodwill			24.1%	19.4%

Quarterly organic growth



Organic growth

- Volume/mix 5% and price 6%. Price increases reflecting higher raw material prices and, to a lesser extent, general price increases
- Strong growth in natural carotene, annatto and anthocyanin, while carmine volume declined due to profitability initiatives. Growth was anchored across most industries and driven by EMEA and North America
- Q2: Volume/mix 5%. Price 4%, driven by higher annatto prices

EBIT margin

- Margin up 1.6%-points on 2015/16
 - Driven by the ongoing optimization initiatives including operating efficiencies and margin management
- **Q2:** Margin up 0.6%-points on 2015/16
 - Driven by margin management and logistic optimization

Income statement

EUR million	YTD 16/17	YTD 15/16
Revenue	501	443
<i>Organic growth</i>	10%	13%
<i>EUR growth</i>	13%	12%
<i>Gross margin</i>	53.5%	52.5%
R&D expenses	(34)	(29)
Sales & marketing expenses	(65)	(53)
Administrative expenses	(37)	(34)
Other income/expenses	3	1
EBIT before special items	136	118
<i>EBIT margin b.s.i.</i>	27.1%	26.6%
Special items	(1)	(7)
EBIT	135	111
<i>EBIT Margin</i>	26.9%	25.1%
Net financials	(6)	(9)
Income tax	(31)	(25)
Profit for the period	98	76

Highlights

Revenue

Volume/mix 8 %

Price 2 %

Organic growth 10 %

Currency 0 %

Acquisitions 3 %

EUR growth 13 %

EBIT b.s.i.

- Up EUR 18 million and margin improved by 0.5%-point to 27.1%

Special items

- EUR 1 million related to the acquisition and integration of LGG®

Net financials

- 2015/16 negative impacted by unrealized losses from depreciating currencies

Cash flow and balance sheet

EUR million	YTD 16/17	YTD 15/16
Cash flow		
Operating activities	70	55
Operational investing activities	(47)	(41)
Free operating cash flow	23	13
Acquisition activities	(73)	(169)
Free cash flow	(50)	(156)
Balance sheet		
Total assets	1,797	1,644
Equity	762	606
Net interest-bearing debt	691	715
Key Figures		
<i>Net working capital</i>	21.1%	19.7%
<i>Capital expenditure</i>	9.9%	9.3%
<i>ROIC excluding goodwill</i>	35.2%	34.3%
<i>NIBD/EBITDA</i>	2.0x	2.3x

Highlights

- Cash flow from operating activities improved by EUR 15 million. Special items amounted to EUR 7 million compared to EUR 3 million in 2015/16
- Cash flow used for operational investing activities increased by EUR 6 million, primarily driven by capacity expansion for culture production
- Acquisition of LGG® at a purchase price of EUR 73 million
- Capital expenditures corresponded to 9.9% of revenue, up from 9.3% in 2015/16
- ROIC excluding goodwill up 0.9%-point
- NIBD/EBITDA down to 2.0x

Maintaining outlook for 2016/17

Unchanged compared to announcement of 11 January 2017

	Realized 2015/16	Outlook 2016/17	Long-term financial ambitions*
Organic revenue growth	12%	8-10%	8-10%
<ul style="list-style-type: none"> ✓ <i>Food Cultures & Enzymes</i> ✓ <i>Health & Nutrition</i> ✓ <i>Natural Colors</i> 	<ul style="list-style-type: none"> 12% 2% 19% 	<p><i>In line with long-term ambitions</i></p>	<ul style="list-style-type: none"> 7-8% +10% Around 10%
EBIT margin b.s.i.	28.2%	Slightly above 2015/16	Increasing**
Free cash flow before acquisition, divestments and special items	EUR 175 million	Around the same level as in 2015/16	Increasing**

* Baseline 2014/15

** Over the period



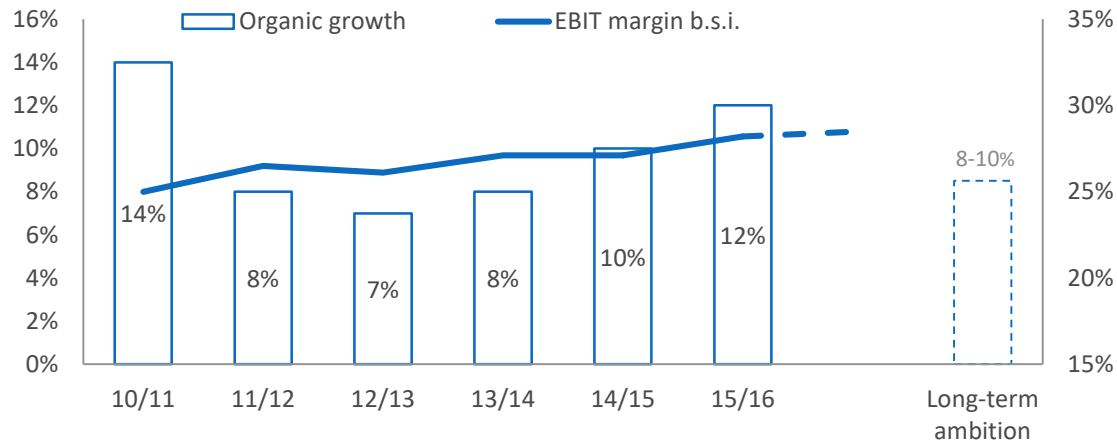
Q & A



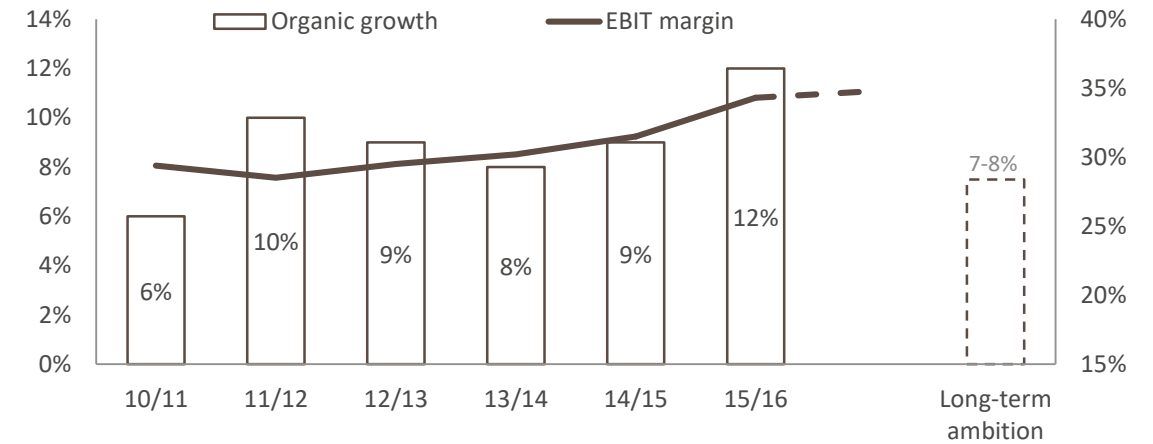
Back up

Organic growth and EBIT margin history

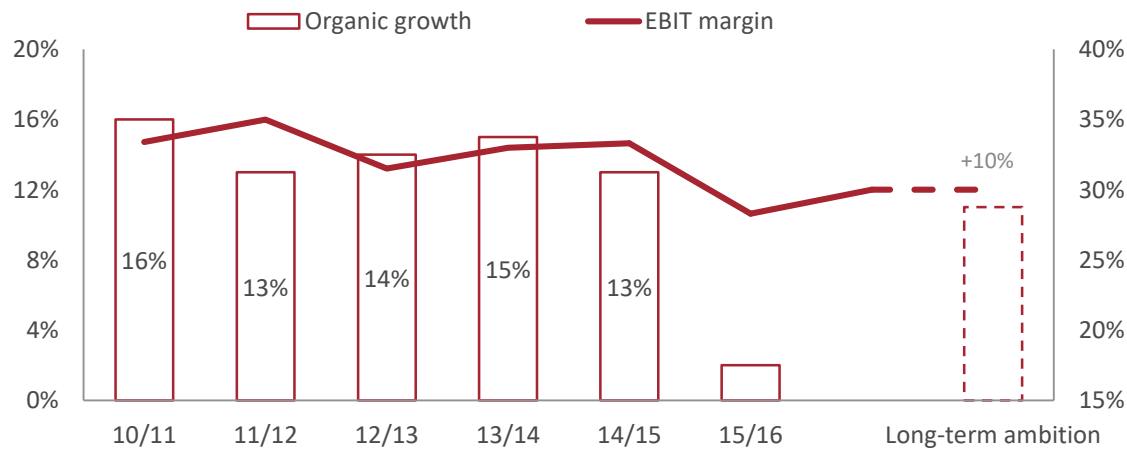
Group



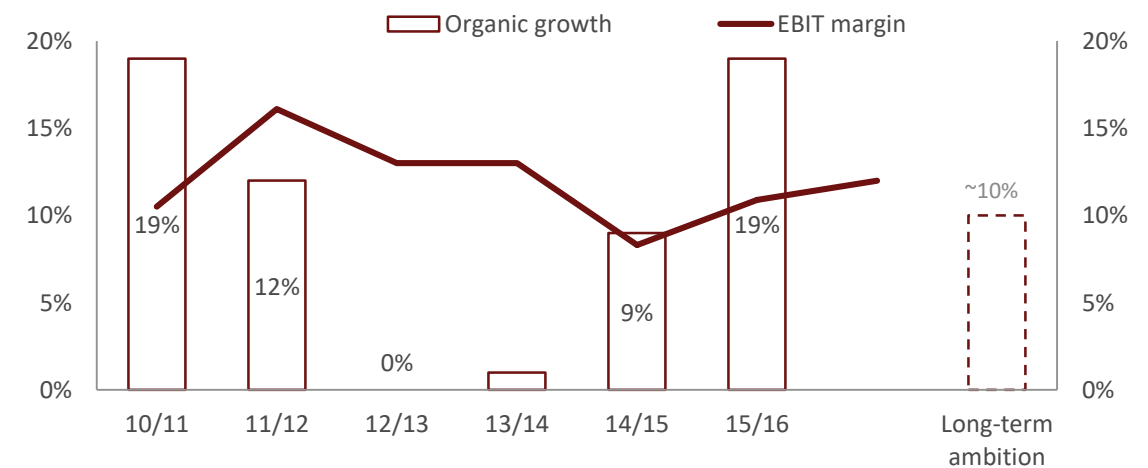
FC&E



H&N



NCD



Definitions

Organic growth

Adjusted organic revenue growth is calculated based on the reported International Financial Reporting Standards revenue adjusted for sales reductions (such as commissions and sales discounts), further adjusted for acquisitions and divestitures in order to standardize year-on-year comparisons and measured in local currency.

Special items

Special items comprise material amounts that cannot be attributed to recurring operations, such as income and expenses related to divestment, closure or restructuring of subsidiaries and business lines from the time the decision is made. Also classified as special items are, if major, gains and losses on disposal of subsidiaries not qualifying for recognition as discontinued operations in the income statement. Material non-recurring income and expenses that originate from prior years or from projects related to the strategy for the development of the Group and process optimizations are classified as special items.

EBIT (Earnings before interest & taxes)

EBIT is calculated as profit for the period before financial income and expenses and corporate income taxes. EBIT also excludes income and expenses from discontinued operations.

Free cash flow

Free cash flow is a measure of financial performance calculated as operating cash flow less net capital expenditures.

Invested capital

Invested capital is calculated as intangible assets, property, plant and equipment, trade receivables and inventories less trade payables.

ROIC (return on invested capital) excluding goodwill

Operating profit as a percentage of average invested capital excluding goodwill.



Share details

Share Data

Number of shares of DKK 10 (1 September 2016)	131,852,496
Own shares (28 February 2017)	144,251
Classes of shares	1
Voting & ownership restrictions	None

NASDAQ Copenhagen

ISIN code	DK0060227585
Ticker symbol	CHR
Sector	Health Care

OTC ADR Level 1 program (BNY Mellon)

DR Symbol	CHYHY
CUSIP	12545M207
DR ISIN	US12545M2070
Ratio	DR:ORD 2:1
Effective Date	Jan 27, 2014
Industry	General Industrials

Financial Calendar 2016/17

5 July 2017	Q3 Interim Report
25 October 2017	Annual Report
28 November 2017	Annual General Meeting

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