Chr. Hansen
Q1 2020/21 Results
January 14, 2021
Lise Mortensen

- Chr. Hansen’s Chief Financial Officer since November 2020
- Experienced international leader with strong financial background
- Joined from Microsoft Germany
- Danish national
Safe harbor statement

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**Strong start to the year supported by all businesses**

Financial highlights Q1 2020/21 (continuing operations)

**ORGANIC GROWTH**

- **10%**
  - Q1 2019/20: 2%
  - Guidance 20/21: 5-8%

**EBIT MARGIN**

- **28.5% underlying**
  - 25.2% reported
  - Q1 2019/20: 29.0%
  - Guidance: 20/21: 27-28%

**FREE CASH FLOW**

- **(EUR 6.9m)**
  - Q1 2019/20: EUR 7.5m
  - Guidance 20/21: EUR 120-160m

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1 Underlying EBIT margin b.s.i. excludes recent acquisitions. See Q1 2020/21 company announcement, p. 20 for reconciliation.
Launching new innovations & advancing integration agenda during first quarter
Strategic highlights Q1 2020/21

**REINVEST**
- FC&E strengthening core dairy range with new product innovations including YoFlex® Premium, nu-trish® Premium, F-DVS® Pure Appeal and SPICEIT® MPlus
- Human Health with great momentum in women’s health and adding oral care to its product portfolio
- Animal Health expanding route-to-market and further rolling out products globally

**LEVERAGE**
- Expansion of Fermented Plant Bases product range with new bioprotection solution
- New Plant Health application center opened in the US to support sales activities on the ground
- Strong project pipeline at Bacthera; momentum in live biotherapeutics industry accelerating

**EXTEND**
- Integration of UAS Labs and HSO Health Care progressing as planned (finalization by end of FY21)
- Jennewein transaction completed in October 2020; delay in capacity built-up
- Contribution from all three acquisitions now around EUR 100m revenue and around EUR 10m EBITDA for FY21

**REVIEW**
- Carve-out well under way; closing in spring 2021 expected
Pick up in growth in EMEA and NA offset by weakness in APAC
Regional highlights Q1 2020/21 (continuing operations)

**EMEA** 37% of revenue

- +7% organic growth (Q1 2019/20: -3%)
- FC&E with solid growth; improved momentum in ME & Turkey
- H&N grew slightly driven by strong growth in AH, while HH declined because of delays in product launches and soft volumes

**NORTH AMERICA** 32% of revenue

- +9% organic growth (Q1 2019/20: +8%)
- Solid growth in FC&E, primarily driven by cheese
- Strong growth in H&N driven by HH, while AH was on par with last year

**LATIN AMERICA** 13% of revenue

- +40% organic growth (Q1 2019/20: +9%)
- Very strong growth in FC&E driven by both volume and EUR pricing (approx. 2/3)
- H&N grew very strongly across all three businesses

**APAC** 18% of revenue

- -4% organic growth (Q1 2019/20: -2%)
- FC&E declined because of continued softness in the Chinese yogurt and probiotic market
- H&N delivered very strong growth driven by AH while HH declined because of infant formula

Strong growth in cheese and enzymes offset by continued weakness in yogurt
Food Cultures & Enzymes Q1 2020/21

SALES PERFORMANCE

• Very strong growth in cheese, enzymes and fermented plant bases followed by strong growth in meat as well as solid growth in bioprotection, while fermented milk was on par with last year; probiotics and wine declined
• Dairy end markets remained soft globally with fermented milk declining slightly due to reduced output in China and LATAM, whilst cheese grew >1%

MARGIN DEVELOPMENT

• EBIT margin decreased by 1.4%-pts. as production efficiencies, lower travel activity and cost management initiatives were offset by higher freight costs, unfavorable product mix, higher depreciation and FX

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1 19/20</th>
<th>Q1 20/21</th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>166.1</td>
<td>165.3</td>
</tr>
<tr>
<td>Organic growth</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Volume/mix</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>32.1%</td>
<td>30.7%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>38.9%</td>
<td>39.4%</td>
</tr>
<tr>
<td>ROIC ex. goodwill</td>
<td>36.7%</td>
<td>33.4%</td>
</tr>
</tbody>
</table>
Strong quarter in AH driven by new wins, while momentum in HH slowed
Health & Nutrition Q1 2020/21

SALES PERFORMANCE

- Human Health (HH) with solid growth driven by very strong performance in supplements, mainly in US, while infant formula declined because of delays in product launches and softer volumes
- Animal Health (AH) with very strong growth driven by Poultry & Swine supported by new customer wins and global roll-out of GalliPro® Fit, while Cattle delivered good growth
- Plant Health (PH) with very strong growth driven by bionematicides business in LATAM
- Acquisitions contributed EUR 21m revenue

MARGIN DEVELOPMENT

- Decrease in EBIT margin related to recent acquisitions and FX; profitability of underlying business improved supported by strong volume growth (on easy baseline) and lower travel activities, partly offset by higher freight costs and FX
- Acquisitions contributed EUR 4m to EBITDA and a EUR 2m loss to EBIT

### EUR million

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<thead>
<tr>
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<th>Q1 19/20</th>
<th>Q1 20/21</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>53.9</td>
<td>78.2</td>
</tr>
<tr>
<td>Organic growth</td>
<td>(4%)</td>
<td>15%</td>
</tr>
<tr>
<td>Volume/mix</td>
<td>(4%)</td>
<td>13%</td>
</tr>
<tr>
<td>EBIT margin (underlying(^1))</td>
<td>19.6%</td>
<td>13.6% (22.1%)</td>
</tr>
<tr>
<td>EBITDA margin (underlying(^1))</td>
<td>28.9%</td>
<td>28.9% (32.3%)</td>
</tr>
<tr>
<td>ROIC ex. goodwill</td>
<td>14.7%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

\(^1\) Underlying EBIT margin excludes recent acquisitions. See Q1 2020/21 company announcement, p. 20 for reconciliation.
Strong organic growth with equal contributions from volume and price
Continuing operations Q1 2020/21

- Organic growth was equally split between volume/mix and price
- FX headwind mainly related to depreciation of USD
- Acquisitions of UAS Labs, HSO Health Care and Jennewein contributed EUR 21m to Group revenue in Q1
Profitability reflects recent acquisitions & FX headwinds
Continuing operations Q1 2020/21

- Gross margin decreased by 4.4%-pts. to 55.9% due to acquisitions (>3%-pts.), FX (1%-pt.), higher freight costs and product mix that were partly compensated by production efficiencies and scalability
- Operating expenses as % of revenue decreased to 30.6% (compared to 31.2% last year) because of lower travel expenses due to COVID-19 restrictions and cost management
Cash flow reflects HMO investments; leverage to come down from elevated level
Continuing operations / Group Q1 2020/21

### CASH FLOW STATEMENT (Continuing operations)

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1 19/20</th>
<th>Q1 20/21</th>
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<tbody>
<tr>
<td>Operating cash flow</td>
<td>29.9</td>
<td>38.8</td>
</tr>
<tr>
<td>Cash flow from op. invest. act.</td>
<td>(23.2)</td>
<td>(52.1)</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>-</td>
<td>(319.0)</td>
</tr>
<tr>
<td>JV</td>
<td>(5.5)</td>
<td>(5.1)</td>
</tr>
<tr>
<td>Financing cash flow</td>
<td>(6.3)</td>
<td>315.7</td>
</tr>
<tr>
<td>FCF b.a.d.s.i.(^1)</td>
<td>7.5</td>
<td>(6.9)</td>
</tr>
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### LEVERAGE RATIO in net debt/EBITDA b.s.i. (Group)

<table>
<thead>
<tr>
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<th>Q4 19/20</th>
<th>Q1 20/21E</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;A</td>
<td>3.1</td>
<td>3.8</td>
</tr>
</tbody>
</table>

- Increase in operating cash flow driven by lower taxes paid and higher non-cash adjustments partly offset by a negative development in working capital
- Increase in operating investing cash flow driven (capex-to-sales ratio of 22.4%) driven by the acquisition of the Kalundborg site; capex-to-sales ratio ex. HMO was 12.1% (compared to 10.5% last year)
- Leverage ratio with 3.8x above ambition to be in line with investment grade credit rating due to recent acquisitions

1 Before acquisitions, divestment and special items.
A year of transition with higher uncertainty due to COVID-19
Guidance 2020/21 (continuing operations)

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 potential 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 negative consequences of implementing Brexit.

The guidance for EBIT margin before special items and for free cash flow before acquisitions and special items assumes constant currencies from the time of this announcement and for the remainder of the financial year.

<table>
<thead>
<tr>
<th>ORGANIC GROWTH</th>
<th>EBIT MARGIN B.S.I.²</th>
<th>FREE CASH FLOW B.A.S.I. before divestment²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outlook 2020/21¹</td>
<td>5-8%</td>
<td>EUR 120-160m with capex of EUR ~150-175m</td>
</tr>
</tbody>
</table>

¹ 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 potential 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 negative consequences of implementing Brexit.

² The guidance for EBIT margin before special items and for free cash flow before acquisitions and special items assumes constant currencies from the time of this announcement and for the remainder of the financial year.

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.
Profitability outlook reflects recent M&A, FX and strategic investments

Guidance 2020/21

- Decline in underlying business driven by normalization of cost base following one-offs in FY20 and return to normal spending patterns and 2025 Strategy investments
- Current FX rates suggest up to ~1%-pt. hit for FY21
- Special items of EUR 15-20m expected for FY21

1 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.

EBIT MARGIN B.S.I. BRIDGE (Continuing operations)

PRELIMINARY AMORTIZATION SCHEDULE OF ACQUISITIONS

- PPA amortizations of around EUR 15-20m until 2030 (preliminary estimate)
Full focus on delivering on 2025 Strategy
to form a differentiated bioscience company with focus on microbial and fermentation technology platforms

Where to play

**LEVERAGE**
Microbial Platform to grow lighthouses and expand into new areas

**EXTEND**
microbial and fermentation technology platforms through M&A and partnerships

**REINVEST**
in core platforms to defend and further strengthen market position

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.
Let’s grow a better world. Naturally.

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

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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