



Chr. Hansen FY 2019/20 Results

October 8, 2020

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Improving food & health

Safe harbor statement

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Eventful year with significant strategic progress despite COVID-19

Strategic highlights FY 2019/20



REINVEST



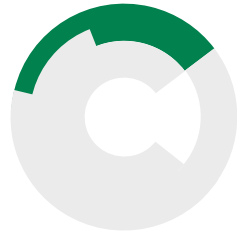
Good progress on commercialization of new launches



Strong year in Animal Health supported by new products



Human Health with strong H2 driven by increased demand for probiotics with immunity benefits



LEVERAGE



Scientific breakthrough in bioprotection on mode of action



Plant Health expansion into soy and North America



Bacthera organization established and first customers signed



Fermented Plant Bases lighthouse launched



EXTEND



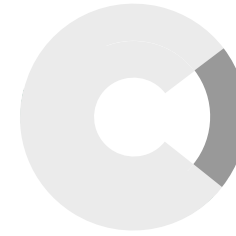
Strengthened position in women's health with HSO Health Care



Expanded into multi-species blends with UAS Labs



New lighthouse in HMOs following Jennewein acquisition



REVIEW



Strategic review process of Natural Colors concluded with sale to EQT (closing expected in spring 2021)

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Portfolio changes pave way for future as microbial pureplay

with very attractive growth prospects and margin expansion potential

ACQUISITIONS



EUR 130-140m (FY21E)

EUR ~30m (FY21E)

~350

EUR 970m¹

Revenue

EBITDA

Employees

Transaction value

NATURAL COLORS



EUR 219m (FY20)

EUR 39m (FY20)

~650

EUR 800m



- Exclusive focus on microbial and fermentation technology platforms
- New lighthouse launched
- Accretive to Group organic growth with attractive synergy potential
- Meaningful EBIT margin expansion over the strategy period expected; EBITDA margin accretive already from day 1

¹ Before tax asset with estimated value of USD 80m from UAS Labs acquisition.

Guidance achieved despite challenging business environment

Financial highlights Q4 and FY 2019/20



ORGANIC GROWTH



EBIT MARGIN B.S.I.



FREE CASH FLOW B.A.S.I.

FY 2019/20	Guidance	4-6%	Around 29.5%	Above EUR 200m
	Group ¹	5%	29.9%	EUR 245m

Microbial Platform	Q4 2019/20	9% Q4 2018/19: 3%	38.4% Q4 2018/19: 37.9%	EUR 81m Q4 2018/19: EUR 82m ²
	FY 2019/20	6% FY 2018/19: 8%	33.7% FY 2018/19: 33.6%	EUR 225m FY 2018/19: EUR 153m ²

¹ Includes continuing and discontinued operations.

² Excluding inflow from sale-and-lease-back of Company's main site in Hørsholm.

Growth in all regions despite impacts from global COVID-19 pandemic

Regional highlights Q4 and FY 2019/20

EMEA



3% in Q4
3% FY

Microbial Platform¹

- **Q4:** Good growth in FC&E despite weakness in Middle East; solid growth in H&N driven by very strong momentum in AH and solid growth in HH
- **FY:** Good growth in FC&E, while H&N declined due to soft Q1

NORTH AMERICA



1% in Q4
4% FY

Microbial Platform¹

- **Q4:** Slight growth in FC&E as solid growth in cheese was offset by declines in wine and probiotics; H&N with slight growth as very strong growth in HH was largely offset by decline in AH
- **FY:** FC&E on par with last year as growth in fermented milk was offset by slight decline in cheese; H&N delivered strong growth

LATIN AMERICA



47% in Q4
24% FY

Microbial Platform¹

- **Q4:** Very strong growth in FC&E and in H&N driven very strong momentum in PH in line with expectations
- **FY:** Very strong growth in FC&E supported by CHY-MAX[®] Supreme and EUR pricing; solid growth in H&N

APAC



10% in Q4
6% FY

Microbial Platform¹

- **Q4:** FC&E declined due to COVID-19 related softness in China and India; H&N with very strong growth driven by HH
- **FY:** FC&E declined as solid growth in fermented milk was offset by decline in probiotics in China; H&N grew very strongly

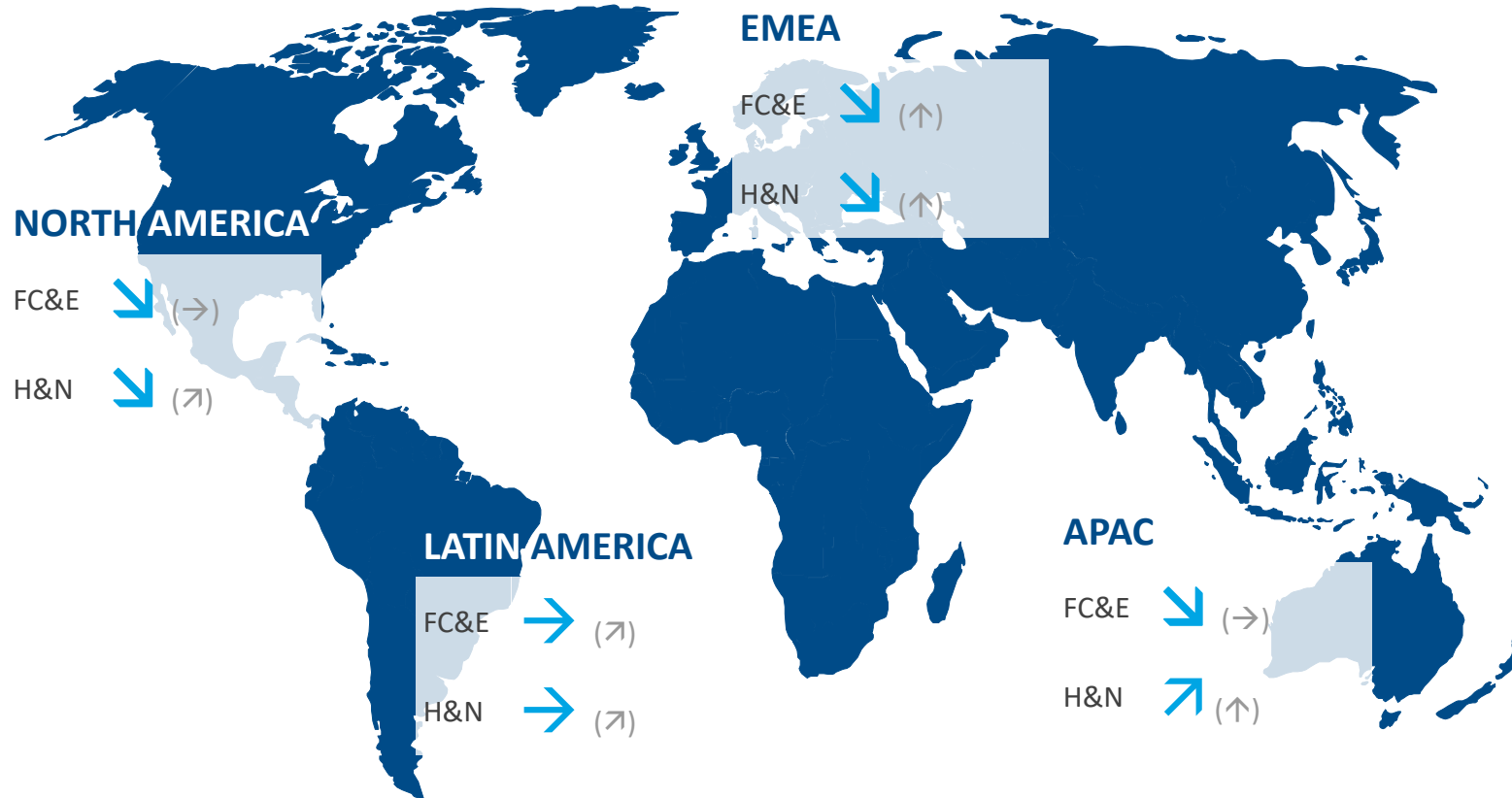
¹ Continuing operations.

AH= Animal Health, HH= Human Health, PH= Plant Health.

Solid commercial activity despite limited face-to-face customer access

Global COVID-19 pandemic

COVID net impacts **Q4 2019/20** (Q3)



Small net negative for Chr. Hansen in Q4 due to normalization of inventory levels, slower conversion of commercial pipeline and weak economic environment

- Consumer downtrading, particularly in emerging markets
- Upselling negatively impacted by travel restrictions and customer focus on cost
- Risk of delays in customer trials and product registrations

Supply chain/delivery performance very solid, but impact from high freight costs

Employee safety remains number #1 priority

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Volume growth in cheese offset by FM & probiotics; positive from EUR pricing

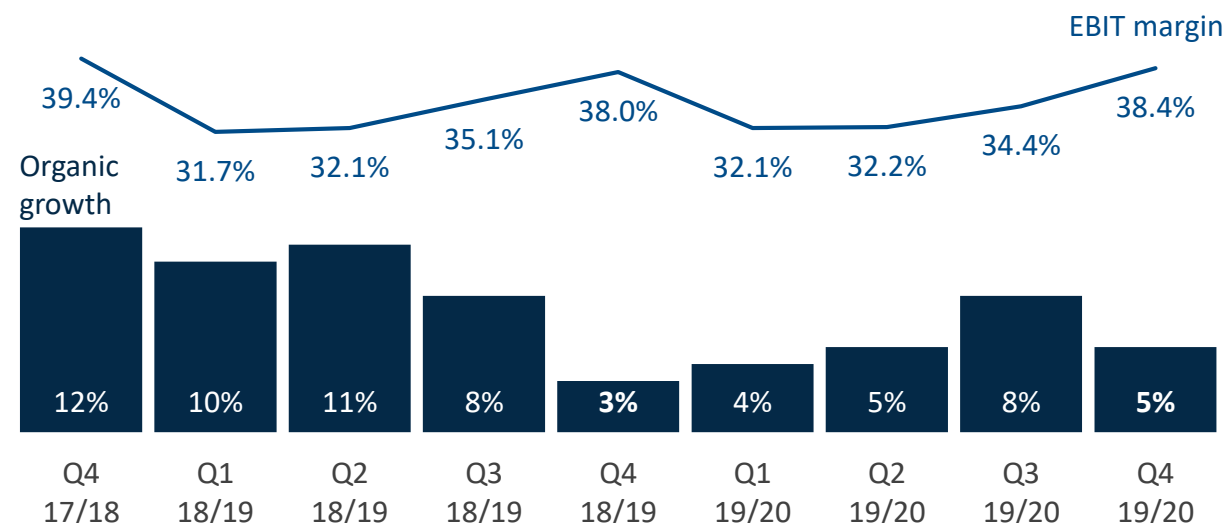
Food Cultures & Enzymes

SALES PERFORMANCE

- **Q4:** Strong growth in enzymes, bioprotection and meat followed by solid growth in cheese; fermented milk was on par with last year; probiotics and wine declined; volume growth impacted by weak economic environment in emerging markets (China, India, Middle East)
- **FY:** Strong growth in enzymes and bioprotection followed by solid growth in cheese and meat as well as good growth in fermented milk; probiotics declined, primarily due to lower volumes in China

MARGIN DEVELOPMENT

- **Q4:** +0.4%-pt. improvement driven by a positive one-off from a VAT dispute in Brazil and lower travel expenses that were partly offset by negative currencies
- **FY:** On par with last year as scalability benefits and production efficiencies as well as lower expenses related to COVID-19 (e.g. travel, training, less new hires etc.) were offset by higher freight costs and investments in strategic initiatives



EUR million	Q4 18/19	Q4 19/20	FY 18/19	FY 19/20
Revenue	178.5	173.3	682.3	693.1
Organic growth	3%	5%	8%	5%
Volume/mix	2%	0%	4%	3%
EBIT margin b.s.i.	38.0%	38.4%	34.3%	34.3%
ROIC ex. goodwill			44.2%	41.1%

Strong performance in supplements and Plant Health in Q4

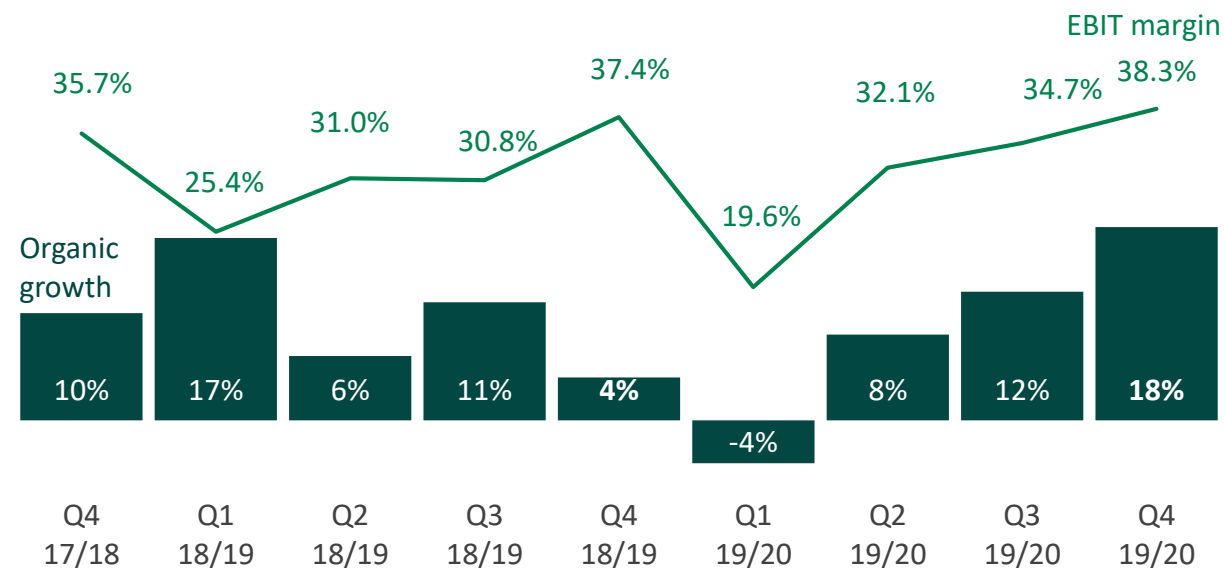
Health & Nutrition

SALES PERFORMANCE

- **Q4:** Very strong growth in HH driven by dietary supplements, while infant declined due to high comparables and destocking; good growth in AH across species driven by RoW, while NA declined; very strong growth in PH in line with expectations
- **FY:** HH with solid growth driven by dietary supplements while infant formula declined slightly; AH with strong growth driven by very strong growth in Cattle and solid growth in Poultry & Swine; PH declined due to order timing and lower-than-expected activity in soy in LATAM

MARGIN DEVELOPMENT

- **Q4:** 0.9%-pt. increase driven by single-line consolidation of UAS Labs, cost management initiatives and lower expenses due to COVID-19 partly offset by impairment loss and FX
- **FY:** 0.7%-pt. increase driven by single-line consolidation of UAS Labs, cost management initiatives and lower expenses due to COVID-19 partly offset by impairment loss



EUR million	Q4 18/19	Q4 19/20	FY 18/19	FY 19/20
Revenue	70.5	81.0	255.1	276.9
Organic growth	4%	18%	9%	9%
Volume/mix	4%	19%	9%	10%
EBIT margin b.s.i.	37.4%	38.3%	31.5%	32.2%
ROIC ex. goodwill			29.5%	22.6%

Strong underlying profitability further supported by positive one-offs

Income Statement

-1.3%-pts.

Gross margin
FY20 vs. FY19

- Increased freight costs, unfavorable product mix and slight FX impact only partly offset by scalability

Lower

Operating expenses

- Lower expenses due to COVID-19 partly offset by investments in strategic priorities

EUR 8m

Other operating
income

- Single-line consolidation of UAS Labs and favorable ruling in VAT dispute case in Brazil

33.7%

EBIT margin b.s.i.

- +0.1%-pt. for continuing operations (Microbial Platform) (Group margin incl. NCD of 29.9% (+0.3%-pt.))

EUR 14m

Special items

- Driven by acquisitions

Other

- EUR 4m loss from Bacthera in line with expectations

INCOME STATEMENT

EUR million	Q4 18/19	Q4 19/20	FY 18/19	FY 19/20
Revenue	249.0	254.3	937.4	970.0
Cost of sales	(91.9)	(97.6)	(360.5)	(386.0)
R&D expenses	(17.6)	(18.4)	(70.7)	(76.2)
S&M expenses	(33.8)	(34.5)	(131.9)	(135.1)
Administrative expenses	(11.6)	(12.0)	(60.8)	(53.3)
Other operating income	0.2	5.9	1.2	7.5
EBIT b.s.i.	94.3	97.7	314.7	326.9
Special items	(0.9)	(8.8)	(2.3)	(13.9)
Net financial expenses	(4.3)	(4.3)	(16.1)	(13.5)
Share of loss of joint ventures	-	(0.8)	-	(3.9)
Income taxes	(20.3)	(16.2)	(67.1)	(64.0)
Profit from continuing operations	68.8	67.6	229.2	231.6
Profit from discontinued operations	5.8	(1.4)	21.0	13.4
Net profit	74.6	66.2	250.2	245.0

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Leverage impacted by acquisitions but very resilient cash generation

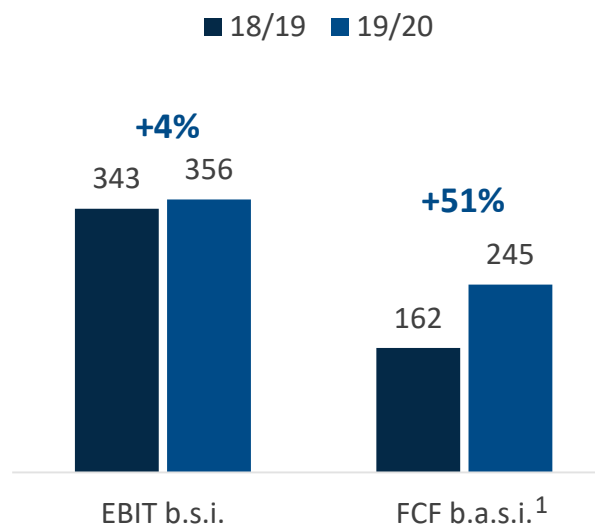
Cash Flow & Balance Sheet (Group incl. discontinued operations)

CASH FLOW STATEMENT

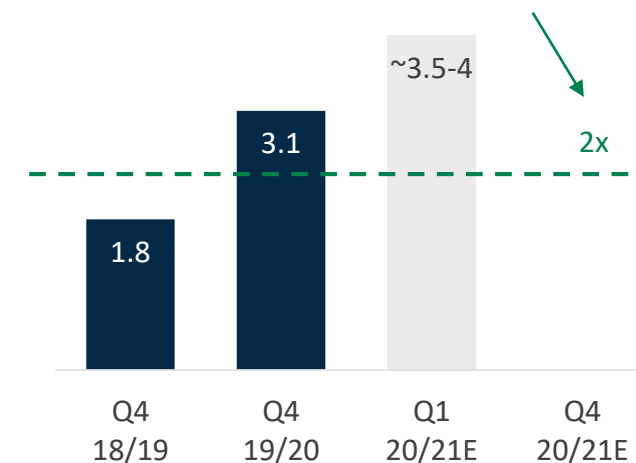
EUR million	FY 18/19	FY 19/20
Operating cash flow	298.6	364.6
Cash flow from op. invest. act.	(139.4) ¹	(139.7)
M&A	(9.8)	(657.2)
JV	-	(10.6)
Free cash flow	217.0	(442.9)
Financing cash flow	(200.5)	456.8
Net cash flow	16.5	13.9
FCF b.a.s.i.	161.5¹	244.5

- Increase in operating cash flow driven by positive development of WC and temporary COVID-19 related governmental liquidity support
- Operational investing cash flow ex. inflow from sale-and-lease-back of EUR 68 on par with last year as several projects were delayed due to COVID-19

GROWTH FCF B.A.S.I. vs. absolute EBIT b.s.i.



LEVERAGE RATIO in net debt/EBITDA b.s.i.



- Leverage above ambition to be in line with investment grade credit rating due to acquisitions
- BoD will propose no ordinary dividend to manage leverage prudently but expects to pay an extraordinary dividend after receipt of NCD proceeds at least equal to a normalised ordinary dividend for 2019/20

¹ Excludes proceeds from the sale-and-lease-back of the Company's main site in Hørsholm of EUR 68 m.

A year of transition ahead

with portfolio changes, FX headwinds and higher uncertainty related to COVID-19



ORGANIC GROWTH



EBIT MARGIN B.S.I.



FREE CASH FLOW B.A.S.I.
before divestment

Outlook 2020/21	5-8% Group	27-28% with ~-1%-pt. from FX	EUR 120-160m with capex of EUR ~200m
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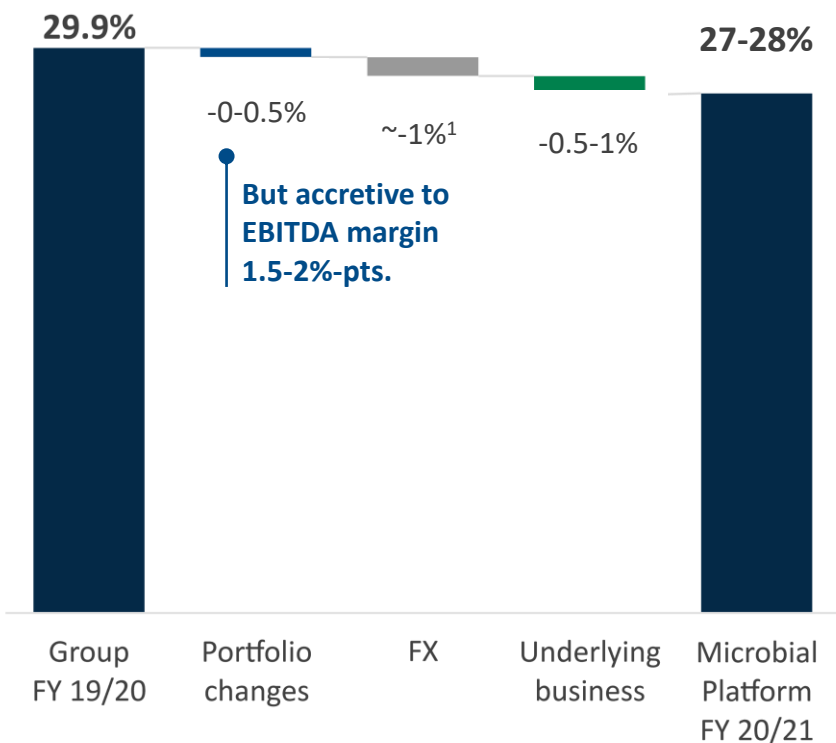
Long-term financial ambition until 2024/25	Organic growth CAGR of mid- to high single-digit	Underlying expansion in EBIT margin b.s.i. before portfolio changes and FX	Free cash flow b.a.s.i. to outgrow absolute EBIT b.s.i.
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The outlook is based on constant currencies and assumes no further acquisitions. The outlook is also based on the current political and economic environment. The depth and duration of a global recession, or other negative macroeconomic events, triggered by COVID-19 may affect demand negatively in the medium term, especially in emerging markets, and a combination of quarantine measures and recession may change consumption patterns between eating out, on-the-go and in-home. The various quarantine measures and travel restrictions already imposed around the world make it more difficult to visit customers to advance projects with new innovative solutions, a very important growth driver for Chr. Hansen, and this will slow the progress of the commercial project pipeline in the medium term. The impacts of COVID-19 are continuously being monitored and evaluated for their short- and medium-term effects. 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 overall situation in the Middle East, including any potential sanctions; a deterioration in global trading conditions; and a negative Brexit scenario.

2020/21 profitability reflects recent portfolio changes

as well as an expected negative impact from currencies and a return to normal spending patterns

EBIT MARGIN B.S.I. PROFITABILITY DRIVERS



PORTFOLIO CHANGES

- Disposal of NCD will increase EBIT margin by 3.5-4%-pts., while the negative impact from the acquisitions is estimated to be slightly more in FY21, leading to -0-0.5%-pt. negative impact on Group level
- Acquisitions estimated to add EUR ~130-140m of revenue and EUR ~30m of EBITDA; D&A of acquisitions estimated to be EUR ~30-35m in FY21
- UAS Labs & HSO margins to increase gradually to reach ~30% by FY25 driven by scalability and synergies
- Jennewein to reach ~30% EBIT margin beyond strategy period



CURRENCIES

- Current rates suggest up to ~1%-pt. hit on EBIT margin in FY21
- Main exposure relates to USD and CNY: +/- 5% change in EUR/USD will impact the revenue by EUR ~20m and EBIT by EUR ~12m and a +/- 5% change in EUR/CNY will impact the revenue by EUR ~5m and EBIT by EUR ~4m



UNDERLYING BUSINESS

- Normalization of cost base following positive one-offs in FY20 (lower expenses due to COVID-19, VAT ruling, single-line consolidation UAS Labs)
- Return to normal spending patterns (travel etc.) in FY21 and investments in 2025 Strategy initiatives

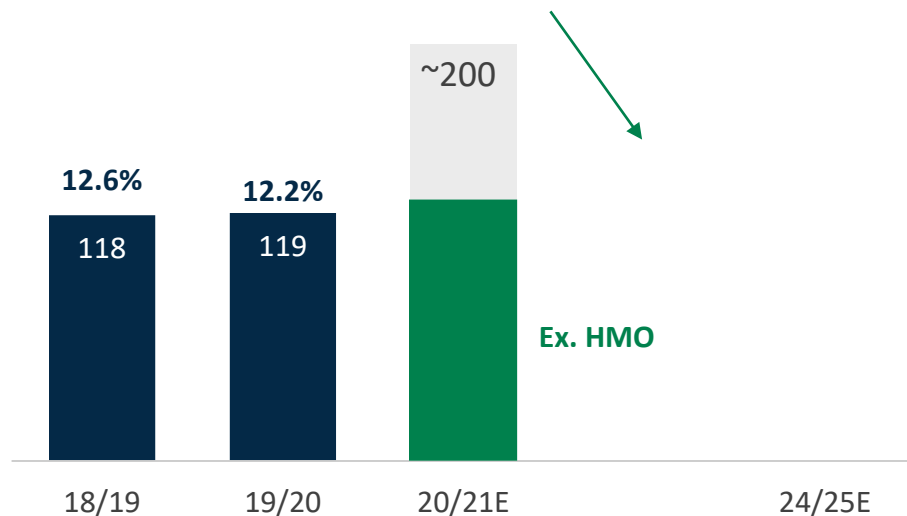
¹ Based on current FX rates.

2020/21 cash flow reflects investments into HMO

with operating cash flow estimated to be on par with last year despite higher interest and normalization of WC items

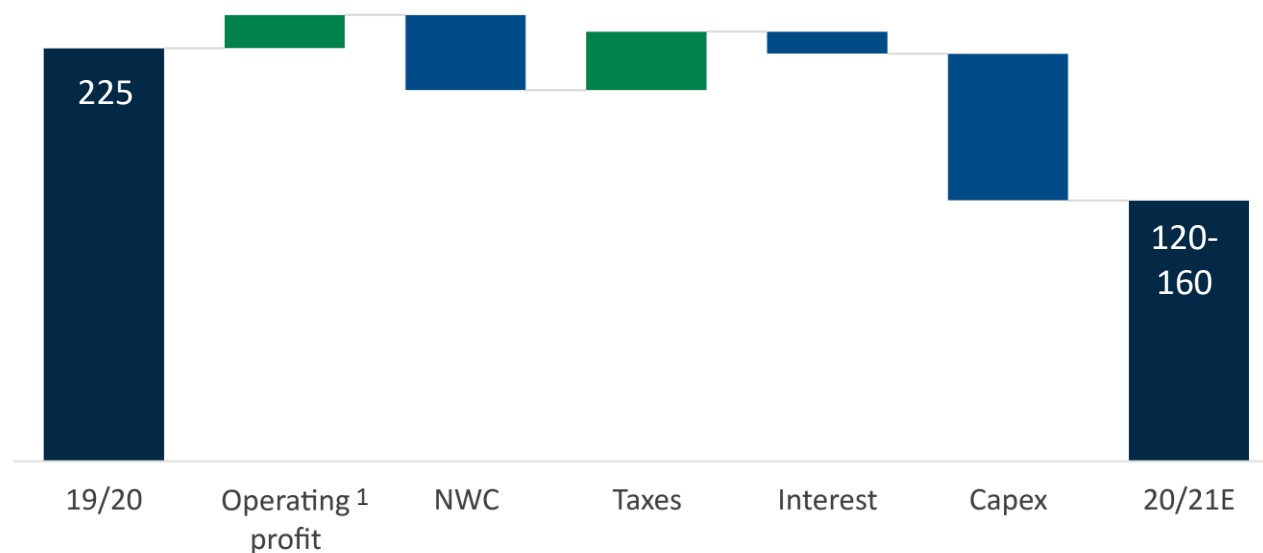
CAPEX SPENDING FOR CONTINUING OPERATIONS

in EUR million and % of revenue



FREE CASH FLOW BEFORE ACQUISITIONS, DIVESTMENTS AND SPECIAL ITEMS

In EUR million



- Operating cash flow expected to be at a similar level than in 2019/20 despite normalization of certain working capital items and higher interest costs
- Cash flow used for investing activities is expected to be around EUR 200m; capex-sales-ratio ex. HMO below FY20

¹ Including non-cash adjustments.
WC= working capital.

Full focus on delivering on 2025 Strategy

to form a differentiated bioscience company with focus on microbial and fermentation technology platforms

Where to play



How to win

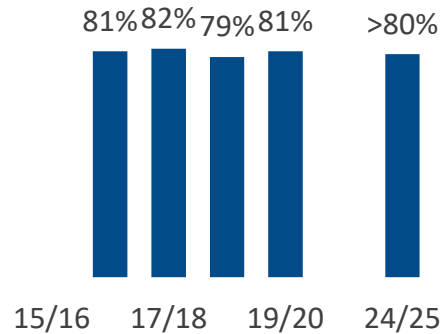
1	CUSTOMERS	Further expand customer base and global reach and excel in customer centricity
2	INNOVATION	Accelerate new product development and commercialization
3	OPERATIONS	Realize scalability benefits and operational efficiencies
4	PEOPLE	Safeguard culture and invest in talent management
5	PURPOSE	Drive sustainability agenda to Grow a better world. Naturally.

Advancing sustainability agenda to Grow a Better World. Naturally.

by focusing on products, planet and people

PRODUCTS

CONTRIBUTION TO GLOBAL GOALS
in % of gross revenue¹



PLANET

40%

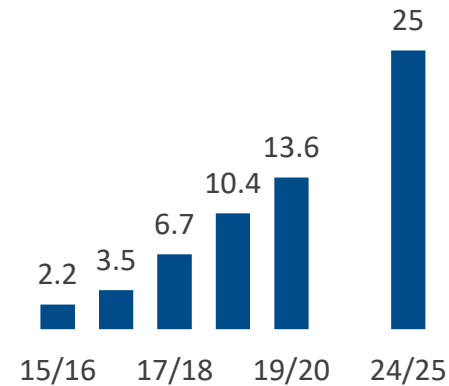
Usage of renewable
energy across sites (target: 100%)

PEOPLE

43:37 ratio

Female employees and women in
management (target: 1:1 ratio)

FARMLAND TREATED WITH
NATURAL SOLUTIONS² in ha



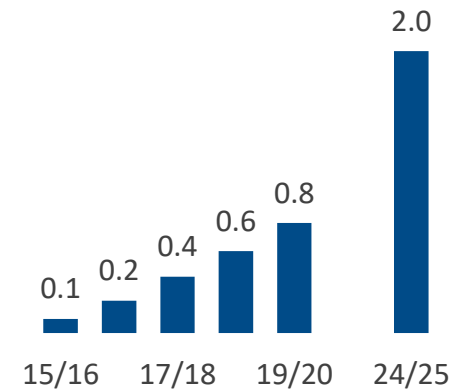
69%

Circular management
of biowaste (target: 100%)

34%

Score in annual engagement
survey (target: top 25%)

YOGURT WASTE SAVED
in tons



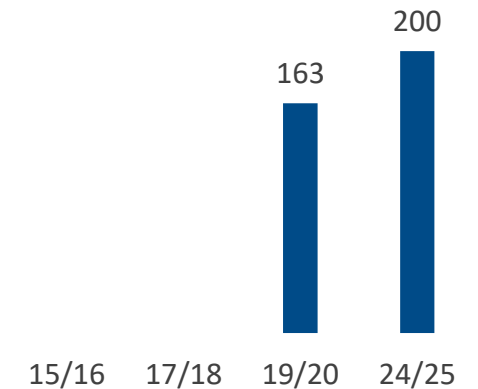
67%

Key packaging materials
recyclable³ (target: 100%)

1.3

Lost Time Incident Frequency
(target: < 1.5)

PROBIOTICS CONSUMED
in million people



✓ **Better Energy agreement**
✓ **SBT initiative joined**

✓ **New purpose “Grow a
Better World. Naturally.”
launched**

¹ Continuing operations.

² Plant Health or silage inoculants.

³ Includes continuing operations and discontinued operations.

Let's grow a better world. Naturally.

By pioneering microbial science to improve food, health and productivity for a sustainable future.

Financial calendar

November 25, 2020

Annual General Meeting 2020

January 14, 2021

Interim Report Q1 2020/21

April 15, 2021

Interim Report Q2 2020/21

July 8, 2021

Interim Report Q3 2020/21

October 14, 2021

Annual Report 2020/21

November 24, 2021

Annual General Meeting 2021

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