



Chr. Hansen
Q4 2017/18
Roadshow presentation

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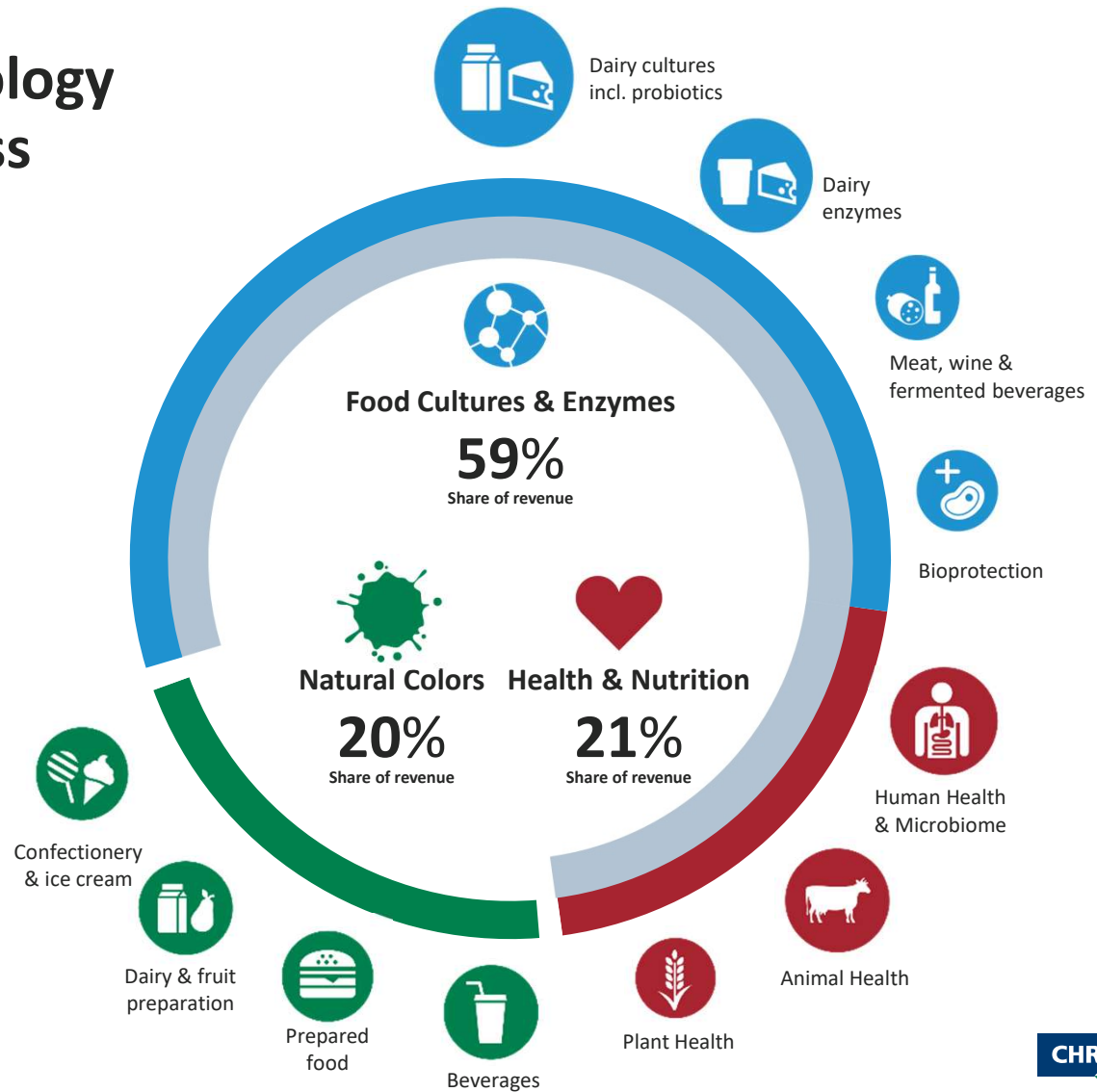


AT A GLANCE

We are market and technology leaders in our core business

Shared R&D platform – the Microbial Platform

Food Cultures & Enzymes and Health & Nutrition share a common research platform, and production method. The R&D platform is a process of screening, developing and upscaling of microbes. Production is the optimization of recipes, flows and infrastructure for the fermentation of microbes. Together: **The Microbial Platform.**



AT A GLANCE

Sustainability is at the core of what we do



Better farming

We help feed the growing population by promoting sustainable agriculture

Expand reach of natural plant protection by 25m hectares (2025)



Good health

We improve global health through healthier, safer and more products

Launch 6 new products with a documented health effect (2022)



Less waste

We help customers reduce food waste and improve yield and productivity

Reduce global yogurt waste by 1.2m ton (2022)



82%

of Chr. Hansen's revenue contributes to the UN Global Goals

- reviewed by PWC

MEGATRENDS

We deliver natural innovative solutions that address global challenges by advancing food, health, and productivity

The trend

Our opportunity



Growing world population and resource scarcity

Need for innovation to improve productivity & reduce food waste



“Real foods” and consumerism

Optimization of recipes to meet clean label demands



Aging population and increasing health care costs

Need for cheaper and preventive solutions



Urbanization and industrialization

Enhanced value of potential markets



Technology breakthroughs

Scientific evidence of benefits from good bacteria

STRATEGY

Our Nature's no.1 strategy: evolution since 2013 – now Sustainably



**FOCUS AREAS
FOOD CULTURES & ENZYMES**

Leverage the full potential



**FOCUS AREAS
HEALTH & NUTRITION**

Develop the microbial platform



**FOCUS AREAS
NATURAL COLORS**

Create further value

Drive penetration of new innovation

- ▶ Continue to prioritize core dairy business
- ▶ Develop adjuncts and adjacencies
- ▶ Drive Bioprotection lighthouse to EUR 200m by 2025

- ▶ Drive new products for Human Health (incl. Microbiome) and Animal Health
- ▶ Invest in Plant Health platform to unlock potential of EUR 100m by 2025

- ▶ Expand FruitMax® range of coloring foodstuff

Reinforce position in growth markets

- ▶ Further strengthen global market presence
- ▶ Application support in core adjacencies

- ▶ Human Health: Expansion into emerging markets and growth segments
- ▶ Strengthen route-to-market in Ag businesses

- ▶ Drive US conversion and secure APAC growth

Generate fuel for growth

- ▶ Drive scalability in supply chain
- ▶ Digitalize core processes

- ▶ Reinvest in future growth

- ▶ Continue drive to restore profitability

STRATEGY

Our three lighthouses address challenges within food safety, agriculture and public health



Lighthouse
Potential revenue
of minimum
EUR 100m per year


FOOD CULTURES
& ENZYMES



Bioprotection
Bacterial solutions for food safety and
freshness – target of EUR 200m by 2025

Designated as
lighthouse in 2016


HEALTH & NUTRITION



Plant Health
Bacterial cultures for crop protection –
target of EUR 100m by 2025

Designated as
lighthouse in 2013



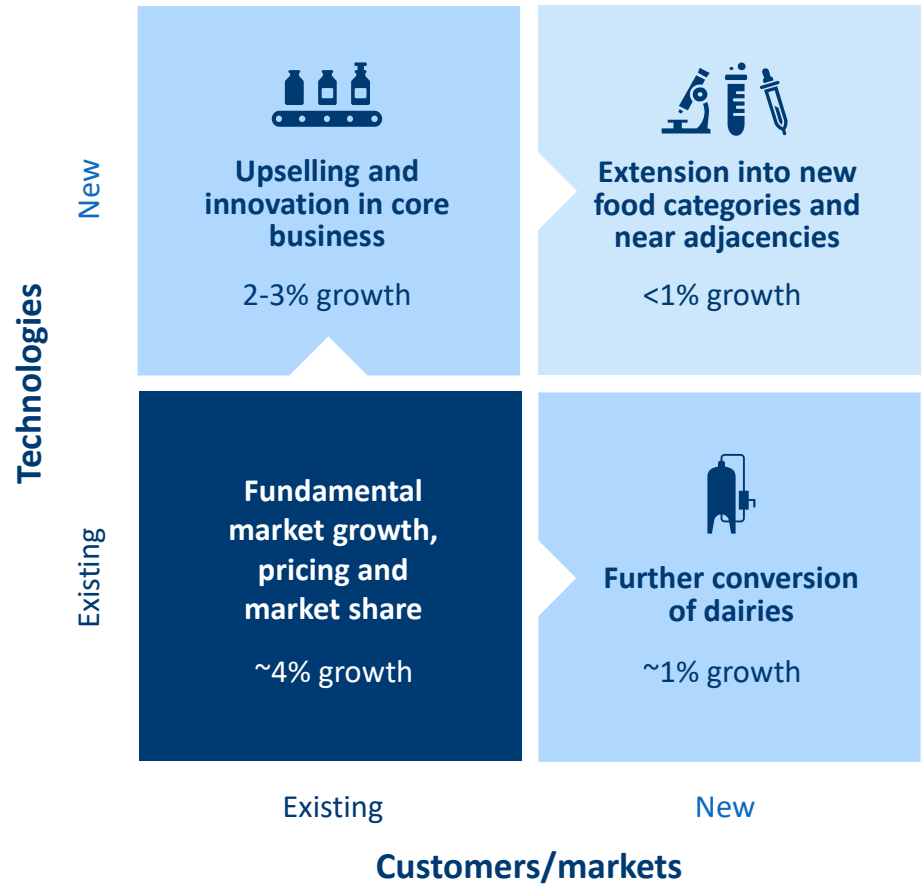
Human Microbiome
Next generation bacteria for
Human Health

Designated as
lighthouse in 2013



We retain our long term growth guidance with majority of growth coming from core customers and markets


Organic growth
divisional target
7-8 %





Upselling novel solutions and increasing wallet size with existing customers will be a key focus in 2018/19

Rejuvenate product offerings and up-sell customers to newer, higher priced solutions

Develop new adjunct uses of cultures and enzymes

Selling more solutions to each existing customer on average

Identify paths to outpace volume growth in mature fermented milk markets (France, Russia and US)

 <p>Health by Probiotics</p>	 <p>Bio-Protection by BioSafe® and FreshQ®</p>	 <p>Sugar reduction by NOLA® Fit</p>	 <p>Ripening aids by DVS®</p>
 <p>Improved functionality and differentiation by DVS® Cultures</p>		 <p>Cost efficiency by innovative DVS® Cultures</p>	



We continue to roll out the 2nd generation bioprotection in emerging markets and drive penetration across core food applications

Bioprotection has made strong progression since 2013, and will continue to create long-term revenue optionality

7%






of Food Cultures & Enzymes revenue in 2017/18

Food waste

Shelf life extension targeting yeasts/ mould

Food Safety

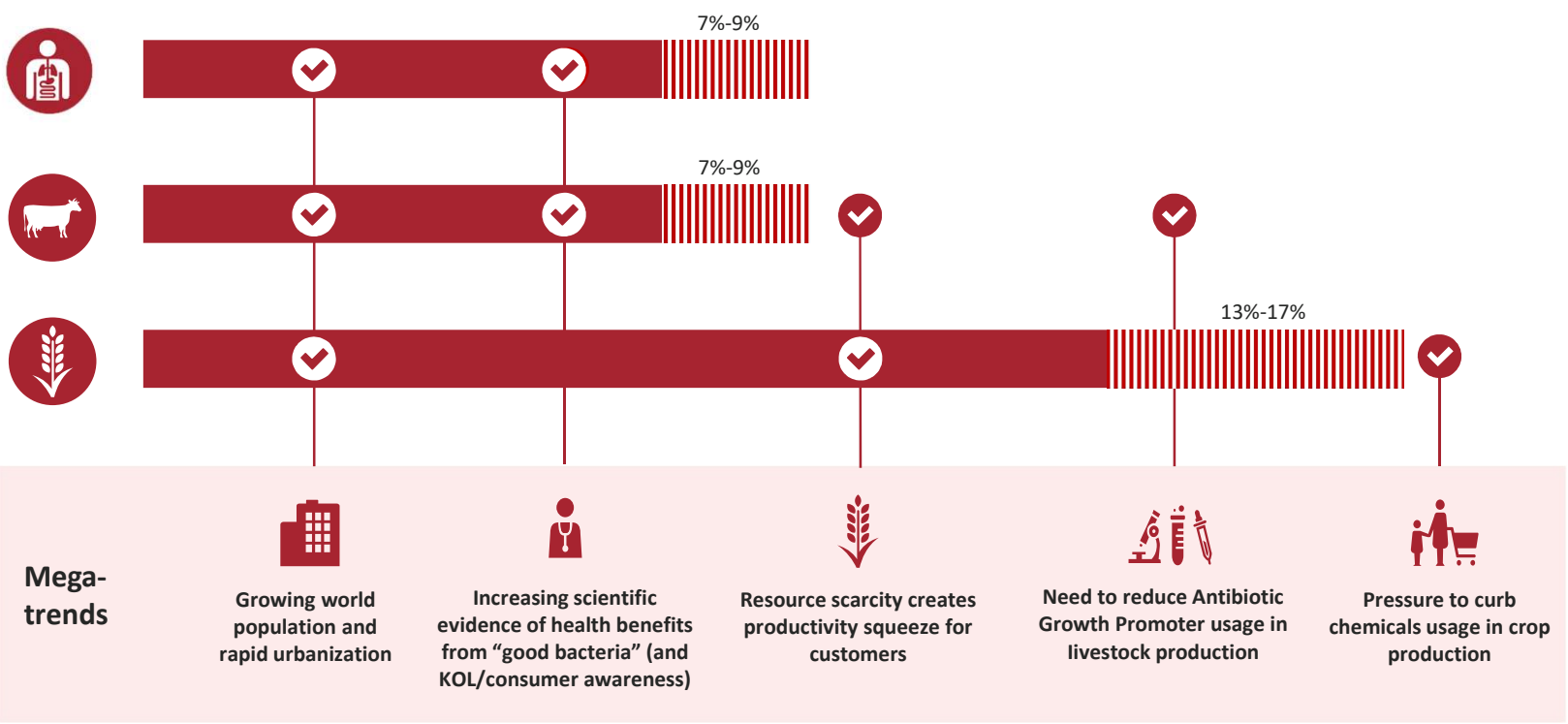
Additional protection against gram-positive food pathogens (listeria, clostridium)

	 Fresh dairy	 Cheese	 Fermented meat	 Animal products <small>(meat adjacencies/fish)</small>	 Vegetable products
	<i>Traditionally Fermented Food Products</i>			<i>Non Traditionally Fermented Food Products</i>	
Food waste Shelf life extension targeting yeasts/ mould	✓	✓		✓	✓
Food Safety Additional protection against gram-positive food pathogens (listeria, clostridium)	✓	✓	✓	✓	✓

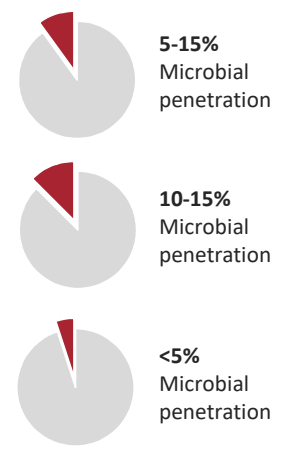


Potential to increase penetration of microbial solutions

Attractive market growth driven by megatrends



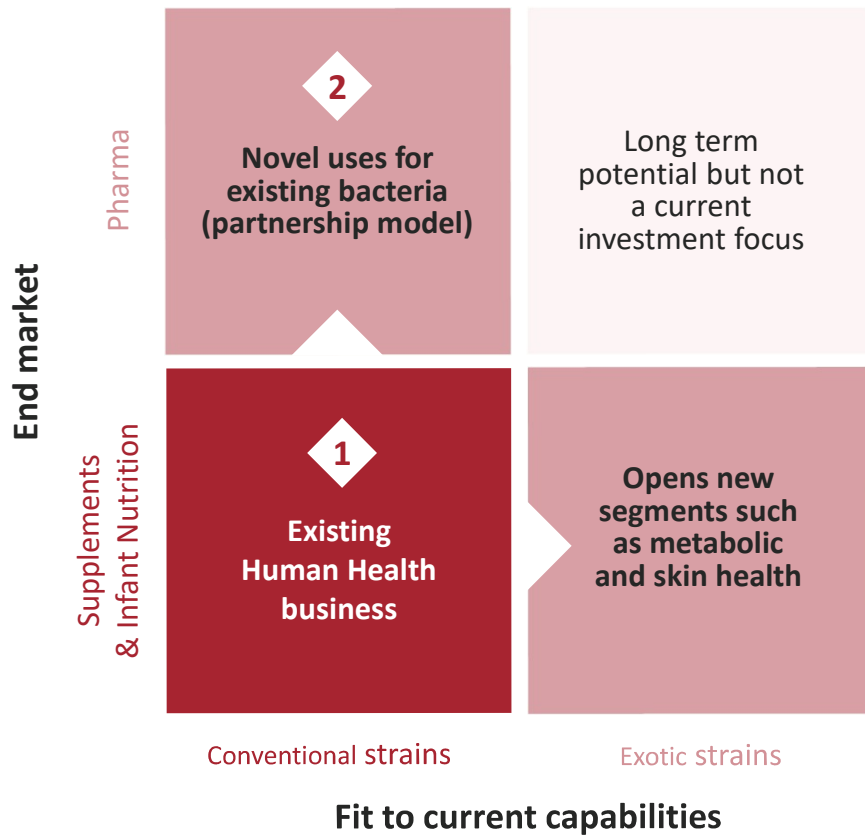
Opportunities to increase penetration



Source: Euromonitor and management estimates



Human Health to focus on launch of new products



1 Microbiome is creating new opportunities within conventional strains and existing end markets

Infants in hospitals Reduce risk of gastrointestinal complications

Infant: Support infant gut microbiome for healthy development

Adult: Promote intestinal integrity

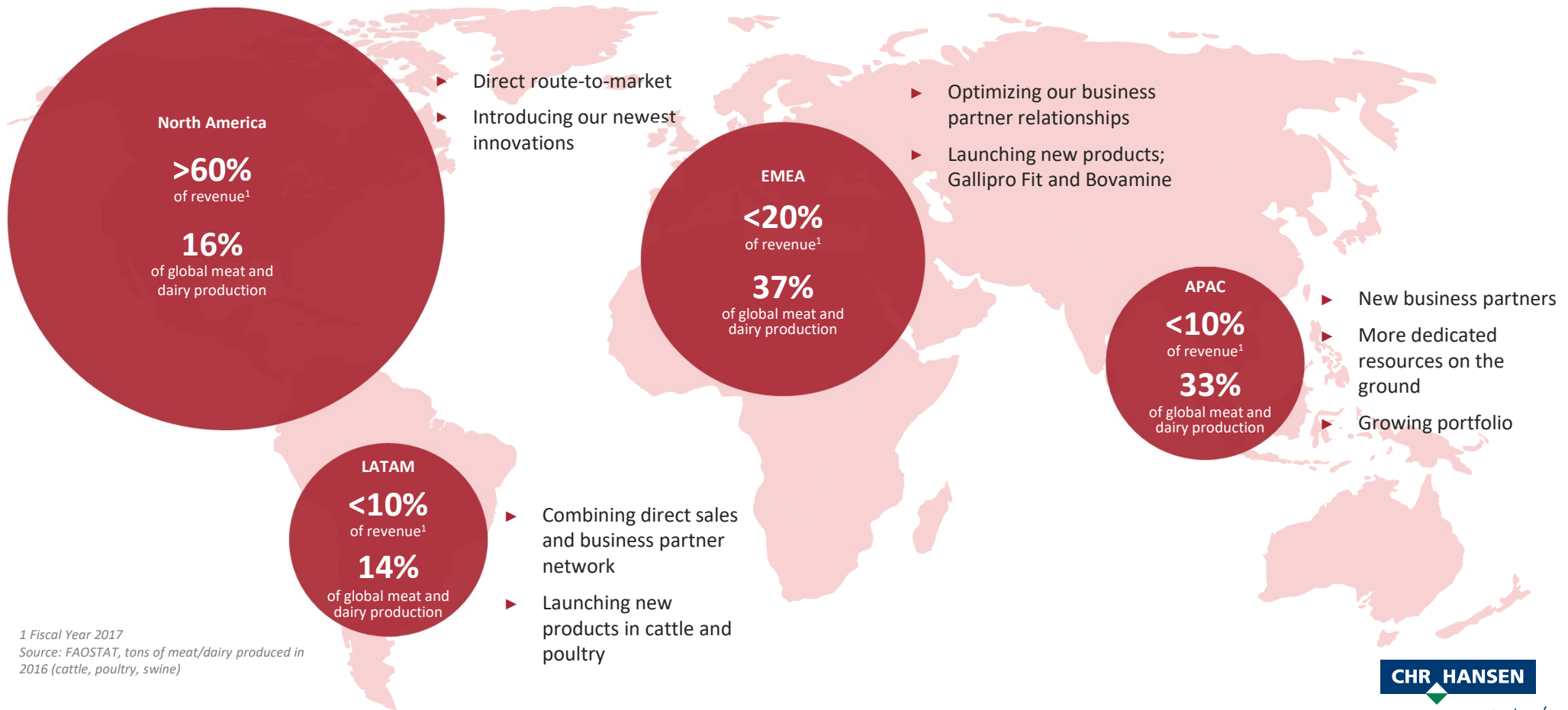
Women: Rebalance a healthy vaginal microbiome

2 Recent partnership with Prota Therapeutics to treat peanut allergy with LGG®





Animal Health to further strengthen route-to-market globally



¹ Fiscal Year 2017
 Source: FAOSTAT, tons of meat/dairy produced in 2016 (cattle, poultry, swine)



Plant Health to unlock a potential of EUR 100m revenue by 2025

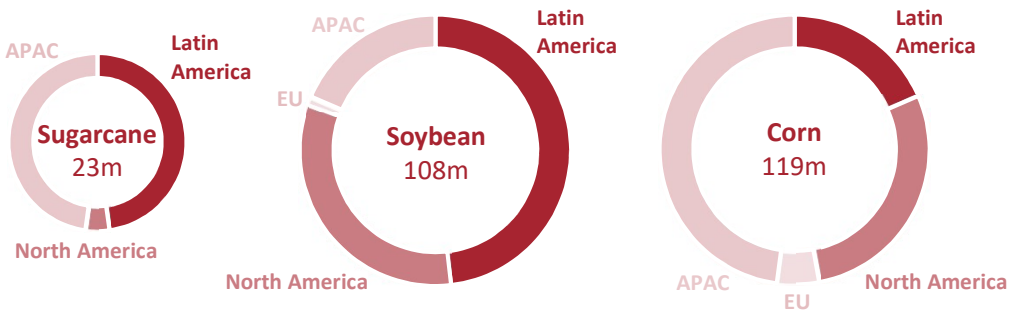
Big and growing market

- ↑ 5% penetration of microbial products in the industry
- ↑ >10 % expected growth of the bio-pesticide industry towards 2021
- ↑ 2.5 % expected growth of the Crop protection industry towards 2021

Ambitions of Plant Health

- ▶ Today: On market primarily in South America (Brazil)
- ▶ 2019/20: Expansion in North America
- ▶ 2024/25: Presence in all major geographies
- ▶ *Ramping up investments in capacity, discovery, and tech support*

Hectares harvested in existing vs. potential markets, 2015



Source: Phillips McDougall, FaoStat, Markets&Markets



EUR 100m
Unlocked potential by 2025



NATURAL COLORS

Natural Colors presents an attractive growth opportunity

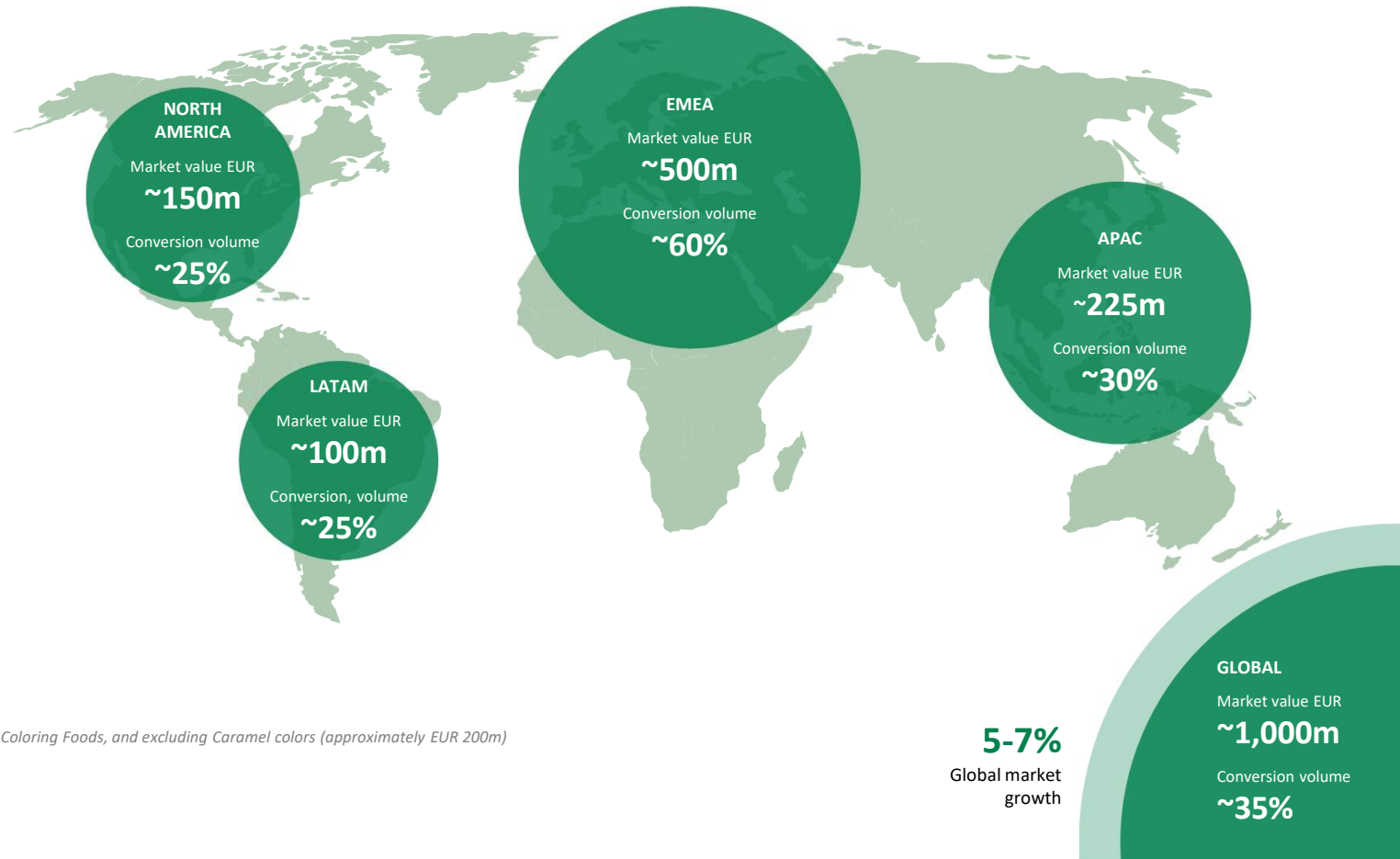
Key messages

- Attractive growth potential from conversion and coloring foodstuff
- Transformation project completed
- Limited synergies between Natural Colors and our microbial platform

Main trend and projected value

- Demand for cleaner, healthier and more natural products
- Projected 2030 market value of EUR 2.0 - 2.5bn

Current market overview



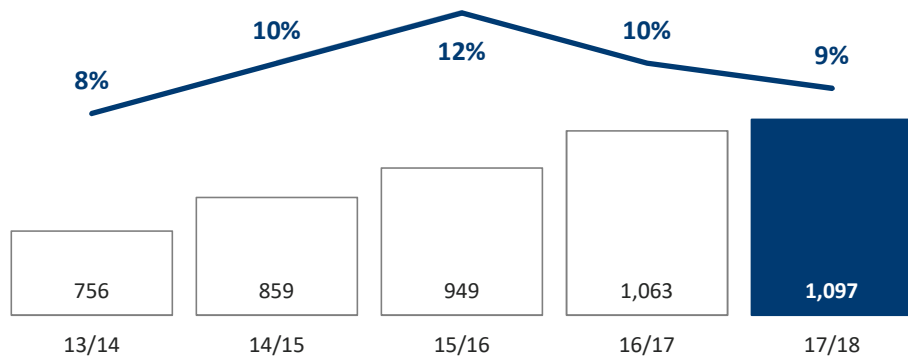
Source: Euromonitor and management estimates.

Note: Market value measured as Food & Beverages Natural Colors including Coloring Foods, and excluding Caramel colors (approximately EUR 200m)

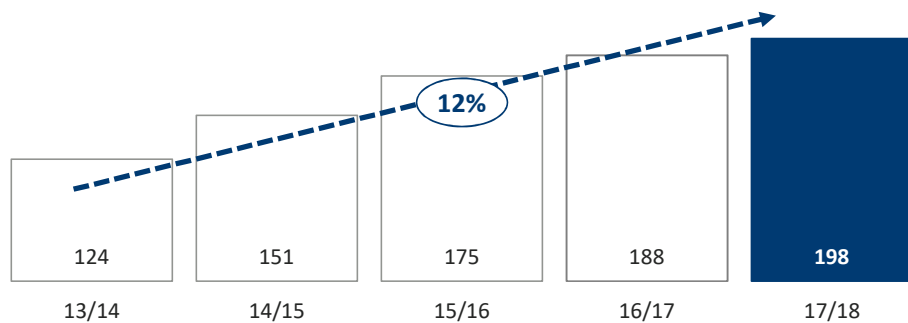
FINANCIAL PERFORMANCE

Great track record of financial performance on Group level...

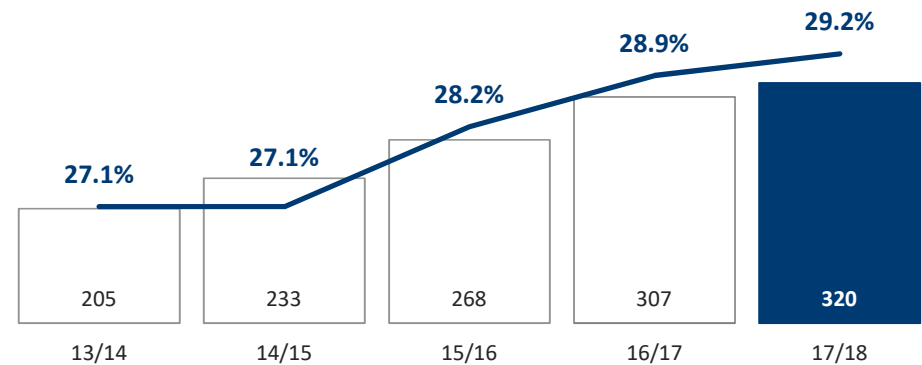
Revenue in EUR m / organic growth, %



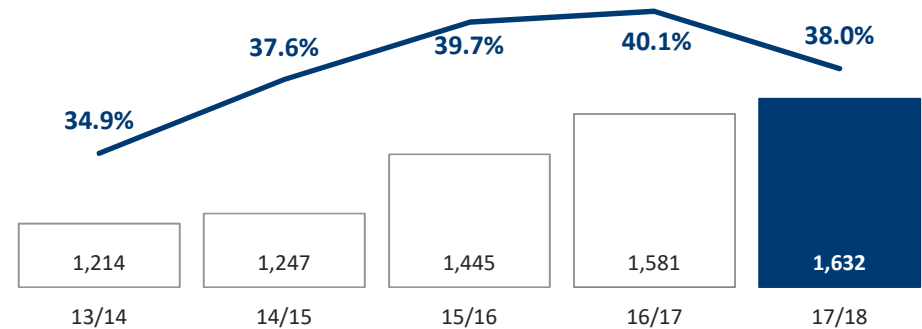
Free cash flow before special items and acquisitions in EUR m / CAGR, %



EBIT before special items and acquisitions in EUR m / margin, %



Return on invested capital in EUR m / ROIC, %

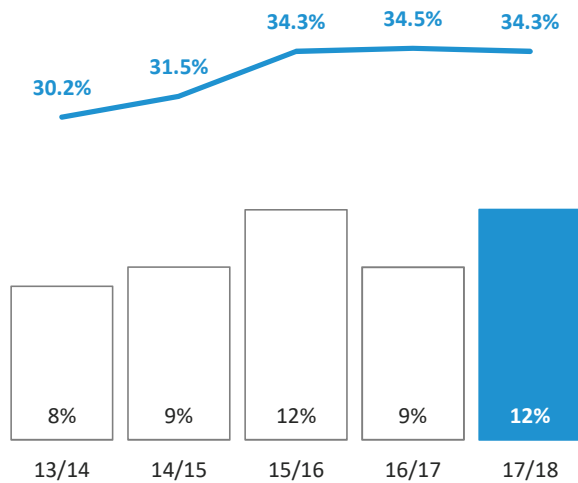


FINANCIAL PERFORMANCE

... and across the business units



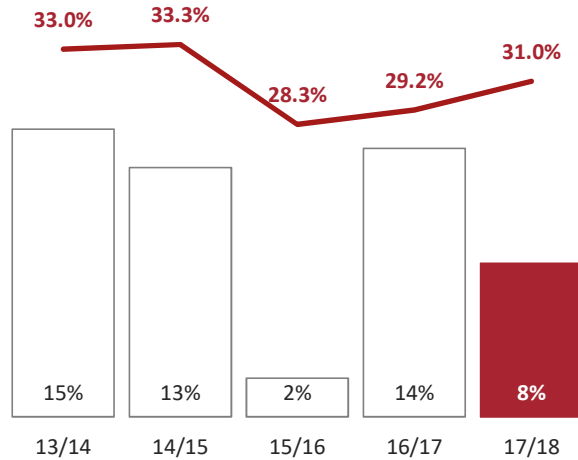
FOOD CULTURES & ENZYMES



59% of Group sales



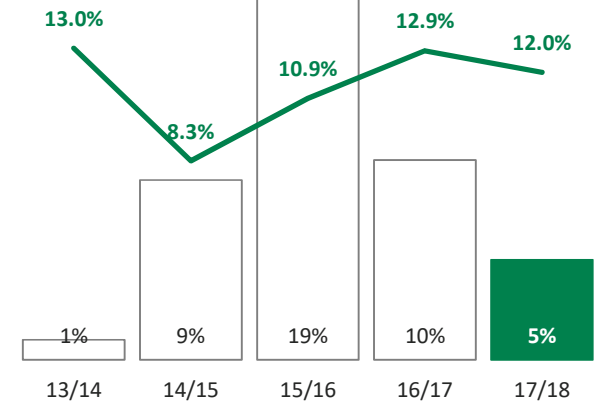
HEALTH & NUTRITION



21% of Group sales



NATURAL COLORS



20% of Group sales

LONG-TERM AMBITION

We will continue to pursue profitable growth through 2021/22

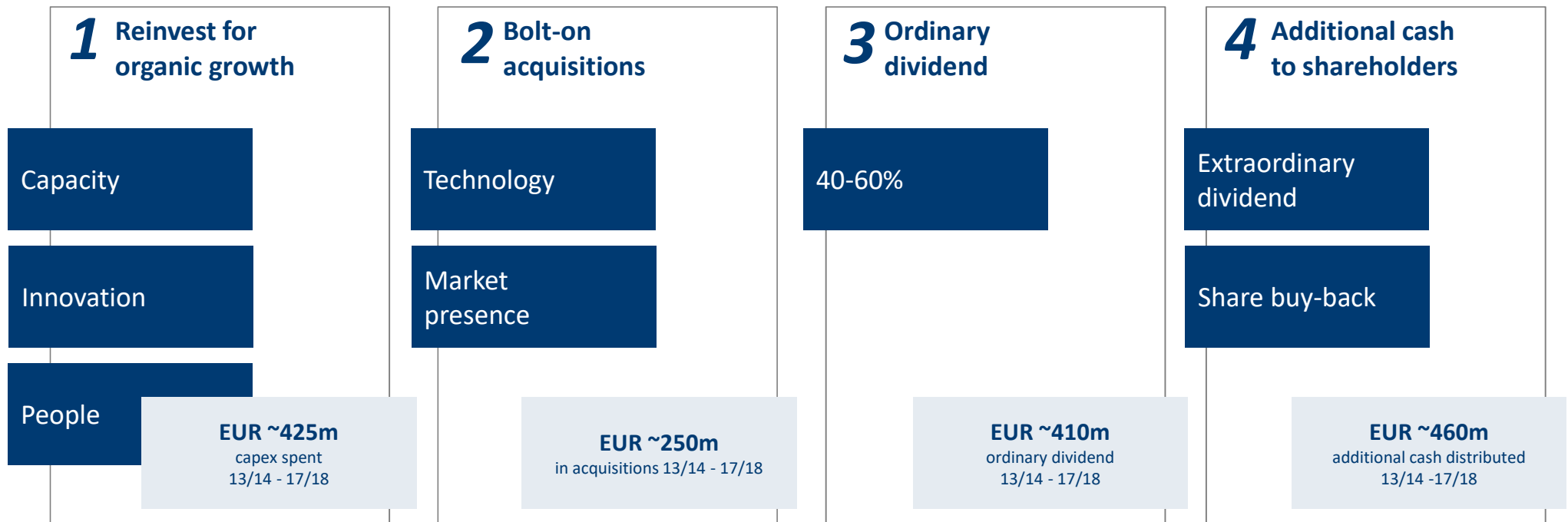
8-10% organic growth
with 7-8% organic growth in FC&E

30+% EBIT margin b.s.i.

+10% CAGR FCF b.s.i.a.

CAPITAL ALLOCATION

Our capital priorities are unchanged with organic growth still being the top priority



Leverage consistent with a solid investment-grade credit profile



FY 2017/18 Results

CHR HANSEN

Improving food & health

FINANCIAL HIGHLIGHTS

Another successful year for Chr. Hansen; financial targets met

9% organic growth

Guidance FY 17/18:
8-10%

29.2% EBIT margin b.s.i.

Guidance FY 17/18:
Around the same level as in 16/17 (28.9%)

EUR 196m FCF b.s.i.a.




Guidance FY 17/18:
Around the same level as in 16/17 (EUR 188m)

EUR 0.87 dividend proposal per share (50% of net profit)

Guidance FY 17/18: 40-60% of net profit

FINANCIAL HIGHLIGHTS




Double-digit growth in Food Cultures & Enzymes paired with solid growth in Health & Nutrition and good momentum in Natural Colors

Organic growth	FY 17/18 +12%	FY 17/18 +8%	FY 17/18 +5%
	Q4 17/18 +12%	Q4 17/18 +10%	Q4 17/18 +6%
Share of Group revenue 17/18	59%	21%	20%
	Food Cultures & Enzymes 	Health & Nutrition 	Natural Colors 

STRATEGIC & OPERATIONAL HIGHLIGHTS

Good progress on Nature's no. 1 strategy in 2017/18



	 PROGRESS 17/18 FOOD CULTURES & ENZYMES	 PROGRESS 17/18 HEALTH & NUTRITION	 PROGRESS 17/18 NATURAL COLORS
	Leverage the full potential	Develop the microbial platform	Create further value
Drive penetration of new innovation	<ul style="list-style-type: none"> ▶ Bioprotection grew 35%, especially driven by 1st generation in dairy ▶ 2nd generation bioprotection successfully introduced 	<ul style="list-style-type: none"> ▶ Good progress in Human Health & Human Microbiome on new product development ▶ Launch of two Plant Health products in Brazil, renegotiated collaboration terms with FMC 	<ul style="list-style-type: none"> ▶ Launched FRUITMAX® oil soluble range for applications in key regions
Reinforce position in growth markets	<ul style="list-style-type: none"> ▶ Strong organic growth in Latin America and solid growth in APAC ▶ Expanded local customer support teams and infrastructure 	<ul style="list-style-type: none"> ▶ Strong organic growth in Human and Animal Health in Asia-Pacific and Latin America 	<ul style="list-style-type: none"> ▶ Successful expansion into food service segment ▶ Strong momentum in coloring foods
Generate fuel for growth	<ul style="list-style-type: none"> ▶ Scalability impacts from new expansion ▶ Excellent delivery performance 	<ul style="list-style-type: none"> ▶ Scalability and efficiencies in production 	<ul style="list-style-type: none"> ▶ Streamlined product portfolio ▶ Strengthened operational processes to enable scalability of the business

SUSTAINABILITY HIGHLIGHTS

82% of our revenue contributes to UN Global Goals

82%

of revenue contributes to UN Global Goals



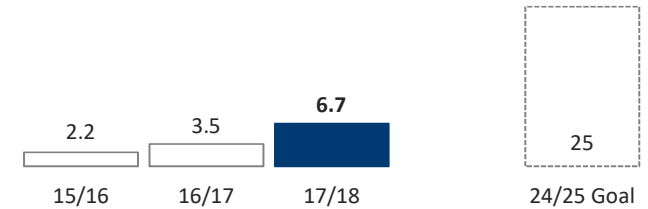
- Reviewed by PwC

BETTER FARMING

+3.2m hectares farmland treated with natural solutions



Million hectares of farmland treated with natural solutions (cumulative)

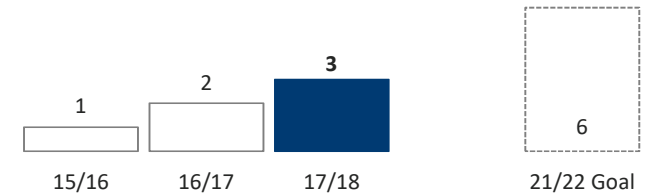


BETTER HEALTH

+1 new product launched with health benefits



New products launched with health benefits (cumulative)

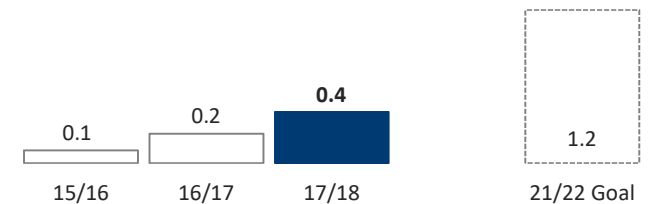


LESS WASTE

+0.17m tons of yogurt waste reduced



Million tons of global yogurt waste reduced (cumulative)

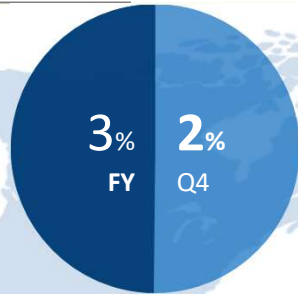


REGIONAL PERFORMANCE

EMEA, Asia-Pacific and Latin America driving global organic growth

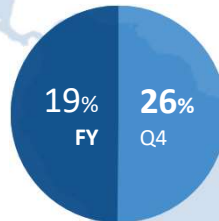
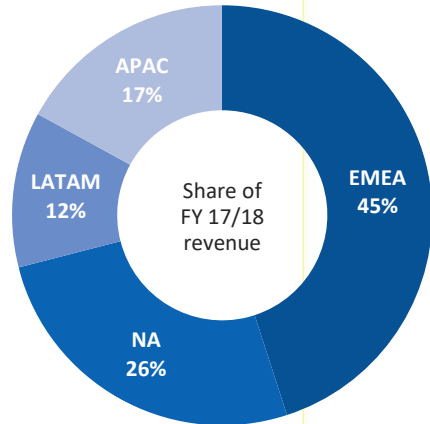
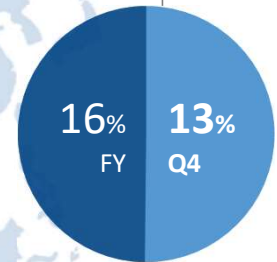
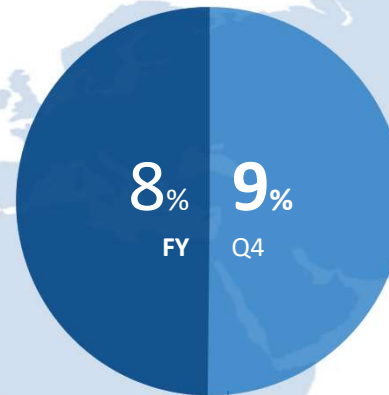
NORTH AMERICA

- ▶ **FY:** Solid growth in FC&E and AH; HH declined; NCD flat
- ▶ **Q4:** Solid growth in FC&E and AH; HH declined due to customer destocking in dietary supplements; NCD slightly down



APAC

- ▶ **FY:** Strong growth in H&N and NCD, whilst FC&E reported solid growth
- ▶ **Q4:** Strong growth in H&N and good growth in FC&E and NCD



LATAM

- ▶ **FY:** Strong growth in FC&E, AH and PH; NCD flat
- ▶ **Q4:** Strong growth in FC&E, AH and PH; NCD with good performance

EMEA

- ▶ **FY:** Strong growth in FC&E and AH; NCD solid; HH in decline due to customer destocking in infant formula
- ▶ **Q4:** Strong growth in FC&E, solid growth in NCD; HH declined due to timing of orders; AH on par

FC&E= Food Cultures & Enzymes, H&N= Health & Nutrition, NCD= Natural Colors (Division), AH= Animal Health, HH= Human Health, PH= Plant Health.



Solid volume growth in Q4 and margin improvements from CPH expansion

+12% ORGANIC GROWTH FY 17/18

- FY**
- ▶ Double digit growth in cheese, fermented milk, meat and enzymes, whilst probiotics grew slightly
 - ▶ Bioprotection delivered ~35% organic growth

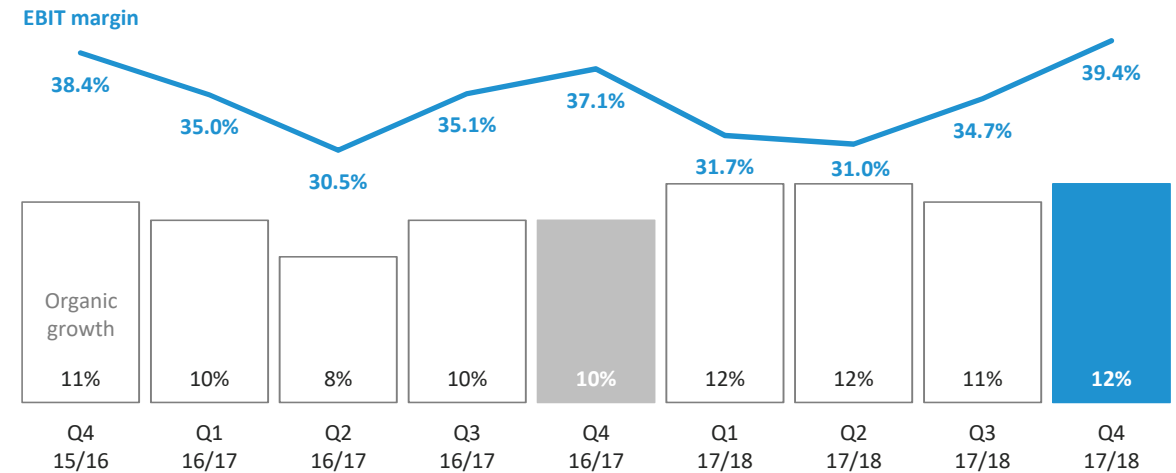
- Q4**
- ▶ Organic growth was driven by strong growth in cheese, fermented milk, meat and enzymes
 - ▶ Bioprotection delivered ~30% organic growth

34.3% EBIT MARGIN FY 17/18 (-0.2%-point yoy)

- FY**
- ▶ Slight decline vs. prior year due to adverse currency impacts
 - ▶ Positive margin contribution from new capacity

- Q4**
- ▶ Increase driven by scalability from new production and absence of ramp-up costs incurred in Q4 16/17

Quarterly development of organic revenue growth and EBIT margin, %



EUR million	Q4 16/17	Q4 17/18	FY 16/17	FY 17/18
Revenue	165	173	618	647
Organic growth	10%	12%	9%	12%
Volume/mix	9%	8%	9%	8%
EBIT b.s.i. margin	37.1%	39.4%	34.5%	34.3%
ROIC ex. goodwill			47.1%	45.6%



Solid performance despite headwinds in Human Health

+8% ORGANIC GROWTH FY 17/18

- FY**
- ▶ HH with strong growth in infant formula in APAC and NA as well as in dietary supplements in APAC; decline in dietary supplements in NA and infant formula in EMEA due to inventory reductions and order patterns of customers
 - ▶ Strong growth in silage and solid growth in swine and poultry; cattle declined due to difficult US market conditions
 - ▶ PH benefited strongly from new product launches in Brazil

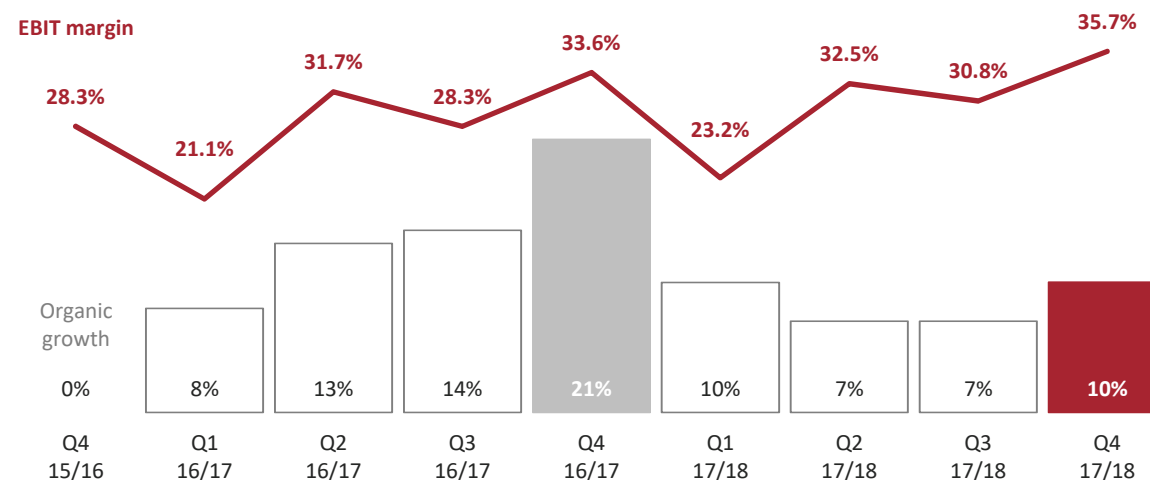
Q4 ▶ Strong growth in AH and PH, HH with solid performance driven by infant formula

31.0% EBIT MARGIN FY 17/18 (+1.8%-points yoy)

- FY**
- ▶ Increase driven by positive product mix in HH, lower scrap and synergies from NPC and LGG®, partly offset by FX

Q4 ▶ Improvement due to positive product mix and the absence of impairments in Q4 2017/18 compared to prior year, partially offset by FX and costs for NN1 initiatives

Quarterly development of organic revenue growth and EBIT margin, %



EUR million	Q4 16/17	Q4 17/18	FY 16/17	FY 17/18
Revenue	62	66	225	231
Organic growth	21%	10%	14%	8%
Volume/mix	21%	10%	14%	8%
EBIT b.s.i. margin	33.6%	35.7%	29.2%	31.0%
ROIC ex. goodwill			29.8%	29.0%



NATURAL COLORS

Improved revenue and earnings momentum in the second half of the year

+5% ORGANIC GROWTH FY 17/18

- FY**
- ▶ Strong growth in coloring foodstuff range FRUITMAX®, particularly in APAC and EMEA
 - ▶ Strong momentum in ice cream

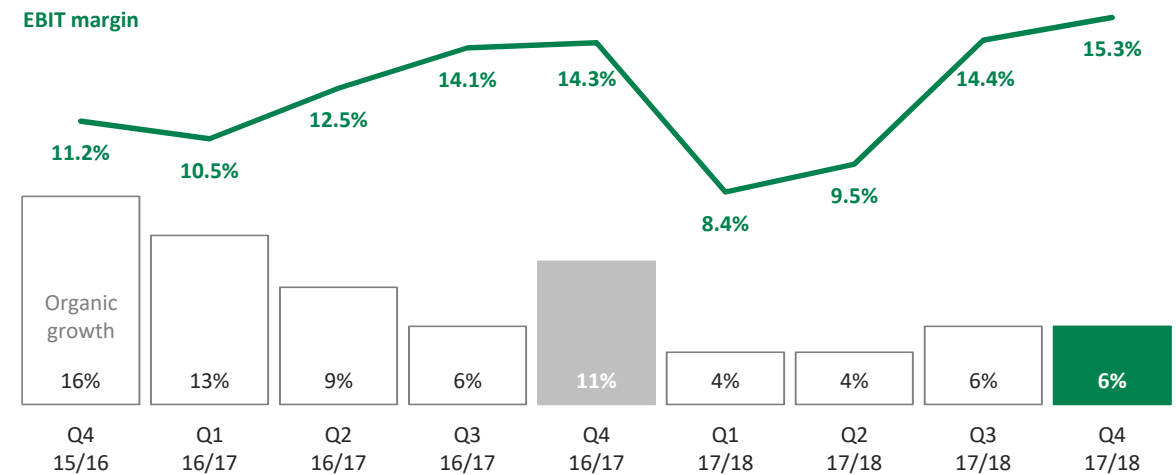
- Q4**
- ▶ Solid growth in EMEA and APAC, driven by FRUITMAX®
 - ▶ Strong growth in ice cream and solid momentum in confectionary and beverage applications

12.0% EBIT MARGIN FY 17/18 (-0.9%-point yoy)

- FY**
- ▶ Decrease due to FX headwinds, a negative impact from raw materials on inventories and one-off costs related to management changes

- Q4**
- ▶ 1.0%-point increase primarily due to margin management initiatives

Quarterly development of organic revenue growth and EBIT margin, %



EUR million	Q4 16/17	Q4 17/18	FY 16/17	FY 17/18
Revenue	57	58	220	219
Organic growth	11%	6%	10%	5%
Volume/mix	8%	5%	6%	2%
EBIT b.s.i. margin	14.3%	15.3%	12.9%	12.0%
ROIC ex. goodwill			30.3%	24.6%

CHR HANSEN

Improving food & health

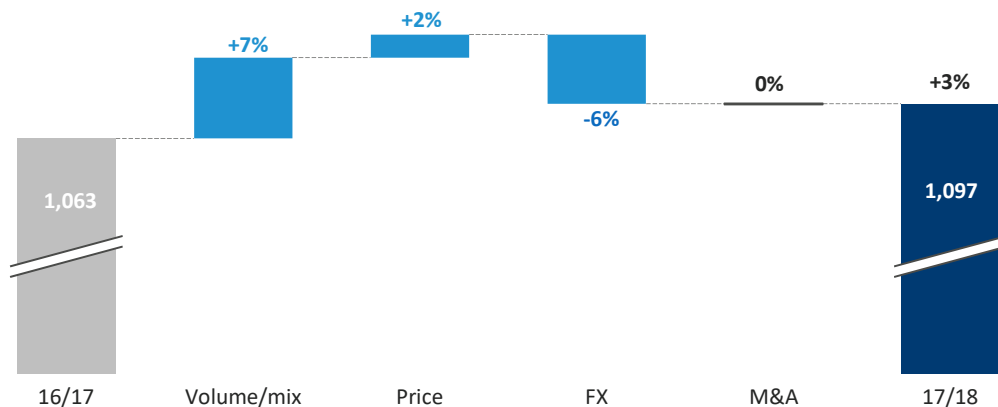
INCOME STATEMENT

Group margins up despite substantial headwinds from FX

Comments

- ▶ Organic growth of 9% mainly driven by volume growth; FX headwinds of -6%
- ▶ Increase in gross margin driven by favorable product mix in H&N offsetting adverse FX
- ▶ Operating expenses totaled EUR 280m or 25.6% of revenue in line with prior year
- ▶ EBIT margin b.s.i. up 30bps mainly due to higher gross profit; negative hit from FX
- ▶ Financial result negatively impacted by unrealized FX losses (ARS, BRL, CNY, TRY); net interest cost was EUR 11m, slightly up compared to prior year

Revenue growth FY 2017/18



EUR million

	FY 16/17	FY 17/18
Revenue	1,063	1,097
Cost of sales	-484	-497
Gross profit	578	601
<i>Gross margin</i>	<i>54.4%</i>	<i>54.7%</i>
R&D expenses	-71	-73
<i>% of sales</i>	<i>6.7%</i>	<i>6.7%</i>
Sales and marketing expenses	-134	-139
<i>% of sales</i>	<i>12.6%</i>	<i>12.7%</i>
Administrative expenses	-71	-70
<i>% of sales</i>	<i>6.7%</i>	<i>6.4%</i>
Other operating income/expenses	5	3
EBIT b.s.i.	307	320
<i>EBIT b.s.i. margin</i>	<i>28.9%</i>	<i>29.2%</i>
Special items	-1	-
EBIT	306	320
<i>EBIT margin</i>	<i>28.8%</i>	<i>29.2%</i>
Net financial items	-15	-24
EBT	291	296
Income taxes	-67	-68
<i>Tax rate</i>	<i>23.0%</i>	<i>22.9%</i>
Profit for the year	224	228

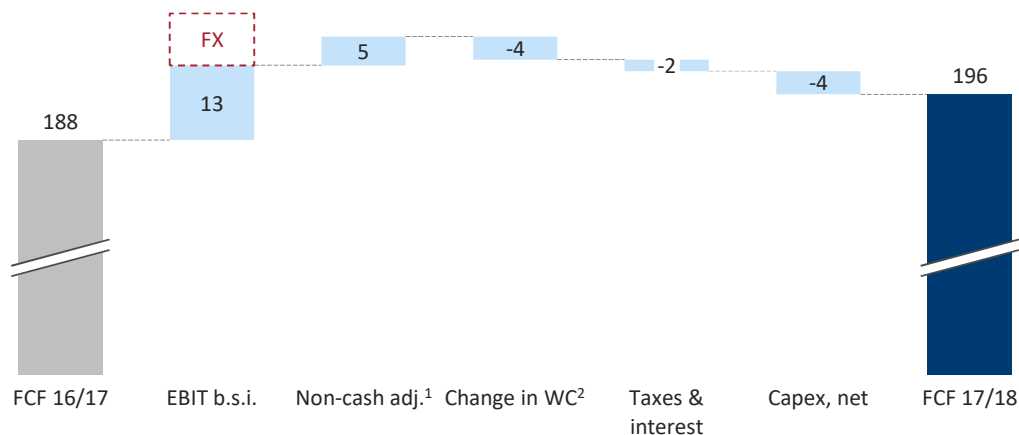
CASH FLOW STATEMENT

Free cash flow on prior year level as expected

Comments

- ▶ Operating cash flow increased by 6% to EUR 302m mainly due to improved EBIT and non-cash adjustments, offset by the changed Danish export credit scheme
- ▶ Net working capital increased driven by higher inventories and receivables
- ▶ Operational investing cash flow was EUR 107m or 9.8% of revenue (in line with 16/17)
- ▶ Free cash flow b.s.i.a. was EUR 196m, up 4% from EUR 188m in 2016/17
- ▶ ROIC ex. Goodwill was down 2.1%-points due to higher invested capital and a substantially larger FX headwind on EBIT compared to invested capital

Change in free cash flow b.s.i.a.



¹ Before special items and acquisitions.

² Includes other payables and receivables.

In EUR m

Cash flow

	FY 16/17	FY 17/18
Operating activities	284	302
Operational investing activities	(104)	(107)
Free operating cash flow	180	195
Free cash flow b.s.i.a. ¹	188	196
Acquisition activities	(73)	-
Free cash flow	107	195

Balance sheet




	FY 16/17	FY 17/18
Total assets	1,802	1,861
Equity	769	772
Net interest-bearing debt	628	659

Key ratios

	FY 16/17	FY 17/18
Net working capital	175	189
Capital expenditure	10.0%	9.8%
ROIC excluding goodwill	40.1%	38.0%
NIBD/EBITDA	1.7x	1.7x

OUTLOOK

Strong organic growth with EUR price list effect and free cash flow impacted by peak capex expected for 2018/19

	Realized 2017/18	Outlook 2018/19 ¹ As per Oct 15, 2018	Long-term financial ambition ²
Organic revenue growth	+9%	9-11%	8-10%
 <i>Food Cultures & Enzymes</i>	+12%	<i>Above long-term ambition</i>	7-8%
 <i>Health & Nutrition</i>	+8%	<i>10% or above</i>	<i>n.a.</i>
 <i>Natural Colors</i>	+5%	6-10%	<i>n.a.</i>
EBIT margin b.s.i.	29.2%	Around 29.5%	30+%
Free cash flow b.s.i.a.	EUR 196m +4% yoy	Around the same level as in 17/18 ³	+10% CAGR

¹ Based on constant currencies and stable raw material prices, and assumes no acquisitions. The outlook is also based on the current political and economic environment, although there is a risk of increased political and economic uncertainty – e.g. the economic climate in the Middle East and Latin America, and trade tensions between large economies. Any deterioration in these situations might impact the outlook.

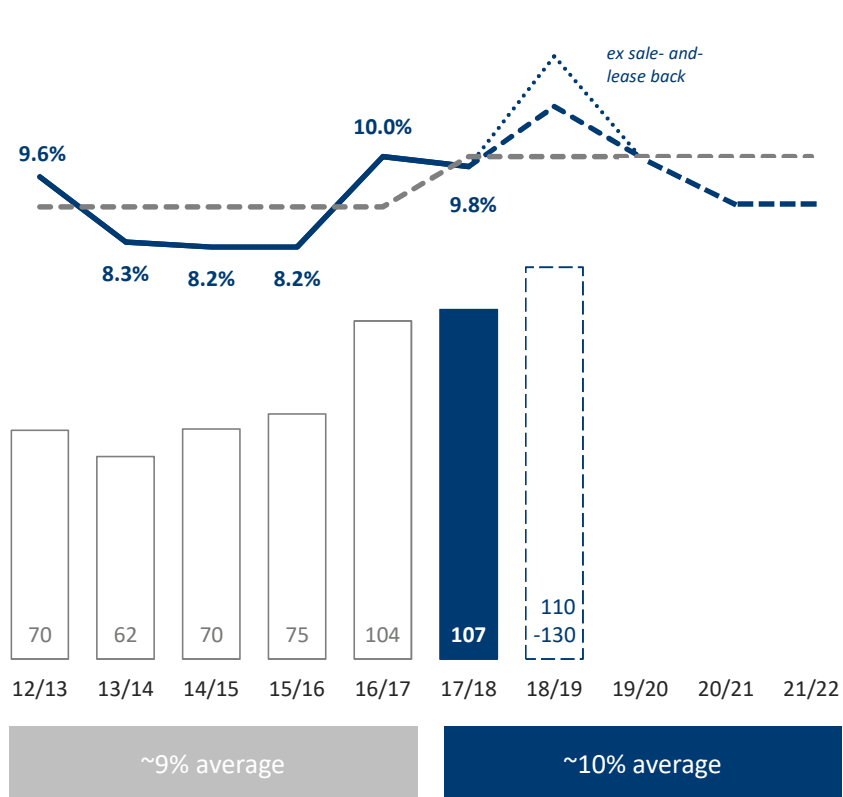
² Baseline 2016/17, updated at Capital Market Day on April 18, 2018.

³ Assumes lower growth in cash flow from operating activities than growth of EBIT before special items, due to a higher level of taxes to be paid in 2018/19, mainly related to the absence of acquisition-driven tax benefits realized in 2017/18. Cash flow used for operational investment activities will be at a relatively high level, and is expected to be between EUR 110-130 million. This includes multiple investments across the group, and also assumes a successful sale-and-lease-back of the company's main site in Hørsholm in Q4 2018/19.

OUTLOOK








Peak capex in 18/19, partially to be financed with sale-and-lease-back

Capex projection in EUR m and % of revenue (illustrative)



Selection of major investment projects

Expected year of completion

Freeze dried & powder packaging  	19/20
Natural Colors US footprint & Montpellier R&D upgrade 	19/20
Capacity expansion in Health & Nutrition 	20/21
R&D facility  	20/21
Dairy expansion 	Beyond 21/22

~10% of net revenue capex p.a. 2017/18 – 21/22



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