



Chr. Hansen Holding A/S
Q2 Report 2017/18

11 April 2018

CHR HANSEN

Improving food & health

Safe harbor statement

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Financial highlights YTD 2017/18

Revenue

EUR **518** million
(up 3% on 2016/17)

Operating profit (EBIT) margin
before special items

26.2%
(26.9% in 2016/17)

R&D expenditures incurred

EUR **39** million
(7.6% of revenue, compared to 7.2% in 2016/17)

Organic growth

9%
(10% in 2016/17)

Profit for the period

EUR **98** million
(on par with 2016/17)

Free cash flow
before acquisitions and special items

EUR **11** million
(EUR 30 million in 2016/17)



Progress on strategic agenda YTD 2017/18



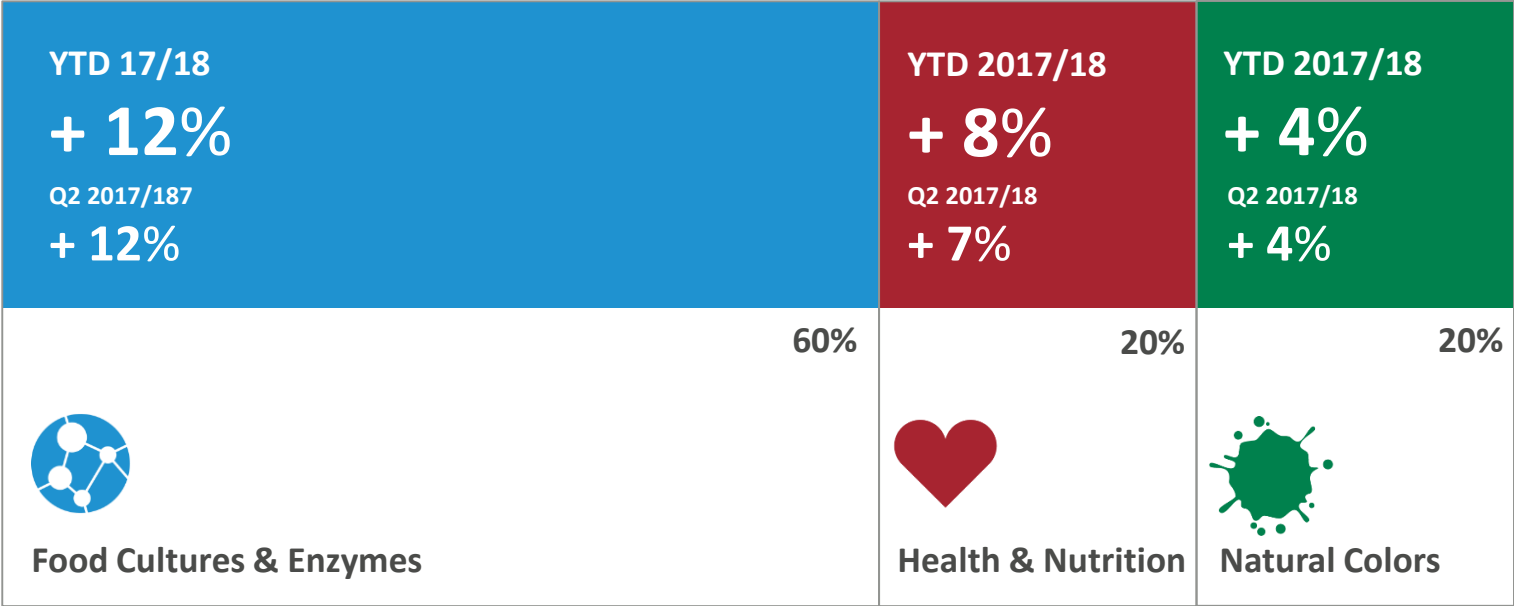
Nature's no. 1 strategy launched in September 2013 with the ambition to pursue growth opportunities in the current core businesses and within new microbial solutions. Strategy reaffirmed at Capital Market Day in April 2016. A new strategy review is in progress with finding to be presented in April 2018.

- ▶ **Bioprotection:** Strong growth of approx. 45%, with momentum in all segments driven by 1st generation. Positive feedback from launch of 2nd generation and first sales driving very strong growth in LATAM, albeit from a low base
- ▶ **Capacity:** Ramp-up of the new capacity has progressed according to plan and is expected to contribute positively towards the end of the year
- ▶ **Emerging markets:** Growth in emerging markets across business units very strong. We continue to strengthen our presence incl. local application labs
- ▶ **Penetration** in human and animal health continuing. Dietary supplements in North America underperforming
- ▶ **Plant Health:** Recently launched products in Brazil Quartzo™ and Presence™ driving strong growth combined with continued penetration of Nemix® C
- ▶ **Natural Colors:** Profitability initiatives showing good progress, raw material pricing volatility presents a challenge to growth



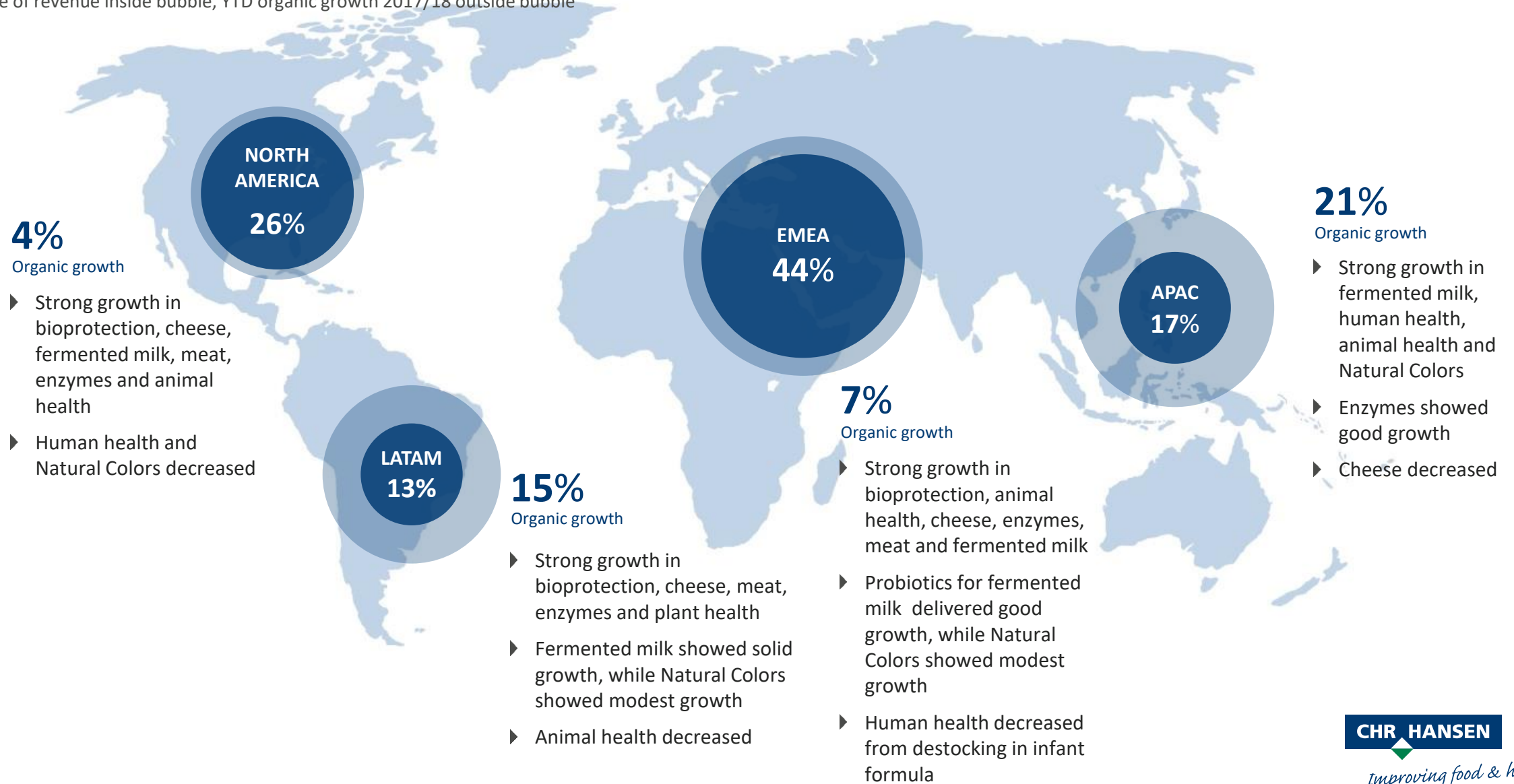
Organic sales growth in our business areas driven by volume and mix

- ▶ Strong organic growth in Food Cultures & Enzymes, with bioprotection growing at ~45%. Strong growth in cheese, fermented milk, enzymes and meat cultures
- ▶ Strong growth in animal and plant health (albeit from a low base), offset by low growth in human health
- ▶ Growth in Natural Colors driven by coloring foodstuffs and APAC



Regional performance – all regions contributing to growth

Share of revenue inside bubble, YTD organic growth 2017/18 outside bubble



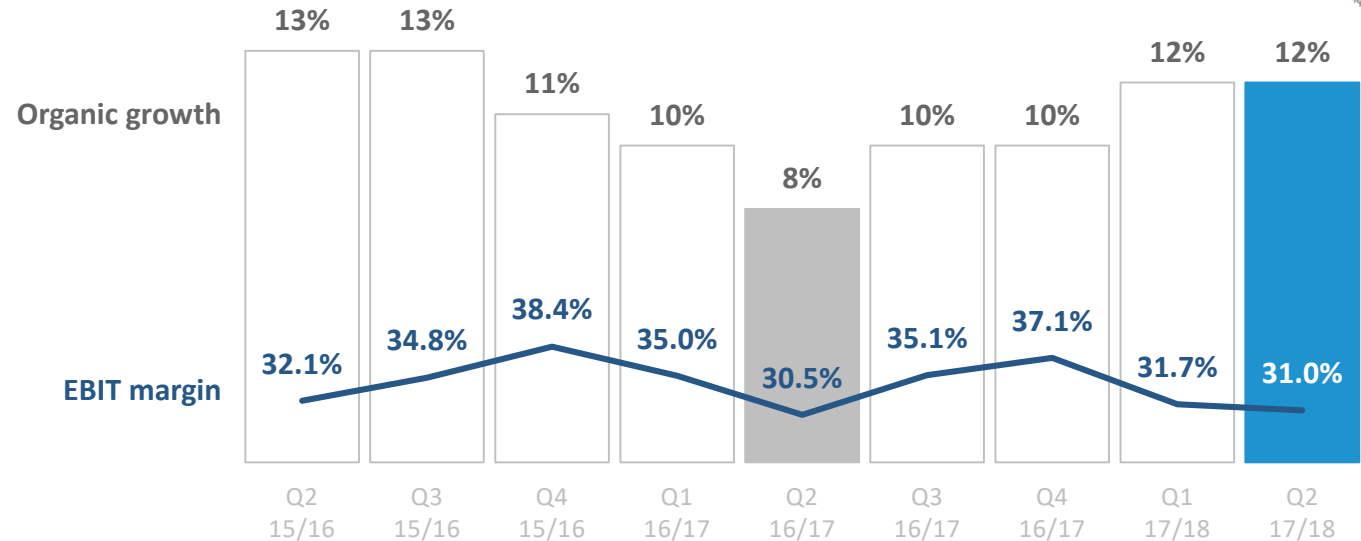


Strong growth continues in Food Cultures & Enzymes

+12%

YTD ORGANIC SALES GROWTH

- ▶ Organic growth comprised 10% from volume/mix and 2% from price increases in local currencies
- ▶ The organic growth was primarily driven by strong growth in cheese, fermented milk, enzymes and meat cultures
- ▶ Bioprotective cultures delivered organic growth of approximately 45%



+0.5%

IMPROVED EBIT MARGIN ON Q2 2016/17

- ▶ Driven by scalability in production and cost management, partly offset by higher depreciations and adverse currencies
- ▶ Margins down 1.4 %-points YTD, driven by adverse currency and positive one-offs in 2016/17
- ▶ Margins expected to improve in 2H

EUR million	Q2 17/18	Q2 16/17	YTD 17/18	YTD 16/17
Revenue	153.7	146.6	308.8	290.9
Organic growth	12%	8%	12%	9%
EBIT margin	31.0%	30.5%	31.3%	32.7%
ROIC ex. goodwill			39.7%	42.0%



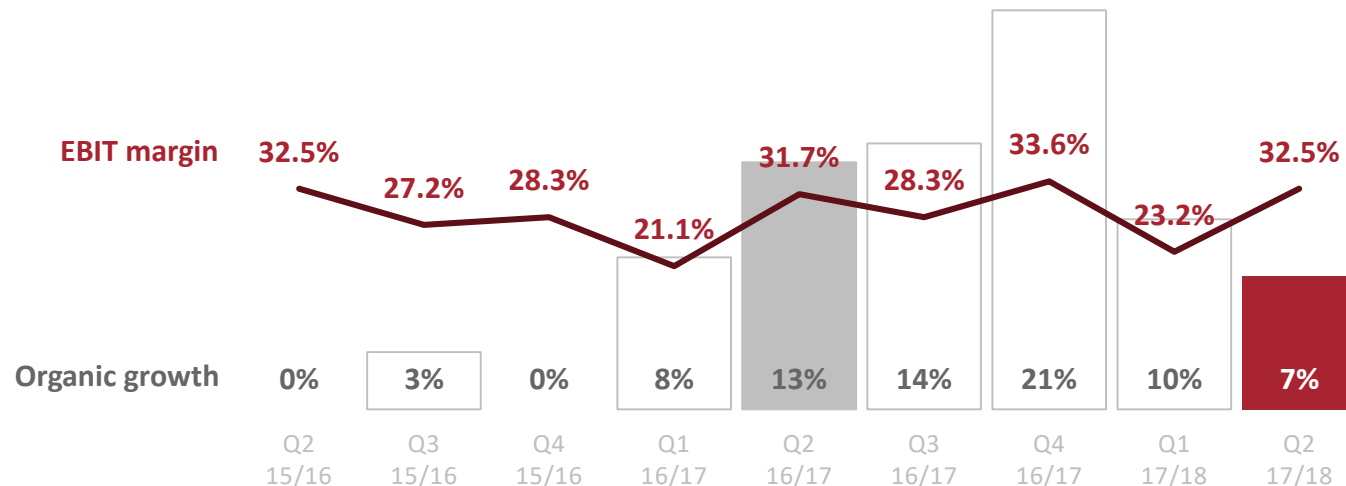
Organic growth driven by Animal Health



+8%

YTD ORGANIC SALES GROWTH

- ▶ Organic growth in human health was driven by both dietary supplements and infant formula in APAC, partly offset by North America
- ▶ Animal health continued to deliver strong growth driven by improved sales coverage outside North America. Animal health was positively impacted by strong growth in silage and swine
- ▶ Plant health grew strongly, albeit from a low base



+1.1%

IMPROVED EBIT MARGIN ON YTD 2016/17

- ▶ Growth in EBIT margin driven by a positive mix in human health, lower scrap, insourcing of NPC products, the absence of royalty payments for LGG®, partly offset by currencies

EUR million	Q2 17/18	Q2 16/17	YTD 17/18	YTD 16/17
Revenue	57.2	58.6	105.5	104.5
Organic growth	7%	13%	8%	10%
EBIT margin	32.5%	31.7%	28.2%	27.1%
ROIC ex. goodwill			24.6%	25.4%



Growth in all regions, except North America



+4%

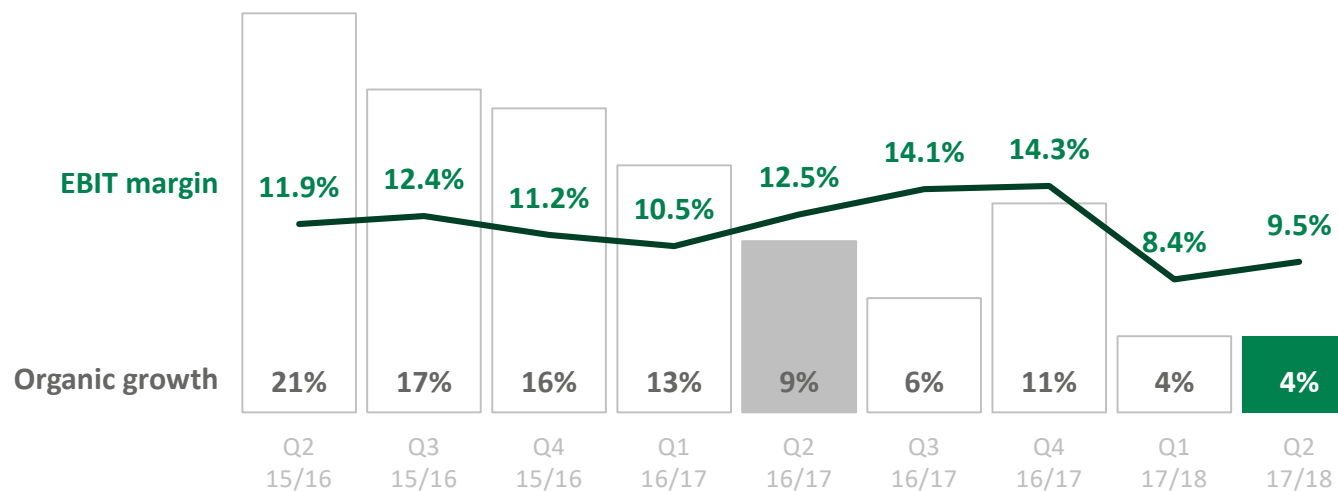
YTD ORGANIC SALES GROWTH

- ▶ Organic growth comprised approximately 2% from volume/mix effects and 2% from price increases in local currencies
- ▶ Organic volume growth was primarily driven by strong growth in coloring foodstuffs (Spirulina and Fruitmax®) and solid growth in annatto. Carmine declined compared to last year
- ▶ Globally, prepared food grew strongly, whereas dairy and fruit preparations in North America declined

-2.6%

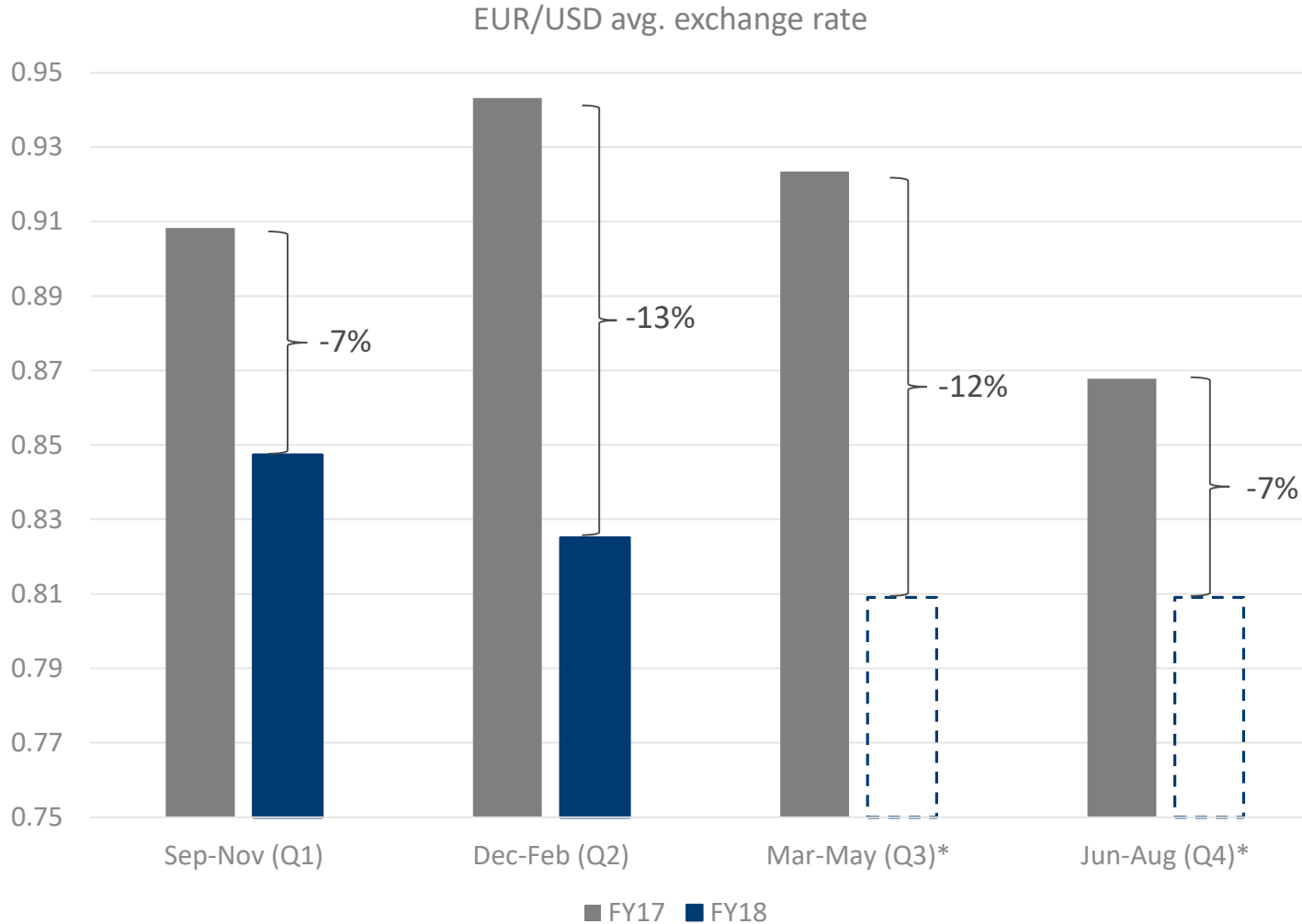
LOWER EBIT MARGIN ON YTD 2016/17

- ▶ Margin decline mainly driven by raw material impacts, incl. timing of inventories, and lower sales
- ▶ Margins expected to improve in 2H



EUR million	Q2 17/18	Q2 16/17	YTD 17/18	YTD 16/17
Revenue	52.8	54.2	103.9	105.7
Organic growth	4%	9%	4%	11%
EBIT margin	9.5%	12.5%	8.9%	11.5%
ROIC ex. goodwill			15.9%	24.1%

Substantial adverse currency impact especially driven by USD



The weakened USD has a sizable impact on topline, EBIT and free cash flow

- ▶ The depreciation in 1H was -10%, with a similar effect expected in 2H*

Impact on revenues from all currencies:

- ▶ In Q2 the currency impact was -7%, and in 1H the currency impact was -6%

Impact on EBIT margin from all currencies:

- ▶ In Q2 the currency impact was -1.2%-point, and in 1H the currency impact was -0.9%-point

*Q3 and Q4 based on fixed exchange rates from 10 April 2018

Income statement

EUR million	YTD 17/18	YTD 16/17
Revenue	518	501
<i>Organic growth</i>	9%	10%
<i>EUR growth</i>	3%	13%
<i>Gross margin</i>	53.0%	53.5%
R&D expenses	(37)	(34)
Sales & marketing expenses	(66)	(65)
Administrative expenses	(37)	(37)
Other income/expenses	1	3
EBIT before special items	136	136
<i>EBIT margin b.s.i.</i>	26.2%	27.1%
Special items	-	(1)
EBIT	136	135
<i>EBIT Margin</i>	26.2%	26.9%
Net financials	(9)	(6)
Income tax	(29)	(31)
Profit for the period	98	98

Highlights

Revenue

Volume/mix 7 %

Price 2 %

Organic growth 9 %

Currencies -6 %

EUR growth 3 %

Gross margin

- ▶ Down 0.5%-point to 53.0% driven by FC&E and NCD, partly offset by H&N

EBIT b.s.i.

- ▶ EUR 136 million YTD, same as 2016/17, margin decreased by 0.9%-points to 26.2% driven by FC&E and NCD, partly offset by H&N
- ▶ Margin development as expected and guidance for EBIT margin b.s.i. around 28.9% maintained

Cash flow and balance sheet

EUR million	YTD 17/18	YTD 16/17
Cash flow		
Operating activities	56	70
Operational investing activities	(45)	(47)
Free operating cash flow	11	23
Acquisition activities	-	(73)
Free cash flow	11	(50)
Balance sheet		
Total assets	1,810	1,797
Equity	748	762
Net interest-bearing debt	733	691
Key figures		
<i>Net working capital</i>	21.3%	21.1%
<i>Capital expenditure</i>	8.7%	9.9%
<i>ROIC excluding goodwill</i>	32.1%	35.2%
<i>NIBD/EBITDA</i>	2.0x	2.0x

Highlights

Cash flow

- ▶ Cash flow from operating activities declined by EUR 14 million, primarily driven by regulation change on Danish export credit scheme and higher taxes paid
- ▶ Cash flow used for operational investing activities decreased by EUR 2 million
- ▶ Free cash flow before special items and acquisitions was EUR 11 million, down from EUR 30 million last year

Key figures

- ▶ Capital expenditures corresponded to 8.7% of revenue, down from 9.9% in 2016/17
- ▶ ROIC excluding goodwill down 3.1%-points
- ▶ NIBD/EBITDA was stable at 2.0x

Outlook for 2017/18 slightly adjusted

	Realized 2016/17	Outlook 2017/18 12 Jan., 2018	Outlook 2017/18 11 April, 2018	Long-term financial ambitions ¹
Organic revenue growth	10%	8-10%	8-10%	8-10%
<i>Food Cultures & Enzymes</i>	9%	<i>Above L.T.</i>	<i>Above L.T.</i>	7-8%
<i>Health & Nutrition</i>	14%	<i>Below L.T.</i>	<i>Below L.T.</i>	+10%
<i>Natural Colors</i>	10%	<i>In line w/ L.T.</i>	<i>Below L.T.</i>	<i>Around 10%</i>
EBIT margin b.s.i.	28.9%	Around the same level as in 2016/17	Around the same level as in 2016/17	Increasing ²
Free cash flow before acquisition, divestments and special items	EUR 188 million	Around the same level as in 2016/17	Around the same level as in 2016/17	Increasing ²

¹ Baseline 2014/15

² Over the period



Q & A