

A woman with short grey hair, wearing glasses and a white lab coat, is using a pipette to transfer liquid into a test tube. She is standing in a laboratory, and a rack of test tubes is visible in the background.

# Chr. Hansen Q1 2019/20 Roadshow presentation



# Safe harbor statement

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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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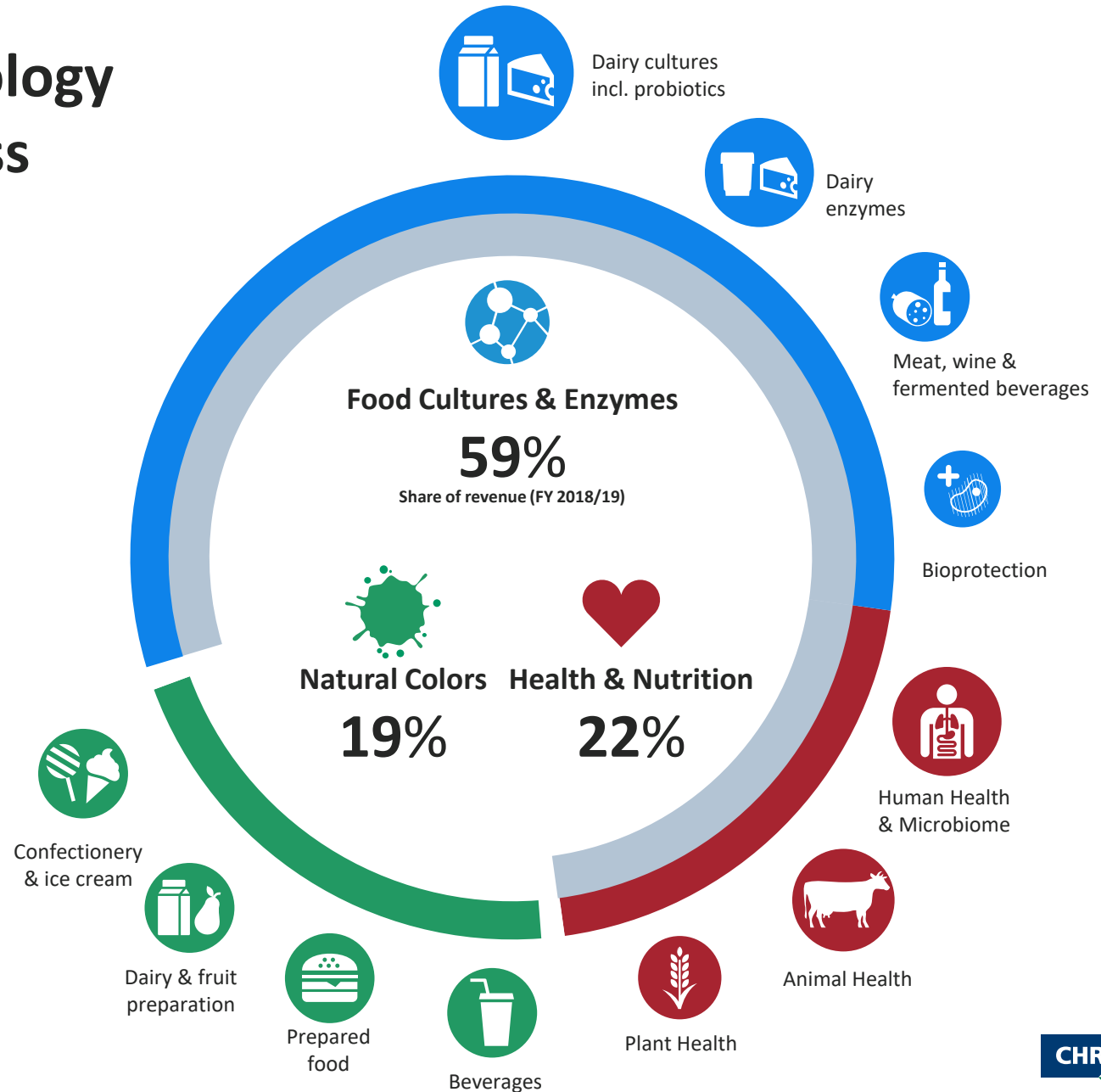


## AT A GLANCE

# 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.**



## AT A GLANCE

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



**3** GOOD HEALTH AND WELL-BEING

**SWEETY®** reduces added sugar in yogurt by up to 20% without losing sweetness

**GALLIPRO® Fit** triple probiotic strain to boost prevention and contribute to food safety in poultry



**2** ZERO HUNGER



**3** GOOD HEALTH AND WELL-BEING

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION

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

## 82% of our Group revenue contributes to the UN Global Goals (FY 2018/19)

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



**2** ZERO HUNGER

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



**2** ZERO HUNGER

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION

With **CHY-MAX® Supreme** dairies can increase cheese output by up to 1% compared to the market leading coagulant

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



**3** GOOD HEALTH AND WELL-BEING

# 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

- ▶ Support 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**



**FOOD CULTURES  
& ENZYMES**



## **Bioprotection**

Bacterial solutions for food safety and freshness  
– target of EUR 200m by 2025 (under review)

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



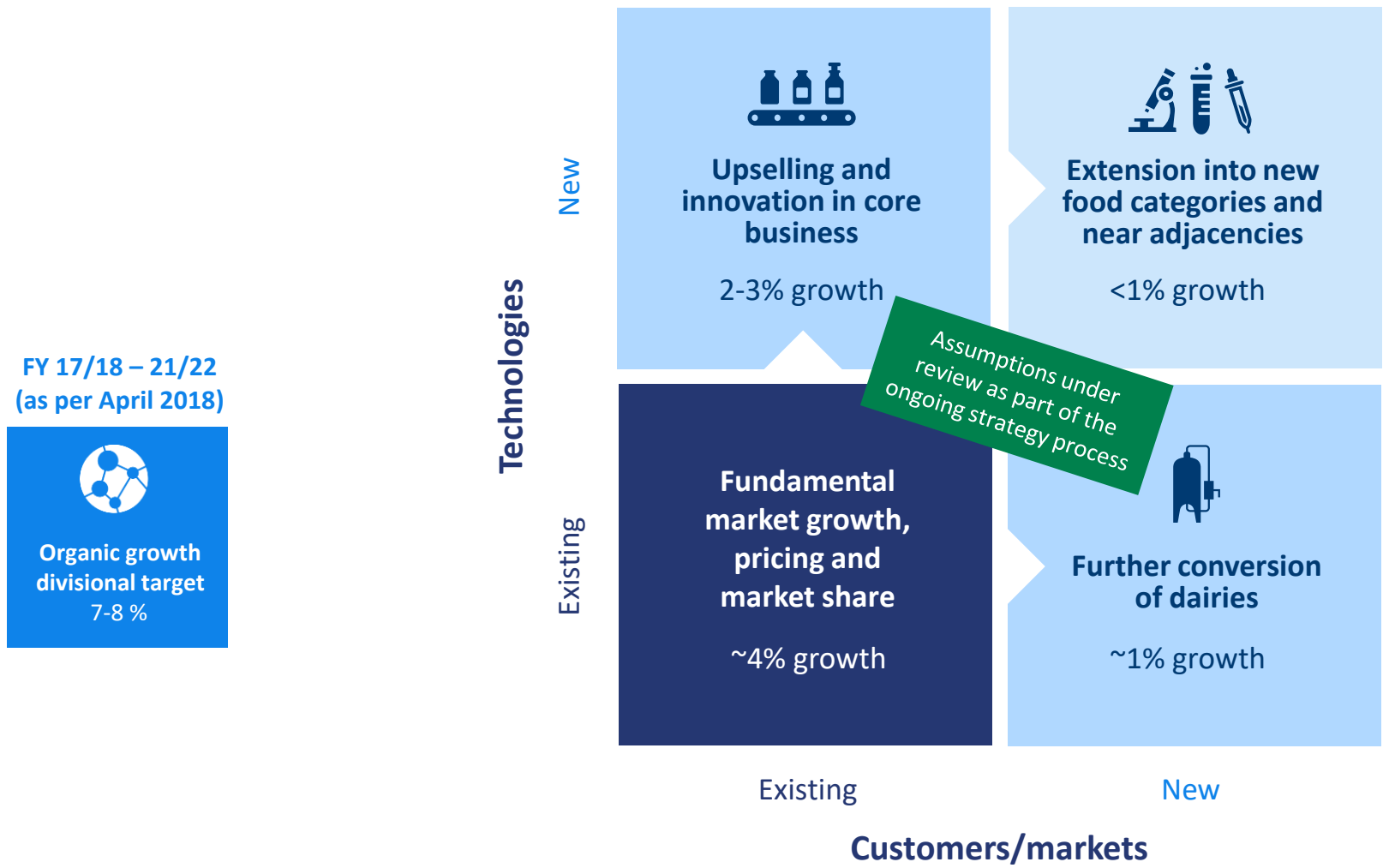
## **Human Microbiome**

Joint venture with Lonza in live biotherapeutic  
products (LBP) contract manufacturing  
– EUR 150-200m market potential by 2025

Designated as  
lighthouse in 2013

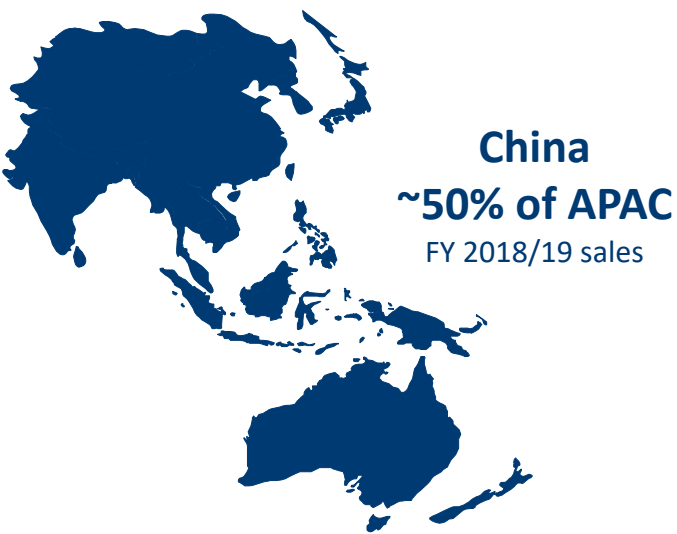



# FC&E business model to deliver above-market growth driven by innovation, upselling and development of new adjacencies





# We will continue to grow in China despite slower yogurt market growth

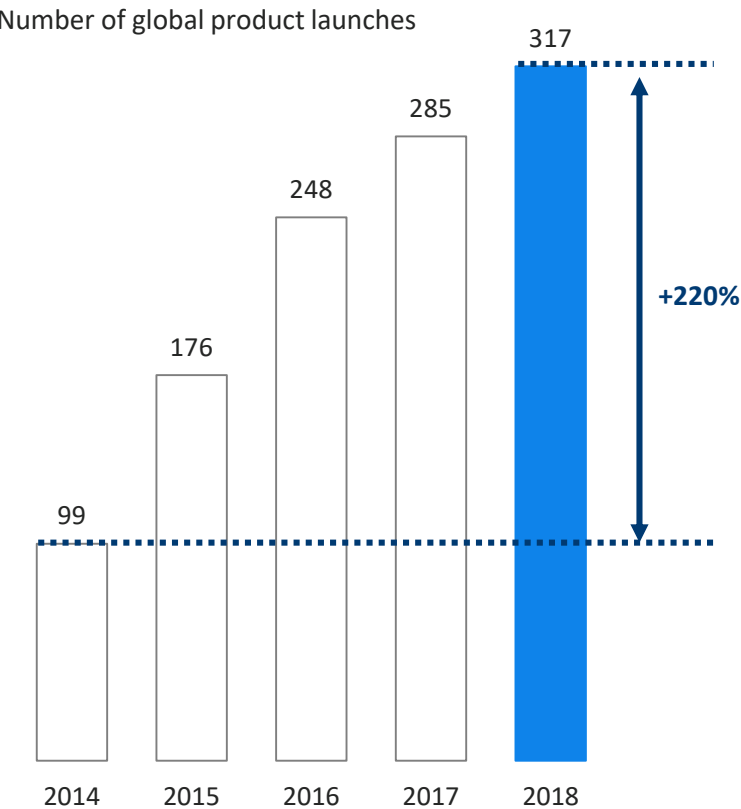
Yesterday	Today	Going forward
Dairy a new category for Chinese consumers	Customers looking for differentiation & cost savings	Focus on innovation, premiumization & new concepts
Double-digit market growth driven by ambient boom	Growth slowing due to saturation in tier-1/2 cities	Penetration beyond tier-1/2 cities
		SME segment
		Cheese <i>travelling</i> East
		Expansion outside of Chinese home market
<b>Current market Q1 FY20</b>	Fermented milk market growth has slowed further and now is significantly below Chr. Hansen's mid-term estimate of mid-single-digit growth due to high food price inflation/ African Swine Fever	
	Consumer downtrading & shift away from chilled, probiotic yogurts to ambient yogurts reduces upselling opportunities for Chr. Hansen	





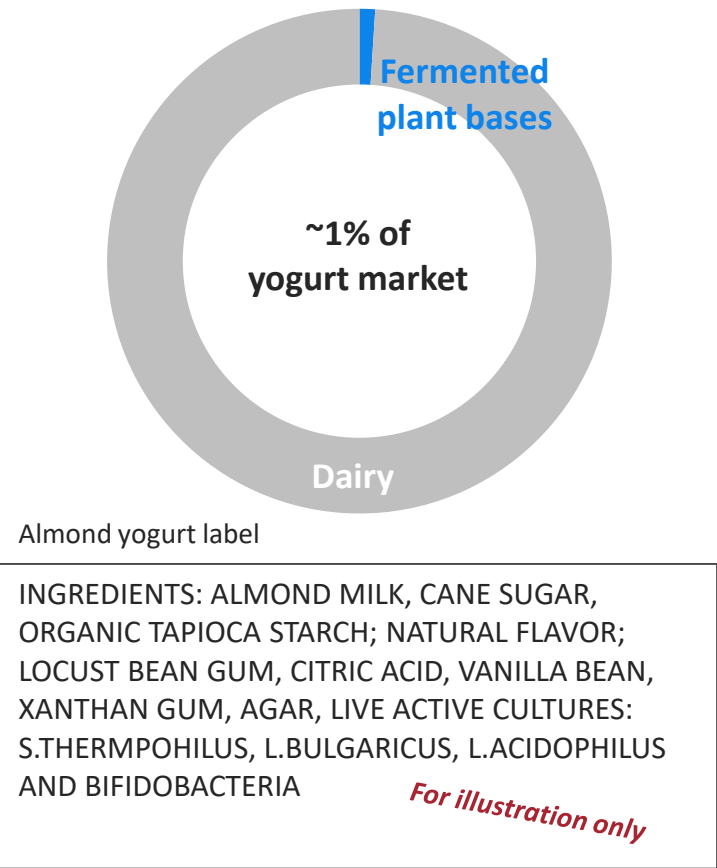
# Rising customer interest in new fermented plant bases in NA and EMEA

Fermented plant-based products is a rapidly growing category...



Source: Mintel GNPD (Dec 2018)

... though still a niche with certain dilemmas to be solved!



Chr. Hansen well positioned to capture business opportunity

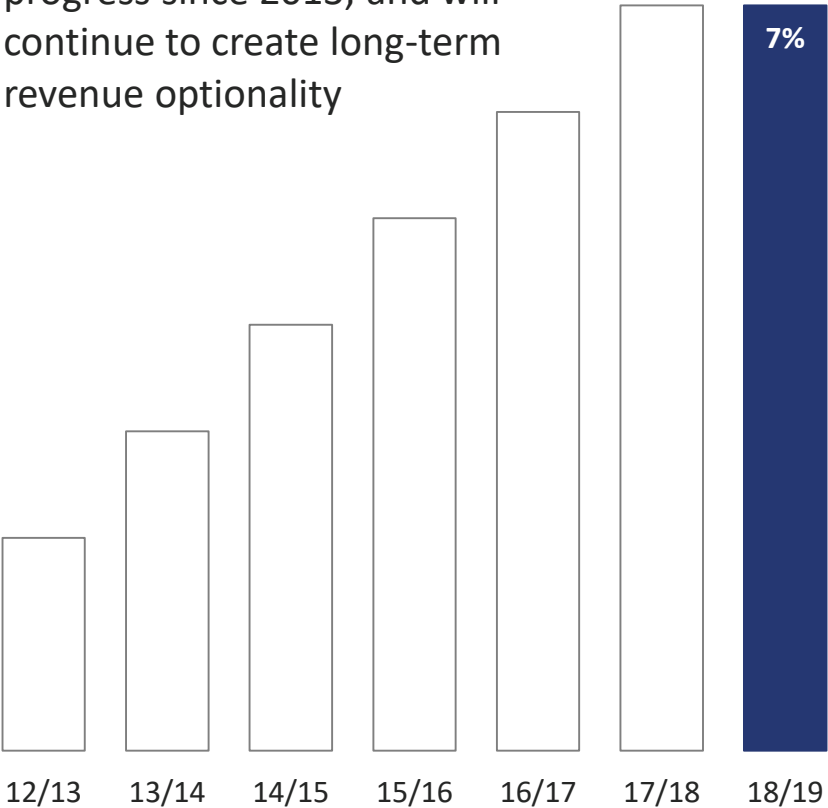
- ▶ Chr. Hansen active in fermented plant bases since 2008
- ▶ Dedicated culture range for different plant bases such as soy, almond, coconut and oat
- ▶ Cross-selling opportunity with probiotics to serve health & wellness trend
- ▶ Premium segment allows for premium pricing










# Bioprotection allows manufacturers to naturally extend shelf life of fermented and non-fermented food products

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



**Food waste**  
Shelf life extension targeting yeasts/mould

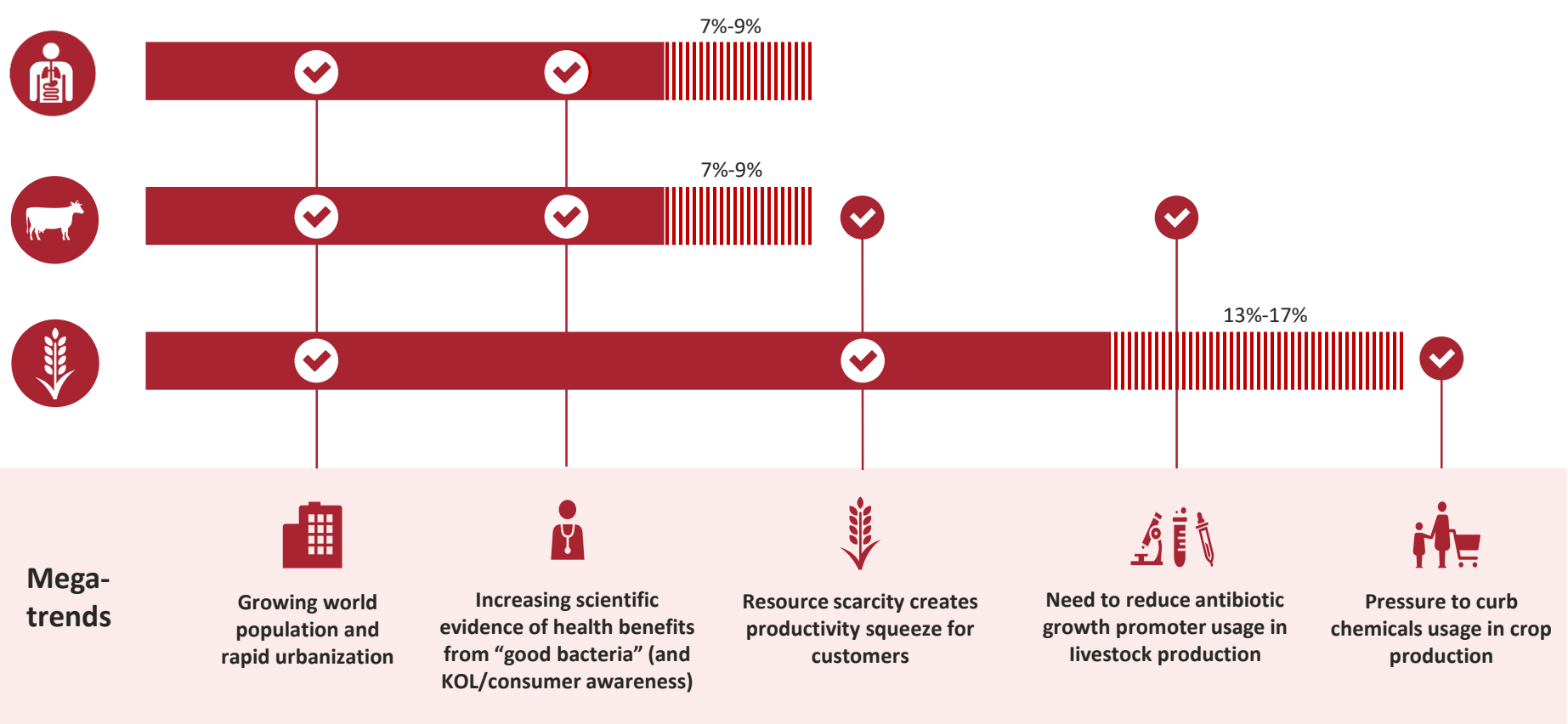
**Food safety**  
Additional protection against gram-positive food pathogens (*Listeria*, *Clostridium*)

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 ( <i>Listeria</i> , <i>Clostridium</i> )			Additional protection against gram-positive food pathogens ( <i>Listeria</i> , <i>Clostridium</i> )	
✓			✓	

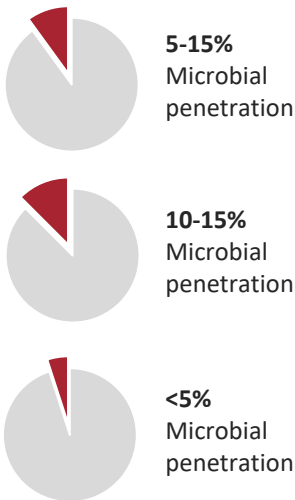


# Potential to increase penetration of microbial solutions

Attractive market growth driven by megatrends FY 17/18 – 21/22 (as per April 2018)



## Opportunities to increase penetration



Source: Euromonitor and management estimates



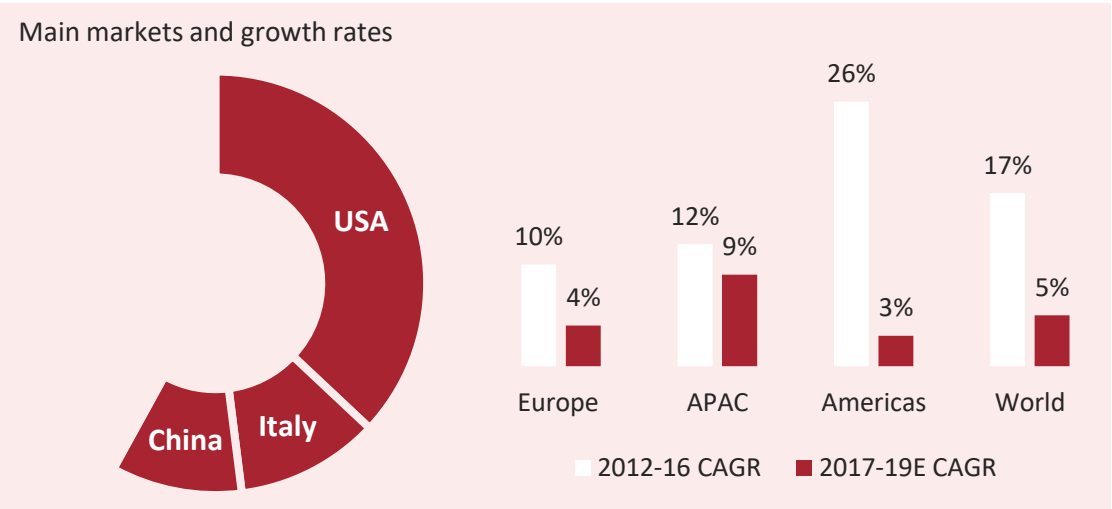
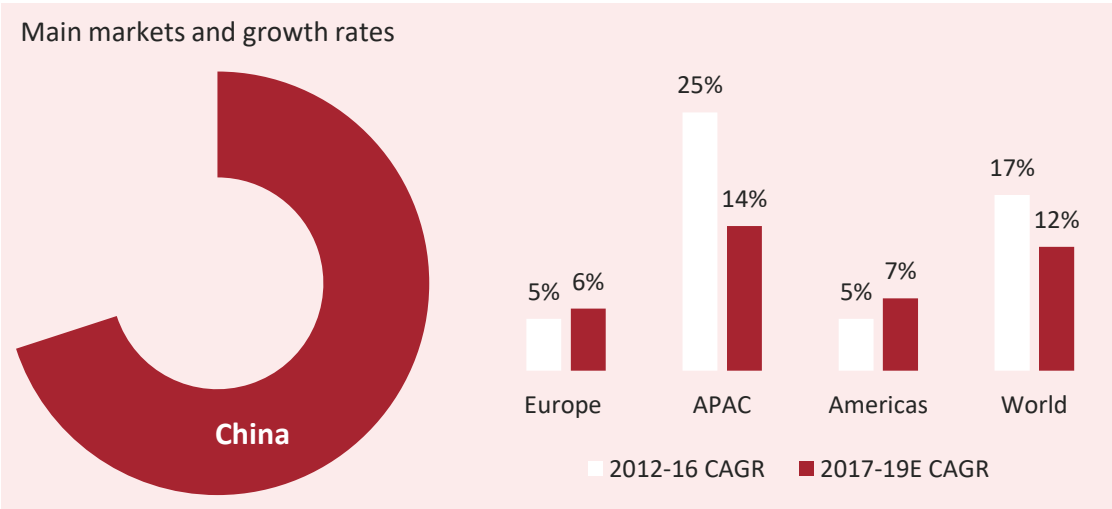
# Human Health facing headwinds in dietary supplements market

## Infant formula will continue to be a growth driver

- ▶ New regulation on infant formula registration in China (January 2018) reduced number of brands by 60%
  - ▼ Tailwind in FY 2017/18 and 2018/19 for Chr. Hansen
- ▶ Future growth to be driven by:
  - ▼ Increasing penetration in super premium segment
  - ▼ Innovation and new products

## Dietary supplements challenged by market slowdown

- ▶ Probiotic supplements market showed step down in growth since 2016 amongst others due to category cannibalization and pill fatigue in the US
- ▶ Future growth of the category to be driven by:
  - ▼ Continued consumer interest in health and nutrition
  - ▼ Increasing public awareness and scientific progress in microbiome space
- ▶ Innovation and consumer education crucial to drive category
- ▶ Chr. Hansen well positioned with its industry-leading strain portfolio



Source: Euromonitor, BCG





BACTERIA

# Joint venture with Lonza in live biotherapeutics manufacturing established



## Emerging market

- ▶ +200 ongoing preclinical to phase III trials in different indication areas of which ~100 are relevant for JV
- ▶ USD1.6bn+ investments into microbiome companies (2005-2017)
- ▶ 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<sup>1</sup>
- ▶ 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 2021/22 long-term financial ambition; Human Microbiome lighthouse no longer impacts Chr. Hansen's guiding metrics<sup>2</sup>
- ▶ Capacity to distribute excess cash to shareholders modestly reduced for the next 3 years

**Merger control clearance received in Q4 2018/19**

**CEO appointed: Lukas Schupach to join on Feb 1, 2020**

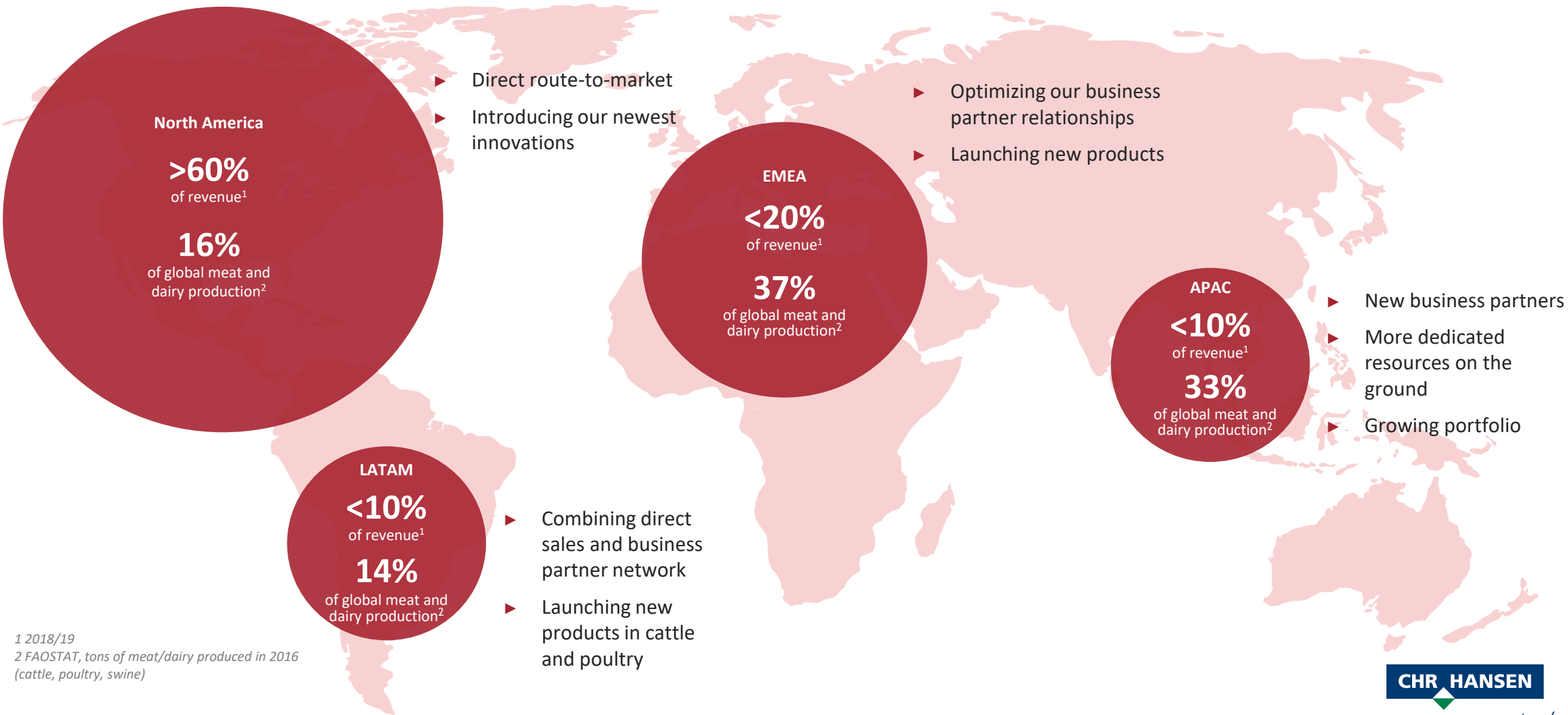
**Next milestone: Completion of first phase investments to serve pre-clinical to phase II trials (Dec 2020 - Q1 FY21)**

<sup>1</sup> LBP = Live biotherapeutic products

<sup>2</sup> Chr. Hansen will account for the JV interest using the equity method in its consolidated financial statements



# Animal Health to further strengthen route-to-market globally

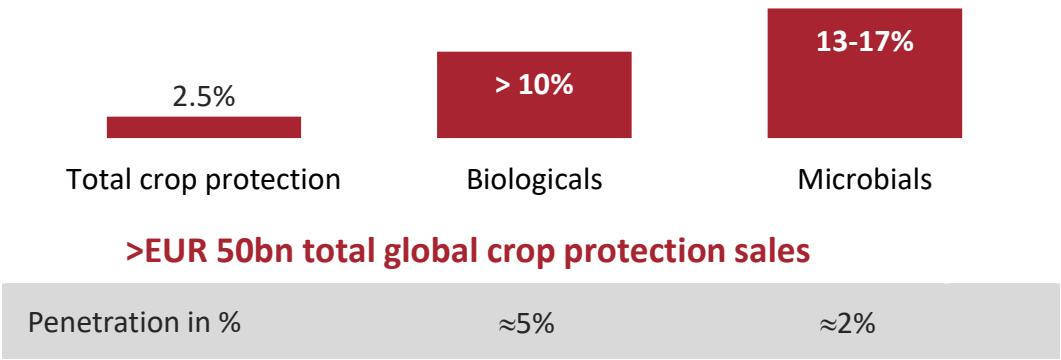


1 2018/19  
2 FAOSTAT, tons of meat/dairy produced in 2016 (cattle, poultry, swine)

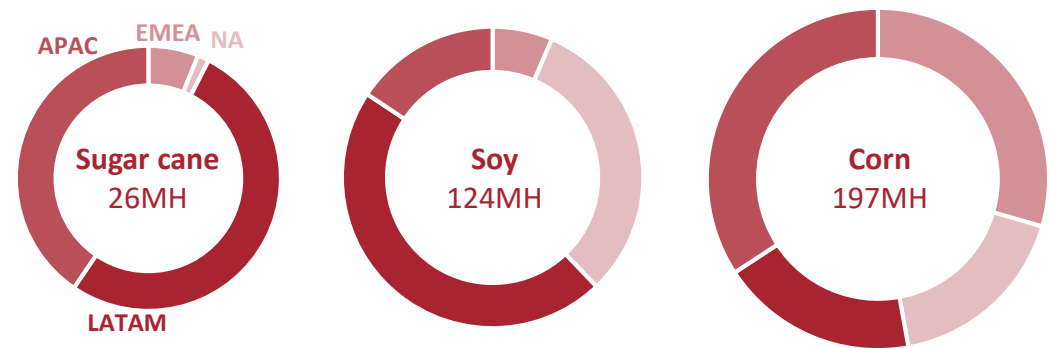


# Plant Health making good progress in sugarcane and soybeans in LATAM

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



## Focus crops, m hectares (MH) 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*

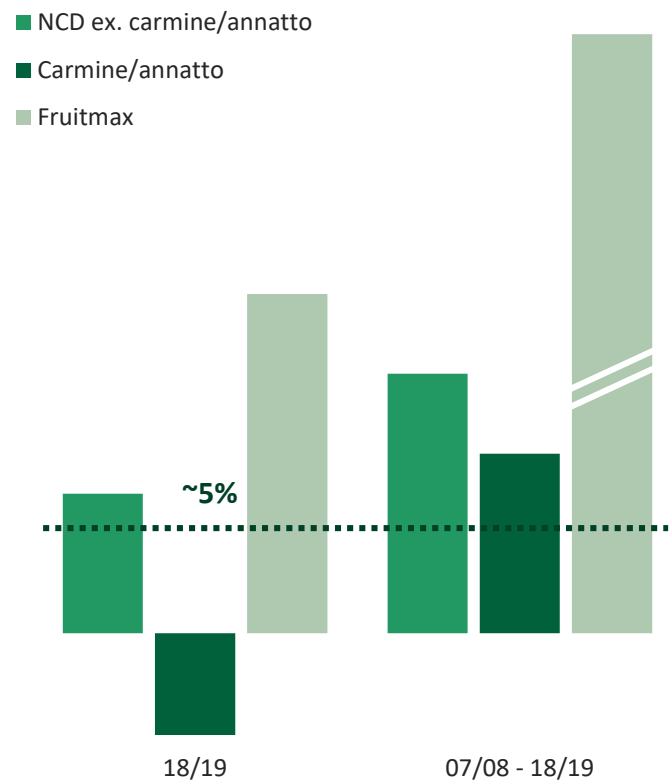


**EUR 100m target**  
Unlocked potential by 2025



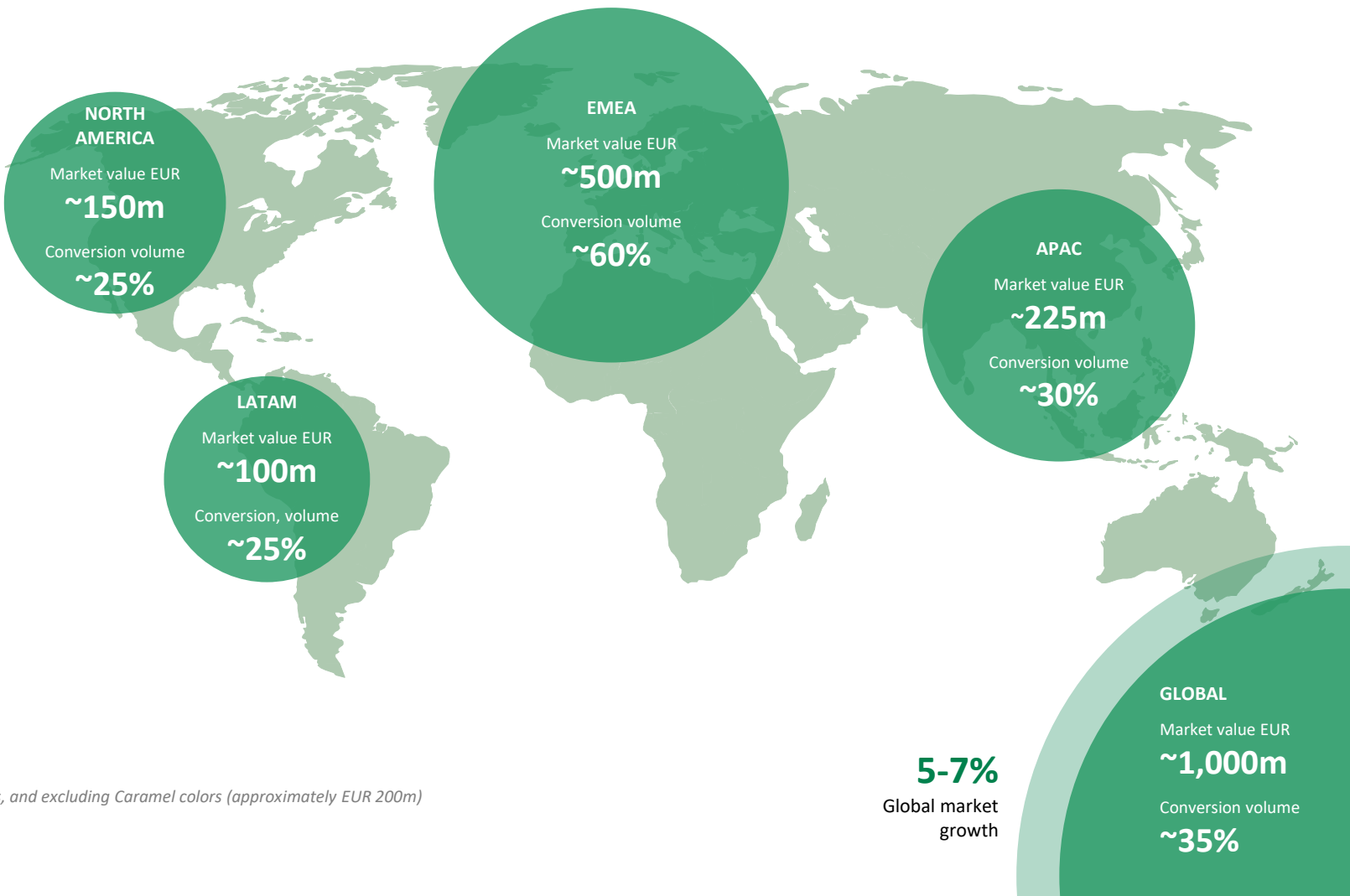
# Natural Colors presents an attractive growth opportunity

## Strong organic growth over time despite typical raw material price volatilities



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

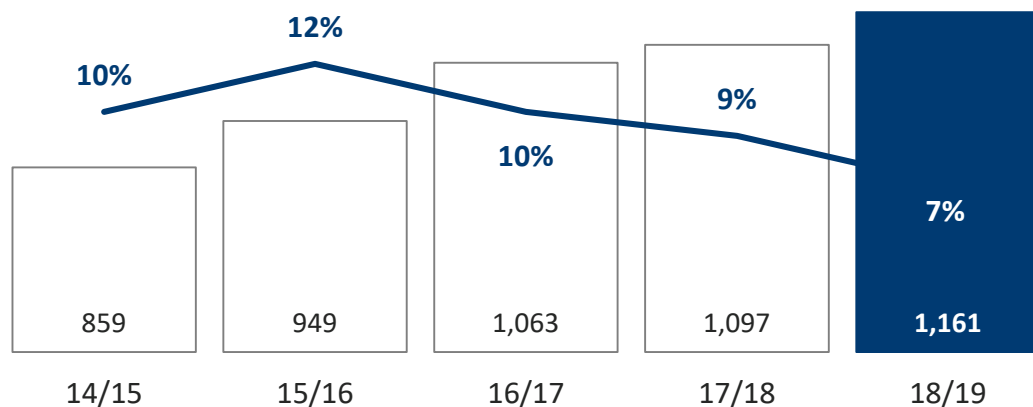
## Conversion to natural colors and coloring foods comes in waves



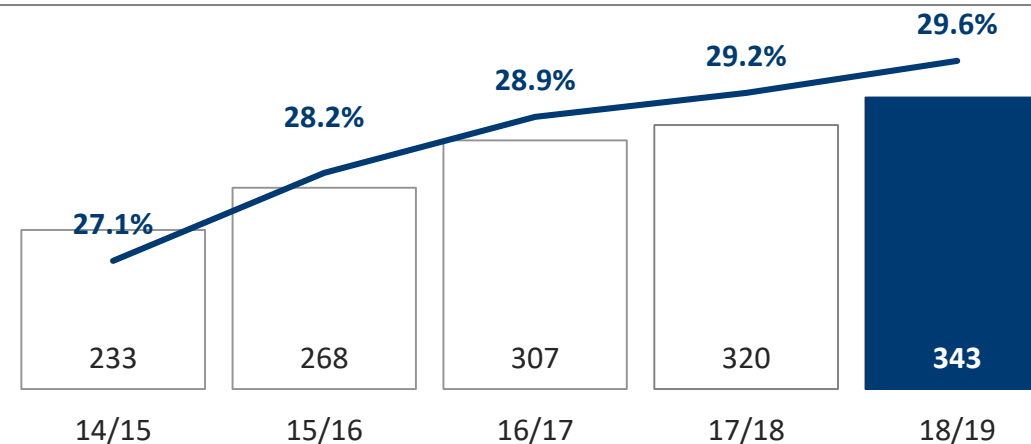


# Great track record of financial performance

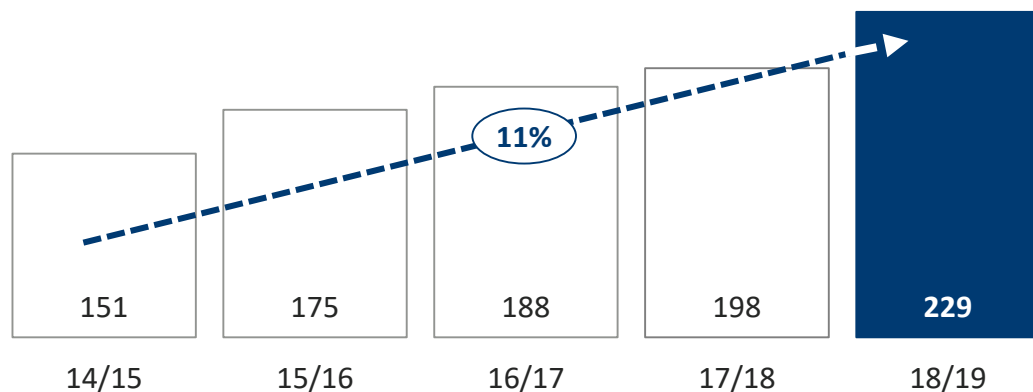
Revenue in EUR m / organic growth, %



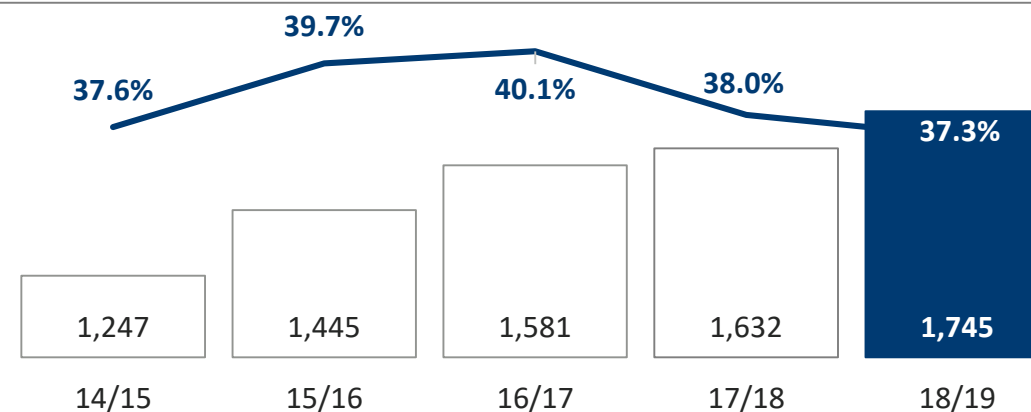
EBIT before special items and acquisitions in EUR m / margin, %



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



Return on invested capital in EUR m / ROIC ex. goodwill, %

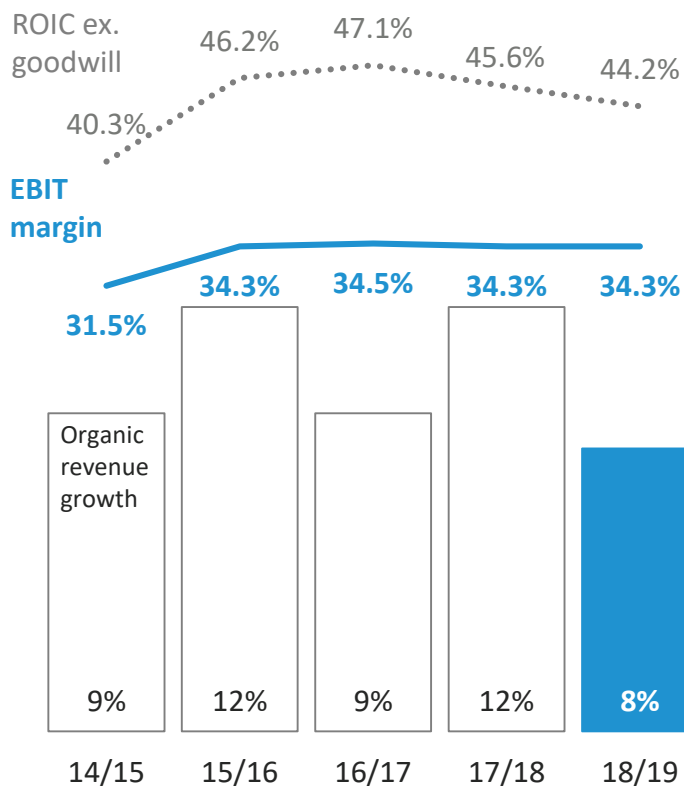


# Three complementary businesses with strong fundamentals



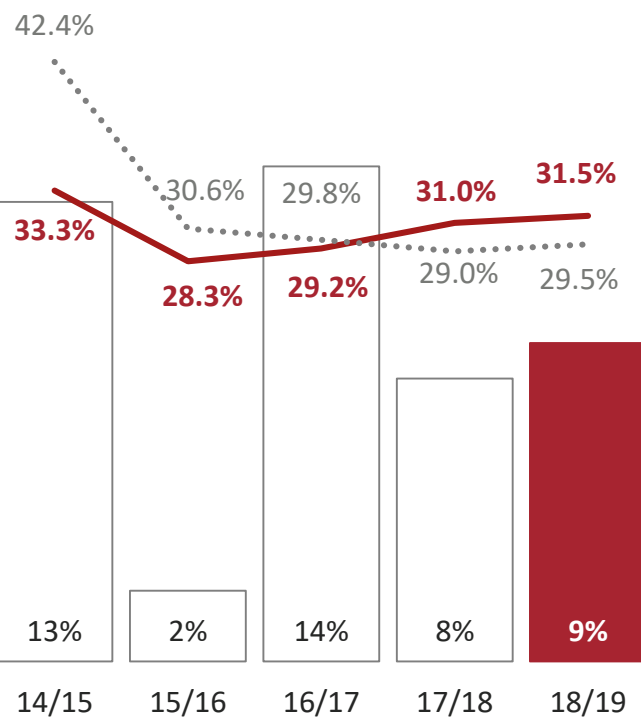
## FOOD CULTURES & ENZYMES

59% of Group



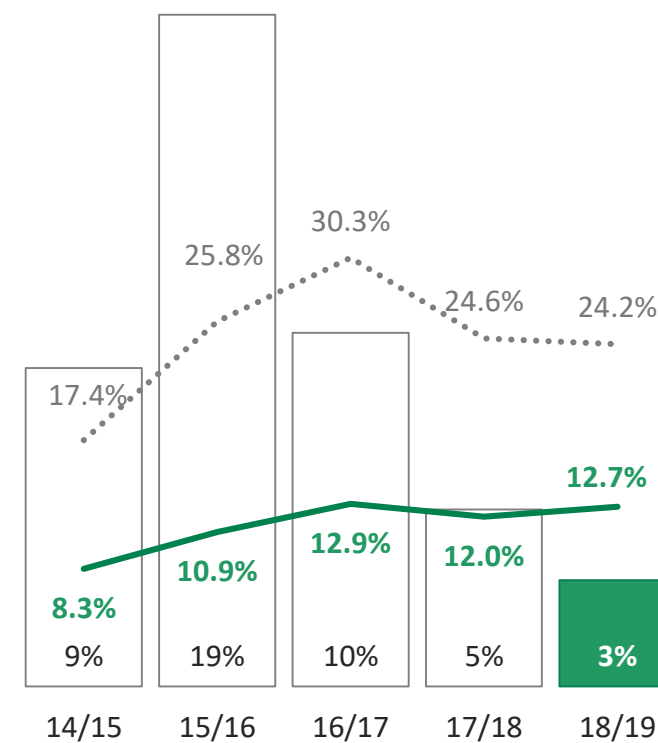
## HEALTH & NUTRITION

22% of Group



## NATURAL COLORS

19% of Group



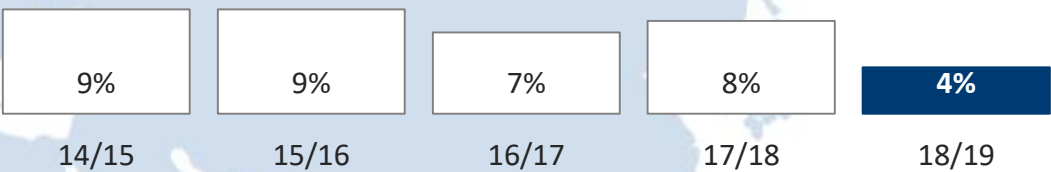
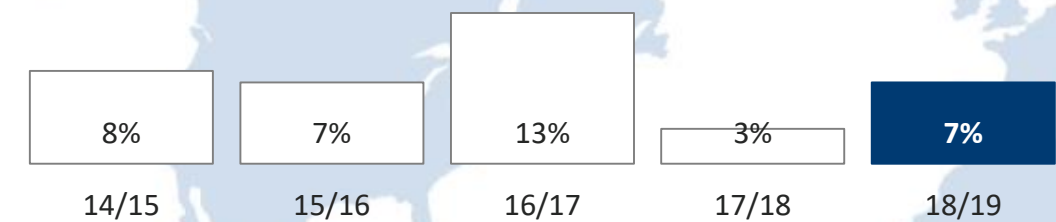
# Regionally balanced portfolio

## NORTH AMERICA

27% of Group

## EMEA

44% of Group

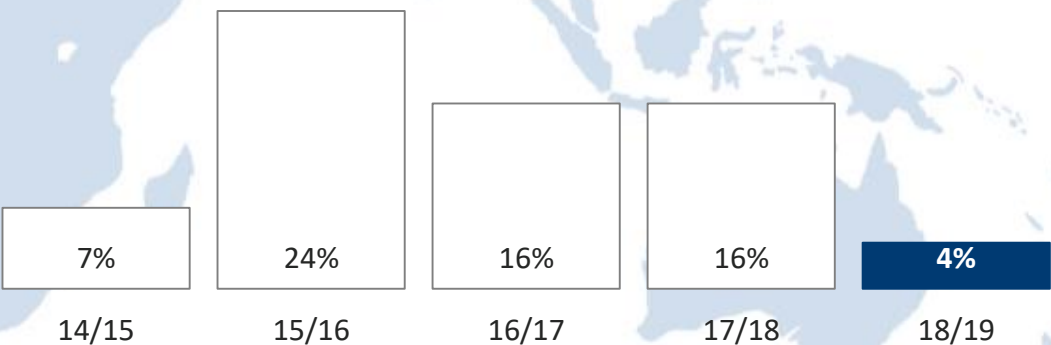
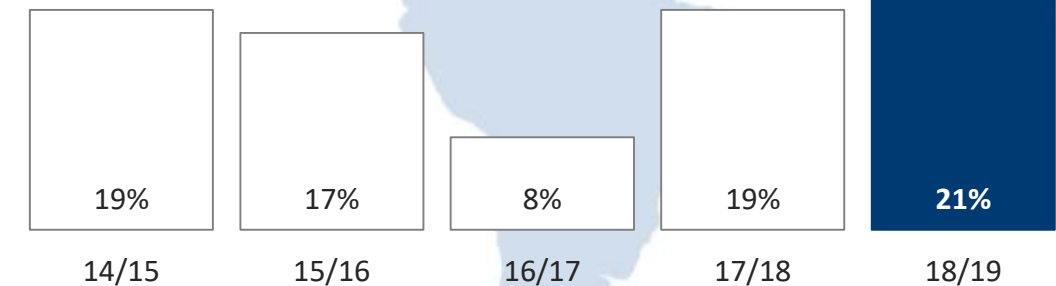


## LATAM

12% of Group

## APAC

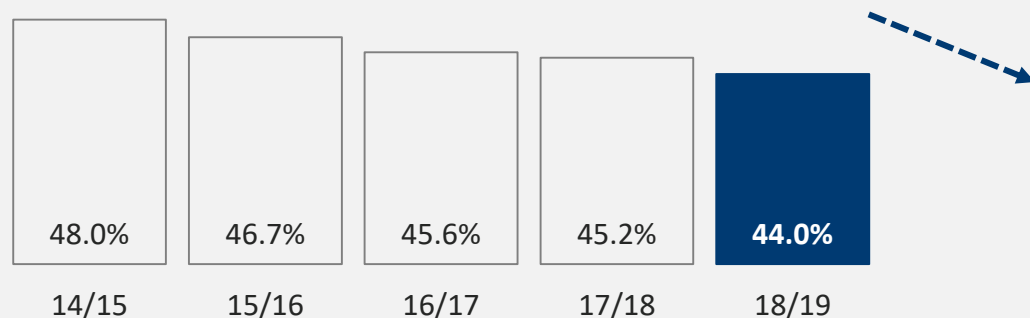
17% of Group



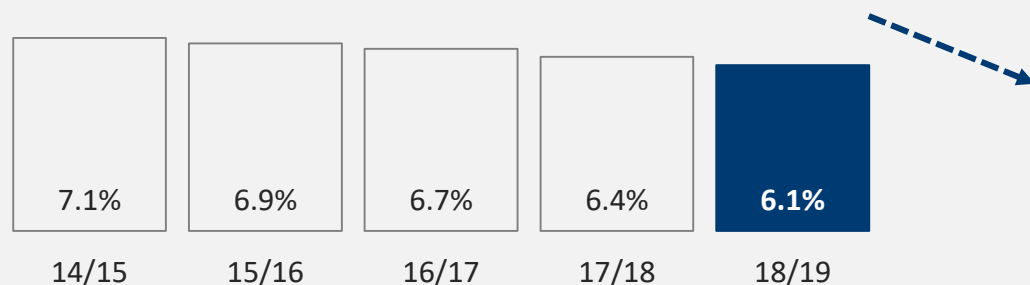
# We will drive scalability and invest for future growth

## Improved efficiency will drive scalability...

Cost of sales in % of revenue

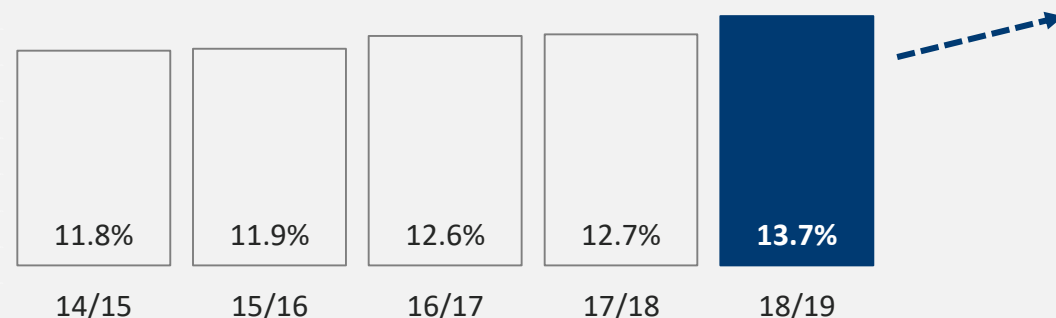


Administrative expenses in % of revenue

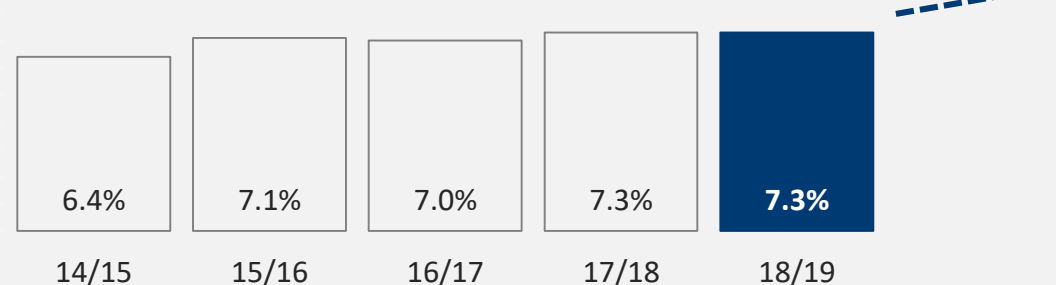


## ...whilst we invest for future growth

Sales & marketing expenses in % of revenue



R&D expenditure incl. capitalizations in % of revenue





# 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

**4**

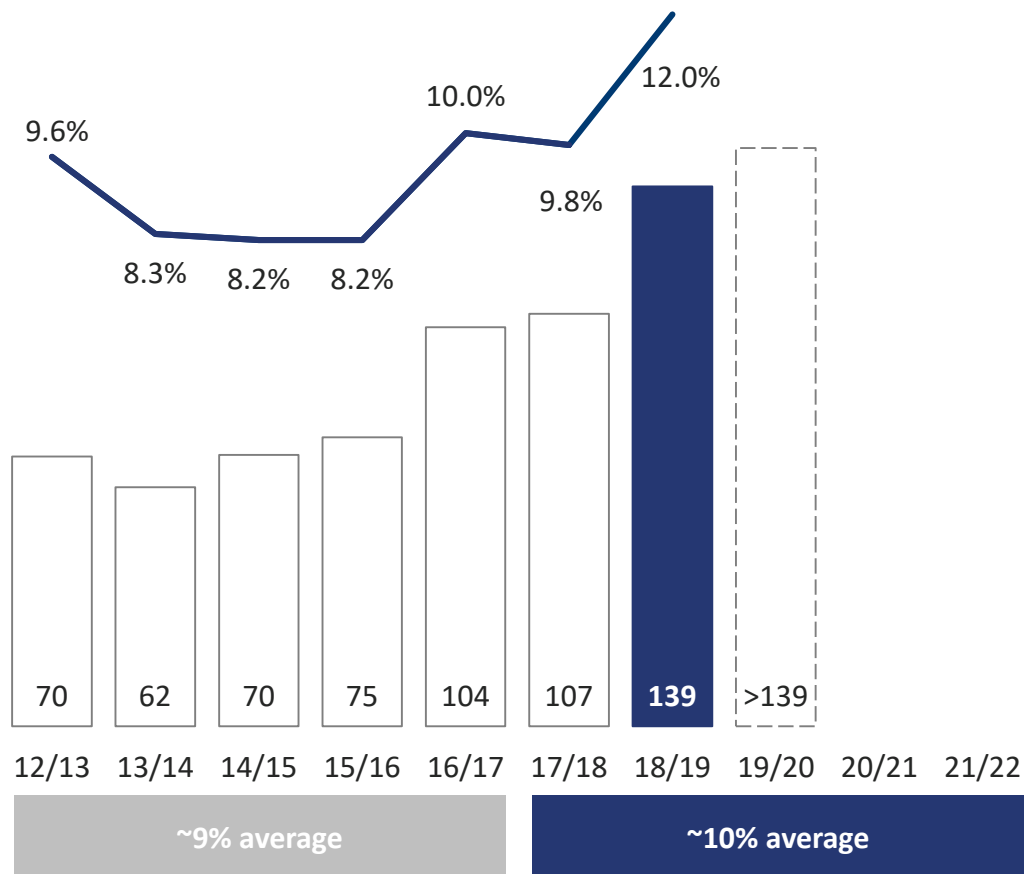
## Additional cash to shareholders

- ▶ Extraordinary dividend
- ▶ Share buy-back

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










# Investing into capacity expansions to support future growth

Capex projection in EUR m and % of revenue



Selection of major investment projects

Expected year of completion

Freeze dried & powder packaging  	20/21
Upgrade of R&D facility in Montpellier 	19/20
Capacity expansion in Health & Nutrition 	20/21
Consolidation of carmine plants in Peru 	20/21
Innovation campus including new pilot plant (partially financed by S&L) 	20/21 – 22/23
Additional US capacity 	21/22
Dairy expansion 	Beyond 22/23
Natural Colors US footprint 	Under review

# R&D strategy fully aligned with Nature's no. 1

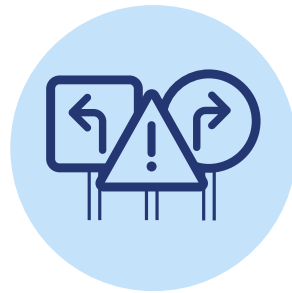
## CSO priorities



Increase speed of  
commercialization of  
new products



Drive efficiencies  
in scale-up and  
production



Leverage new  
technologies to  
increase R&D speed



Invest in new  
state-of-the-art  
R&D facility



Nurture and  
retain talent  
in R&D



Embed  
sustainability  
into thinking

# Recent product launches will support growth over the next years

## Segment

## R&D priorities



### Food Cultures & Enzymes

- New platforms for dairy
- Grow the Bioprotection lighthouse
- Build basis for future growth by investments in adjacencies



### Health & Nutrition

- Grow and strengthen the foundation for Animal & Human Health
- Grow the Plant Health lighthouse
- Succeed with the Human Microbiome lighthouse



### Production

- Deliver productivity improvements
- Enable first-time-right scale up of novel microbes
- Further build automation platform



**nu-trish® LGG® DA for fermented plant bases**



**NEER™ brewing solution for non-alcoholic beer**



**Sweety® to reduce added sugar in fermented milk**



**CHY-MAX® Supreme for up to 1% more cheese yield**

## Recent launches to support future growth



**New probiotic solutions for infant formula**



**GALLIPRO® Fit triple strain poultry probiotic**









**HANSEN SWEET POTATO® to expand coloring foods range**

## BACTERIA

**Joint venture as an enabler for live biotherapeutics**



# Our commercial and operational targets

	Target dimensions	Goal	KPI	Progress 18/19	Target 21/22 <sup>1</sup>
Commercial	 <b>Better farming</b>	Expand reach of natural plant solutions	Hectares of farmland treated (cumulative) <sup>2</sup>	10.4m hectares	25m hectares
	 <b>Good health</b>	Launch new products with a documented health effect	Number of products (cumulative)	4 products	6 products
	 <b>Less waste</b>	Reduce global yogurt waste	Tons of yogurt saved (cumulative) <sup>3</sup>	0.58m tons	1.2m tons
Operational	 <b>Workplace responsibility</b>	Improve work safety	LTIF <sup>4</sup>	1.32	≤1.8
		Increase diversity of workforce	Women at Directors+ level	25%	30%
			Non-Danes at Directors+ level	43%	55%
	 <b>Climate and environment</b>	Reduce environmental footprint in:			
		Energy	Efficiency in % compared to base year 13/14 <sup>5</sup>	11%	20%
		Water		7%	20%
		CO <sub>2</sub>		27%	25%
		Waste recycled		46%	40%
	 <b>Leading with integrity</b>	Ensure sustainable consumption and production patterns	Completion of e-learning in anti-corruption	100%	100%

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

<sup>2</sup> Based on sales numbers and application rates of Plant Health solutions and silage inoculants.

<sup>3</sup> Based on 7 days extended shelf life and sales numbers for FreshQ®.

<sup>4</sup> Frequency of Lost Time Incidents per million working hours.

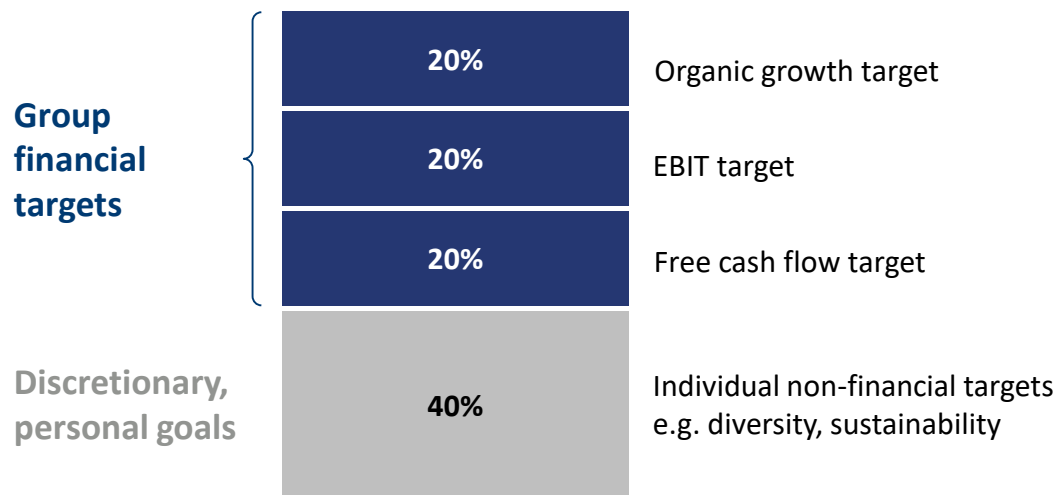
<sup>5</sup> Efficiency relative to production units.

# 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
- ▶ Cap of max 50% of individual maximum in case of issuing profit warning



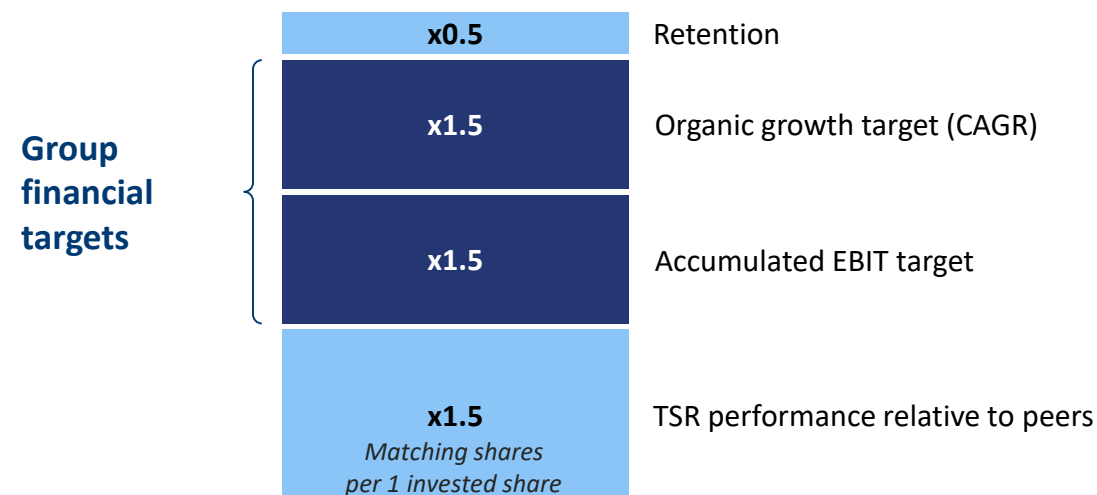
In % of fixed pay <sup>1</sup>	Target	Max
CEO	70%	100%
CFO/EVP	50%	71%

<sup>1</sup> Base plus pension

## 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
- ▶ Vest in full after three years



In % of fixed pay <sup>1</sup>	Target	Max
CEO	76%	114%
CFO/EVP	57%	86%



# Q1 2019/20 Results

## Mixed start to the year: Q1 in line with expectations

**1% organic growth**

Q1 2018/19: 10% organic growth  
Guidance Q1 2019/20: Flat to low single-digit  
Revised guidance FY 2019/20: 4-6% (narrowed)

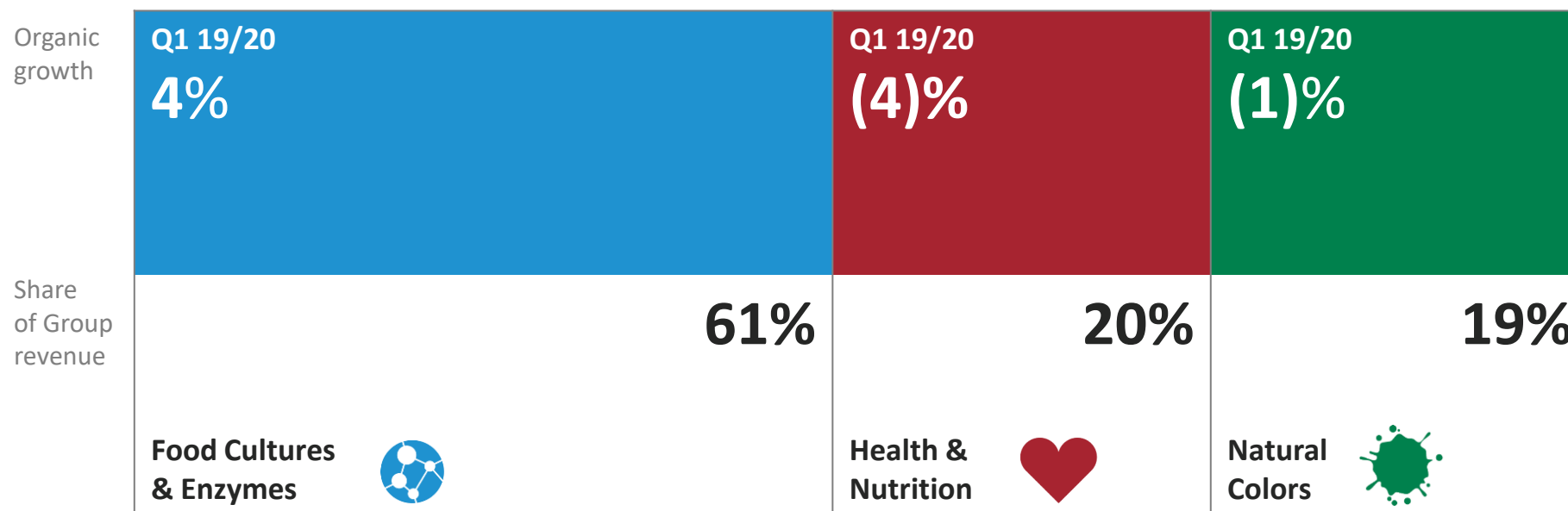
**25.7% EBIT margin b.s.i.**

Q1 2018/19: 26.3% EBIT margin b.s.i.  
Guidance Q1 2019/20: Below 2018/19  
Guidance FY 2019/20: Around 29.5%

**EUR (6)m FCF b.a.s.i.**

Q1 2018/19: EUR (33)m FCF b.a.s.i.  
Guidance FY 2019/20: Around EUR 190m

# FC&E with good growth despite normalization of distributor inventory levels; H&N and NCD declined in line with expectations



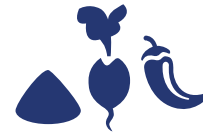


# Trading conditions, particularly in emerging markets, remain challenging



## Headwinds in emerging markets

- ▶ Increased political uncertainty
- ▶ Tariffs and trade restrictions
- ▶ Lower consumer spending & downtrading



## Declining pigment prices and unfavorable ag trends

- ▶ Annatto and carmine at historic lows
- ▶ African Swine Fever
- ▶ Extreme weather



## End-market changes

- ▶ Maturation of Chinese yogurt market
- ▶ Probiotic supplements growth in US and Europe slowing down
- ▶ Cheese production volume growth at low point of cycle



## Customer dynamics

- ▶ Large volume brands losing market share
- ▶ Increased focus on cost savings
- ▶ Project delays in dietary supplements due to lower end-market growth

# On track to drive accelerated performance during the rest of the year



## FOOD CULTURES & ENZYMES

- ▶ Good progress on commercialization of recent launches (e.g. CHY-MAX® Supreme, NOLA® Fit) and upselling
- ▶ Good momentum in plant alternatives, albeit still low base
- ▶ 3rd generation development of bioprotection accelerated; momentum improved in Q1 with ~10% organic growth



## HEALTH & NUTRITION

- ▶ New products launched in Human Health; expansion of customer base and global reach ongoing
- ▶ Roll-out of new products such as GALLIPRO® Fit and BOVAMINE® Dairy Plus and strengthening of route-to-market in Animal Health well under way
- ▶ Plant Health expanding into US and beyond sugarcane; trials ongoing
- ▶ CEO for Human Microbiome lighthouse BacThera announced



## NATURAL COLORS

- ▶ Focus on increasing market share in coloring foods (FRUITMAX®); double-digit growth
- ▶ Driving conversion in US, pet food and food services
- ▶ Strengthening profitability on the back of lower raw material prices

# Group growth driven by Americas; EMEA and APAC challenged

## NORTH AMERICA 28% of Group

- ▶ FC&E on par with last year because of a stable cheese market and declines in probiotics and wine due to late season
- ▶ H&N with very strong growth mostly due to strength in AH
- ▶ NCD with good growth driven by coloring foods

7%

## LATAM 13% of Group

- ▶ FC&E with very strong growth supported by successful launch of CHY-MAX® Supreme
- ▶ H&N declined because of PH order timing
- ▶ NCD with solid growth driven by customer wins
- ▶ Positive EUR pricing impact

9%

## EMEA 42% of Group

- ▶ Good growth in FC&E despite destocking
- ▶ H&N declined due to order timing in HH
- ▶ NCD declined due to lower raw material prices and lower volumes in selected pigments

(4)%  
Q1 organic growth

## APAC 17% of Group

- ▶ Slight growth in FC&E
  - ▶ Strong growth in fermented milk in China partly offset by decline in probiotics
- ▶ H&N declined because of order timing and a very high comparable in HH
- ▶ NCD on par with last year

(2)%

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



# Improved sales momentum despite decline in probiotics, ~10% growth in biop

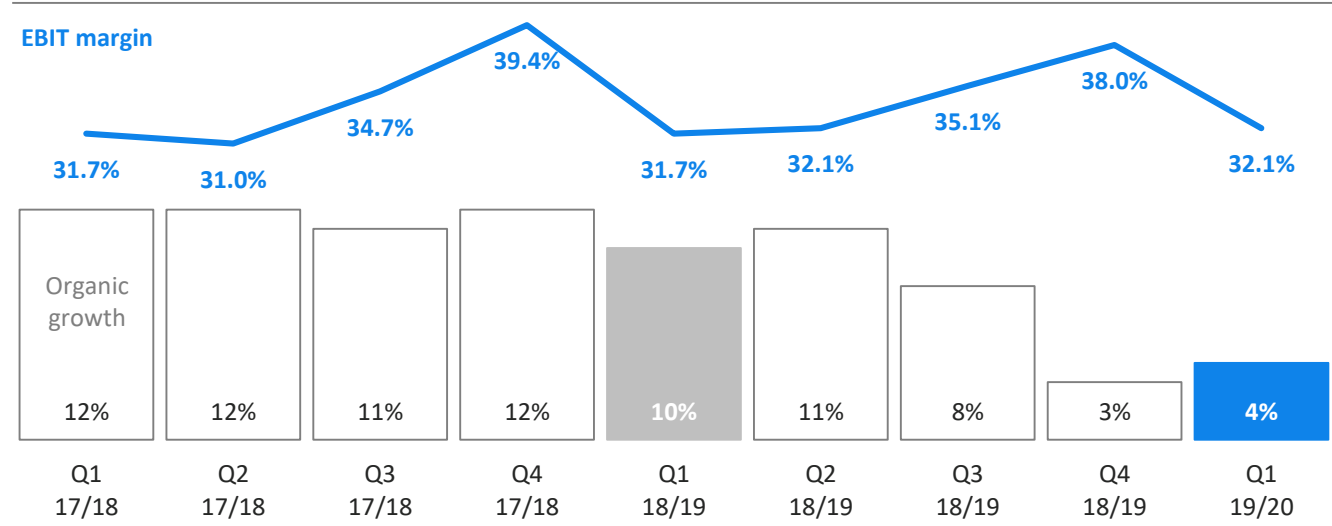
**4%** ORGANIC GROWTH Q1 19/20

- ▶ Solid growth in fermented milk, enzymes, meat and wine; cheese with good growth, whereas probiotics declined
- ▶ Bioprotection with ~10% organic growth primarily driven by fermented milk and meat
- ▶ Normalization of inventory levels in distribution chain negatively impacted organic growth by ~2%-points
- ▶ Current dairy market growth: Global fermented milk growing 1-2% and cheese around 1%

**32.1%** EBIT MARGIN Q1 19/20 (+0.4%-point)

- ▶ Increase primarily driven by scalability benefits in production

Quarterly development of organic revenue growth and EBIT margin, %



EUR million

- Revenue
- Organic growth
- Volume/mix
- EBIT margin
- ROIC ex. goodwill

	Q1 18/19	Q1 19/20
Revenue	161.0	166.1
Organic growth	10%	4%
Volume/mix	5%	3%
EBIT margin	31.7%	32.1%
ROIC ex. goodwill	39.0%	36.7%



# Very strong growth in Animal Health offset by timing of orders in Plant and Human Health

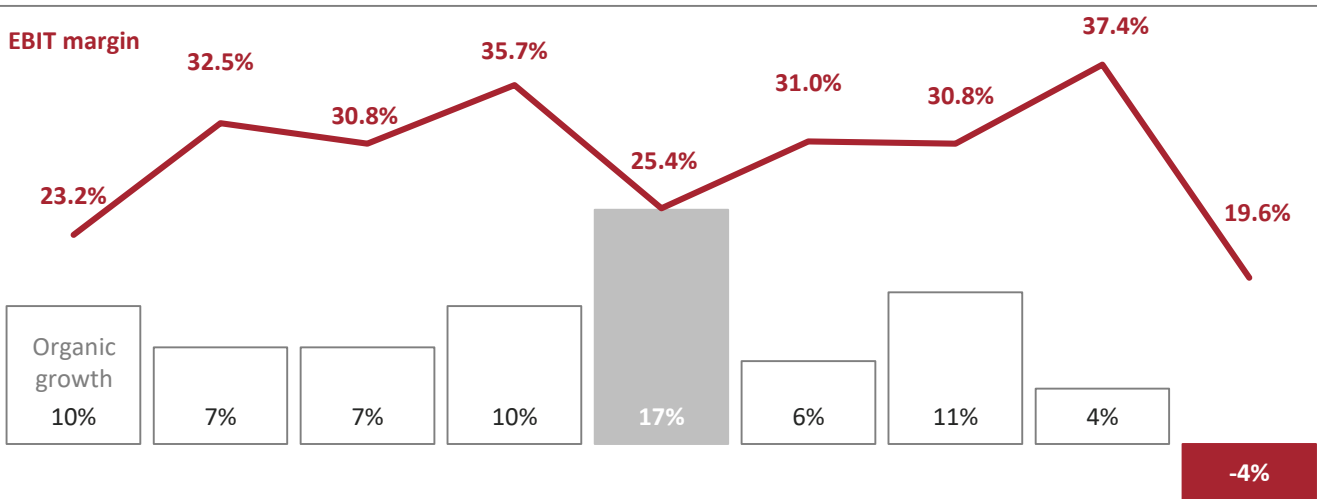
**(4)%** ORGANIC GROWTH Q1 19/20

- ▶ Human Health declined due to order timing in infant formula and reduction of inventories with key customers in dietary supplements; also very high baseline from Q1 last year
- ▶ Animal Health with very strong growth mainly driven by Cattle segment due to improved dairy farmer economics, the roll-out of BOVAMINE® Dairy Plus and a positive impact from a late silage season
- ▶ Plant Health declined due to order timing

**19.6%** EBIT MARGIN Q1 19/20 (-5.8%-points)

- ▶ EBIT margin decreased due to decline in revenue and slightly higher R&D spending for Plant Health

Quarterly development of organic revenue growth and EBIT margin, %



	Q1 17/18	Q2 17/18	Q3 17/18	Q4 17/18	Q1 18/19	Q2 18/19	Q3 18/19	Q4 18/19	Q1 19/20
EUR million									
Revenue							55.6	53.9	
Organic growth							17%	(4%)	
Volume/mix							16%	(4%)	
EBIT margin							25.4%	19.6%	
ROIC ex. goodwill							21.7%	14.7%	



# Growth in coloring foods offset by negative impact from low raw materials

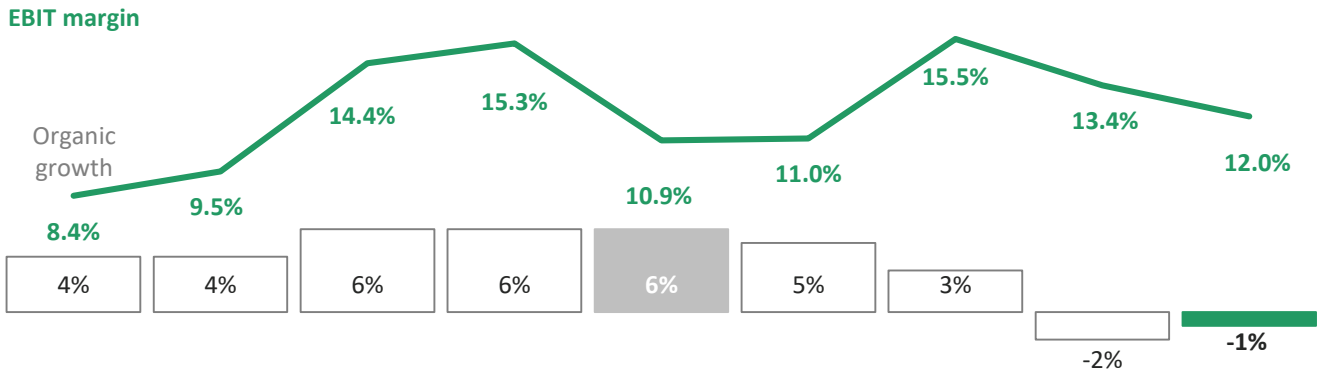
**(1)%** ORGANIC GROWTH Q1 19/20

- ▶ Very strong growth in coloring foods, particularly in EMEA
- ▶ Decline in traditional natural colors driven by continued decline in raw material prices for carmine and continued challenging economic climate in emerging markets

**12.0%** EBIT MARGIN Q1 19/20 (+1.1%-points)

- ▶ Increase mainly due to lower raw material prices
- ▶ Absolute EBIT increased by 10%

Quarterly development of organic revenue growth and EBIT margin, %



	Q1 17/18	Q2 17/18	Q3 17/18	Q4 17/18	Q1 18/19	Q2 18/19	Q3 18/19	Q4 18/19	Q1 19/20
EUR million							Q1 18/19	Q1 19/20	
Revenue							52.8	52.4	
Organic growth							6%	(1%)	
Volume/mix							5%	0%	
EBIT margin							10.9%	12.0%	
ROIC ex. goodwill							19.2%	17.8%	



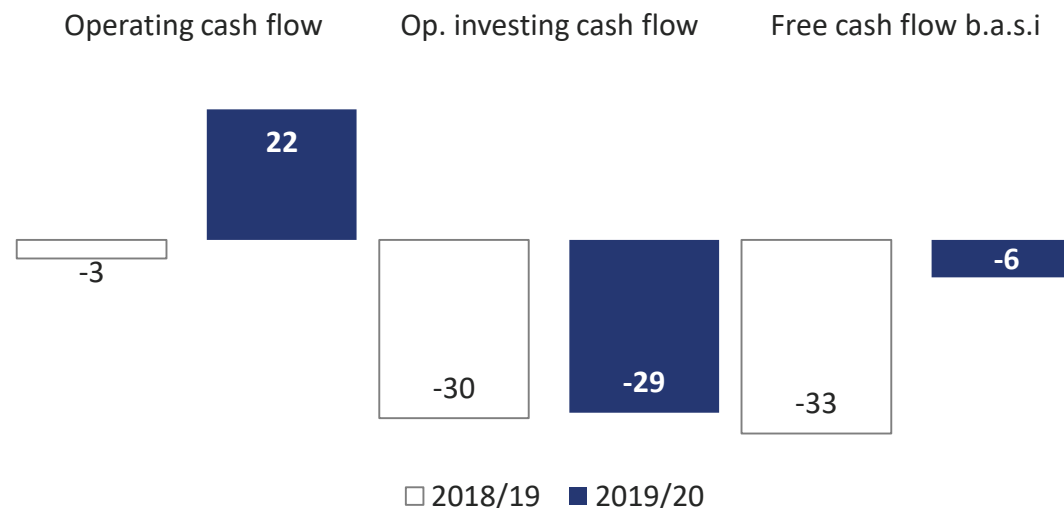
# Continued investments in R&D and other strategic priorities

## P&L drivers

	Q1 18/19	Q1 19/20
Revenue	269.4	272.4
<b>Organic growth</b>	<b>10%</b>	<b>1%</b>
Volume/mix	7%	1%
Price	3%	0%
Currencies	-4%	0%
EUR growth	6%	1%
Gross margin	54.9%	55.3%
Operational expenses	28.6%	29.6%
<b>EBIT b.s.i. margin</b>	<b>26.3%</b>	<b>25.7%</b>
EBIT margin	26.1%	25.4%




- ▶ Gross margin improvement of 0.4%-point driven by Food Cultures & Enzymes and Natural Colors but partly offset by Health & Nutrition
- ▶ Increase in operating expenses due to higher R&D expenses mainly related to FC&E and Plant Health as well as higher sales and marketing expenses for FC&E and Natural Colors whilst administrative expenses decreased

## Cash flow analysis (EURm)



- ▶ Increase in operating cash flow driven by favorable change in net working capital and lower taxes paid
- ▶ CAPEX at 10.6% of sales (vs. 11.1% last year)
- ▶ EUR 6m investments in associates related to BacThera JV

# Organic growth guidance range narrowed towards lower end

		Outlook 2019/20 as per Jan 15, 2019 <sup>1</sup>	
Organic revenue growth	Q1 2019/20	Q2-Q4	FY
Food Cultures & Enzymes 	4%	<i>Microbial platform around 7% (7-10% before) with FC&amp;E 5-6%</i>  <i>Low to mid single-digit</i>	<b>Group:</b> <b>4-6%</b> (4-8% before)
Health & Nutrition 	(4)%		
Natural Colors 	(1)%		
EBIT margin b.s.i.	25.7%		Around 29.5%
Free cash flow b.a.s.i.	(EUR 6.3m)		Around EUR 190m

<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. 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 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.

## Strategy review process indicates that end markets no longer support 8-10% organic growth ambition for the Group until 2021/22

*Preliminary conclusions from strategy review process:*



Food Cultures & Enzymes fundamental end-market growth expected to be around 2% (previously 3%)



Human Health market to grow lower due to structural changes in dietary supplements



Natural Colors does not appear to accelerate towards higher conversion rates absent any regulatory incentives

**New preliminary long-term growth ambition until 2024/25: Mid to high single-digit Group organic growth p.a.**



## Financial calendar

**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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Sign-up for the  
Capital Markets Day  
until March 31, 2020  
on our [IR website!](#)

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