

Chr. Hansen Q2 2018/19 Roadshow presentation

Chr. Hansen named most sustainable company in the world by Corporate Knights

- ▶ Independent ranking conducted by Canadian media and research firm Corporate Knights since 2005
- ▶ Review of all publicly listed companies with >USD 1bn revenue worldwide (7,500 in total)
- ▶ Screening based on 21 quantitative indicators
- ▶ Chr. Hansen was named #1 because of the contribution of its product portfolio to the UN Global Goals and its reporting ('100% score on clean revenue')
- ▶ Corporate Knights' Global 100 index has outperformed MSCI All Country World Index since inception (2005-2018)

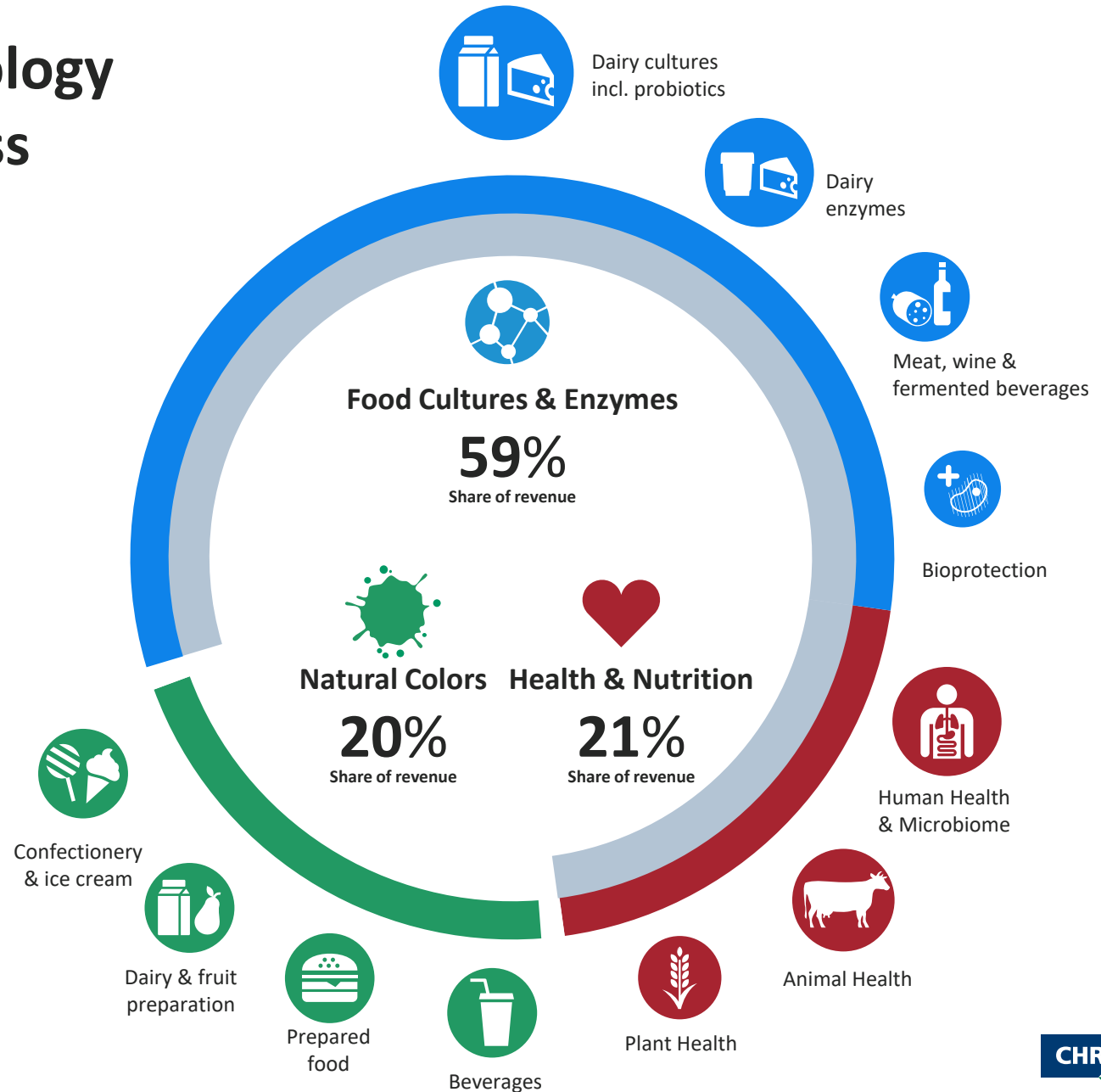


AT A GLANCE

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.**



CHR HANSEN

Improving food & health

AT A GLANCE

We develop natural solutions that help to reduce sugar, ensure food safety, improve health, replace artificial ingredients and much more!



NOLA® Fit reduces added sugar in yogurt by 2g per 100g yogurt without losing sweetness



SAFEPRO® cultures help to keep meat safe from *Listeria*



Replace artificial ingredients with our e-number free labeling coloring foodstuffs range **FRUITMAX®**

QUARTZO® and **PRESENCE®** are probiotic plant health solutions that help sugar cane and other crops fight off attacks from nematodes



With **CHY-Max®** dairies can increase cheese output by 0.5% compared to other coagulants (i.e. 100 tons in case of a production volume of 20,000 tons)

LGG® has been studied in +300 clinical studies that indicate that the strain may have beneficial effects on immune and gastrointestinal functions



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 tons (2022)



82%

of Chr. Hansen's 2017/18 revenue contributes to the UN Global Goals

- reviewed by PWC

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 foodstuffs

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

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



Lighthouse
Potential revenue
of minimum
EUR 100m per year



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



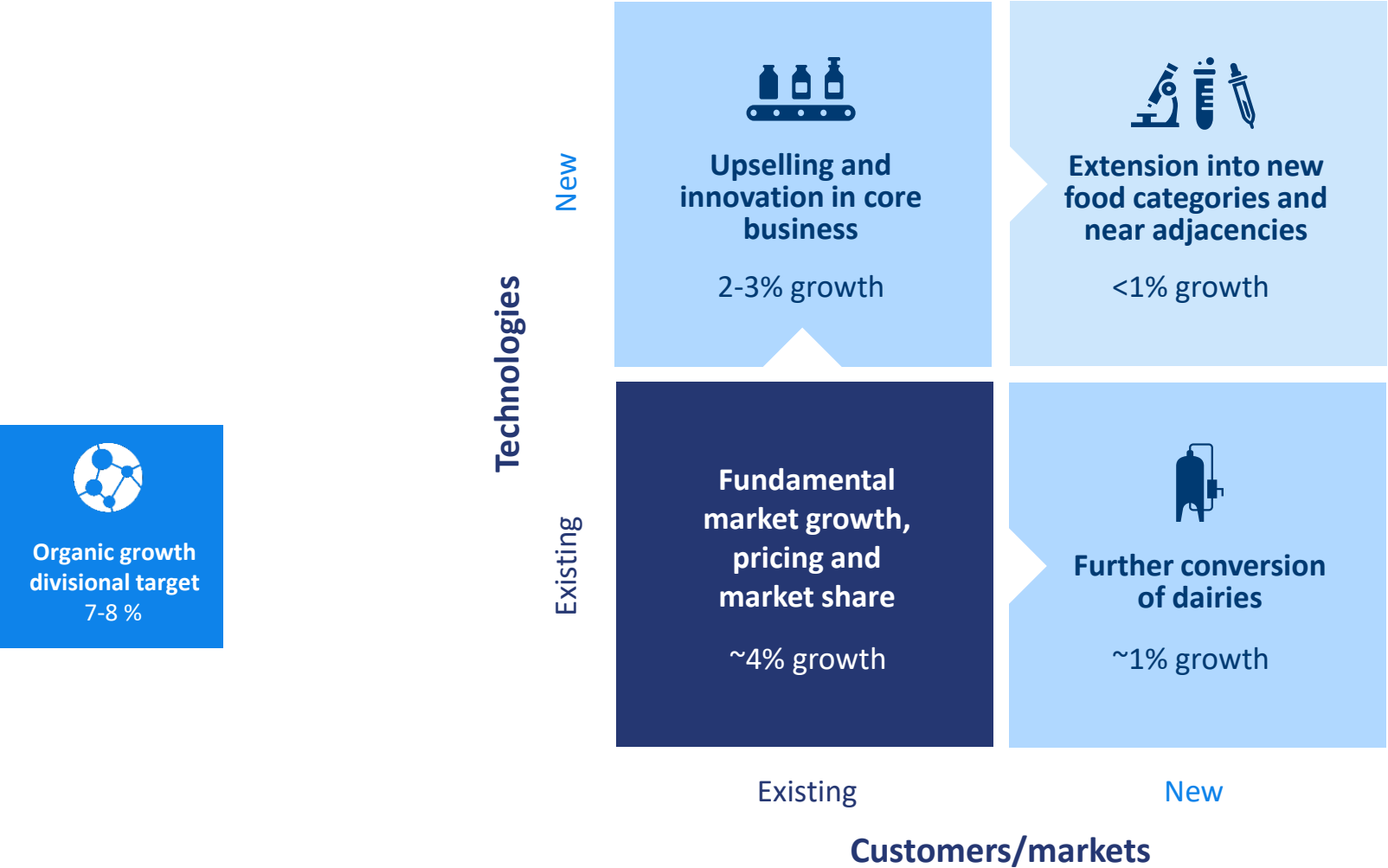
Human Microbiome

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

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 is a key focus for 2018/19

Upselling novel solutions and increasing wallet size with existing customers is a key focus for 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



CHY-MAX[®] Supreme to increase cheese yield by up to 1% compared to the market leading coagulant




nu-trish[®] range for fermented plant bases now available with LGG[®] and BB-12[®]



Health by probiotics



Bioprotection by FreshQ[®]



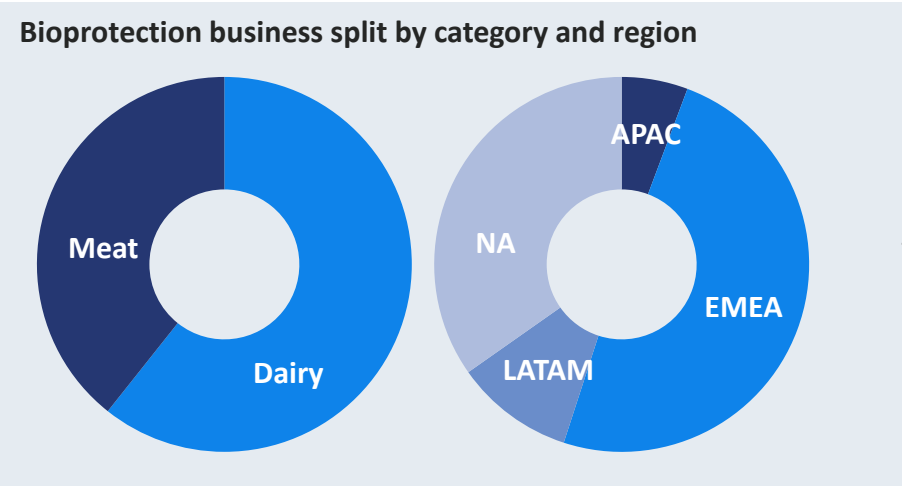
Sugar reduction by NOLA[®] Fit



Ripening aids by DVS[®]



Our bioprotection journey



Late 1990s
First bioprotection solutions emerge

Early 2000
Chr. Hansen launches first bioprotection solutions in meat to control *Listeria*

2013
Chr. Hansen enters bioprotection market in dairy with launch of FreshQ® brand

2017/18
Launch of 2nd generation FreshQ® targeted at regions with hotter climates and less reliable cold chains

Today: Unlocking the full potential of the business

- ▶ Regional expansion into LATAM and APAC
- ▶ Building application knowledge and client relationships in adjacent areas
- ▶ Working with authorities on regulatory framework & labelling solutions

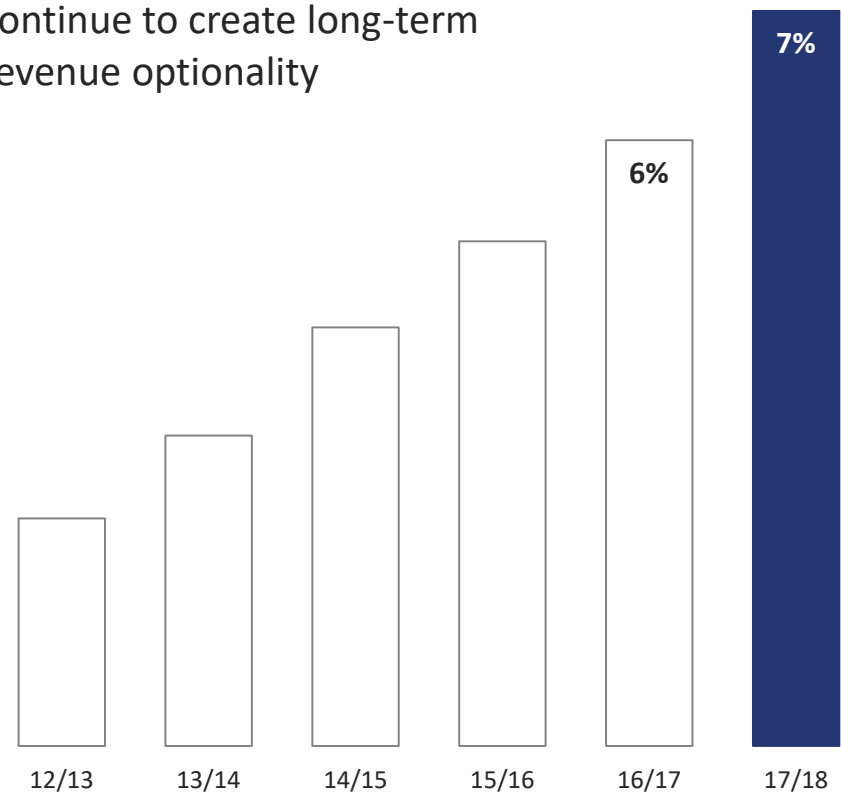
2024/25
EUR200m sales target










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

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



Food waste
Shelf life extension targeting yeasts/mould

Food Safety
Additional protection against gram-positive food pathogens (Listeria, Clostridium)

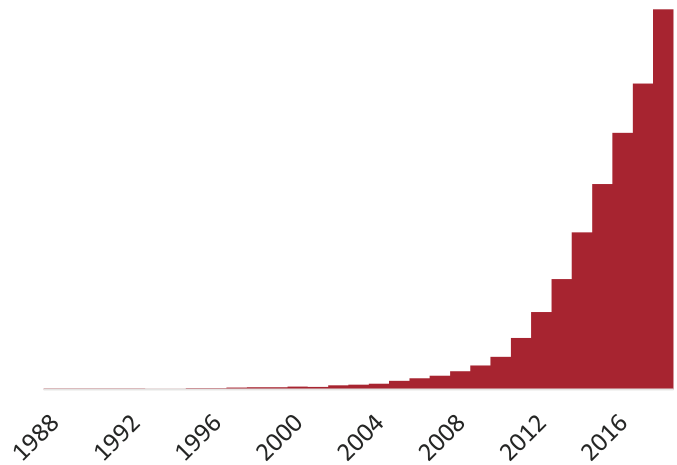
Today			Tomorrow	
				
Fresh dairy	Cheese	Fermented meat	Animal products <small>(meat adjacencies/fish)</small>	Vegetable products
Traditionally Fermented Food Products			Non Traditionally Fermented Food Products	
Food waste			Food waste	
Shelf life extension targeting yeasts/mould			Shelf life extension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



Human Microbiome gaining traction amongst scientists and wider public

Scientific understanding of microbiome is progressing rapidly

No. of research publications on microbiome

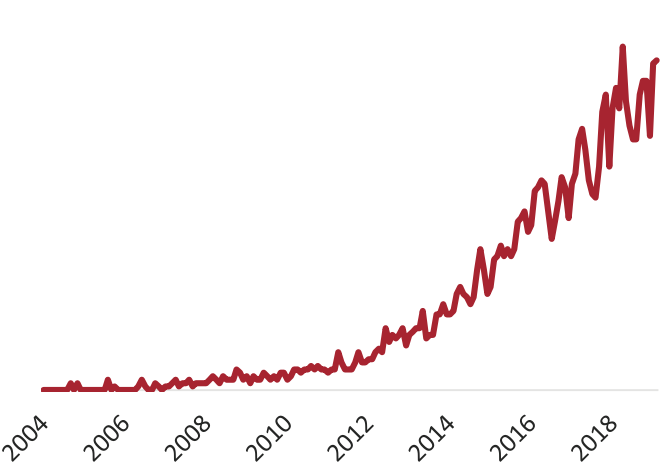


- ▶ **"Conventional" strains are showing higher therapeutic potential than previously anticipated**
- ▶ **+200 preclinical to phase III drug trials ongoing** in several indication areas including gastrointestinal diseases, obesity, diabetes, nervous system diseases, oncology, skin disorders, autism and asthma

Sources: PubMed, Google

Microbiome knowledge trickling down to KOLs, doctors & end consumers

No. of google search queries on microbiome



Chr. Hansen's Human Microbiome journey: 'the far lighthouse'

- 13/14** ▶ Launch of lighthouse with Nature's no. 1
▶ External scientific advisory board founded
- 14/15** ▶ R&D consortium with leading universities established
- 15/16** ▶ First commercial partnership entered
▶ Inauguration of pharma-grade pilot plant
- 16/17** ▶ Production of first strict anaerobes
▶ Strain library expanded by 100 novel lead candidates
- 17/18** ▶ Prota Therapeutics partnership on peanut allergy
▶ Internal clinical trial on defense against gut damage caused by household painkiller successful
- 18/19** ▶ Joint venture with Lonza
▶ Integration of remaining HM into HH



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

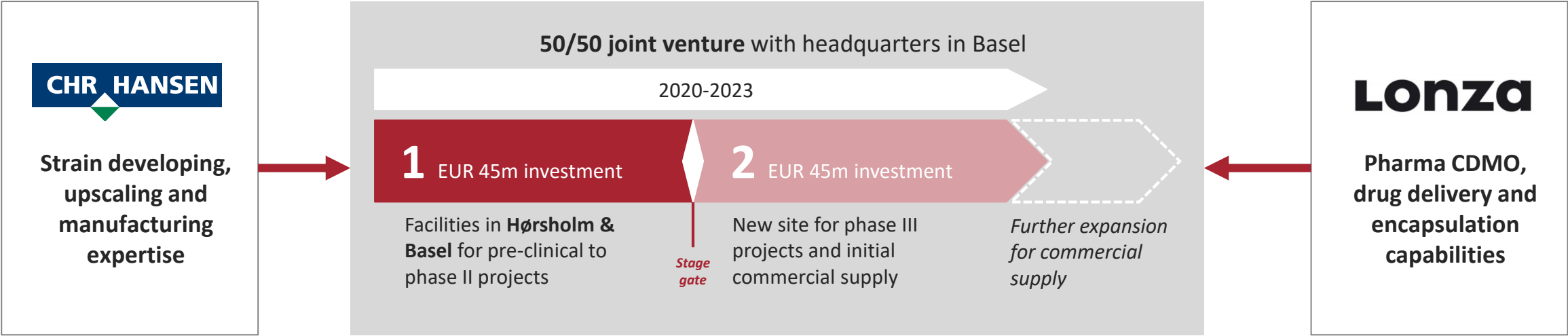
- ▶ No changes to 2018/19 outlook and 2021/22 long-term financial ambition¹
- ▶ Capacity to distribute excess cash to shareholders modestly reduced for the next 3 years

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

¹ 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

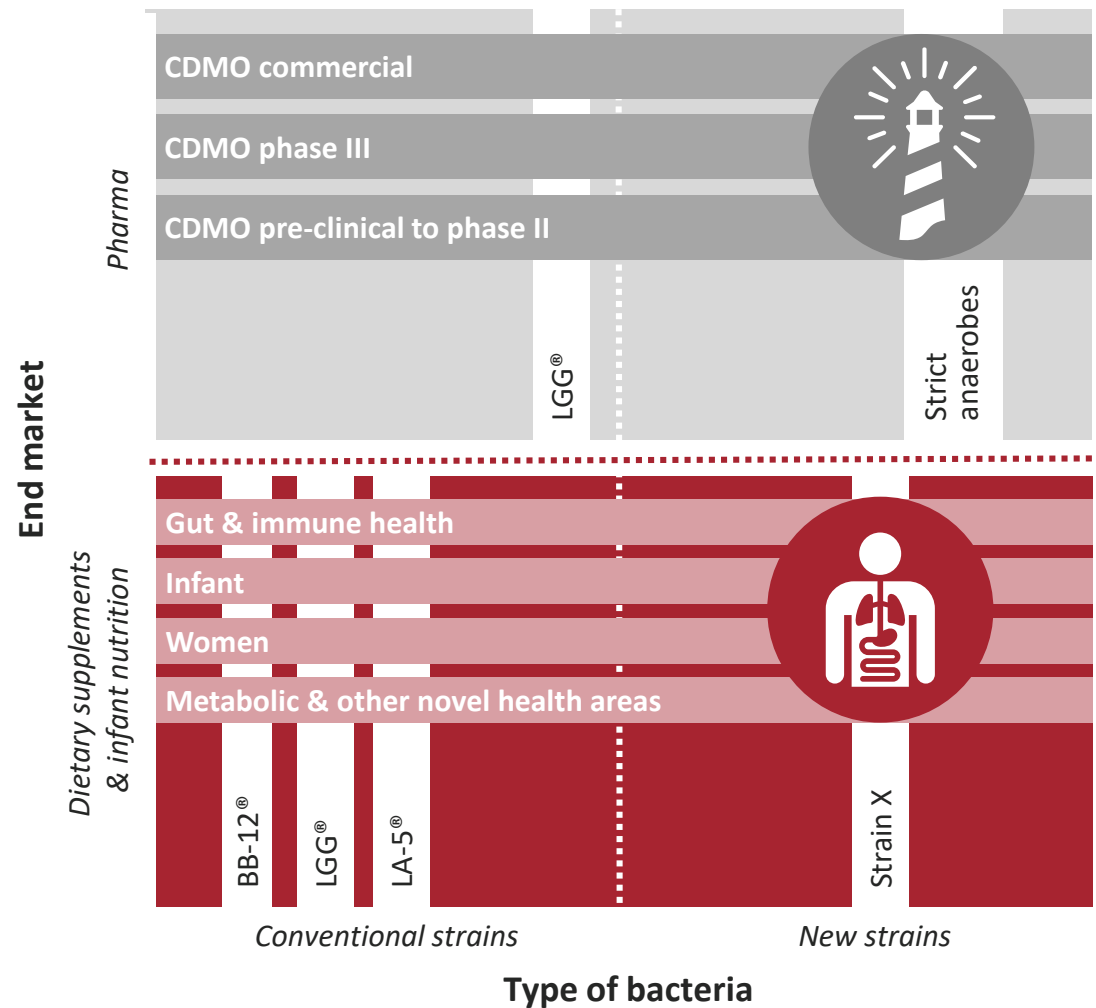


Strong value proposition for pharma and biotech: Joint venture to address unmet customer needs

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

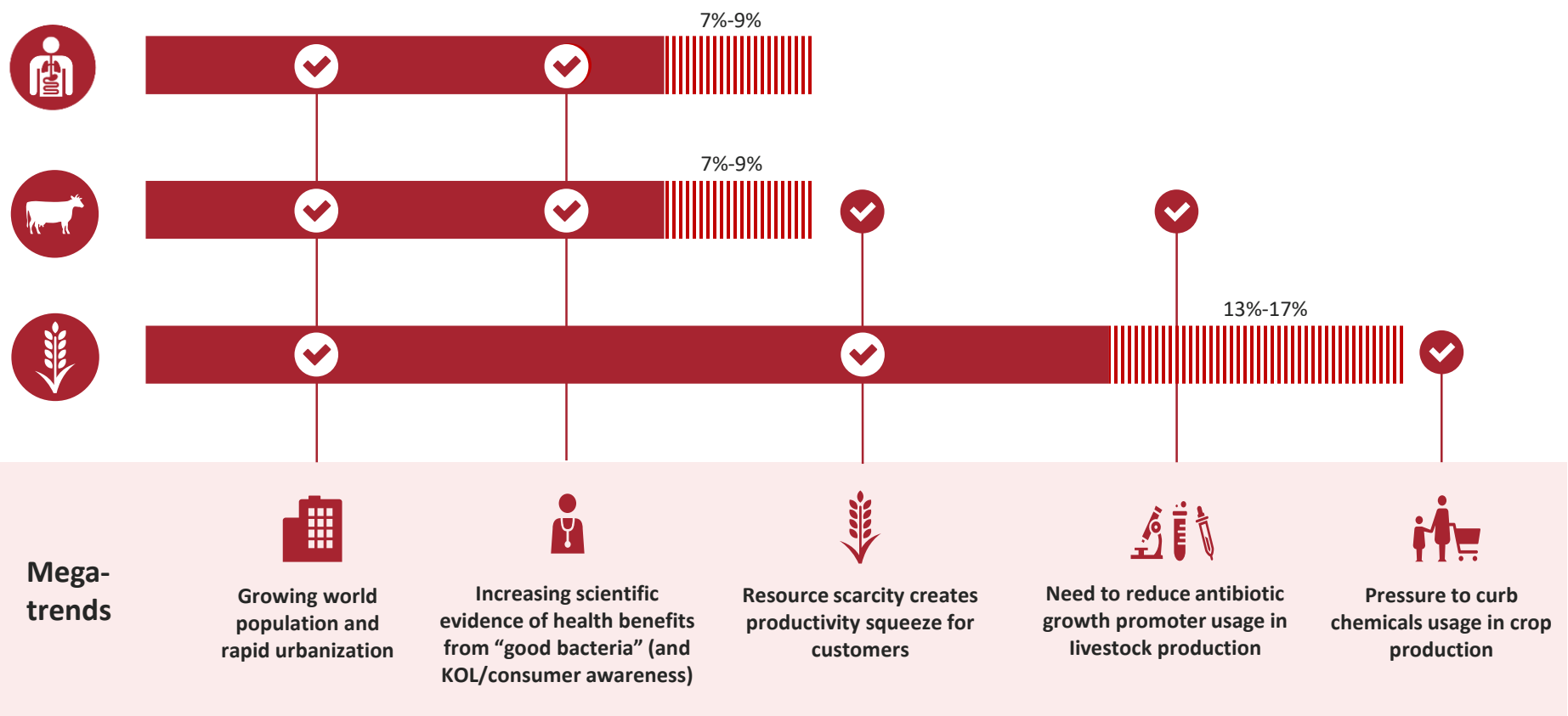
Human Health **to bring microbiome-based probiotic health solutions to life in dietary supplements and infant nutrition**

- ▶ 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

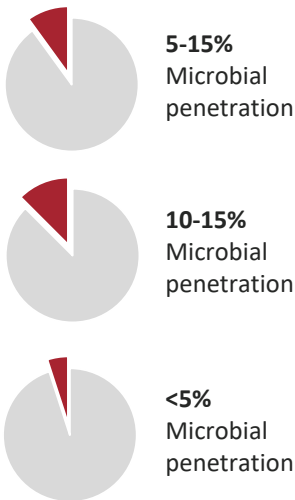


Potential to increase penetration of microbial solutions

Attractive market growth driven by megatrends



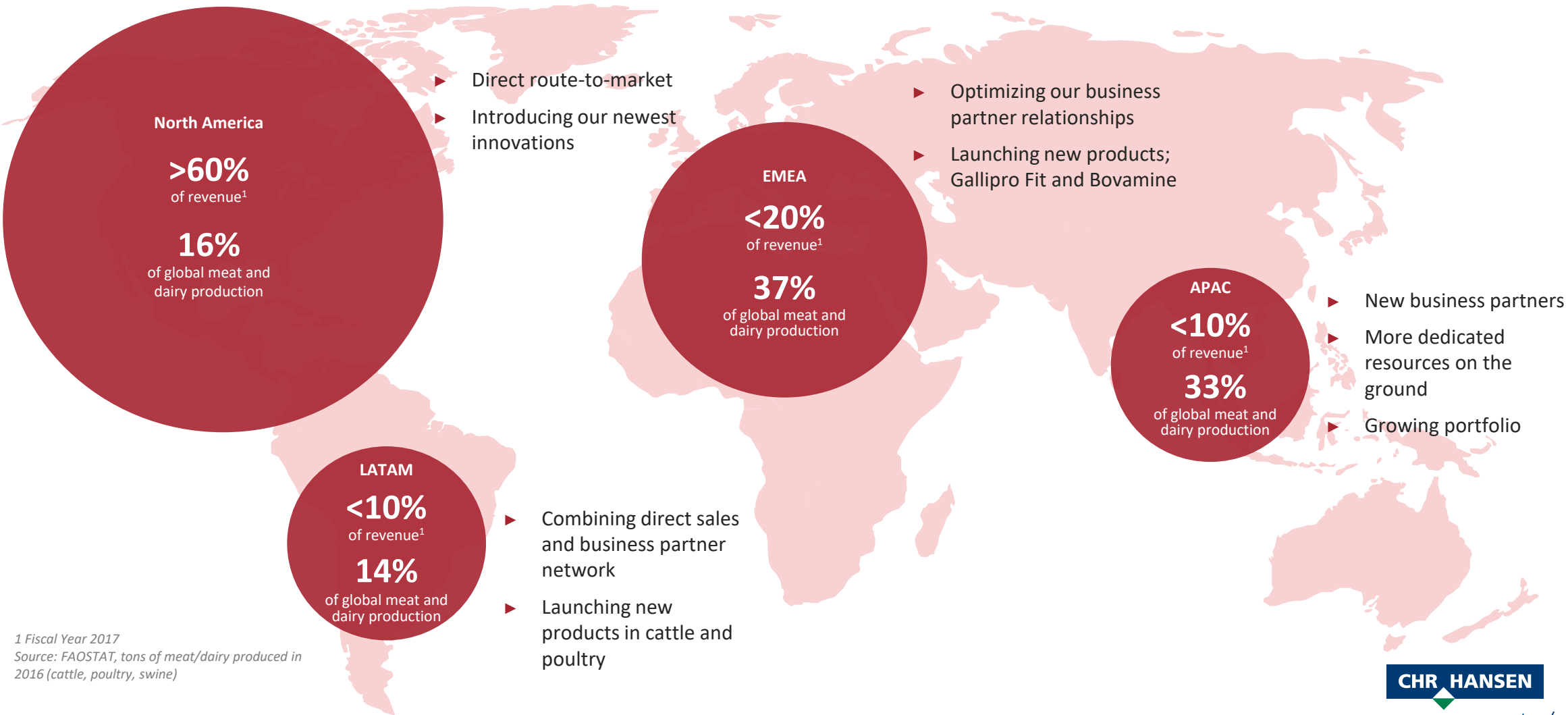
Opportunities to increase penetration



Source: Euromonitor and management estimates



Animal Health to further strengthen route-to-market globally

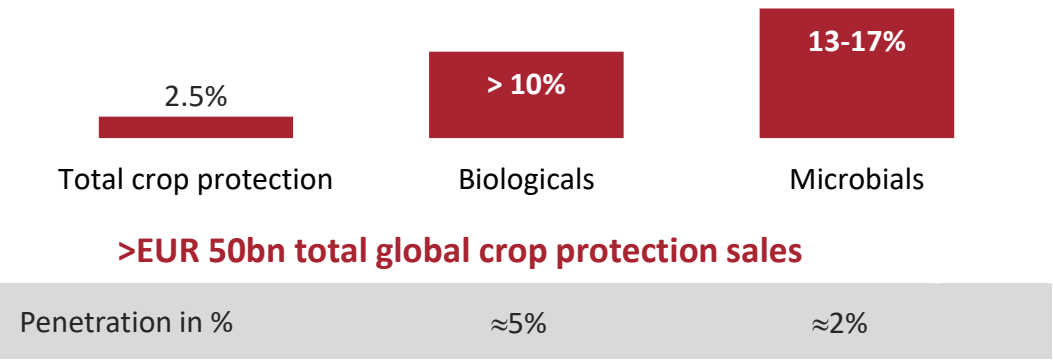


¹ Fiscal Year 2017
Source: FAOSTAT, tons of meat/dairy produced in 2016 (cattle, poultry, swine)

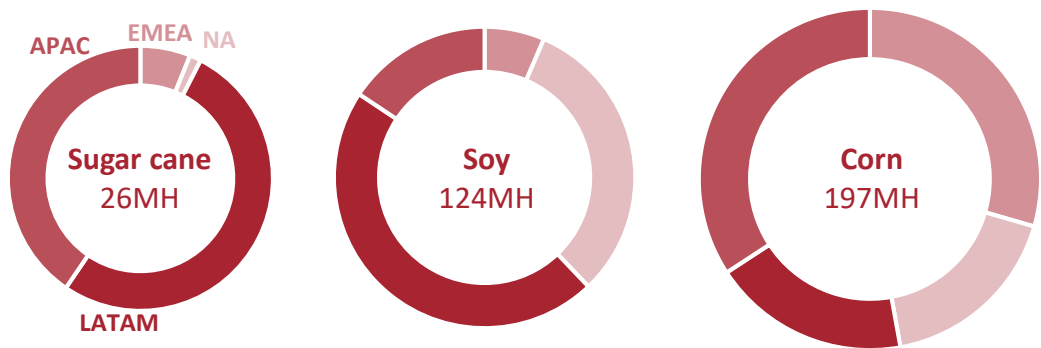


Plant Health to unlock a potential of EUR 100m revenue by 2025

Market opportunity in crop protection, % growth (CAGR 2018-21)



Focus crops, m hectares harvested in 2017



Source: Phillips McDougall, FaoStat, Markets&Markets

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*



EUR 100m
Unlocked potential by 2025



NATURAL COLORS

Natural Colors presents an attractive growth opportunity

Key messages

Attractive growth potential from conversion and coloring foodstuffs

Transformation project completed

Limited synergies between Natural Colors and our microbial platform

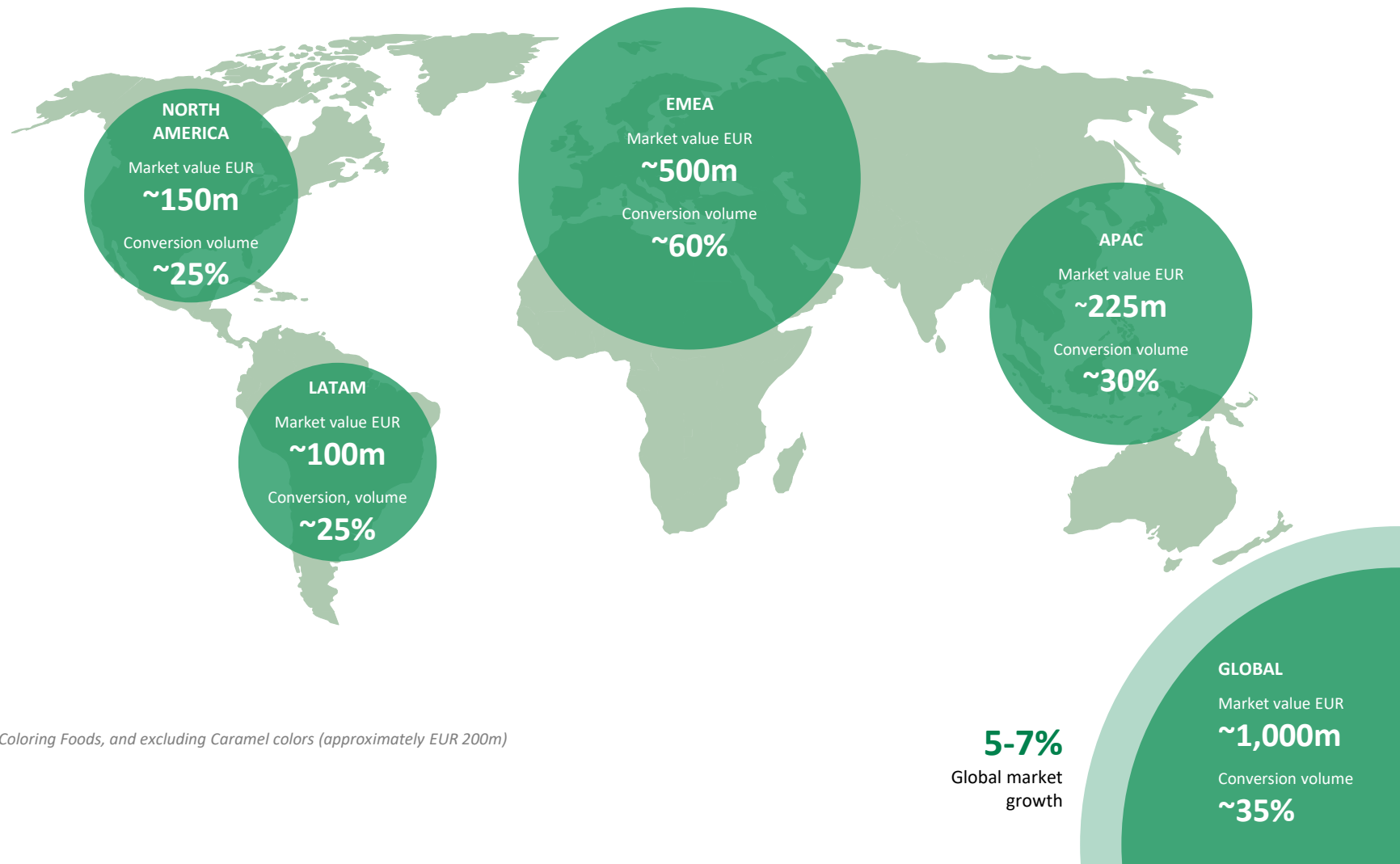
Main trend and projected value



Demand for cleaner, healthier and more natural products

Projected 2030 market value of EUR 2.0 - 2.5bn

Current market overview

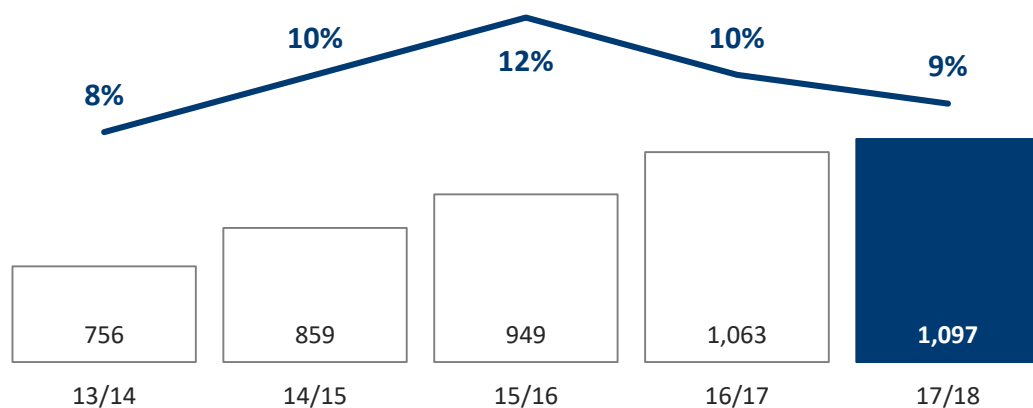


Source: Euromonitor and management estimates.

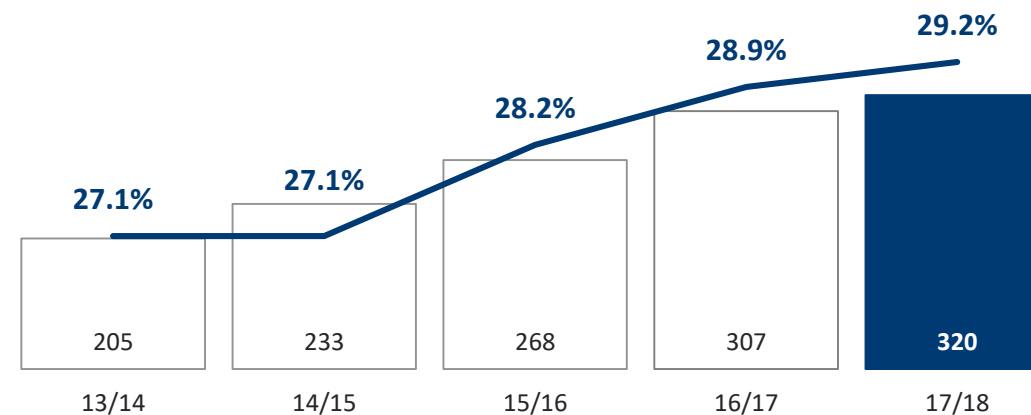
Note: Market value measured as Food & Beverages Natural Colors including Coloring Foods, and excluding Caramel colors (approximately EUR 200m)

Great track record of financial performance

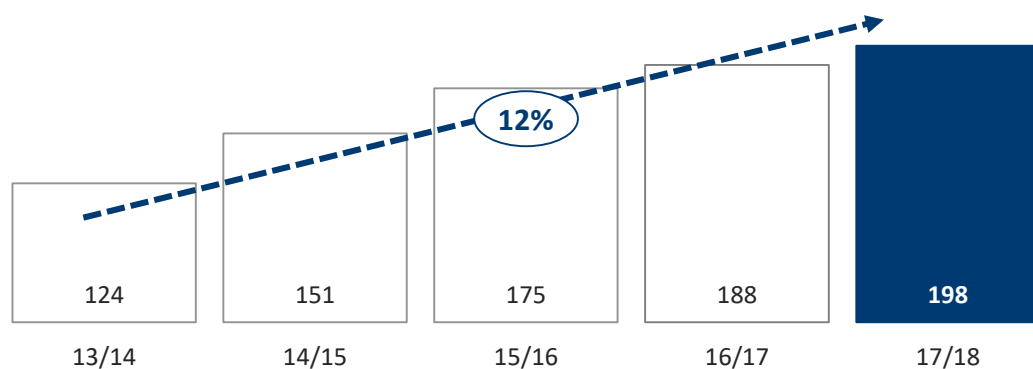
Revenue in EUR m / organic growth, %



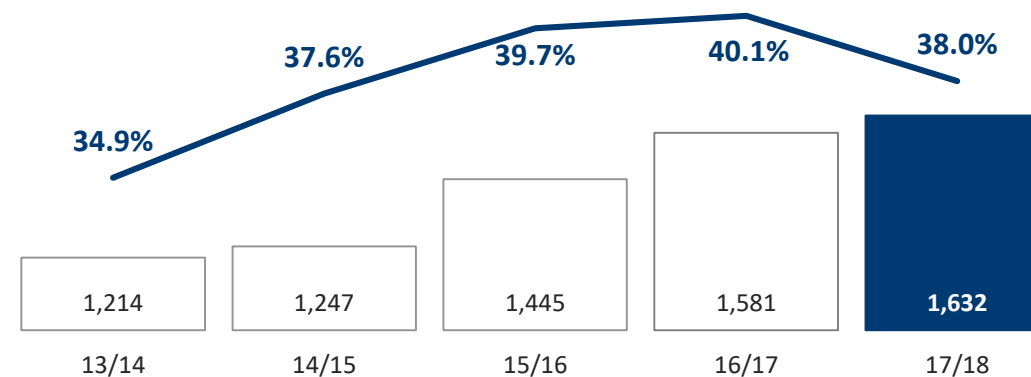
EBIT before special items and acquisitions in EUR m / margin, %



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



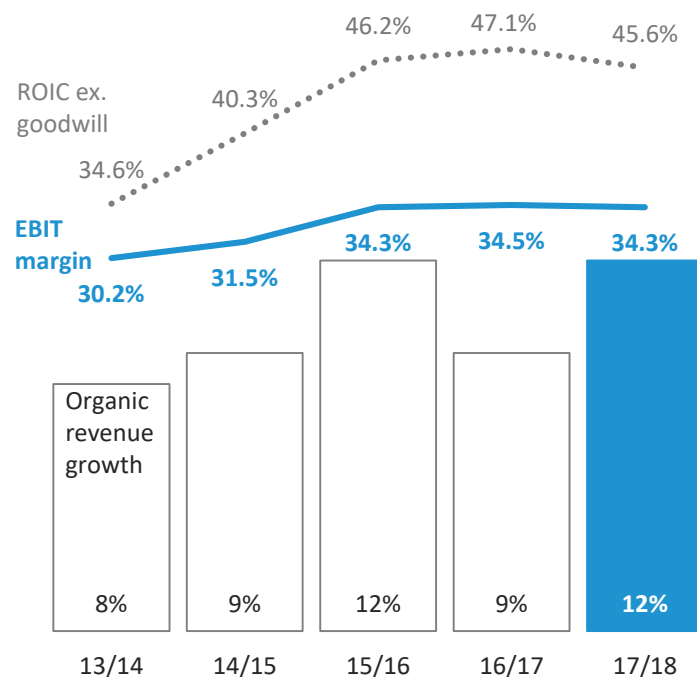
Return on invested capital in EUR m / ROIC, %



Three complementary businesses with strong fundamentals



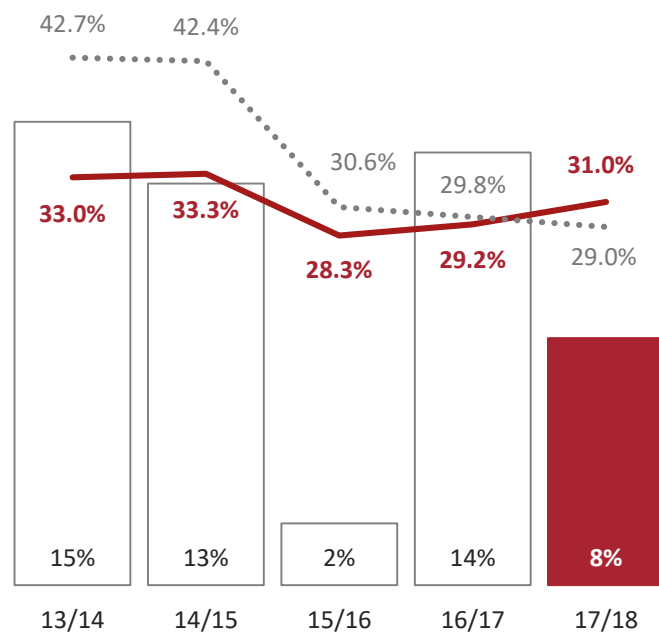
FOOD CULTURES & ENZYMES



59% of Group sales



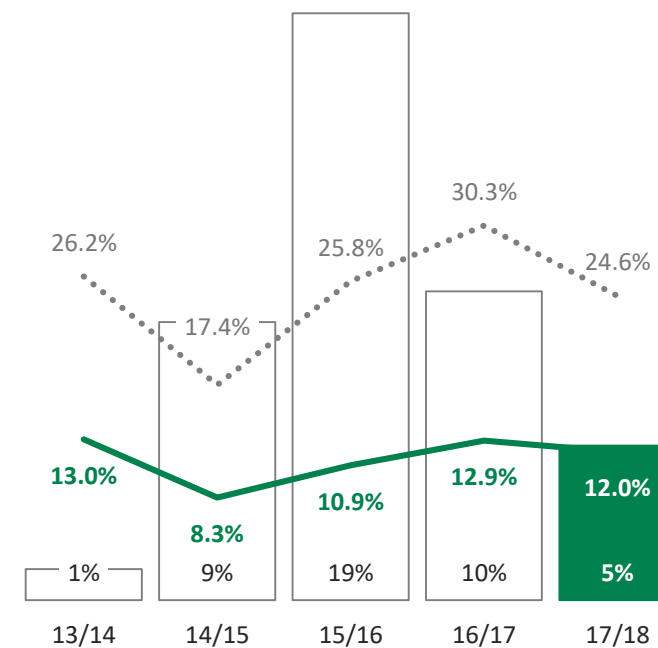
HEALTH & NUTRITION



21% of Group sales



NATURAL COLORS

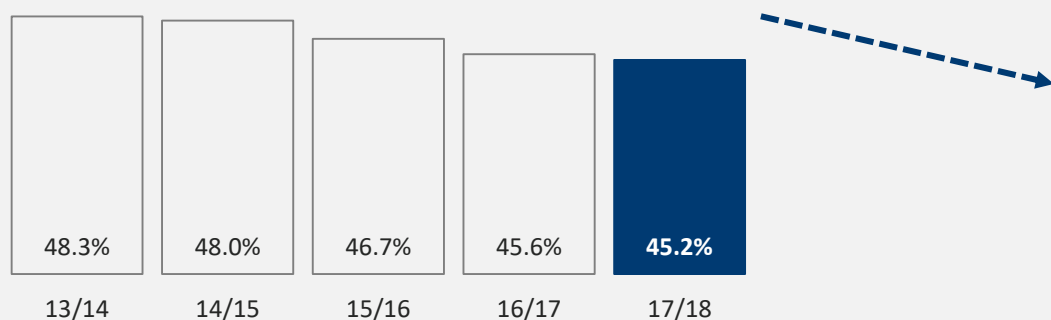


20% of Group sales

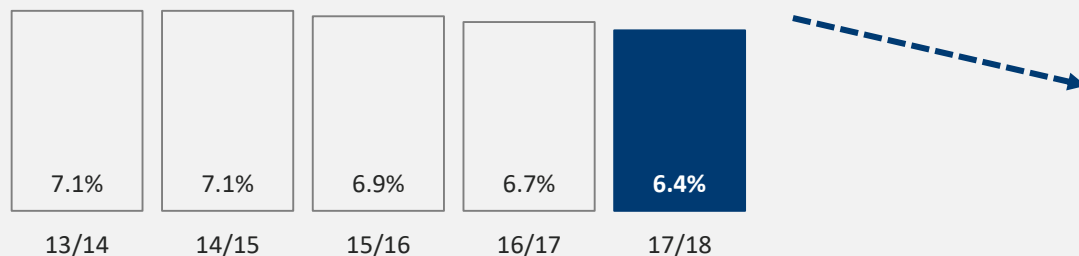
We will drive scalability and invest for future growth

Improved efficiency will drive scalability...

Cost of sales in % of revenue

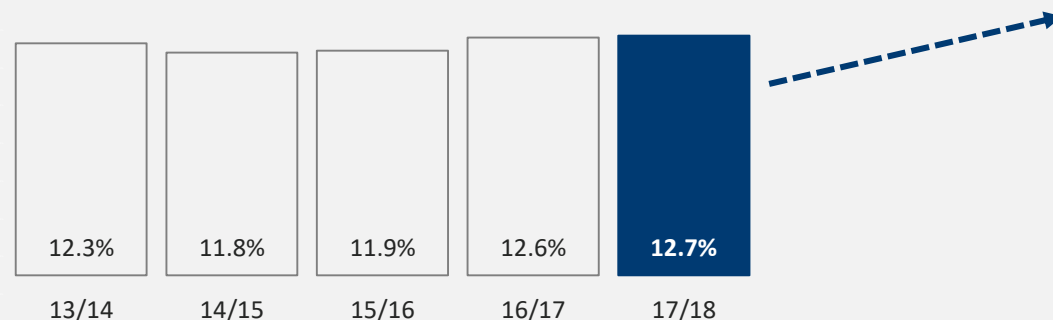


Administrative expenses in % of revenue

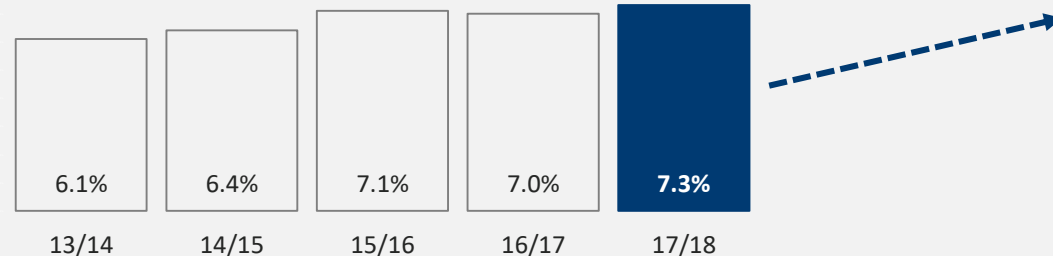


...whilst we invest for future growth

Sales & marketing expenses in % of revenue



R&D expenditure incl. capitalizations in % of revenue



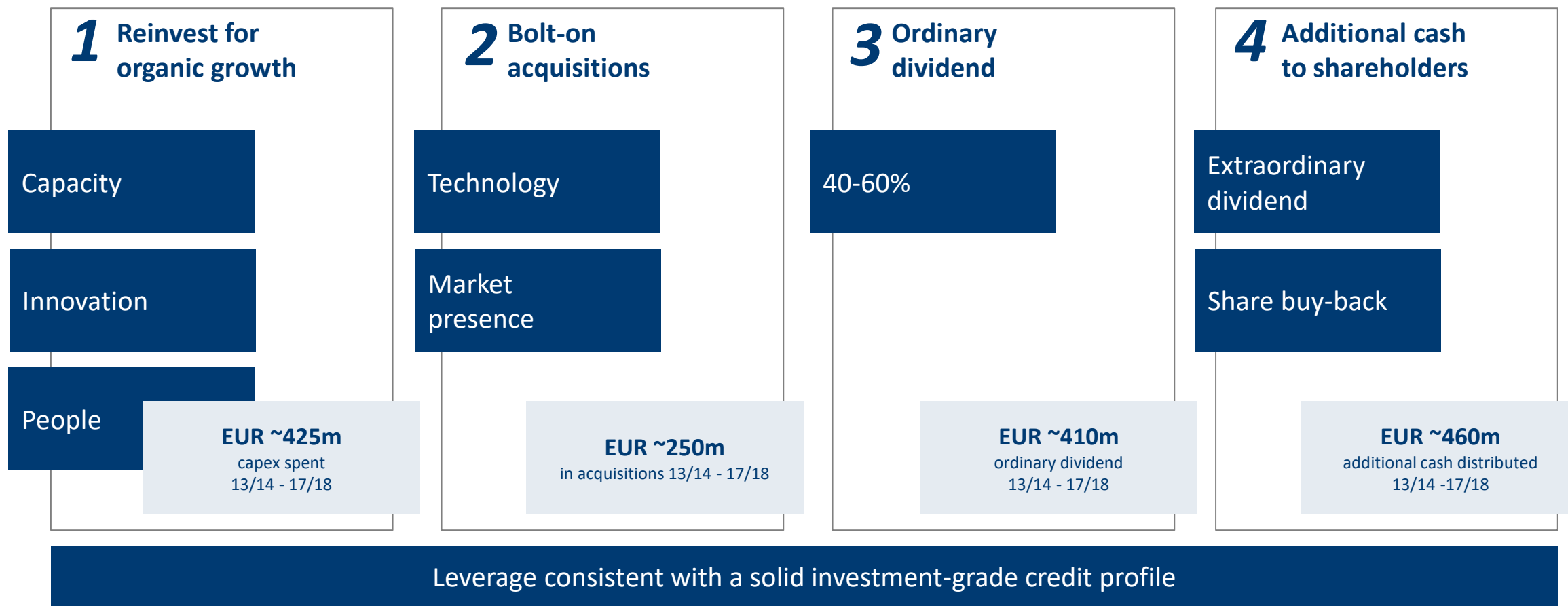
We will continue to pursue profitable growth through 2021/22

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

30+% EBIT margin b.s.i.

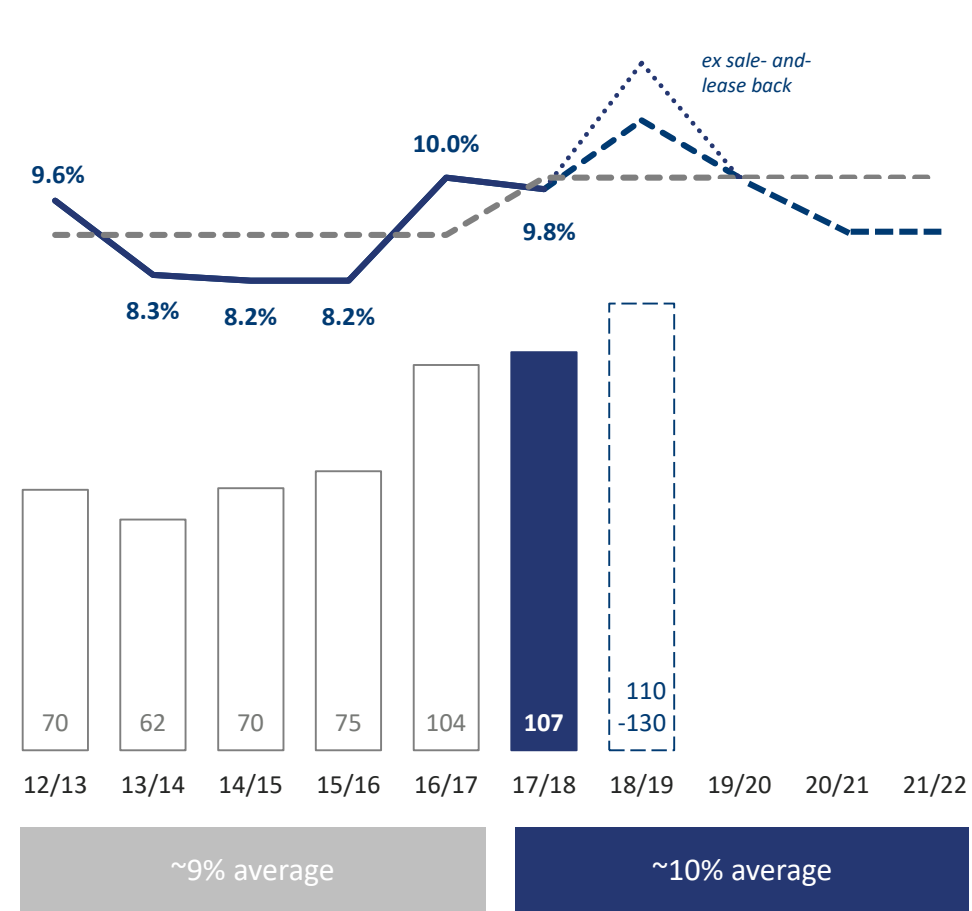
+10% CAGR FCF b.s.i.a.








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



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  	21/22
Dairy expansion 	Beyond 21/22

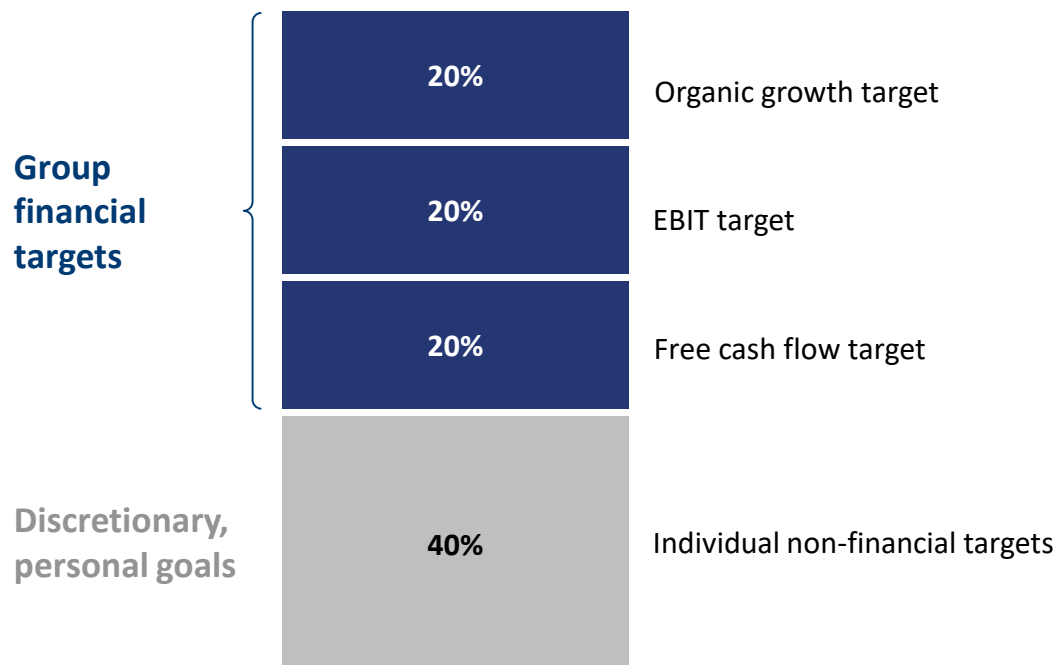
~10% of net revenue capex p.a. 2017/18 – 21/22

Closely aligned to key metrics and with strong incentive component

SHORT TERM

Annual incentive program for CEO and CFO

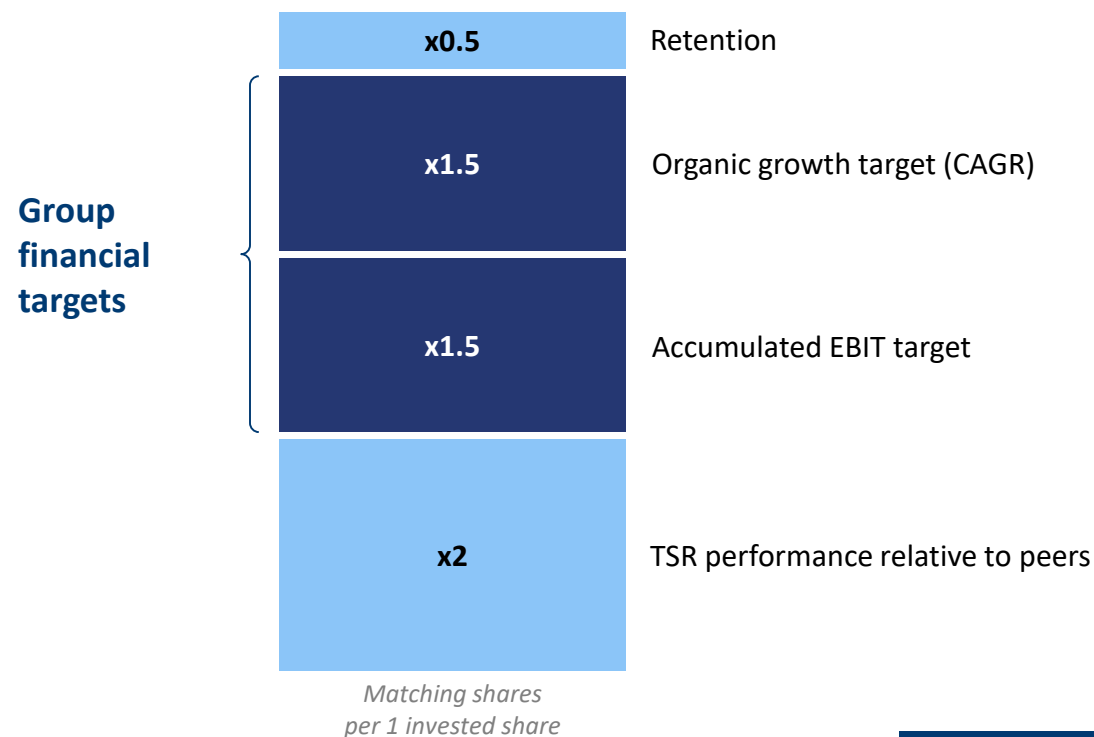
- ▶ Based on group financial targets and discretionary, personal goals
- ▶ Bonus is paid as 1/3 of the payout in Restricted Stock Units, and 2/3 in cash; normally accounts for 25-30% of total remuneration package










LONG TERM

Progressive three-year incentive program

- ▶ Requires personal investment in Chr. Hansen shares to participate
- ▶ Grant value estimated (based on Black-Scholes) at 20-25% of the remuneration package



Ranked 'most sustainable company in the world' by Corporate Knights

	Target dimensions	Goal	KPI	Progress 17/18	Target 21/22 ¹
Commercial	 Better farming	Expand reach of natural plant solutions	Hectares of farmland treated (cumulative) ²	6.7m hectares	25m hectares
	 Good health	Launch new products with a documented health effect	Number of products (cumulative)	3 products	6 products
	 Less waste	Reduce global yogurt waste	Tons of yogurt saved (cumulative) ³	0.4m tons	1.2m tons
Operational	 Workplace responsibility	Improve work safety	LTIF ⁴	2.46	≤1.8
		Increase diversity of workforce	% of diverse corporate teams ⁵	78%	80%
	 Climate and environment	Reduce environmental footprint in:			
		Energy	Efficiency in % compared to base year 13/14 ⁶	9%	20%
		Water		6%	20%
		CO ₂		22%	25%
		Waste recycled		42%	40%
	 Business and product integrity	Ensure fair, transparent and ethical standards of business conduct	Completion of Code of Conduct training	99%	100%
	 Human rights and responsible sourcing	Respect human rights and ensure responsible practices in supply chain	On site sustainability assessment of high risk suppliers	Supplier requirements and internal training	

¹ For better farming the target is to be reached by 24/25.

² Based on sales numbers and application rates of Plant Health solutions and silage inoculants.

³ Based on 7 days extended shelf life and sales numbers for FreshQ®.

⁴ Frequency of Lost Time Incidents per million working hours.

⁵ Defined as corporate management teams reporting to VP level and above that include at least one woman and one non-local.

⁶ Efficiency relative to production units.



Q2 2018/19 Results

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%

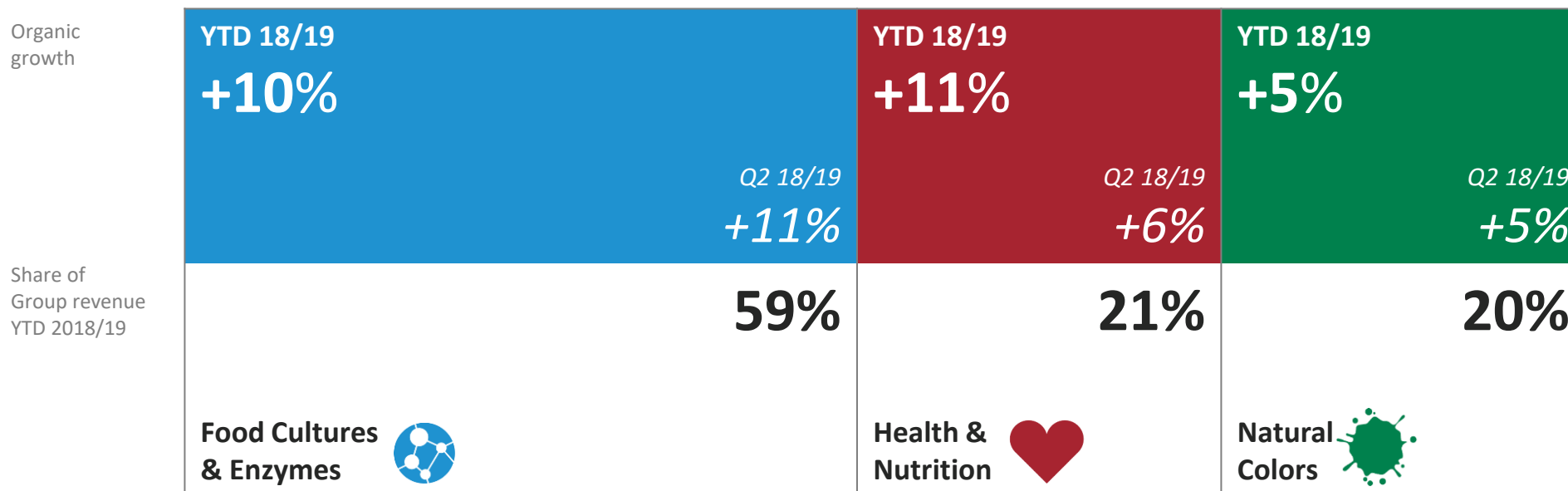
27.8% EBIT margin b.s.i.

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

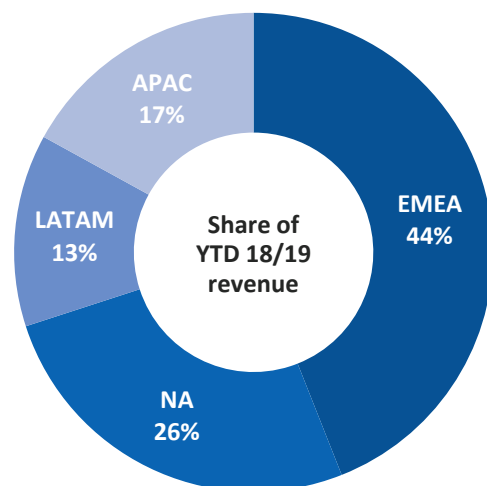
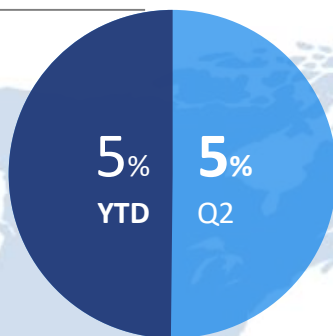
- ▶ Investments in new US capacity and continuation of efficiency programs

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



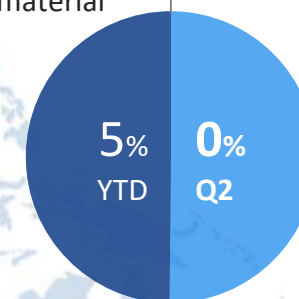
APAC

YTD:

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

Q2:

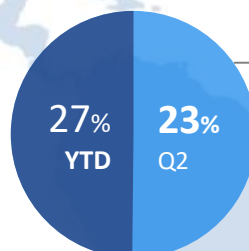
- ▶ FC&E with good growth, HH declined due to timing of orders in dietary supplements and NCD due to declining raw material prices



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

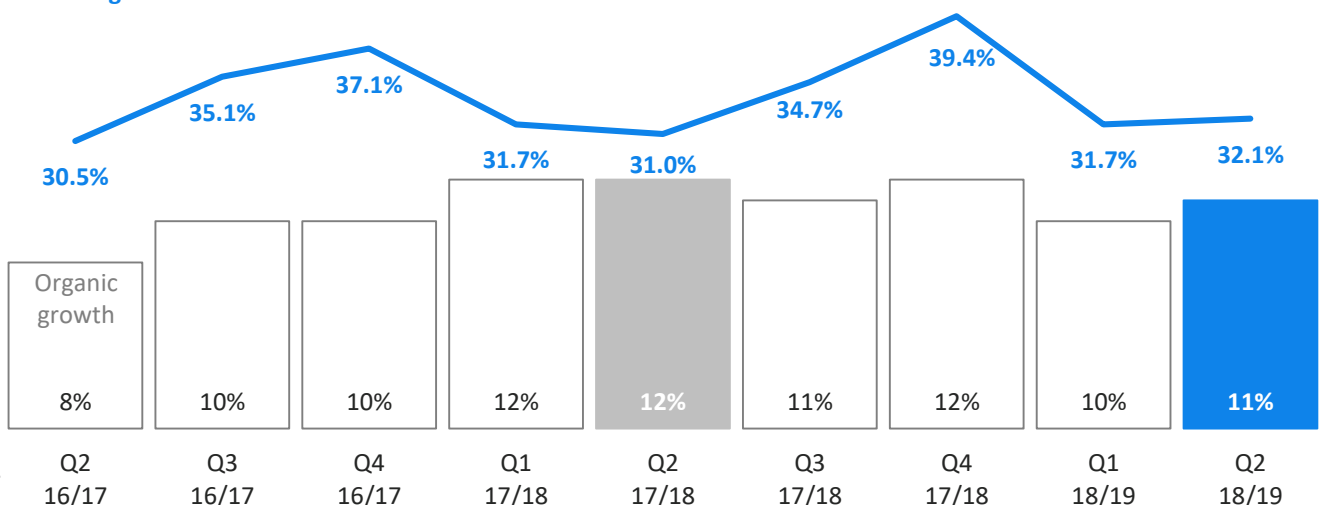
- YTD** ▶ Strong growth in cheese, enzymes and meat; fermented milk and probiotics with solid growth
- ▶ Bioprotection with ~10% organic growth on a demanding comparable; strong growth in EMEA as well as LATAM and APAC, albeit from low base
- Q2** ▶ Strong growth in cheese, enzymes and probiotics followed 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	Q2 17/18	Q2 18/19	YTD 17/18	YTD 18/19
Revenue	153.7	166.0	308.8	327.1
Organic growth	12%	11%	12%	10%
Volume/mix	10%	7%	10%	6%
EBIT margin	31.0%	32.1%	31.3%	31.9%
ROIC ex. goodwill			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

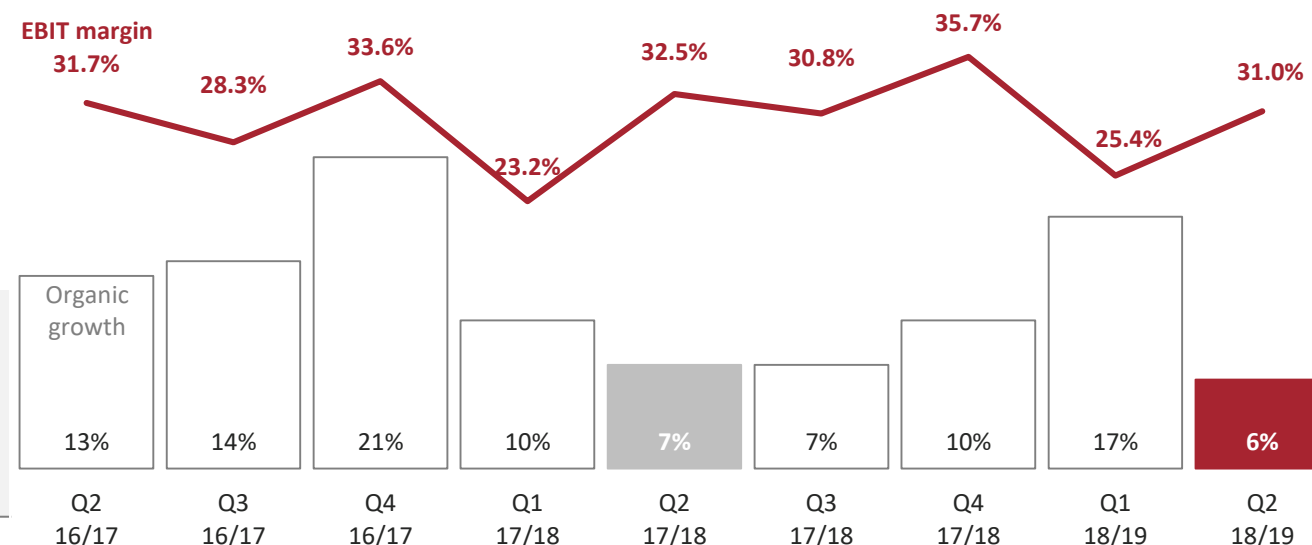
- Q2**
- ▶ HH: Strong growth in infant formula; dietary supplements flat due to weakness in NA and APAC
 - ▶ AH: Modest growth driven by strong momentum in poultry and solid growth in silage; cattle and swine declined
 - ▶ PH: Continued strong growth in LATAM

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

Revenue

Organic growth

Volume/mix

EBIT margin

ROIC ex. goodwill

Q2 17/18

Q2 18/19

YTD 17/18

YTD 18/19

57.2

62.5

105.5

118.1

7%

6%

8%

11%

7%

6%

8%

10%

32.5%

31.0%

28.2%

28.4%

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

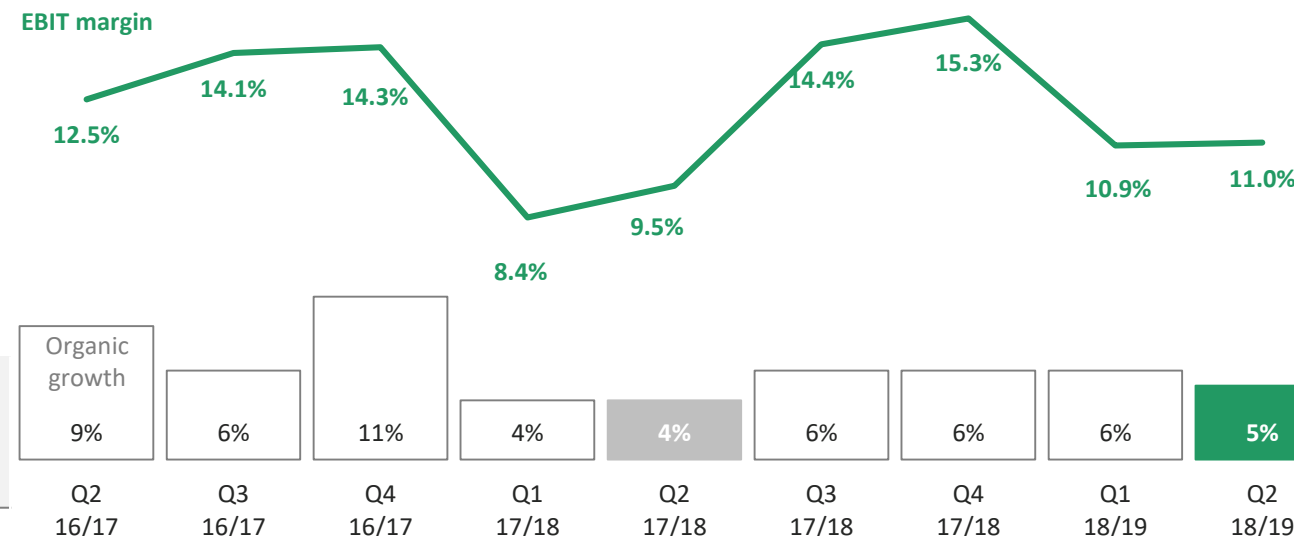
- Q2**
- ▶ Successful conversion projects with key customers in NA; EMEA with solid growth driven by FRUITMAX®; LATAM and APAC declined due to lower prices for carmine and annatto

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%

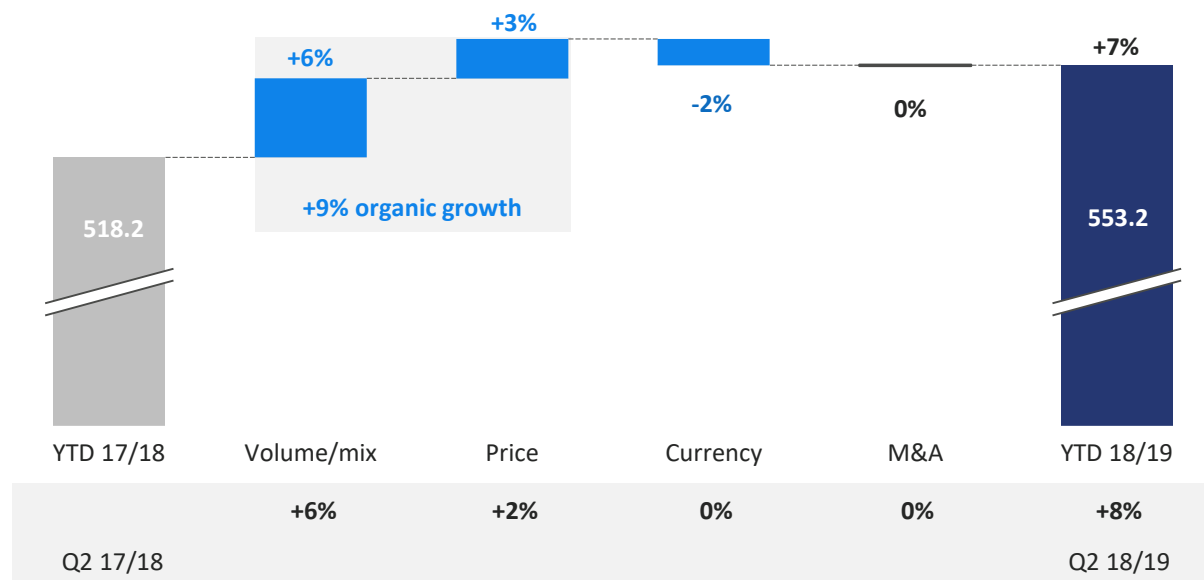
19.4%

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)
Gross profit	274.6	303.0
<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
EBIT b.s.i.	135.9	149.6
<i>EBIT b.s.i. margin</i>	<i>26.2%</i>	<i>27.0%</i>
Special items	-	(1.0)
EBIT	135.9	148.6
<i>EBIT margin</i>	<i>26.2%</i>	<i>26.9%</i>
Net financial items	(9.2)	(6.9)
EBT	126.7	141.7
Income taxes	(29.1)	(32.6)
<i>Tax rate</i>	<i>23.0%</i>	<i>23.0%</i>
Profit for the year	97.6	109.1

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
Cash flow		
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)
Balance sheet		
Total assets	1,809.9	1,926.1
Equity	747.9	772.5
Net interest-bearing debt	732.7	785.0
Key ratios		
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 ¹ As per Jan 17, 2019	Outlook 2018/19 As per Apr 3, 2019	Long-term financial ambition ²
Organic revenue growth	9%	9-11%	9-11%	8-10%
 Food Cultures & Enzymes	10%	<i>Above long-term ambition</i>	<i>Above long-term ambition</i>	<i>7-8%</i>
 Health & Nutrition	11%	<i>10% or above</i>	<i>10% or above</i>	<i>n.a.</i>
 Natural Colors	5%	6-9%	5-7%	<i>n.a.</i>
EBIT margin b.s.i.	27.0%	Around 29.5%	Around 29.5%	30+%
Free cash flow b.s.i.a.	EUR 8m	Around the same level as in 17/18	Around the same level as in 17/18³	+10% CAGR

¹ 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.

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.

Financial calendar

July 3, 2019
Interim Report Q3 2018/19

October 10, 2019
Annual Report 2018/19

November 27, 2019
Annual General Meeting 2019

Contacts

Martin Riise, Head of Investor Relations
+45 53 39 22 50
DKMARI@chr-hansen.com

Annika Stern, Investor Relations Officer
+45 2399 2382
DKASTE@chr-hansen.com

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