



Chr. Hansen
Q2 2019/20 Results
April 16, 2020

CHR HANSEN

Improving food & health

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Growth momentum and EBIT margin improved in Q2 in line with expectations

Q2 2019/20

5% organic growth

Q2 2018/19: 8%

28.2% EBIT margin b.s.i.

Q2 2018/19: 27.8%

EUR 47m FCF b.a.s.i.

Q2 2018/19: EUR 40m

YTD 2019/20

3% organic growth

YTD 2018/19: 9%
Guidance FY 2019/20: 4-6%

27.0% EBIT margin b.s.i.

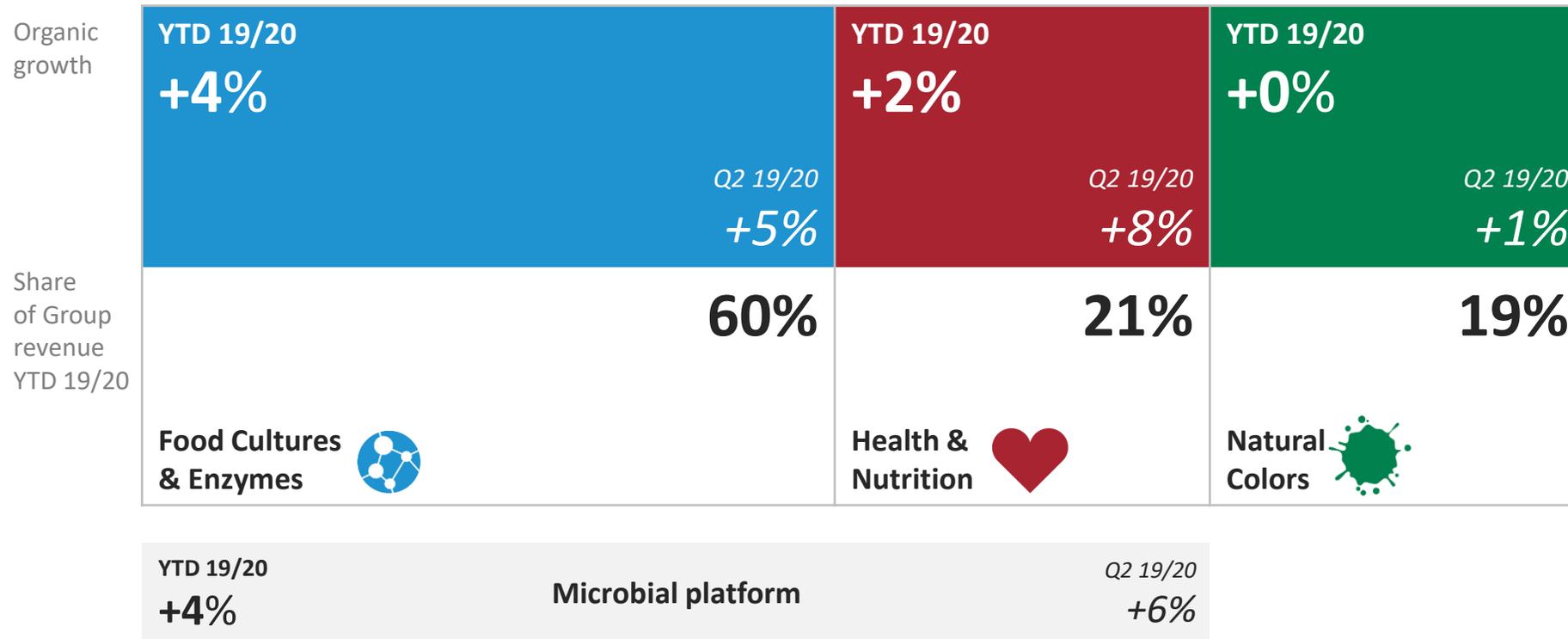
YTD 2018/19: 27.0%
Guidance FY 2019/20: Around 29.5%

EUR 41m FCF b.a.s.i.

YTD 2018/19: EUR 8m
Guidance FY 2019/20: Around EUR 190m

FINANCIAL HIGHLIGHTS

Microbial platform delivered solid growth in Q2, whilst positive volume growth in Natural Colors was offset by low raw material prices



Good progress on strategic initiatives of our microbial platform in Q2

Very good uptake of new product launches in Animal and Human Health



THE PROBIOTIC INSTITUTE
BY CHR. HANSEN

7 myths and misconceptions about probiotics
- addressing misunderstandings

The Probiotic Institute launched in the US to educate external stakeholders on probiotics

Joint venture in live biotherapeutic products signed first customer contracts



Available online at www.sciencedirect.com

ScienceDirect

Bioprotective mechanisms of lactic acid bacteria against fungal spoilage of food

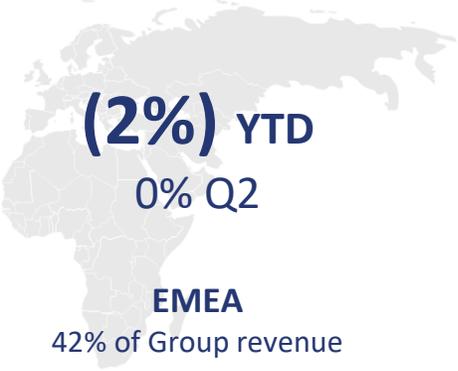
Discovery on mode of action of bioprotective cultures published in renown science journal

Strong commercial pipeline in plant-based dairy alternatives & MISTA network joined



Named no. 2 in Corporate Knights' "Global 100 Most Sustainable Corporations in the World"

Organic growth in the second quarter driven by Americas and APAC

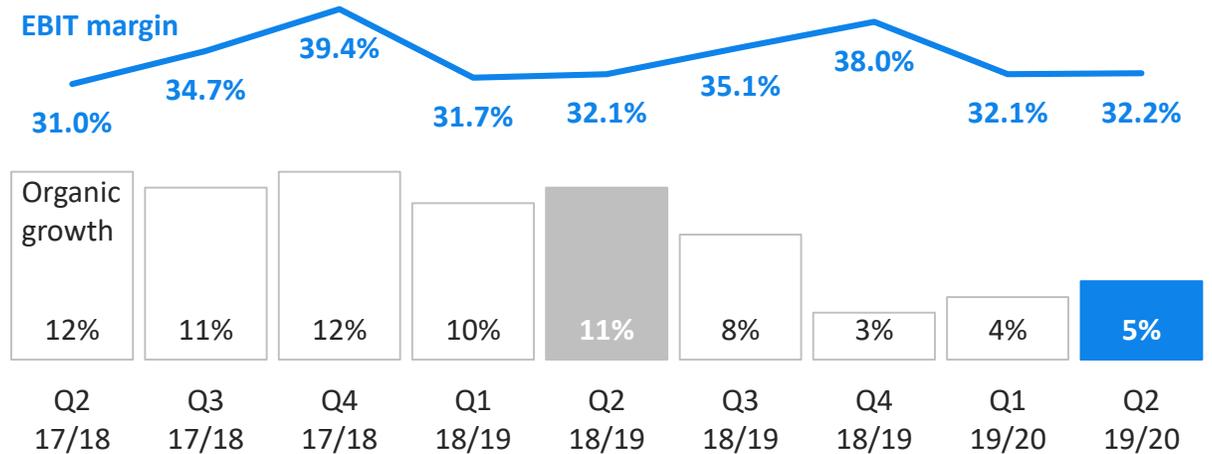
 <p>(2%) YTD 0% Q2</p> <p>EMEA 42% of Group revenue</p>	 <p>7% YTD 7% Q2</p> <p>NORTH AMERICA 28% of Group revenue</p>	 <p>13% YTD 16% Q2</p> <p>LATAM 13% of Group revenue</p>	 <p>1% YTD 5% Q2</p> <p>APAC 17% of Group revenue</p>
<p>YTD and Q2</p> <ul style="list-style-type: none"> ▶ FC&E with good growth despite weakness in Middle East ▶ H&N declined due to order timing in dietary supplements ▶ NCD declined due to negative impact from low raw material prices and adverse trading conditions in emerging markets 	<p>YTD and Q2</p> <ul style="list-style-type: none"> ▶ FC&E on par with last year as limited market growth impacted cheese product sales ▶ Very strong growth in H&N driven by very strong performance in Animal Health and strong growth in Human Health ▶ NCD with good growth driven by coloring foods 	<p>YTD and Q2</p> <ul style="list-style-type: none"> ▶ Very strong growth in FC&E supported by CHY-MAX® Supreme launch ▶ H&N declined because of order timing and lower soy revenues in Plant Health ▶ NCD with very strong growth in Q2 leading to solid growth for H1 driven by new customer wins ▶ Positive impact to growth from EUR price list 	<p>YTD</p> <ul style="list-style-type: none"> ▶ FC&E flat as strong growth in fermented milk was mostly offset by decline in probiotics in China ▶ H&N grew slightly ▶ NCD delivered good growth <p>Q2</p> <ul style="list-style-type: none"> ▶ FC&E declined slightly as solid growth in fermented milk was offset by decline in probiotics in China ▶ H&N and NCD grew strongly despite contraction in China ▶ Minor impact from COVID-19



Solid growth across all segments except for probiotics; wins in plant-based

4% ORGANIC GROWTH YTD 19/20

- YTD**
- ▶ Strong growth in bioprotection and solid growth in fermented milk, cheese, enzymes and meat cultures; probiotics declined especially in China
 - ▶ Normalization of inventory levels in the distribution chain in Q1 negatively impacted growth by an estimated ~1%-point
- Q2**
- ▶ Strong growth in bioprotection and meat cultures; solid growth in fermented milk, cheese and enzymes, probiotics declined
 - ▶ No material impact from COVID-19
 - ▶ Several commercial projects in plant-based dairy alternatives won



32.1% EBIT MARGIN YTD 19/20 (+0.2%-point)

- YTD/ Q2**
- ▶ Increase primarily driven by scalability benefits in production

EUR million	Q2 18/19	Q2 19/20	YTD 18/19	YTD 19/20
Revenue	166.0	172.5	327.1	338.6
Organic growth	11%	5%	10%	4%
Volume/mix	7%	4%	6%	3%
EBIT margin	32.1%	32.2%	31.9%	32.1%
ROIC ex. goodwill			39.1%	37.1%



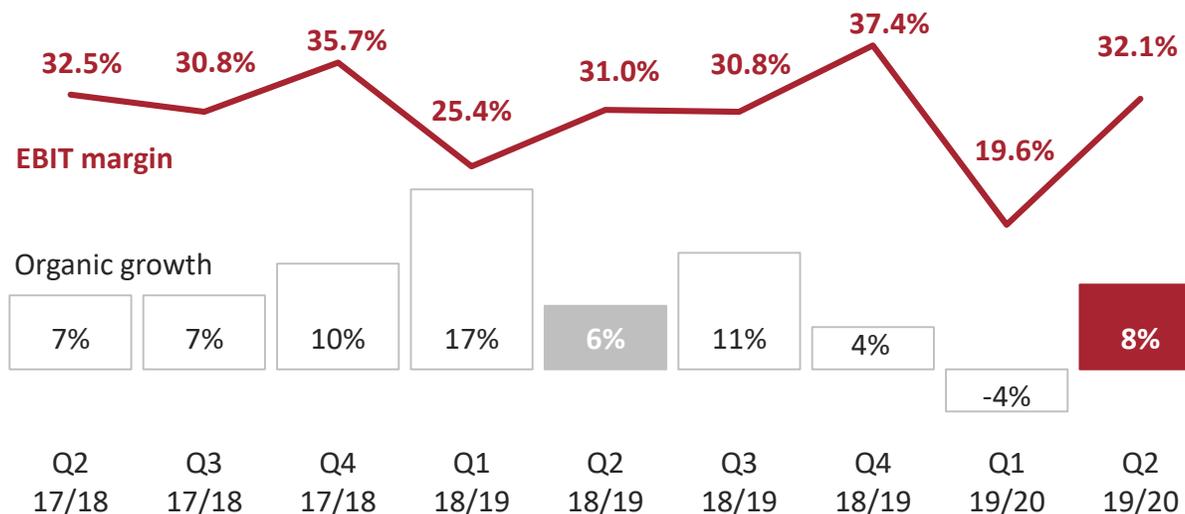
Continued strong growth in Animal and improved momentum in Human Health

2% ORGANIC GROWTH YTD 19/20

- YTD**
- ▶ HH declined slightly due to order timing and high comparable in infant formula; dietary supplements with good growth
 - ▶ AH with very strong growth driven by Cattle segment on the back of improved US farmer economics and a new product launch
 - ▶ PH declined due to order timing and lower sales activity in soy
- Q2**
- ▶ HH delivered solid growth driven by dietary supplements and infant formula; good uptake of new probiotic blend for infants
 - ▶ AH with strong growth in both Cattle and Swine & Poultry
 - ▶ PH declined due to lower than expected sales activity in soy

26.5% EBIT MARGIN YTD 19/20 (-1.9%-points)

- YTD**
- ▶ Decrease driven by relatively low revenue growth in Q1 and increased R&D expenses in Plant Health
- Q2**
- ▶ Increase driven by cost management initiatives partly offset by increased R&D expenses in Plant Health



EUR million	Q2 18/19	Q2 19/20	YTD 18/19	YTD 19/20
Revenue	62.5	67.1	118.1	121.0
Organic growth	6%	8%	11%	2%
Volume/mix	6%	9%	10%	3%
EBIT margin	31.0%	32.1%	28.4%	26.5%
ROIC ex. goodwill			25.3%	21.5%



Very strong growth in coloring foods offset by low raw material prices

0% ORGANIC GROWTH YTD 19/20

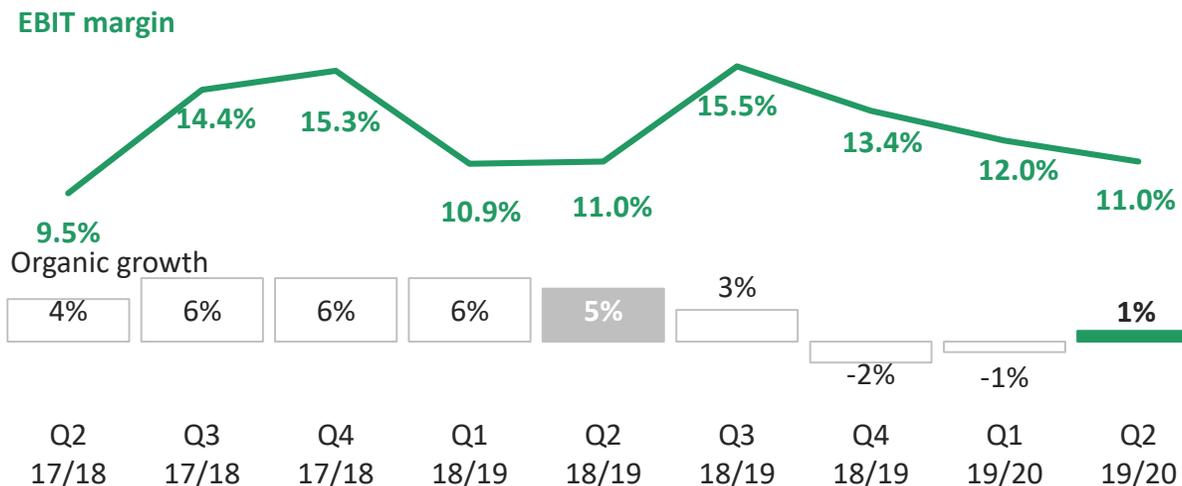
- YTD**
- ▶ Strong growth in coloring foods, particularly in EMEA and North America
 - ▶ Traditional natural colors declined due to low raw material prices and challenging economic climate in emerging markets

- Q2**
- ▶ Strong growth in coloring foods in most regions whilst traditional natural colors business remained impacted by low raw material prices and challenging economic climate in Middle East

11.5% EBIT MARGIN YTD 19/20 (+0.6%-point)

- YTD**
- ▶ Increase in EBIT margin mainly driven by lower raw material prices

- Q2**
- ▶ Impact from low raw material prices mainly offset by currencies



EUR million	Q2 18/19	Q2 19/20	YTD 18/19	YTD 19/20
Revenue	55.2	55.1	108.0	107.5
Organic growth	5%	1%	5%	0%
Volume/mix	6%	3%	5%	2%
EBIT margin	11.0%	11.0%	10.9%	11.5%
ROIC ex. goodwill			19.4%	17.1%

Strong balance sheet and cash generation provide ample financial leeway

- ▶ Increase in operating cash flow driven by favorable change in net working capital, IFRS 16 adjustment, lower taxes paid and higher operating profit
- ▶ Operational investing cash flow of 9.7% of revenue
- ▶ Investments in associates of EUR 6m related to Bacthera
- ▶ Resilient cash generation and largely self-financing
- ▶ Leverage ratio of 2.1x net debt/EBITDA
- ▶ Covenants related to net debt/EBITDA and EBITDA/net interest for outstanding bank borrowings are met by a comfortable margin
- ▶ Undrawn committed credit lines of >EUR 450m provide headroom for short-term financing if needed
- ▶ No large refinancing planned in FY20 and FY21
- ▶ Dividend policy unchanged

	YTD 18/19	YTD 19/20
Cash flow		
Cash flow from operating activities, EUR m	66.6	94.0
Cash flow from operating investing activities, EUR m	(60.0)	(55.1)
Free cash flow b.a.s.i., EUR m	7.6	41.1
Net working capital, % of revenue	22.0%	22.6%
Capex, % of revenue	10.8%	9.7%
Financial position		
Total assets, EUR m	1,926.1	2,109.8
Total cash and cash equivalents, EUR m	54.2	69.0
Net interest-bearing debt, EUR m	785.0	879.2
Equity ratio, % of total assets	40.1%	37.1%
Net debt/EBITDA b.s.i.	2.0x	2.1x

Guidance maintained assuming no major supply interruptions from global pandemic; preliminary long-term financial ambition remains valid

	YTD 2019/20	Outlook FY 2019/20 as per April 16, 2020 ¹	Long-term financial ambition as per January 15, 2020
Group organic revenue growth	3%	4-6%	
Food Cultures & Enzymes 	4%	Microbial platform: mid single-digit growth	Until 2024/25 (preliminary): Mid to high single-digit Group organic growth p.a.
Health & Nutrition 	2%		
Natural Colors 	0%	Flat to slight organic growth	
EBIT margin b.s.i.	27.0%	Around 29.5%	Until 2021/22: 30+%
Free cash flow b.a.s.i.	EUR 41m	Around EUR 190m	Until 2021/22: 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 key emerging markets; 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 disruptive outcome to the EU-UK Brexit negotiations. Related to COVID-19, the guidance for the year assumes that Chr. Hansen and key customers can maintain production and transport products at current levels and that the situation does not deteriorate or impose restrictions on the flow of goods and hence our ability to serve customers. The guidance also assumes that there are no major supply disruptions in neither the raw material supply to Chr. Hansen, nor in the raw material supply, such as milk, to our customers.

Chr. Hansen well positioned to maneuver through pandemic crisis; number one priority is employee safety and business continuity



Employee safety

- ▶ Home office where possible
- ▶ Enhanced safety precautions for lab and production staff
- ▶ Dedicated crisis management & communications



Supply chain

- ▶ All production sites operating at normal capacity; no disruption in raw material supply so far
- ▶ Transport delays caused by travel restrictions and higher freight costs due to reduction in air traffic



End-markets and customer demand

- ▶ Majority of Chr. Hansen's revenue linked to defensive food and health industries
- ▶ Short-term extraordinary demand from customers securing safety stock; expected to normalize over time
- ▶ Risk of lower protein consumption in global recession scenario, especially in emerging markets



Commercial pipeline and innovation

- ▶ Delays due to quarantine measures & travel restrictions will impact progress of commercial pipeline in the mid-term
- ▶ Customers more focused on business continuity and cost management than on new innovation and value-adding offerings

Continue to execute on our strategic priorities for the year, unchanged focus on microbial and natural solutions



FOOD CULTURES & ENZYMES

Leverage the full potential



HEALTH & NUTRITION

Develop the microbial platform



NATURAL COLORS

Create further value

Drive penetration of new innovation

- ▶ Progress next-generation products in R&D
- ▶ Drive new launches and develop adjacencies

- ▶ Launch new products in Human Health
- ▶ Expand Plant Health business into new countries and crops

- ▶ Portfolio expansion within coloring foods and clean label products

Reinforce position in growth markets

- ▶ Strengthen emerging markets focus including SME in China
- ▶ Invest further in capabilities for adjacencies

- ▶ Drive sales excellence in Animal Health across regions
- ▶ Build on strong position in infant formula

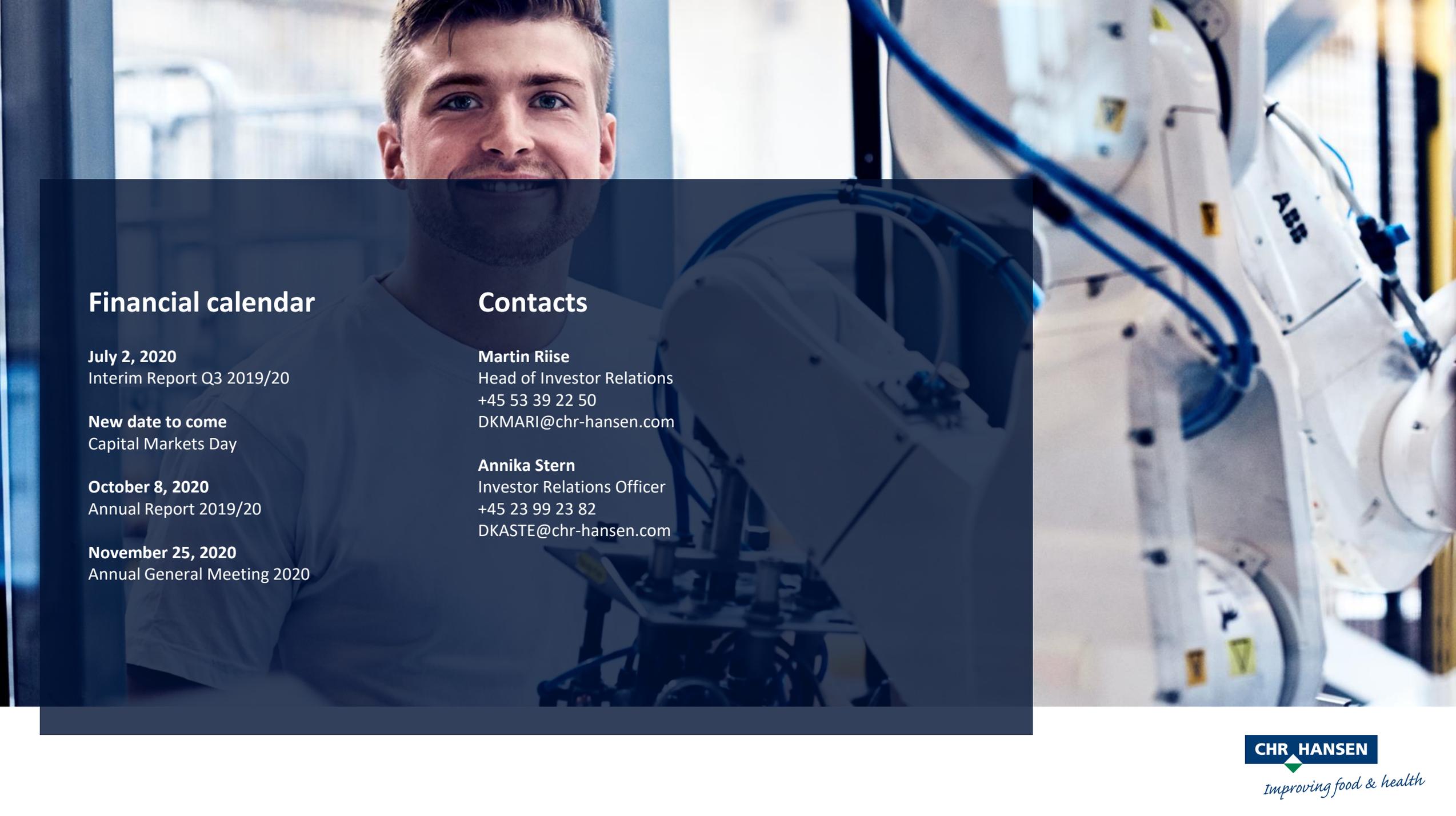
- ▶ Continue to pursue conversion opportunities
- ▶ Expand presence in food service *(despite short-term impact from COVID-19)*

Generate fuel for growth

- ▶ Leverage expansion of Copenhagen site
- ▶ Build on digital services

- ▶ Further investments in Bacthera and Plant Health

- ▶ Continuation of efficiency programs and expansion in Peru



Financial calendar

July 2, 2020

Interim Report Q3 2019/20

New date to come

Capital Markets Day

October 8, 2020

Annual Report 2019/20

November 25, 2020

Annual General Meeting 2020

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