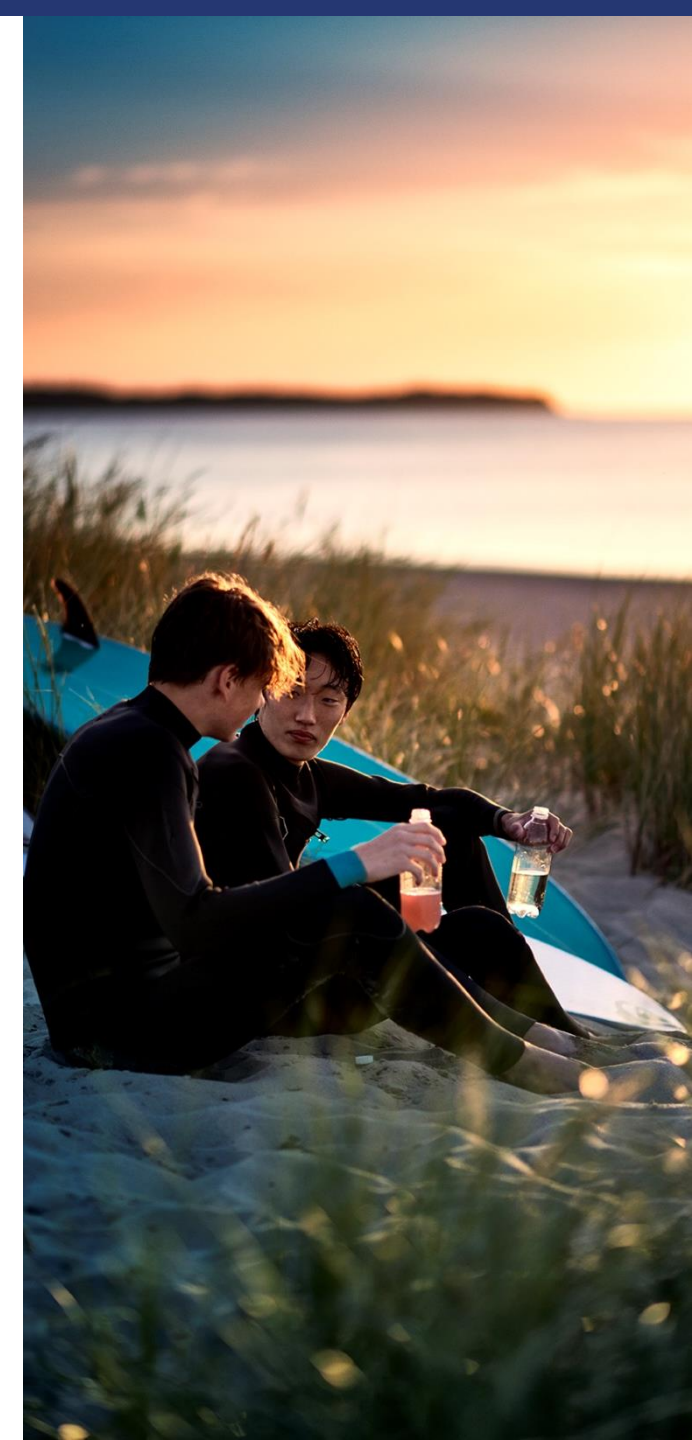


# Chr. Hansen Q2 2018/19 Results & Joint Venture with Lonza

April 3, 2019

# Safe harbor statement

- 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,” “outlook,” “will,” “may,” “continue,” “should” and similar expressions identify forward-looking statements.
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# Solid momentum continues, outlook maintained

YTD 2018/19

**9%** organic growth

YTD 2017/18: 9%

**27.0%** EBIT margin b.s.i.

YTD 2017/18: 26.2%

**EUR 8m** FCF b.s.i.a.

YTD 2017/18: EUR 11m

Q2 2018/19

**8%** organic growth

Q2 2017/18: 9%

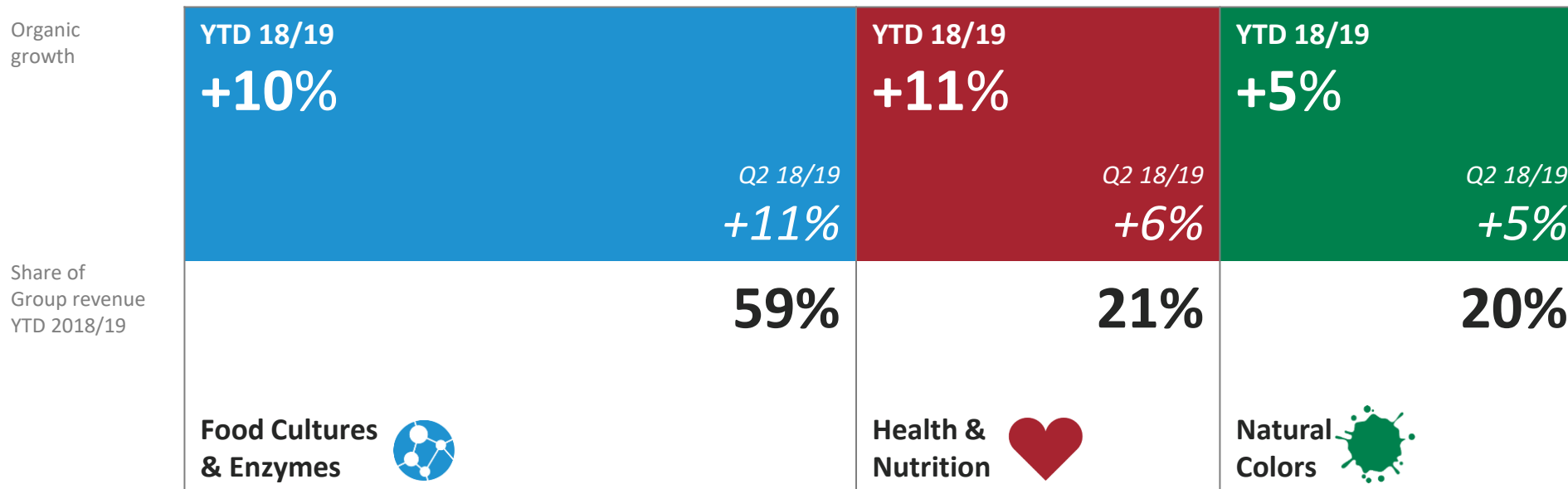
**27.8%** EBIT margin b.s.i.

Q2 2017/18: 27.0%

**EUR 40m** FCF b.s.i.a.

Q2 2017/18: EUR 30m

# Double-digit growth in FC&E and H&N; NCD impacted by raw materials





# Making progress on bringing new innovations to market



## FOCUS 2018/19 FOOD CULTURES & ENZYMES

Leverage the  
full potential



## FOCUS 2018/19 HEALTH & NUTRITION

Develop the  
microbial platform



## FOCUS 2018/19 NATURAL COLORS

Create  
further value

**Drive penetration  
of new innovation**

- ▶ Continue to drive penetration of new products e.g. bioprotection
- ▶ Cross-sell and develop adjacent areas

- ▶ **Launch new products in Human Health (incl. Microbiome)**
- ▶ Expand Plant Health business to new countries and crops

- ▶ **Portfolio expansion within coloring foodstuffs**

**Reinforce position  
in growth markets**

- ▶ Strengthen attention to key accounts
- ▶ Invest in and strengthen local footprint
- ▶ **Push market-specific new product development**

- ▶ Continue growth momentum in all segments
- ▶ Further expand Animal Health commercial footprint in Asia-Pacific and Latin America

- ▶ Driving conversion projects in partnerships with our customers

**Generate fuel  
for growth**

- ▶ Leverage new expansion
- ▶ Upgrade e-commerce solution
- ▶ New digital services

- ▶ Scalability and efficiencies in production

- ▶ Investments in new US capacity and continuation of efficiency programs

# CHY-MAX<sup>®</sup> Supreme raises industry standard for cheese performance



Up to **1%** yield increase in  production  
compared to the best coagulant in the market

- ▶ 3rd generation of CHY-MAX<sup>®</sup> range
- ▶ Result of five years of intensive R&D
- ▶ Superior functionality over the market leading coagulant:
  - Higher yield without compromising whey quality
  - Faster and more precise production
  - Better slicing and grating of cheese with reduced giveaways and controlled protein breakdown over time

# Chr. Hansen named most sustainable company in the world

- ▶ Independent ranking conducted by Canadian media and research firm Corporate Knights since 2005
- ▶ Review of all publicly listed companies with >USD 1bn revenue worldwide
- ▶ Chr. Hansen was named #1 because of the contribution of its product portfolio to the UN Global Goals and its reporting

# 82%

of Chr. Hansen's  
revenue contributes to  
the UN Global Goals  
- reviewed by PWC

  
**Better farming**



  
**Good health**



  
**Less waste**



**CHR. HANSEN**

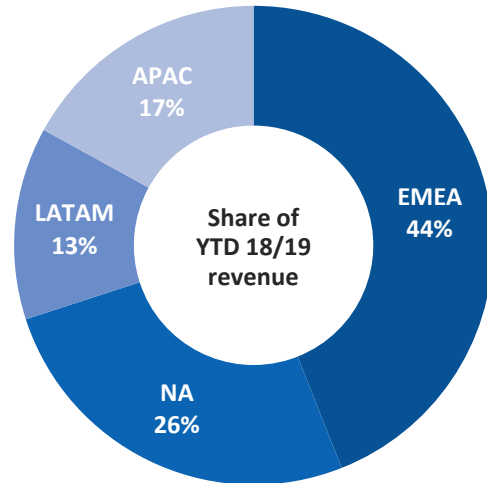
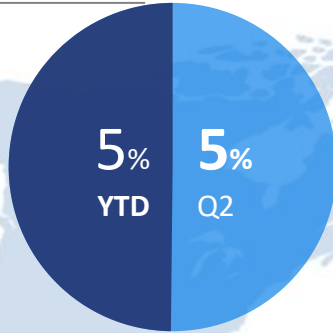
*Improving food & health*

# Solid growth in EMEA & LATAM offset by lower momentum in NA & APAC

## NORTH AMERICA

### YTD/Q2:

- ▶ FC&E with solid and NCD with strong growth, HH flat and AH declined due to soft farmer economics and timing of orders in silage



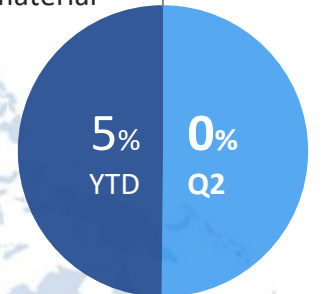
## APAC

### YTD:

- ▶ HH growing strongly and FC&E with good performance; NCD flat

### Q2:

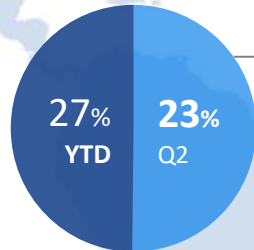
- ▶ FC&E with good growth, HH declined due to timing of orders in dietary supplements and NCD due to declining raw material prices



## LATAM

### YTD/Q2:

- ▶ FC&E and H&N with strong growth, whilst NCD declined due to raw material price decreases and challenging economic climate
- ▶ EUR pricing accounted for approximately half of organic growth in Q2 and YTD



## EMEA

### YTD:

- ▶ HH and AH with strong growth, FC&E and NCD with solid growth

### Q2:

- ▶ FC&E and HH with strong growth, NCD with solid momentum, AH declined due to changes in distribution set-up

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





# Strong growth in cheese, meat and enzymes; volumes picked up in Q2

**10%** ORGANIC GROWTH YTD 18/19

- YTD**
- Strong growth in cheese, enzymes and meat; fermented milk and probiotics with solid growth
  - Bioprotection with ~10% organic growth on a demanding comparable; strong growth in EMEA as well as LATAM and APAC, albeit from low base

- Q2**
- Strong growth in cheese, enzymes and probiotics followed by solid growth in fermented milk and bioprotection (~10%); good growth in meat

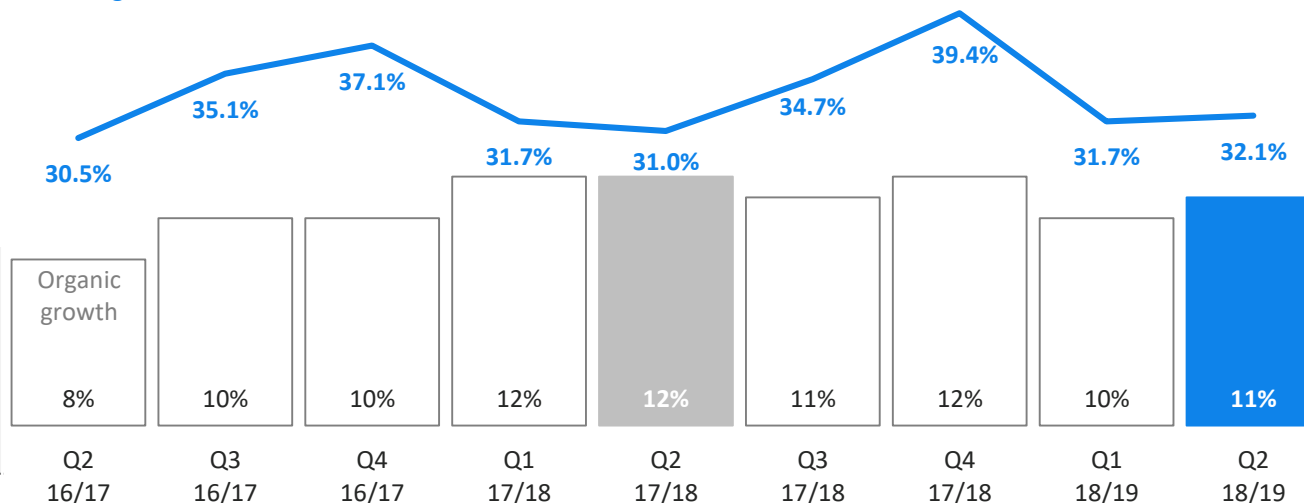
**31.9%** EBIT MARGIN YTD 18/19 (+0.6%-point yoy)

- YTD**
- Realized scalability benefits in excess of 1%-point from increased capacity at Copenhagen site, partly offset by investments in NN1 and sales & application support

- Q2**
- Increase of 1.1%-points driven by scalability benefits from Copenhagen site ramp-up and other production efficiencies

Quarterly development of organic revenue growth and EBIT margin, %

EBIT margin



EUR million

Revenue

Organic growth

Volume/mix

EBIT margin

ROIC ex. goodwill

Q2 17/18

Q2 18/19

YTD 17/18

YTD 18/19

153.7

166.0

308.8

327.1

12%

11%

12%

10%

10%

7%

10%

6%

31.0%

32.1%

31.3%

31.9%

39.7%

39.1%



# Strong growth in PH and HH whilst continuing to invest in NN1 priorities

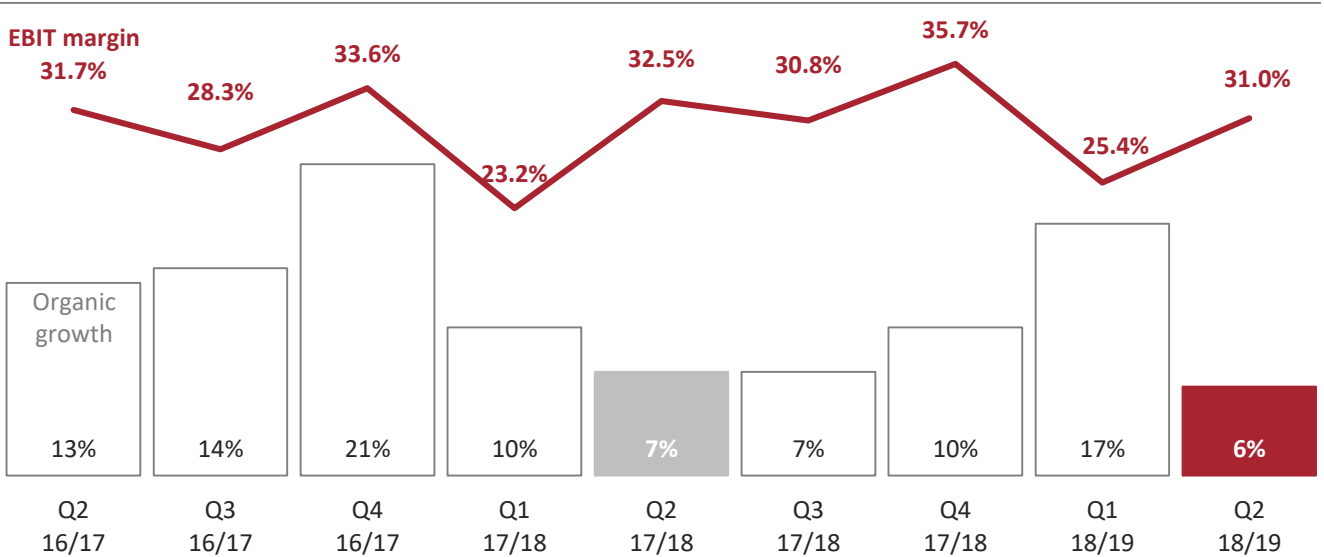
**11% ORGANIC GROWTH YTD 18/19**

- YTD**
- ▶ HH: Strong growth in infant formula in all regions; dietary supplements with solid growth in EMEA, other regions flat
  - ▶ AH: Strong growth in poultry and solid growth in swine offset by weakness in cattle and silage leading to slight growth
  - ▶ PH: Strong growth in LATAM, albeit from modest base
- Q2**
- ▶ HH: Strong growth in infant formula; dietary supplements flat due to weakness in NA and APAC
  - ▶ AH: Modest growth driven by strong momentum in poultry and solid growth in silage; cattle and swine declined
  - ▶ PH: Continued strong growth in LATAM

**28.4% EBIT MARGIN YTD 18/19 (+0.2%-point yoy)**

- YTD**
- ▶ Positive margin development driven by production efficiencies, favorable product mix and currency was offset by investments in NN1 leading to 0.2%-point increase overall
- Q2**
- ▶ Decrease of 1.5%-points due to investments in strategic initiatives and higher production costs, partly offset by FX

Quarterly development of organic revenue growth and EBIT margin, %



EUR million	Q2 17/18	Q2 18/19	YTD 17/18	YTD 18/19
Revenue	57.2	62.5	105.5	118.1
Organic growth	7%	6%	8%	11%
Volume/mix	7%	6%	8%	10%
EBIT margin	32.5%	31.0%	28.2%	28.4%
ROIC ex. goodwill			24.6%	25.3%



# Conversion successes in NA offset by weaker demand in LATAM & APAC

## 5% ORGANIC GROWTH YTD 18/19

- YTD**
- ▶ Strong growth in coloring foodstuffs supported by new launches in FRUITMAX® range
  - ▶ Strong growth in NA and solid growth in EMEA partly offset by slower momentum in APAC and LATAM
  - ▶ Price declines due to raw material deflation in carmine and annatto were largely offset by price increases in other pigments

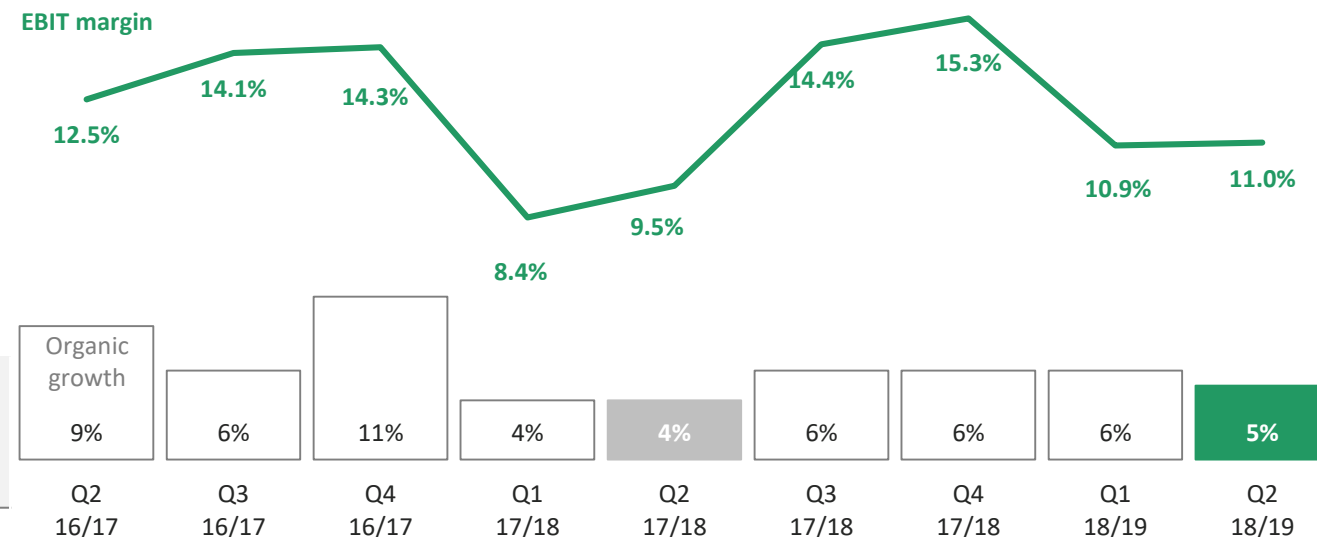
- Q2**
- ▶ Successful conversion projects with key customers in NA; EMEA with solid growth driven by FRUITMAX®; LATAM and APAC declined due to lower prices for carmine and annatto

## 10.9% EBIT MARGIN YTD 18/19 (+2.0%-points yoy)

- YTD**
- ▶ Margin improvement driven by operating efficiencies, a soft baseline and declining raw materials, partly offset by FX

- Q2**
- ▶ Margin increase of 1.5%-points driven by operating efficiencies, soft baseline, declining raw material prices and last year's management change, partly offset by FX

Quarterly development of organic revenue growth and EBIT margin, %



EUR million

Revenue

Organic growth

Volume/mix

EBIT margin

ROIC ex. goodwill

Q2 17/18

Q2 18/19

YTD 17/18

YTD 18/19

52.8

55.2

103.9

108.0

4%

5%

4%

5%

2%

6%

2%

5%

9.5%

11.0%

8.9%

10.9%

15.9%

19.4%

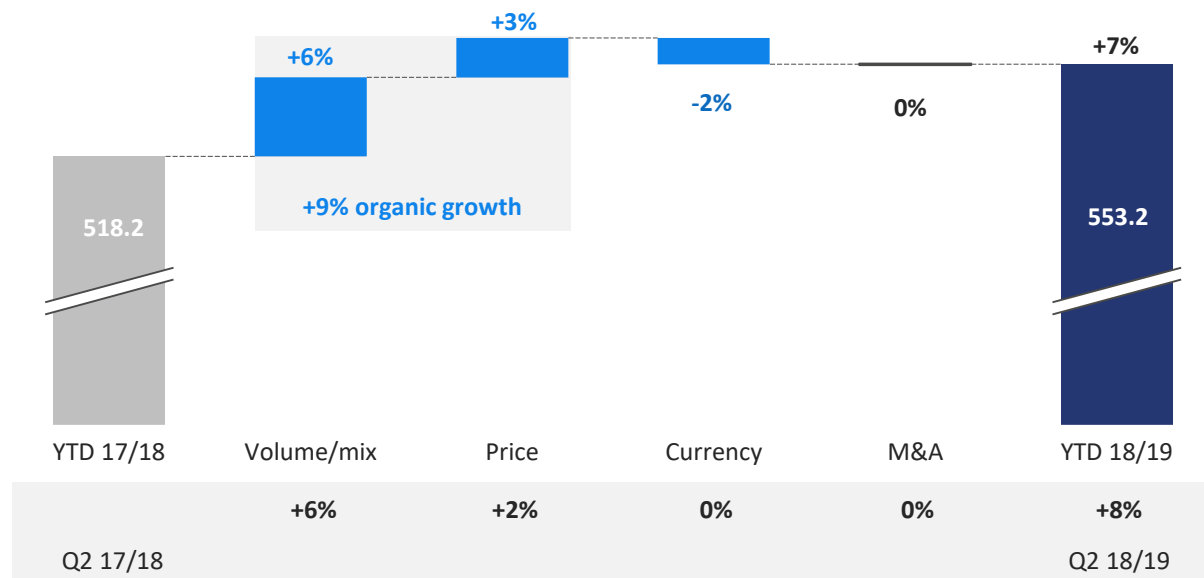
## INCOME STATEMENT

# Scalability benefits from Avedøre partly offset by NN1 investments

### Comments YTD 2018/19

- ▶ Gross margin improvement of 1.8%-points driven by all business areas
- ▶ Operating expenses increased by 10.1% to EUR 153m (27.7% of revenue) compared to last year due to increased investments related to NN1 initiatives
- ▶ EBIT margin b.s.i. was up 0.8%-point; currencies had an immaterial impact
- ▶ Special items of EUR 1m related to Hundsbichler acquisition

### Group revenue growth YTD 2018/19



EUR million

	YTD 17/18	YTD 18/19
Revenue	518.2	553.2
Cost of sales	(243.6)	(250.2)
<b>Gross profit</b>	<b>274.6</b>	<b>303.0</b>
<i>Gross margin</i>	<i>53.0%</i>	<i>54.8%</i>
R&D expenses	(37.1)	(39.3)
<i>% of sales</i>	<i>7.2%</i>	<i>7.1%</i>
Sales and marketing expenses	(65.9)	(77.0)
<i>% of sales</i>	<i>12.7%</i>	<i>13.9%</i>
Administrative expenses	(36.5)	(38.5)
<i>% of sales</i>	<i>7.0%</i>	<i>7.0%</i>
Other operating income/expenses	0.8	1.4
<b>EBIT b.s.i.</b>	<b>135.9</b>	<b>149.6</b>
<i>EBIT b.s.i. margin</i>	<i>26.2%</i>	<i>27.0%</i>
Special items	-	(1.0)
<b>EBIT</b>	<b>135.9</b>	<b>148.6</b>
<i>EBIT margin</i>	<i>26.2%</i>	<i>26.9%</i>
Net financial items	(9.2)	(6.9)
<b>EBT</b>	<b>126.7</b>	<b>141.7</b>
Income taxes	(29.1)	(32.6)
<i>Tax rate</i>	<i>23.0%</i>	<i>23.0%</i>
<b>Profit for the year</b>	<b>97.6</b>	<b>109.1</b>



# FCF b.s.i.a. driven by strong operating cash flow and increased capex




## Comments

- ▶ Increase in cash flow from operating activities was driven by growth in operating profit and a change in working capital offset by higher taxes paid due to absence of acquisition-related benefits
- ▶ Increase in cash flow used for operational investing activities from 8.7% to 10.8% of revenue compared to last year in line with the company's expansion program
  - ▶ Total capex for the financial year 2018/19 expected to be between EUR 110-130m net of sale-and-lease-back
- ▶ Cash flow used for acquisitions of EUR 9.3m related to the Hundsbichler acquisition, integration well on track

In EUR m	YTD 17/18	YTD 18/19
<b>Cash flow</b>		
Taxes paid	(37.4)	(51.5)
CF from operating activities	55.9	66.6
CF from operational investing activities	(45.0)	(60.0)
Free cash flow b.s.i.a.	11.0	7.6
Acquisition activities	na	(9.3)
Free cash flow	10.9	(2.7)
<b>Balance sheet</b>		
Total assets	1,809.9	1,926.1
Equity	747.9	772.5
Net interest-bearing debt	732.7	785.0
<b>Key ratios</b>		
Net working capital	21.3%	22.0%
Capital expenditure	8.7%	10.8%
ROIC excluding goodwill	32.1%	32.8%
NIBD/EBITDA	2.0x	2.0x

## OUTLOOK

# Outlook maintained

	YTD 2018/19	Outlook 2018/19 <sup>1</sup> As per Jan 17, 2019	Outlook 2018/19 As per Apr 3, 2019	Long-term financial ambition <sup>2</sup>
<b>Organic revenue growth</b>	<b>9%</b>	<b>9-11%</b>	<b>9-11%</b>	<b>8-10%</b>
 <b>Food Cultures &amp; Enzymes</b>	<b>10%</b>	<i>Above long-term ambition</i>	<i>Above long-term ambition</i>	<i>7-8%</i>
 <b>Health &amp; Nutrition</b>	<b>11%</b>	<i>10% or above</i>	<i>10% or above</i>	<i>n.a.</i>
 <b>Natural Colors</b>	<b>5%</b>	<b>6-9%</b>	<b>5-7%</b>	<i>n.a.</i>
<b>EBIT margin b.s.i.</b>	<b>27.0%</b>	<b>Around 29.5%</b>	<b>Around 29.5%</b>	<b>30+%</b>
<b>Free cash flow b.s.i.a.</b>	<b>EUR 8m</b>	<b>Around the same level as in 17/18</b>	<b>Around the same level as in 17/18<sup>3</sup></b>	<b>+10% CAGR</b>

<sup>1</sup> The outlook is 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, the risk of a 'hard' Brexit, 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.



# Quantum leap for Human Microbiome lighthouse



Lighthouse  
Potential revenue of  
> EUR 100m per year



FOOD CULTURES  
& ENZYMES



## Bioprotection

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



HEALTH & NUTRITION



## Plant Health

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



## Human Microbiome

Joint venture with Lonza in live biotherapeutic  
products (LBP) contract manufacturing



# Chr. Hansen and Lonza establish joint venture to pioneer LBP market



## Emerging market

- ▶ Early mover in very promising market for live biotherapeutic products (LBP)
- ▶ EUR 150-200m market potential for clinical supply by 2025; > EUR 1bn for clinical and commercial supply combined by 2035



## Perfect fit

- ▶ Two leading players with strong execution track record
- ▶ Best-in-class complementary capabilities and unrivalled know-how in strict anaerobes



## Strong value proposition

- ▶ First pharma contract manufacturer (CDMO) with full supply chain offering for LBP
- ▶ Large scale pharma-grade manufacturing capabilities
- ▶ Faster route-to-market



## Attractive risk-return profile

- ▶ Phased investment of EUR 90m to be shared equally between the partners over 3 years
- ▶ JV expected to be largely self-funding after production set-up has been established



## Fully in line with strategy

- ▶ No changes to 2018/19 outlook and 2021/22 long-term financial ambition<sup>1</sup>
- ▶ Capacity to distribute excess cash to shareholders modestly reduced for the next 3 years

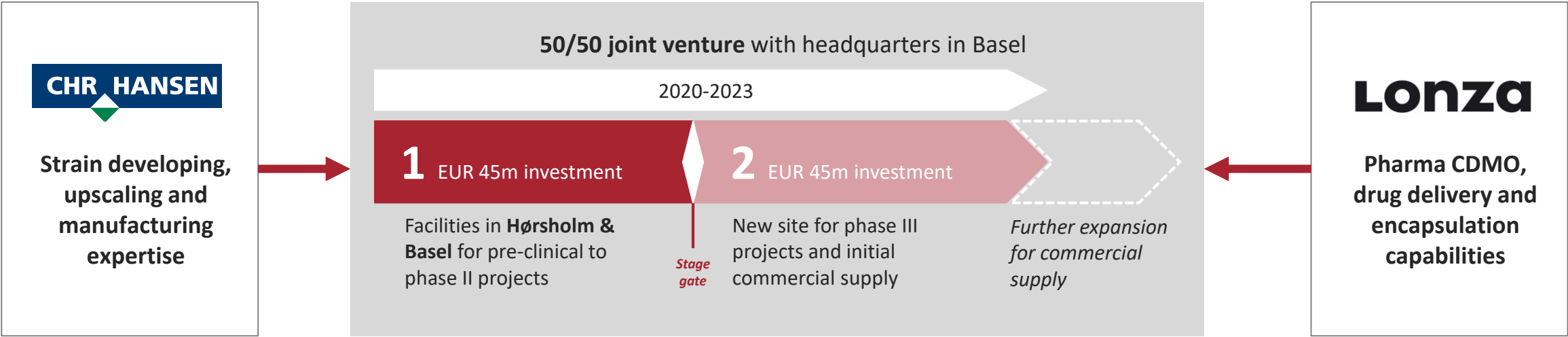
Closing expected for Q1 2019/20 subject to merger control clearance

<sup>1</sup> Chr. Hansen will account for the JV interest using the equity method in its consolidated financial statements





# Joint venture to become partner of choice for LBP contract manufacturing

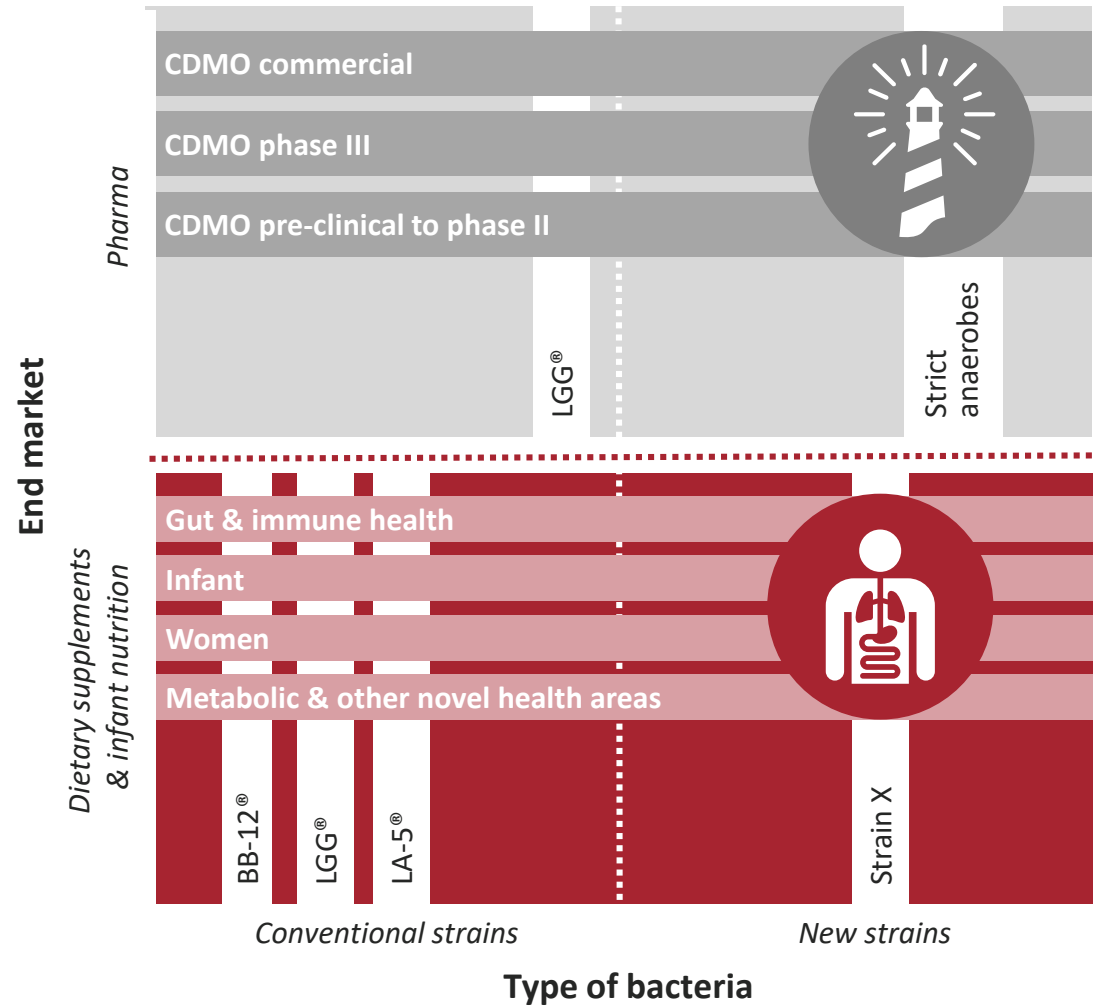


Strong value proposition for pharma and biotech: Joint venture to address unmet customer needs

Faster route-to-market	► Drug substance and product development out of one hand increases speed-to-market and chance of 'right-first-time'	✓
Large scale manufacturing capabilities	► Full supply chain offering from development to commercial CDMO with cGMP-compliant manufacturing set-up to be established	✓
Strong expertise in LBP pharma and strict anaerobes	► Drawing on unrivalled capabilities from two global experts; first end-to-end offering for strict anaerobic LBPs	✓
Partner with high reputation and proven track record	► Same partner throughout the project lifecycle allows customers to focus on discovery	✓



# Human Health and Microbiome to operate twofold going forward



## **Joint venture with Lonza** **to pioneer market for bacteria-based pharmaceuticals**

- ▶ End-to-end contract manufacturing for live biotherapeutics
- ▶ Full supply chain offering from development to commercial CDMO including strict anaerobic capabilities
- ▶ Market potential of EUR150-200m for clinical supply by 2025 and of > EUR 1bn for clinical and commercial supply combined by 2035

## **Human Health** **to bring microbiome-based probiotic health solutions to life in dietary supplements and infant nutrition**

- ▶ Execute product pipeline and develop new concepts for dietary supplements and infant formula
- ▶ Development and commercialization of strain X
- ▶ Drive R&D for other application areas such as women’s health and infant microbiome



# Wrap-up and Q&A



## Financial calendar

July 3, 2019  
Interim Report Q3 2018/19

October 10, 2019  
Annual Report 2018/19

November 27, 2019  
Annual General Meeting 2019

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