

Chr. Hansen

FY 2018/19 Results

October 10, 2019



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FINANCIAL HIGHLIGHTS

Group organic growth at lower end of revised guidance as trading conditions remained challenging; solid margin and free cash flow development

FY 2018/19

7% organic growth

Revised guidance FY 2018/19: 7-8%

29.6% EBIT margin b.s.i.

Guidance FY 2018/19: Around 29.5%

EUR **229**m FCF b.a.s.i. (+17%)

Revised guidance FY 2018/19: Above 2017/18 (EUR 196m)

Q4 2018/19

2% organic growth

Q4 2018/19: 10%

33.3% EBIT margin b.s.i.




Q4 2018/19: 33.8%

EUR **173**m FCF b.a.s.i.

Q4 2018/19: EUR 121m

FINANCIAL HIGHLIGHTS

General slow-down in Q4 in line with expectations but Natural Colors and FC&E because of probiotics and emerging markets disappointed

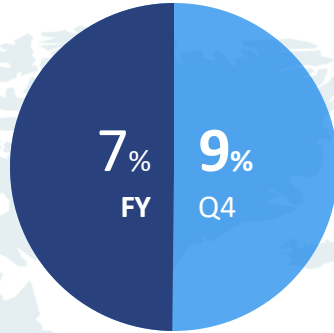
| | | | |
|--------------------------------|---|--|--|
| Organic growth | FY 18/19 +8% | FY 18/19 +9% | FY 18/19 +3% |
| | Q4 18/19 +3% | Q4 18/19 +4% | Q4 18/19 (2%) |
| Share of Group revenue 2018/19 | 59% | 22% | 19% |
| | Food Cultures & Enzymes  | Health & Nutrition  | Natural Colors  |

Emerging market softness driven by China, LATAM and Middle East

NORTH AMERICA 27% of Group

FY ▶ NCD with very strong growth driven by large conversions and FC&E with solid growth, H&N with good growth but impacted by softness in AH

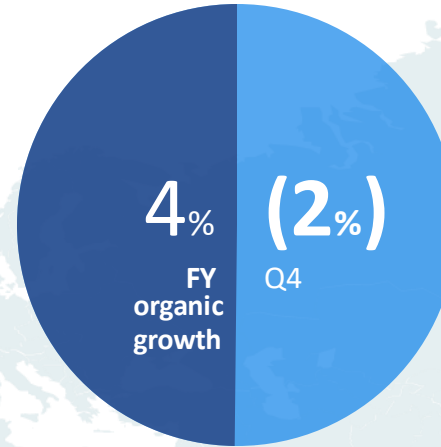
Q4 ▶ H&N with very strong and NCD with strong growth, FC&E with good growth



EMEA 44% of Group

FY ▶ Solid growth in FC&E and good growth in H&N, NCD grew slightly

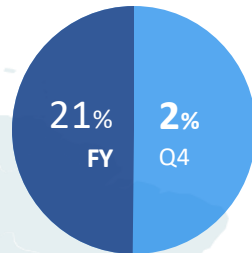
Q4 ▶ FC&E on par with last year as growth in core dairy business was offset by probiotics and wine cultures
▶ Health & Nutrition declined due to timing of orders and NCD due to weaker end market demand in Middle East



LATAM 12% of Group

FY ▶ Very strong growth in FC&E and H&N, but NCD declined due to challenging economic climate

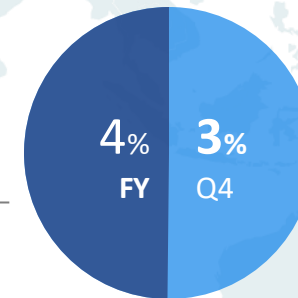
Q4 ▶ FC&E with strong growth, H&N declined due to timing of orders in PH and NCD declined
▶ Ex. euro pricing growth was slightly negative



APAC 17% of Group

FY ▶ H&N with very strong growth, FC&E grew slightly, NCD declined

Q4 ▶ Solid growth in H&N and good growth in FC&E, whereas NCD declined
▶ FC&E grew slightly in China but solid growth in fermented milk was largely offset by probiotics



Good progress on Nature's no. 1



**PROGRESS 2018/19
FOOD CULTURES & ENZYMES**

Leverage the full potential



**PROGRESS 2018/19
HEALTH & NUTRITION**

Develop the microbial platform



**PROGRESS 2018/19
NATURAL COLORS**

Create further value

Drive penetration of new innovation

- ▶ SWEETY® and CHY-MAX® Supreme launched
- ▶ Bioprotection 2nd gen. grew strongly

- ▶ Excellent progress in Plant Health
- ▶ BacThera JV with Lonza established

- ▶ Strengthened coloring foods range with HANSEN SWEET POTATO™

Reinforce position in growth markets

- ▶ **Good wins in plant-based alternatives and fermented beverages**
- ▶ Expanded sales and application support for agencies

- ▶ Strong growth in infant formula
- ▶ Good progress in Animal Health on route-to-market expansion

- ▶ Successful conversion projects with large-volume products in the US

Generate fuel for growth

- ▶ Sizable scalability benefits achieved in production
- ▶ Pilot tests with digital services

- ▶ New application lab for Plant Health in Copenhagen

- ▶ Strengthened operational processes to enable scalability of the business

Sustainability is an integral part of Chr. Hansen's business model, strategy and culture

- ▶ 82% of revenue contribute to UN Global Goals
- ▶ Named 'World's Most Sustainable Company' by Corporate Knights



Growth model in core categories intact but negative impact from probiotics

8% ORGANIC GROWTH FY 18/19

- FY**
- ▶ Strong growth in enzymes and meat, solid growth in fermented milk and cheese, probiotics declined driven by APAC
 - ▶ Bioprotection with ~10% organic growth driven by fermented milk and meat (7% of FC&E)

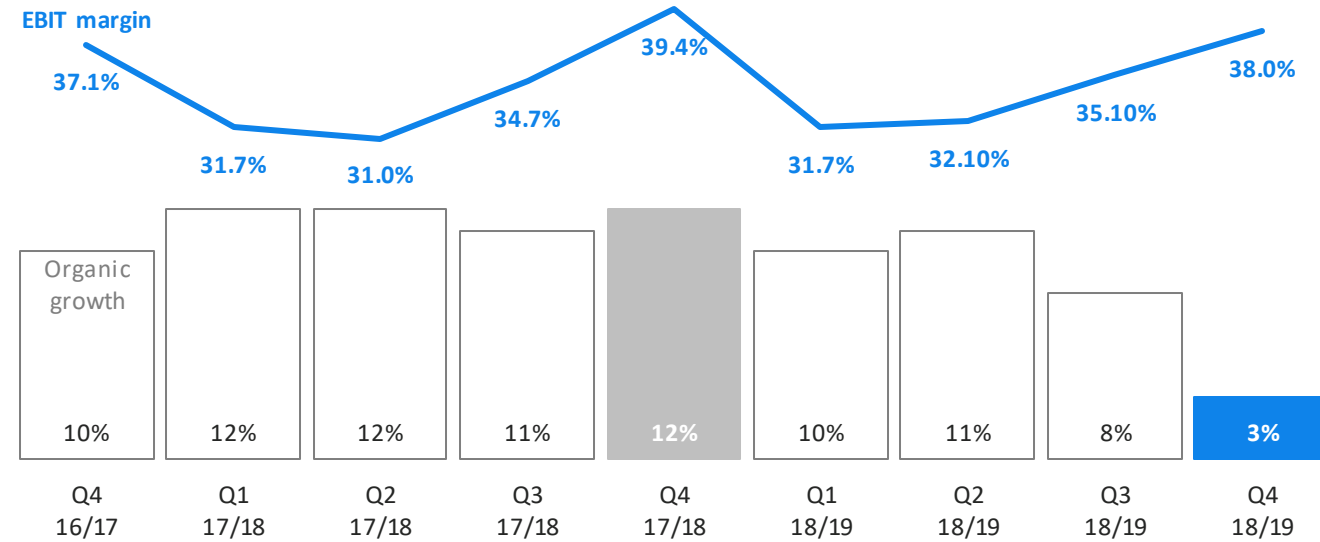
- Q4**
- ▶ Solid growth in fermented milk, cheese, enzymes and meat whilst probiotics declined primarily due to challenging market in China
 - ▶ Bioprotection only grew slightly as growth in fermented milk and meat was offset by a decline in cheese

34.3% EBIT MARGIN FY 18/19 (on par yoy)

- FY**
- ▶ Scalability benefits of around 1%-point on gross margin from increased capacity utilization at Copenhagen plant offset by investments in strategic initiatives (bioprotection, digital)

- Q4**
- ▶ Decrease driven by relatively low revenue growth, inventory reductions and strategic investments, only partly offset by underlying scalability in production

Quarterly development of organic revenue growth and EBIT margin, %



| EUR million | Q4 17/18 | Q4 18/19 | FY 17/18 | FY 18/19 |
|-------------------|----------|----------|----------|----------|
| Revenue | 172.5 | 178.6 | 647.2 | 682.3 |
| Organic growth | 12% | 3% | 12% | 8% |
| Volume/mix | 8% | 2% | 8% | 4% |
| EBIT margin | 39.4% | 38.0% | 34.3% | 34.3% |
| ROIC ex. goodwill | | | 45.6% | 44.2% |



Improving momentum in cattle in Q4 and continued growth in infant formula

9% ORGANIC GROWTH FY 18/19

- FY**
- ▶ HH with solid growth driven by infant formula, whilst dietary supplements was on par with last year
 - ▶ AH with good growth driven by Poultry & Swine, whilst Cattle declined due to weak farmer economics in the US and lower demand for silage; improving momentum during year
 - ▶ PH with very strong growth in sugar cane and soy in LATAM

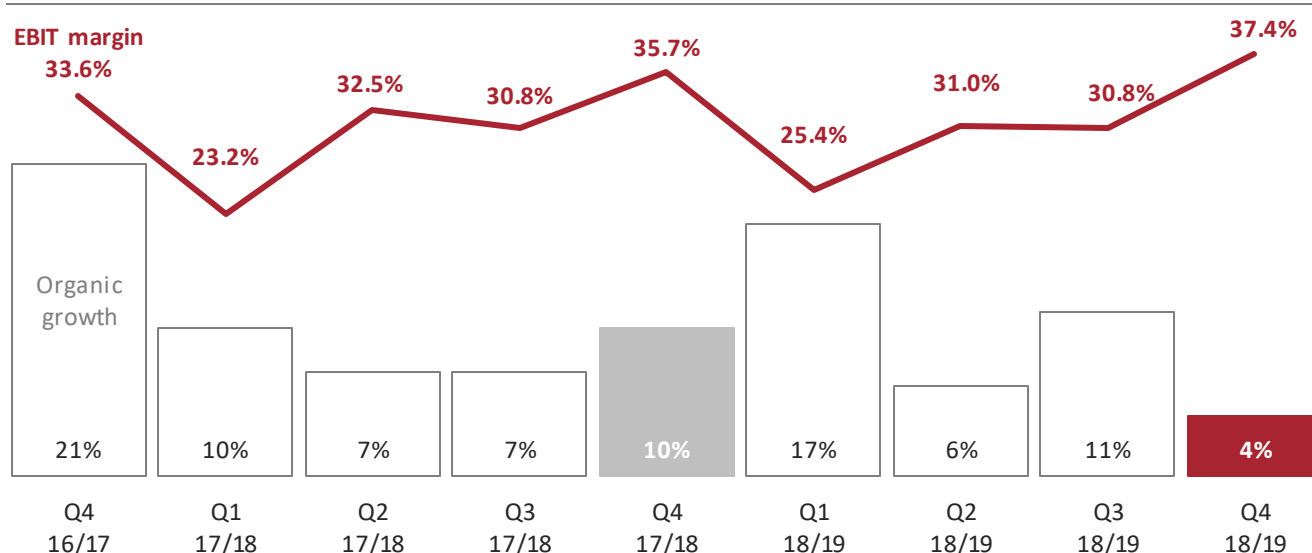
- Q4**
- ▶ HH with solid growth driven by infant formula, whilst in dietary supplements declined (order patterns in EMEA)
 - ▶ AH grew solidly with contributions from all species
 - ▶ PH declined as expected due to different order patterns

31.5% EBIT MARGIN FY 18/19 (+0.5%-point yoy)

- FY**
- ▶ Increase driven by positive product mix and minor positive impact from currencies, partly offset by investments in strategic initiatives (route-to-market in AH, lighthouses)

- Q4**
- ▶ Increase of 1%-point driven by favorable product mix and small positive impact from currencies

Quarterly development of organic revenue growth and EBIT margin, %



| EUR million | Q4 17/18 | Q4 18/19 | FY 17/18 | FY 18/19 |
|-------------------|----------|----------|----------|----------|
| Revenue | 66.3 | 70.5 | 230.9 | 255.1 |
| Organic growth | 10% | 4% | 8% | 9% |
| Volume/mix | 10% | 4% | 8% | 9% |
| EBIT margin | 35.7% | 37.4% | 31.0% | 31.5% |
| ROIC ex. goodwill | | | 29.0% | 29.5% |



Colors hit by raw material declines and economic climate in emerging markets

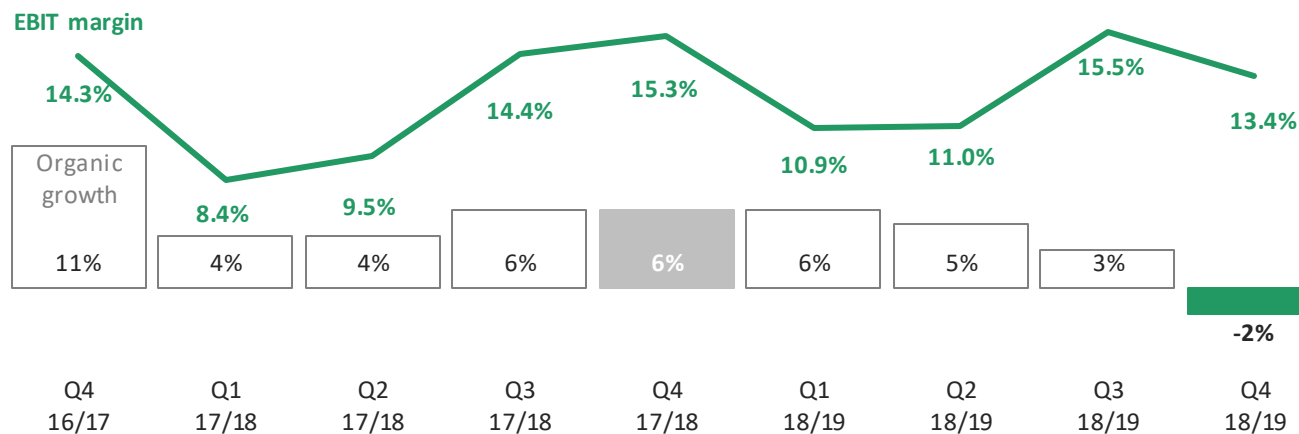
3% ORGANIC GROWTH FY 18/19

- FY/ Q4**
- ▶ Coloring foods with strong growth, partly offset by declines in carmine and annatto due to raw material prices and lost business in emerging markets
 - ▶ Strong growth in NA driven by conversions with key accounts and new product introductions

12.7% EBIT MARGIN FY 18/19 (+0.7%-point yoy)

- FY**
- ▶ Increase driven by lower raw material costs combined with operating efficiencies, partly offset by organizational changes and currencies
- Q4**
- ▶ Decrease primarily due to changes in commercial organization and currencies, partly offset by lower raw material costs

Quarterly development of organic revenue growth and EBIT margin, %



| EUR million | Q4 17/18 | Q4 18/19 | FY 17/18 | FY 18/19 |
|-------------------|----------|----------|----------|----------|
| Revenue | 57.7 | 56.8 | 219.3 | 223.7 |
| Organic growth | 6% | (2%) | 5% | 3% |
| Volume/mix | 5% | 0% | 2% | 4% |
| EBIT margin | 15.3% | 13.4% | 12.0% | 12.7% |
| ROIC ex. goodwill | | | 24.6% | 24.2% |

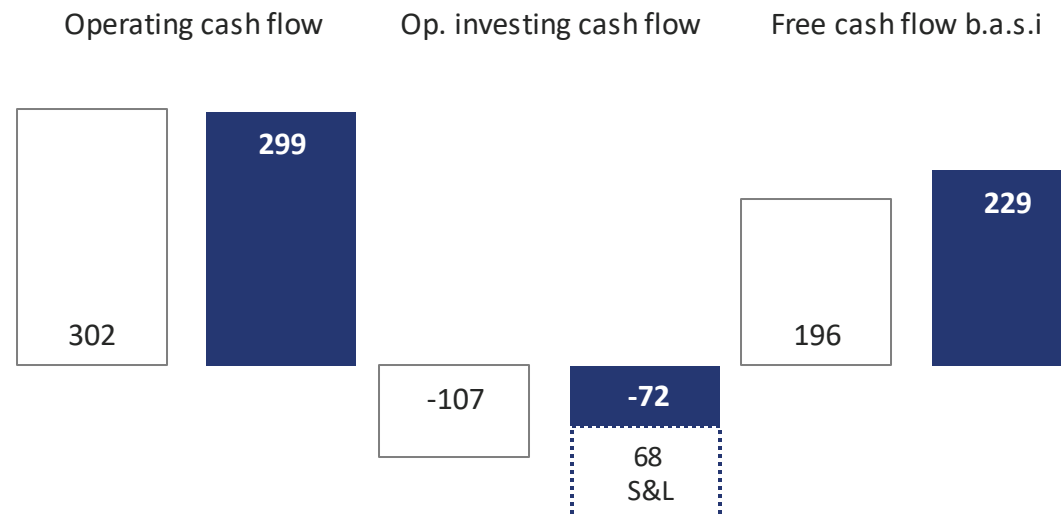
Solid margin and cash flow development despite slower volume growth

P&L drivers

| | Q4 17/18 | Q4 18/19 | FY 17/18 | FY 18/19 |
|---------------------------|--------------|--------------|--------------|--------------|
| Revenue | 297 | 306 | 1,097 | 1,161 |
| Organic growth | 10% | 2% | 9% | 7% |
| Volume | 7% | 2% | 7% | 5% |
| Price | 3% | 0% | 2% | 2% |
| FX | (5%) | 1% | (6%) | (1%) |
| EUR growth | 5% | 3% | 3% | 6% |
| Gross margin | 57.0% | 57.6% | 54.7% | 56.0% |
| Operational expenses | 23.1% | 24.3% | 25.6% | 26.6% |
| EBIT b.s.i. margin | 33.8% | 33.3% | 29.2% | 29.6% |
| EBIT margin | 33.8% | 33.0% | 29.2% | 29.4% |




- ▶ Gross margin improvement driven by scalability benefits in FC&E, favorable product mix in H&N and lower raw material prices and operational efficiencies in NCD
- ▶ Operating expenses driven by NN1 initiatives including bioprotection and Plant Health
- ▶ Special items of EUR 2m related to Hundsbichler and BacThera

Cash flow analysis



- ▶ Decrease in operating cash flow mainly driven by higher taxes due to absence of acquisition-related benefits
- ▶ Increase in cash flow from operational investing activities related to net proceeds from sale-and-lease-back (S&L) of Hørsholm site of EUR 68m
- ▶ Capex at elevated level of 12% of revenue primarily driven by expansion of freeze-dried packaging capabilities in Copenhagen facility
- ▶ Cash flow used for acquisitions of EUR 10m related to Hundsbichler

Cautious outlook for FY20 with increasing momentum during the year

| | FY 2018/19 | Outlook 2019/20 ¹ as per October 10, 2019 | | | Long-term financial ambition |
|--|------------|---|--|----------------------------|--|
| | | Q1 | Q2-Q4 | FY | |
| Organic revenue growth | | | | | |
|  <i>Food Cultures & Enzymes</i> | 8% | Group: Flat to low single-digit | <i>Microbial platform: 7-10%</i> | Group: 4-8% | Group: 8-10% with FC&E 7-8% |
|  <i>Health & Nutrition</i> | 9% | | | | |
|  <i>Natural Colors</i> | 3% | | <i>Low to mid single-digit</i> | | |
| EBIT margin b.s.i. | 29.6% | Below 2018/19 | Above 2018/19 | Around 29.5% | 30+% |
| Free cash flow b.a.s.i. | EUR 229m | | | Around EUR 190m | ~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. Any deterioration in the political and economic climate might impact the outlook negatively. This includes, but is not limited to, the economic climate in several emerging markets, such as China, Turkey, Brazil and Argentina; the risk of a global economic recession; the overall security situation in the Middle East, including any potential sanctions; a deepening of the US-China trade tension; an escalation of the US-EU tariff situation; and a no-deal Brexit scenario.

Organic growth remains number one priority for Chr. Hansen

1

Reinvest for organic growth

- ▶ Capacity
- ▶ Innovation
- ▶ People

2

Bolt-on Acquisitions

- ▶ Technology
- ▶ Market presence

3

Ordinary Dividend

- ▶ 40-60% of net income

EUR 0.95 (DKK 7.07)
dividend proposal per share
(50% of net profit)

4

Additional cash to shareholders

- ▶ Extraordinary dividend
- ▶ Share buy-back

Leverage consistent with a solid investment-grade credit profile (2018/19: 1.8x EBITDA)

Full focus on accelerating execution; biennial strategy review started



Emerging markets to remain a headwind for core dairy business going into FY20; focus on commercialization of recent launches, upselling and adjacencies



Good commercial pipeline in bioprotection but 3rd generation needed to open up Asian market and drive growth in cheese



Human Health to launch new products and expand customer base, especially in dietary supplements to accelerate growth



Animal Health to focus on improving execution and route-to-market outside of NA; further roll-out of new products such as GalliPro® Fit



Plant Health to expand into US and beyond sugarcane; first quarter to be impacted by order patterns



NCD to focus on increasing market share in coloring foods, conversions in US and penetration of food service segment whilst raw material prices are expected to remain at almost historic low



Biennial strategy review; no fundamental changes to be expected, vast opportunities in microbial and natural solutions produced via fermentation to remain in focus



Save-the-date

Capital Markets Day

April 22, 2020

Copenhagen

Financial calendar

November 27, 2019

Annual General Meeting 2019

January 15, 2020

Interim Report Q1 2019/20

April 16, 2020

Interim Report Q2 2019/20

April 22, 2020

Capital Markets Day in Copenhagen

July 2, 2020

Interim Report Q3 2019/20

October 8, 2020

Annual Report 2019/20

November 25, 2020

Annual General Meeting 2020

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Improving food & health