



Chr. Hansen
Q3 2018/19 Results
June 27, 2019

CHR HANSEN

Improving food & health

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Solid sales growth and profitability in Q3 despite more challenging trading conditions

YTD 2018/19

9% organic growth

YTD 2017/18: 9%

28.2% EBIT margin b.s.i.

YTD 2017/18: 27.5%

EUR **57** m FCF b.s.i.a.

YTD 2017/18: EUR 75m

Q3 2018/19

8% organic growth

Q3 2017/18: 9%

30.4% EBIT margin b.s.i.

Q3 2017/18: 29.7%

EUR **49** m FCF b.s.i.a.

Q3 2017/18: EUR 64m

Natural Colors, Animal Health and emerging markets below expectations

Organic growth	YTD 18/19 +9%	YTD 18/19 +11%	YTD 18/19 +4%
	Q3 18/19 +8%	Q3 18/19 +11%	Q3 18/19 +3%
Share of Group revenue YTD 2018/19	59%	22%	19%
	Food Cultures & Enzymes 	Health & Nutrition 	Natural Colors 

Growth in NA increased but softer quarter for EMEA, and APAC still challenged

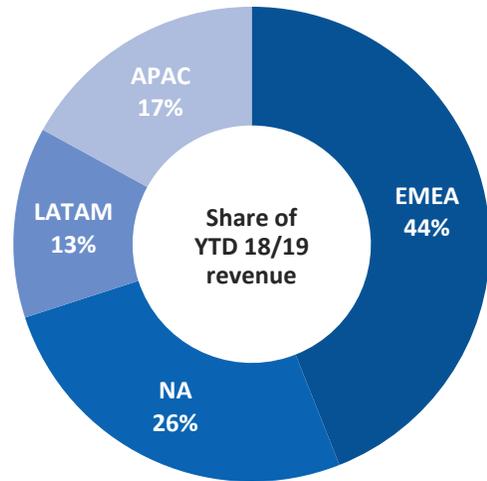
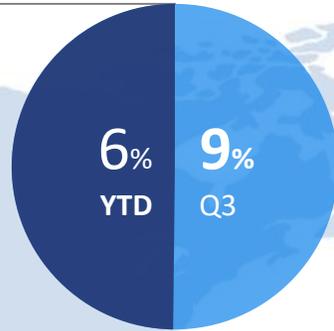
NORTH AMERICA

YTD:

- ▶ Strong growth in NCD supported by conversions and solid growth in FC&E; H&N declined due to sluggish market conditions in cattle and dietary supplements

Q3:

- ▶ FC&E and NCD with strong growth; H&N with solid growth due to customer wins in Animal Health and slightly improved farmer economics



FC&E= Food Cultures & Enzymes, H&N= Health & Nutrition, NCD= Natural Colors (Division)

APAC

YTD:

- ▶ Strong growth in H&N, whilst FC&E was on par with last year and NCD declined

Q3:

- ▶ Strong growth in H&N, whilst FC&E declined due to slowing volume growth in fermented milk and challenging customer dynamics (mainly in China); NCD declined due to softer demand and timing of orders



LATAM

YTD/Q3:

- ▶ Strong growth in FC&E and H&N, whilst NCD declined YTD and was flat in Q3 due to a challenging economic climate
- ▶ EUR pricing accounted almost half the organic growth in Q3 and YTD



EMEA

YTD:

- ▶ Solid growth in FC&E and H&N; NCD with good growth

Q3:

- ▶ FC&E with solid growth and flat sales in NCD due to lower demand from Middle East, whilst H&N declined due to timing of orders with a key customer



Cheese and bioprotection strong, but lower momentum in yogurt in APAC

9% ORGANIC GROWTH YTD 18/19

- YTD**
- ▶ Strong growth in cheese and meat cultures and enzymes, fermented milk with solid and probiotics with slight growth
 - ▶ Bioprotection with ~15% organic growth driven by fermented milk and meat categories and 2nd generation products

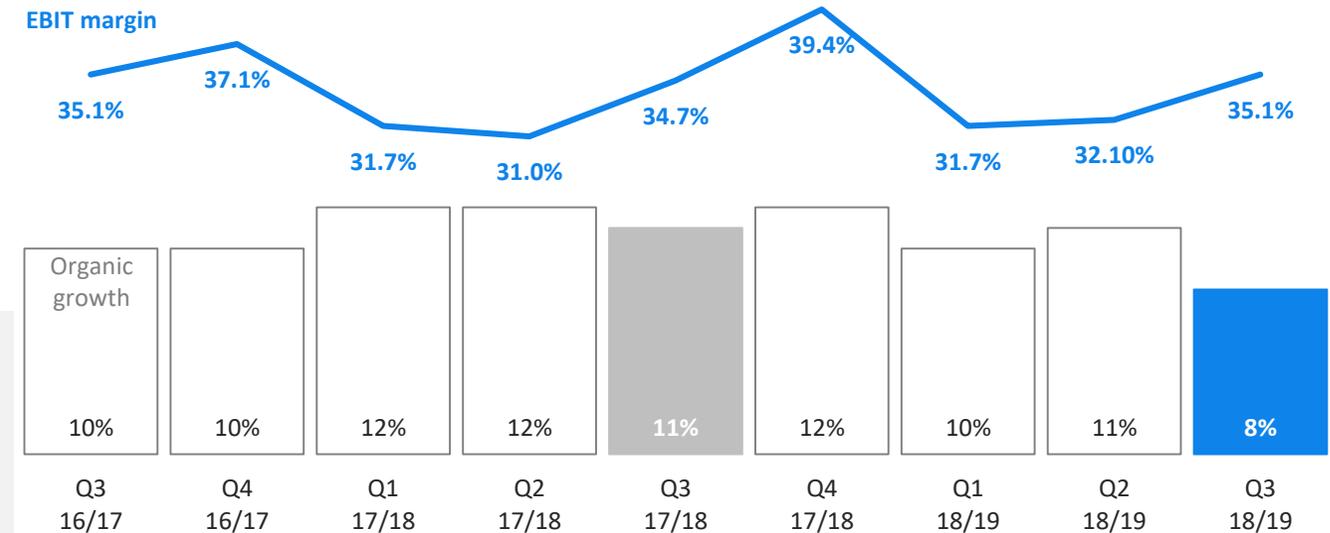
- Q3**
- ▶ Strong growth in cheese and meat cultures and enzymes; fermented milk with good momentum, probiotics declined outside of North America
 - ▶ Bioprotection accelerated to ~15% organic growth

33.0% EBIT MARGIN YTD 18/19 (+0.5%-point yoy)

- YTD**
- ▶ Scalability benefits, mainly from Copenhagen expansion, of around 1%-point on gross margin partly offset by investments in strategic initiatives

- Q3**
- ▶ Margin improvement mainly driven by Copenhagen ramp-up

Quarterly development of organic revenue growth and EBIT margin, %



EUR million	Q3 17/18	Q3 18/19	YTD 17/18	YTD 18/19
Revenue	165.9	176.7	474.7	503.8
Organic growth	11%	8%	12%	9%
Volume/mix	6%	5%	9%	5%
EBIT margin	34.7%	35.1%	32.5%	33.0%
ROIC ex. goodwill			41.6%	41.1%



Continued strength in infant and PH, AH behind despite better momentum

11% ORGANIC GROWTH YTD 18/19

- YTD**
- ▶ HH with strong growth driven by infant formula in all regions and slight growth in dietary supplements, mainly in APAC
 - ▶ AH with good growth driven by poultry & swine
 - ▶ PH with very strong growth, albeit from modest base

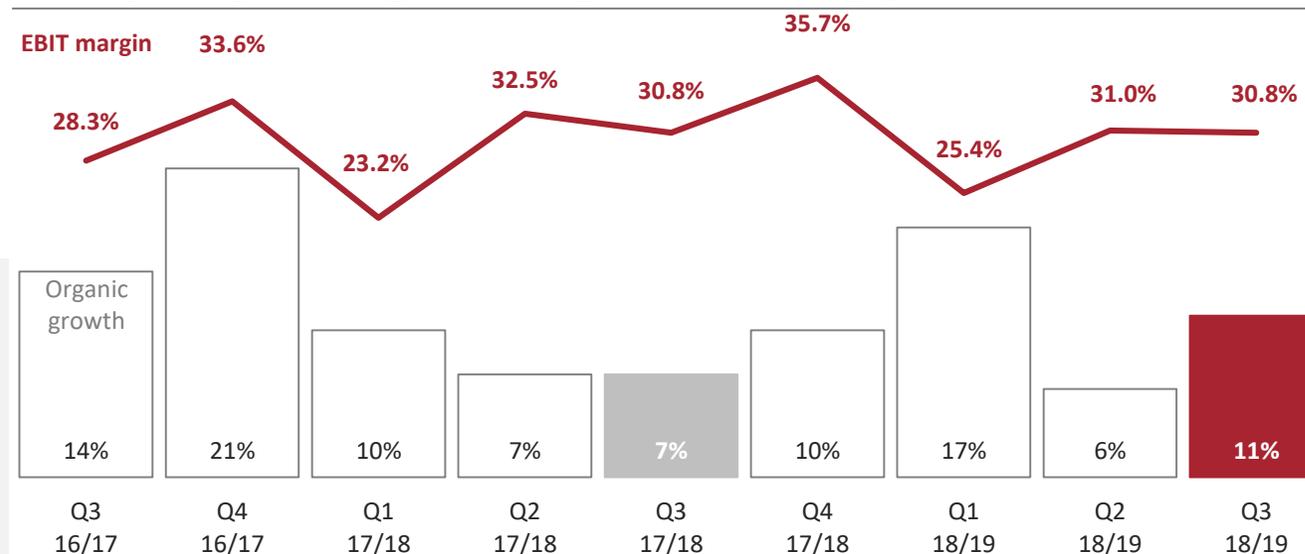
- Q3**
- ▶ HH with solid growth driven by infant formula, whilst dietary supplements was on par with last year
 - ▶ AH with solid growth driven by poultry & swine; cattle sales were flat and thus below expectations despite customer wins and somewhat improved farmer economics
 - ▶ PH with strong momentum in LATAM driven by both sugar cane and soy

29.2% EBIT MARGIN YTD 18/19 (0%-point yoy)

- YTD**
- ▶ EBIT margin on par with last year

- Q3**
- ▶ EBIT margin on par with last year; lower gross margin offset by relatively lower growth in operating expenses

Quarterly development of organic revenue growth and EBIT margin, %



EUR million	Q3 17/18	Q3 18/19	YTD 17/18	YTD 18/19
Revenue	59.1	66.5	164.6	184.6
Organic growth	7%	11%	8%	11%
Volume/mix	7%	10%	8%	10%
EBIT margin	30.8%	30.8%	29.2%	29.2%
ROIC ex. goodwill			26.0%	26.7%



NCD below expectations due to increased headwinds in emerging markets

4% ORGANIC GROWTH YTD 18/19

- YTD**
- ▶ Strong growth in coloring foodstuffs
 - ▶ Declining annatto and carmine prices impacted pricing negatively; largely offset by increases in other pigments
 - ▶ NA with strong growth due to conversion wins and EMEA with good growth; LATAM and APAC declined due to lower raw material prices and challenging economic climate

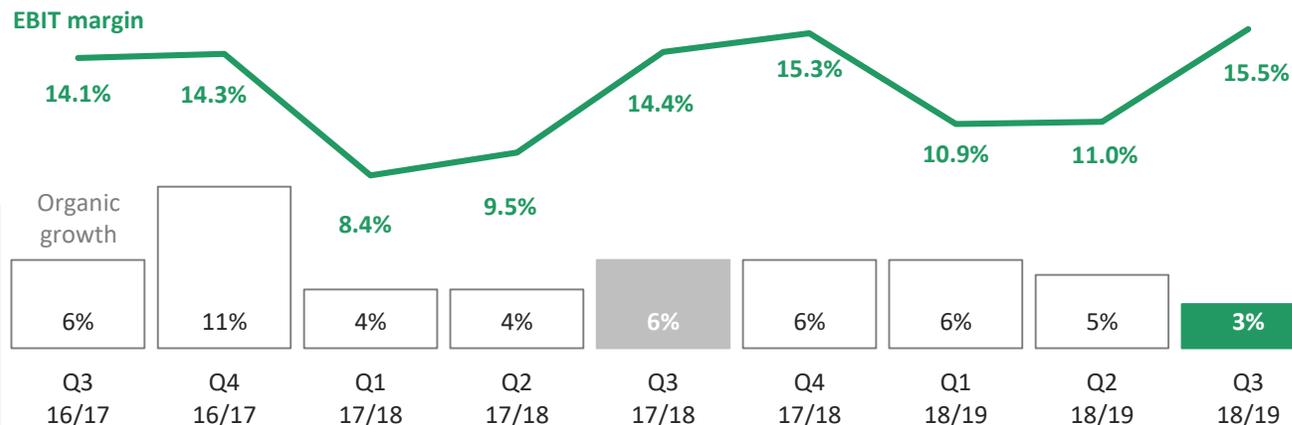
- Q3**
- ▶ Strong growth in coloring foodstuffs offset by flat or declining sales in traditional natural colors pigments
 - ▶ Regionally growth was driven by conversion wins in NA; LATAM and EMEA flat (adverse conditions in Middle East), APAC declined due to softer demand and timing of orders

12.5% EBIT MARGIN YTD 18/19 (+1.6%-points yoy)

- YTD**
- ▶ Increase in EBIT margin driven by operating efficiencies, soft baseline and declining raw materials, partly offset by currencies

- Q3**
- ▶ 1.1%-points improvement in EBIT margin driven by operating efficiencies and declining raw materials, partly offset by FX

Quarterly development of organic revenue growth and EBIT margin, %



EUR million

	Q3 17/18	Q3 18/19	YTD 17/18	YTD 18/19
Revenue	57.7	58.8	161.6	166.8
Organic growth	6%	3%	5%	4%
Volume/mix	4%	4%	2%	5%
EBIT margin	14.4%	15.5%	10.9%	12.5%
ROIC ex. goodwill			20.1%	21.7%

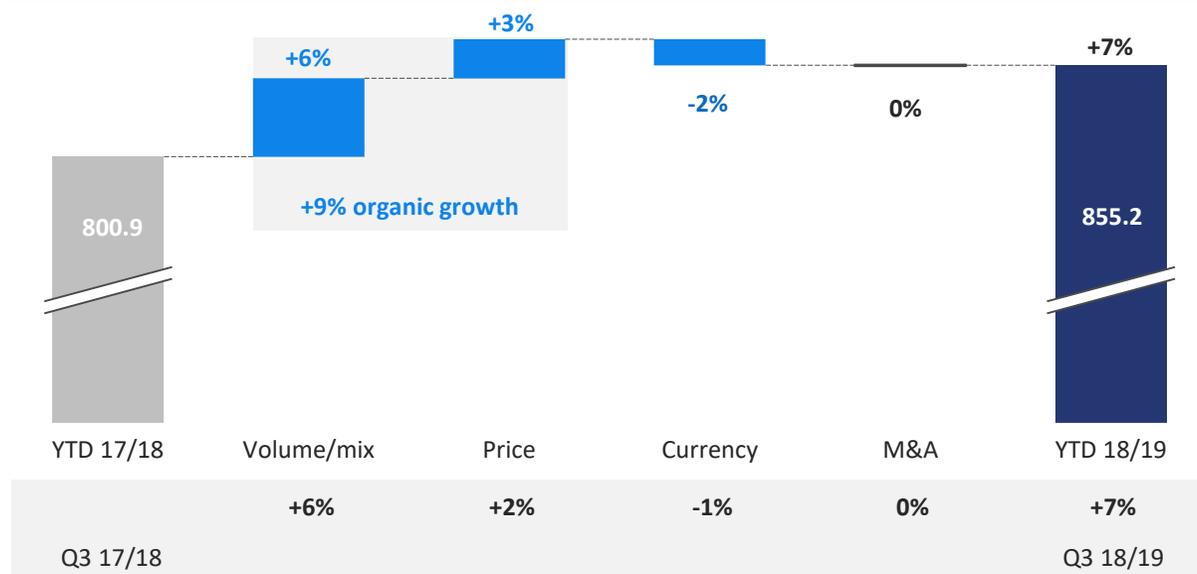
INCOME STATEMENT

Scalability benefits from Copenhagen site partly offset by NN1 investments

Comments YTD 2018/19

- ▶ Gross margin improvement of 1.5%-points mainly driven by FC&E and NCD; H&N with slight improvement
- ▶ Operating expenses increased to 27.2% of revenue (compared to 26.4% last year) due to strategic initiatives related to Nature's no. 1
- ▶ EBIT margin b.s.i. increased by 0.7%-point; immaterial impact from currencies
- ▶ Special items of EUR 1m related to Hundsbichler acquisition and Lonza JV

Group revenue growth YTD 2018/19



EUR million	YTD 17/18	YTD 18/19
Revenue	800.9	855.2
Cost of sales	(369.2)	(381.4)
Gross profit	431.7	473.8
<i>Gross margin</i>	<i>53.9%</i>	<i>55.4%</i>
R&D expenses	(56.2)	(59.4)
<i>% of sales</i>	<i>7.0%</i>	<i>6.9%</i>
Sales and marketing expenses	(102.1)	(117.4)
<i>% of sales</i>	<i>12.7%</i>	<i>13.7%</i>
Administrative expenses	(54.4)	(57.5)
<i>% of sales</i>	<i>6.8%</i>	<i>6.7%</i>
Other operating income/expenses	0.9	1.8
EBIT b.s.i.	219.9	241.3
<i>EBIT b.s.i. margin</i>	<i>27.5%</i>	<i>28.2%</i>
Special items	-	(1.4)
EBIT	219.9	239.9
<i>EBIT margin</i>	<i>27.5%</i>	<i>28.1%</i>
Net financial items	(14.6)	(11.8)
EBT	205.3	228.1
Income taxes	(47.2)	(52.5)
<i>Tax rate</i>	<i>23.0%</i>	<i>23.0%</i>
Profit for the year	158.1	175.6

Growth in CF from operations offset by higher taxes paid and capex

Comments

- ▶ Increase in cash flow from operating activities was driven by growth in operating profit and a favorable impact from higher non-trade payables relating to the discontinued export credit scheme last year, largely offset by higher taxes paid due to absence of acquisition-related benefits
- ▶ Increase in cash flow used for operational investing activities from 9.1% to 11.3% of revenue, primarily driven by capacity expansion of freeze-dried packaging in Copenhagen facility
- ▶ Cash flow used for acquisitions of EUR 10m related to the Hundsbichler acquisition

In EUR m	YTD 17/18	YTD 18/19
Cash flow		
Taxes paid	(42.7)	(65.7)
CF from operating activities	147.9	151.8
CF from operational investing activities	(72.6)	(96.7)
Free cash flow b.s.i.a.	75.4	56.5
Acquisition activities	-	(9.8)
Free cash flow	75.3	45.3
Balance sheet		
Total assets	1,848.2	1,974.9
Equity	809.5	837.0
Net interest-bearing debt	672.6	740.0
Key ratios		
Net working capital	21.9%	23.2%
Capital expenditure	9.1%	11.3%
ROIC excluding goodwill	34.2%	34.3%
NIBD/EBITDA	1.8x	1.8x

OUTLOOK

Reduced organic growth outlook and adjusted FCF guidance

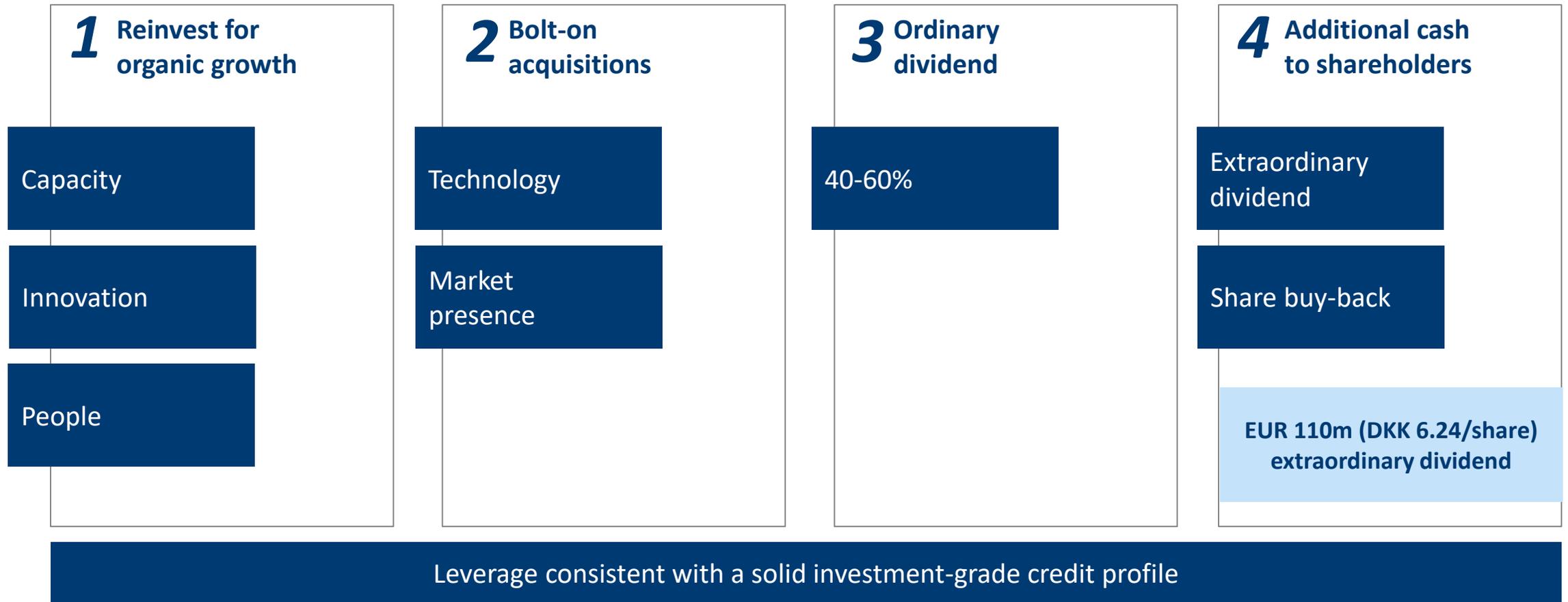
	YTD 2018/19	Outlook 2018/19 As per Apr 3, 2019	Outlook 2018/19 As per June 26, 2019	Long-term financial ambition ²
Organic revenue growth	9%	9-11%	7-8%	8-10%
 <i>Food Cultures & Enzymes</i>	9%	<i>Above long-term ambition</i>	<i>Above long-term ambition</i>	7-8%
 <i>Health & Nutrition</i>	11%	10% or above	Around 10%	<i>n.a.</i>
 <i>Natural Colors</i>	4%	5-7%	4-5%	<i>n.a.</i>
EBIT margin b.s.i.	28.2%	Around 29.5%	Around 29.5%	+30%
Free cash flow b.s.i.a.	EUR 57m	Around the same level as in 17/18³	Above 17/18 level³	~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.

Capital allocation priorities remain unchanged; extraordinary dividend of DKK 6.24 per share to be distributed to shareholders



Full focus on strategy execution and strong commitment to long-term financial ambition



**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

Financial calendar

October 10, 2019
Annual Report 2018/19

November 27, 2019
Annual General Meeting 2019

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