



**Chr. Hansen**  
**FY 2017/18 Results**  
October 15, 2018

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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<br><b>+12%</b>   | FY 17/18<br><b>+8%</b>   | FY 17/18<br><b>+5%</b>  |
|                              | Q4 17/18<br><b>+12%</b>   | Q4 17/18<br><b>+10%</b>  | Q4 17/18<br><b>+6%</b>  |
| Share of Group revenue 17/18 | <b>59%</b>  | <b>21%</b>   | <b>20%</b>  |
|                              | <b>Food Cultures &amp; Enzymes</b><br> | <b>Health &amp; Nutrition</b><br> | <b>Natural Colors</b><br> |

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



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

SUSTAINABILITY HIGHLIGHTS

# 82% of our revenue contributes to UN Global Goals

# 82%

of revenue contributes to UN Global Goals



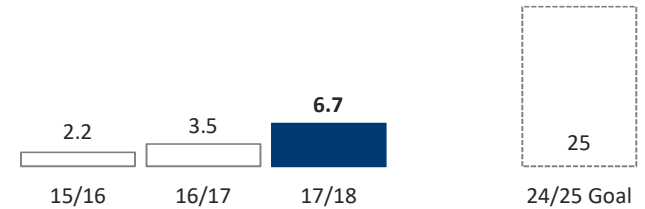
- Reviewed by PwC

## BETTER FARMING

**+3.2m** hectares farmland treated with natural solutions



Million hectares of farmland treated with natural solutions (cumulative)

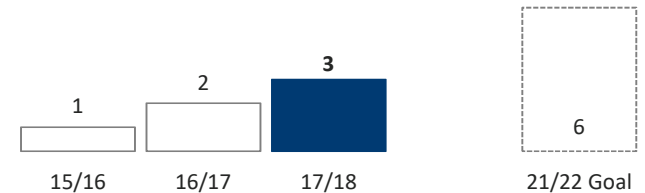


## BETTER HEALTH

**+1** new product launched with health benefits



New products launched with health benefits (cumulative)

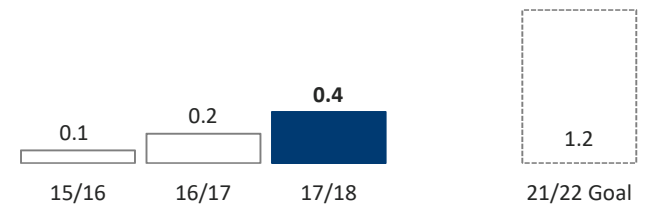


## LESS WASTE

**+0.17m** tons of yogurt waste reduced



Million tons of global yogurt waste reduced (cumulative)



**CHR HANSEN**

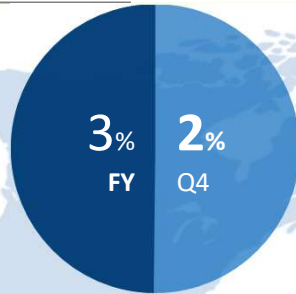
*Improving food & health*

## REGIONAL PERFORMANCE

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

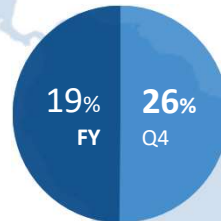
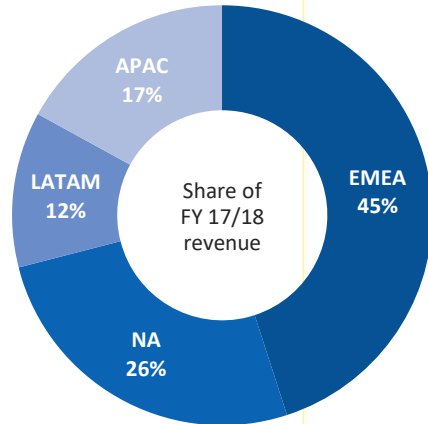
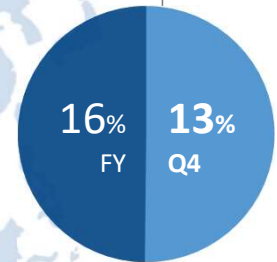
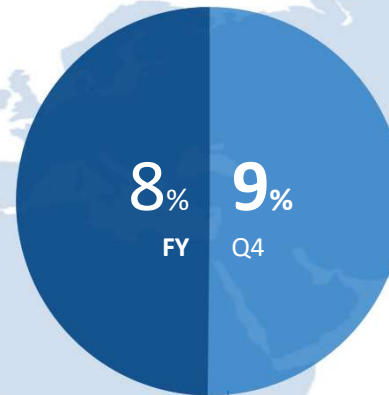
### NORTH AMERICA

- ▶ **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

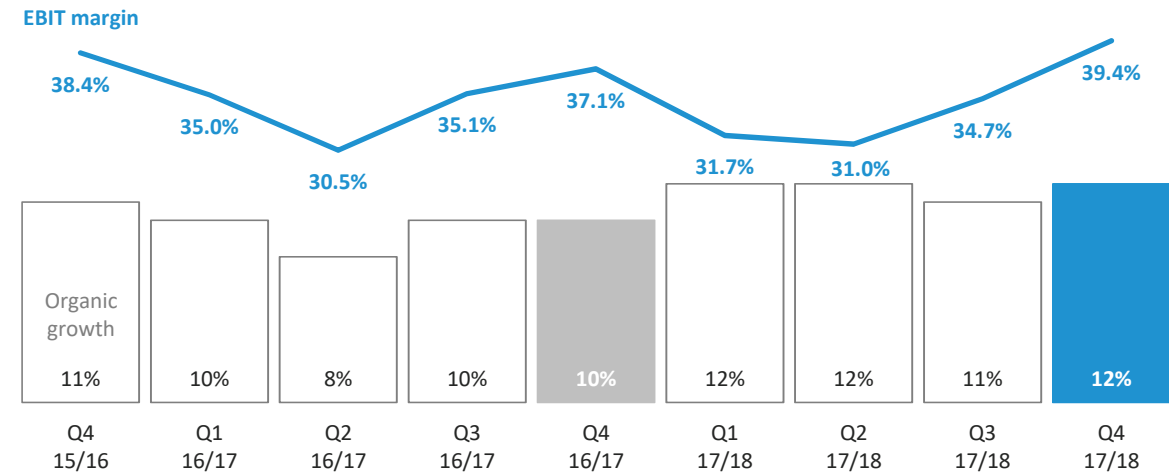
- Q4**
- ▶ Organic growth was driven by strong growth in cheese, fermented milk, meat and enzymes
  - ▶ Bioprotection delivered ~30% organic growth

**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

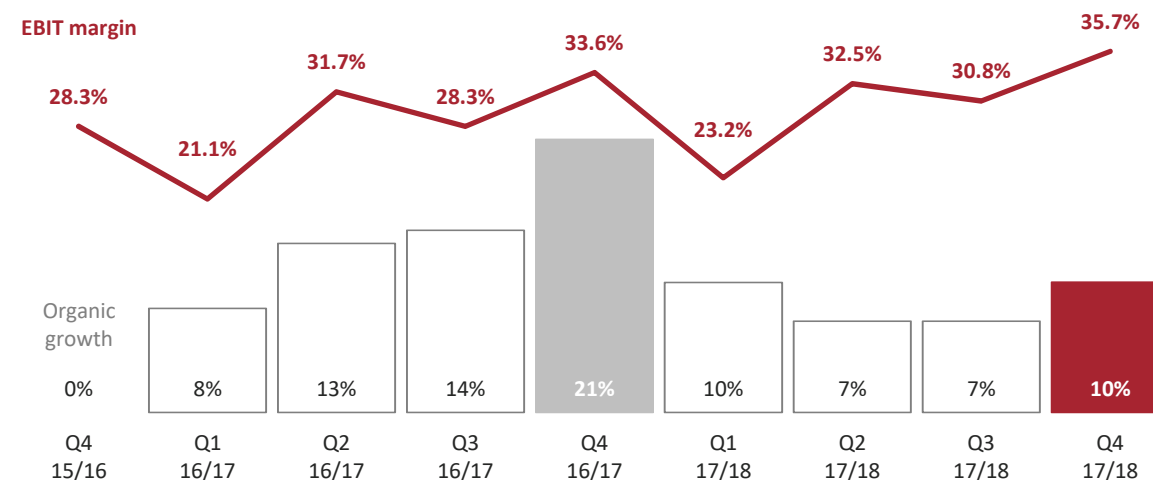
**Q4** ▶ Strong growth in AH and PH, HH with solid performance driven by infant formula

**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%    |



# 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

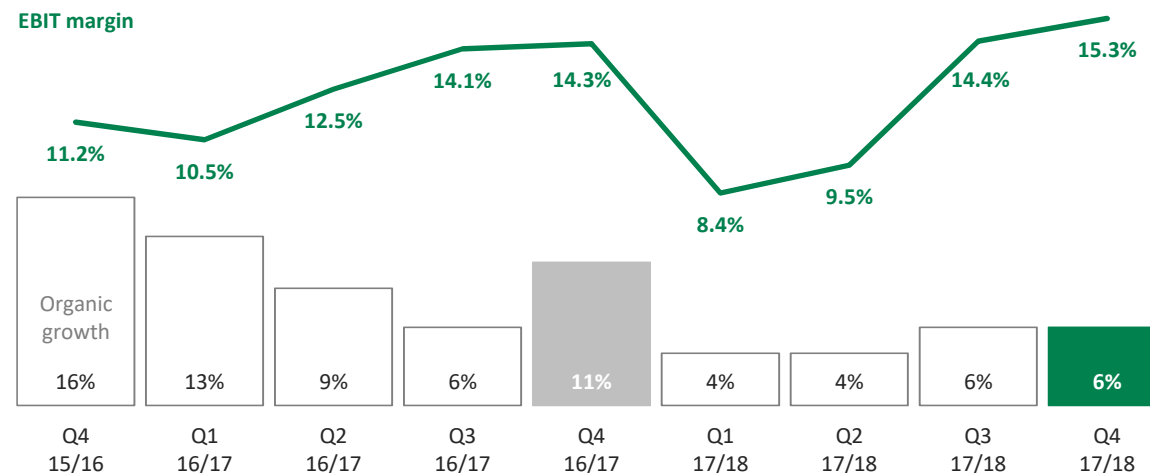
- Q4**
- ▶ Solid growth in EMEA and APAC, driven by FRUITMAX®
  - ▶ Strong growth in ice cream and solid momentum in confectionary and beverage applications

**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%    |

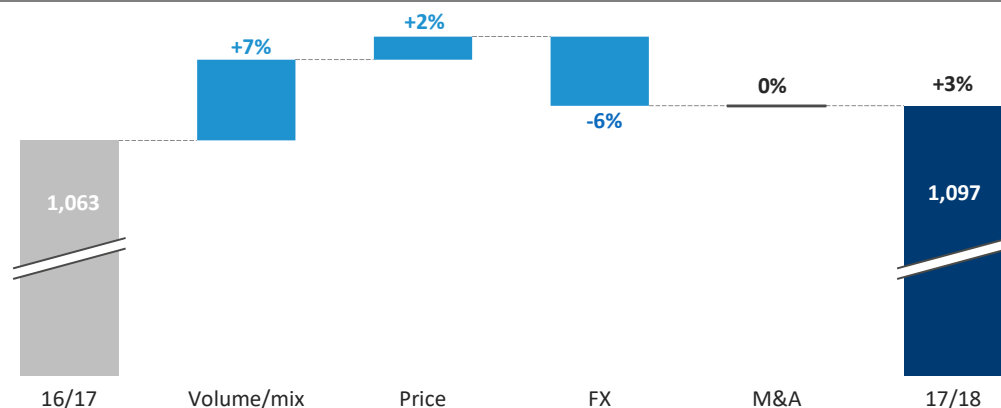
## INCOME STATEMENT

# 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

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Revenue                         | 1,063        | 1,097        |
| Cost of sales                   | -484         | -497         |
| <b>Gross profit</b>             | <b>578</b>   | <b>601</b>   |
| <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            |
| <b>EBIT b.s.i.</b>              | <b>307</b>   | <b>320</b>   |
| <i>EBIT b.s.i. margin</i>       | <i>28.9%</i> | <i>29.2%</i> |
| Special items                   | -1           | -            |
| <b>EBIT</b>                     | <b>306</b>   | <b>320</b>   |
| <i>EBIT margin</i>              | <i>28.8%</i> | <i>29.2%</i> |
| Net financial items             | -15          | -24          |
| <b>EBT</b>                      | <b>291</b>   | <b>296</b>   |
| Income taxes                    | -67          | -68          |
| <i>Tax rate</i>                 | <i>23.0%</i> | <i>22.9%</i> |
| <b>Profit for the year</b>      | <b>224</b>   | <b>228</b>   |

FY 16/17

FY 17/18

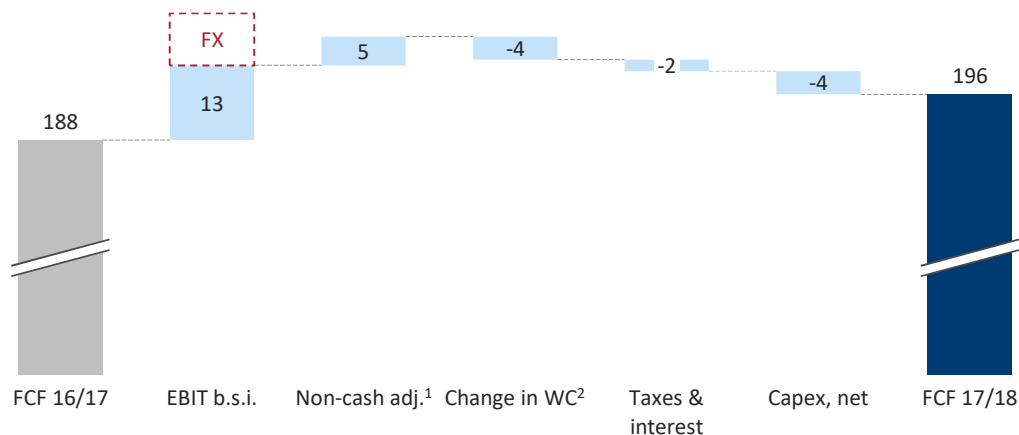
## CASH FLOW STATEMENT

# 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.



<sup>1</sup> Before special items and acquisitions.

<sup>2</sup> Includes other payables and receivables.

In EUR m

### Cash flow

|                                      |       |       |
|--------------------------------------|-------|-------|
| Operating activities                 | 284   | 302   |
| Operational investing activities     | (104) | (107) |
| Free operating cash flow             | 180   | 195   |
| Free cash flow b.s.i.a. <sup>1</sup> | 188   | 196   |
| Acquisition activities               | (73)  | -     |
| Free cash flow                       | 107   | 195   |

### Balance sheet

|                           |       |       |
|---------------------------|-------|-------|
| Total assets              | 1,802 | 1,861 |
| Equity                    | 769   | 772   |
| Net interest-bearing debt | 628   | 659   |

### Key ratios




|                         |       |       |
|-------------------------|-------|-------|
| Net working capital     | 175   | 189   |
| Capital expenditure     | 10.0% | 9.8%  |
| ROIC excluding goodwill | 40.1% | 38.0% |
| NIBD/EBITDA             | 1.7x  | 1.7x  |

FY 16/17

FY 17/18

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

<sup>1</sup> 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.

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

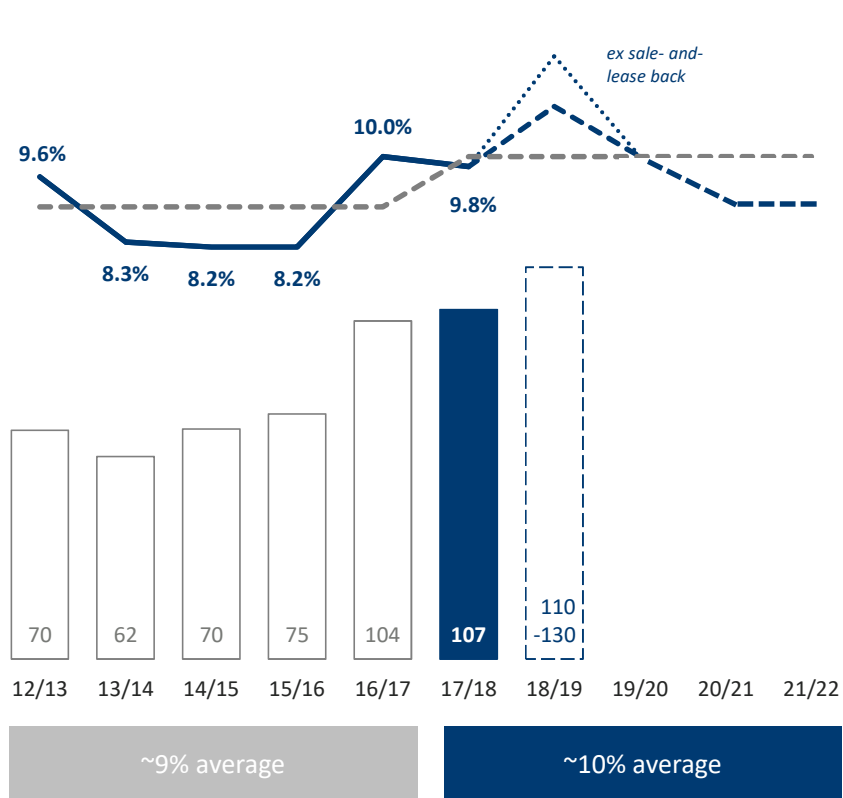
<sup>3</sup> Assumes lower growth in cash flow from operating activities than growth of EBIT before special items, due to a higher level of taxes to be paid in 2018/19, mainly related to the absence of acquisition-driven tax benefits realized in 2017/18. Cash flow used for operational investment activities 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

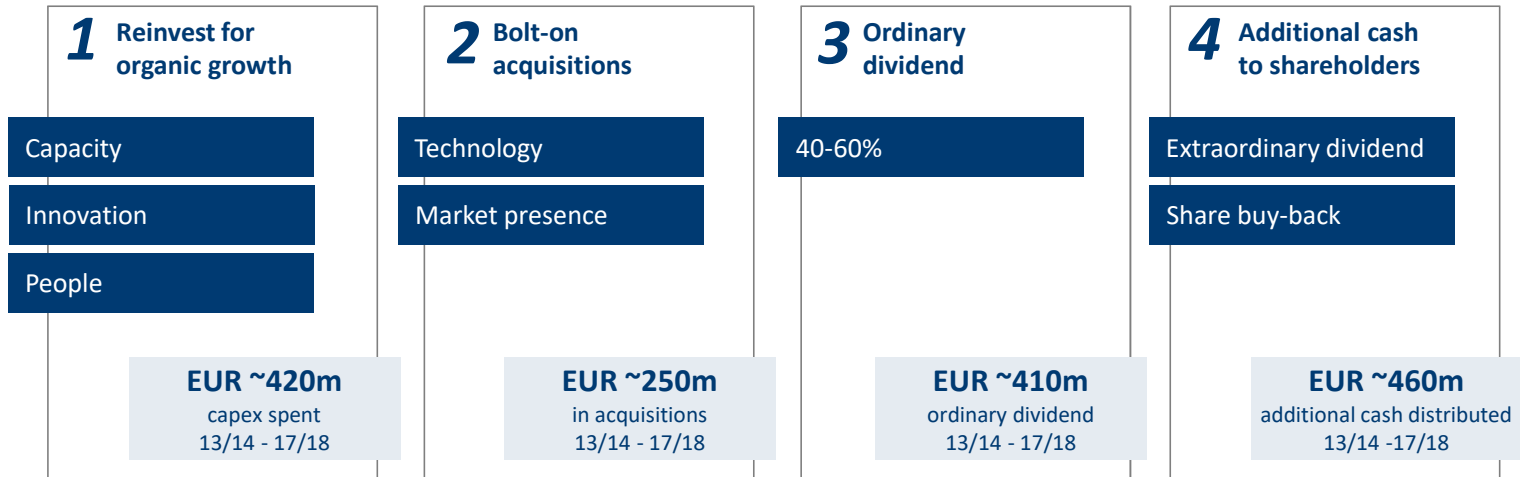
### Expected year of completion

|   |              |
|---|--------------|
| 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 |

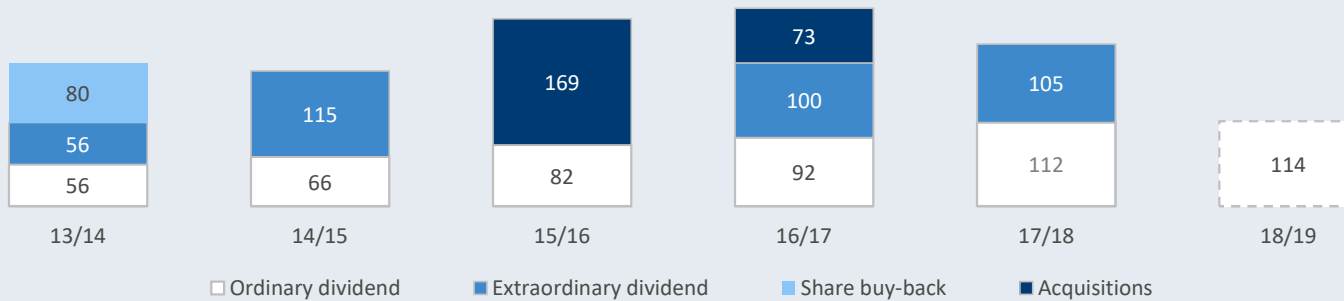
~10% of net revenue capex p.a. 2017/18 – 21/22

## OUTLOOK

# Capital allocation priorities & discipline are unchanged



Distributing cash to shareholders in EUR m







**CHR HANSEN**

*Improving food & health*