

Q1 2021/22 AIDE MEMOIRE

This memoire sets forth public information previously provided by Chr. Hansen. The information provided below may prove helpful in estimating the financial performance for Q1 2021/22. Please note that the items listed below are not exhaustive and that other factors may affect the comparisons versus last year.

FY22 guidance ([Company Announcement Q4 FY21, p. 9](#)):

- “For 2021/22, organic revenue growth is expected to be 5-8%. Food Cultures & Enzymes is expected to deliver solid mid-single-digit organic growth throughout the year, despite an insignificant contribution from EUR-based pricing. Organic growth in Health & Nutrition is expected to be supported by the businesses acquired in 2020. Growth is expected to be volatile across quarters.”
- “EBIT margin b.s.i. is expected to be 27-28% as cost synergies from the probiotics acquisitions and production efficiencies will be offset by continued ramp-up of activities post COVID-19, investments into the HMO business, and inflationary pressure on certain raw material and input costs.”
- “Free cash flow before acquisitions & divestments and special items is expected to be around EUR 140-170 million as improved operating profit is expected to be more than offset by a significant increase in taxes paid as 2020/21 was impacted by acquisitions [approximately EUR 45 million in 2020/21]. The free cash flow outlook assumes a CAPEX level in line with 2020/21.”

FX sensitivities ([Company Announcement Q4 FY21, p. 9](#)):

- “The most significant currency exposure relates to USD, which accounts for around 35% of revenue, while exposure to other currencies is more modest. A 5% decrease in the EUR/USD exchange rate would impact revenue measured in EUR negatively by around EUR 20 million. Organic revenue growth is sensitive to exchange rate fluctuations in currencies for which Chr. Hansen applies a EUR-based pricing model. The EBIT margin is also sensitive to exchange rate fluctuations. Production in the US only partly offsets the impact on revenue from changes in the EUR/USD exchange rate. Therefore, the relative EBIT exposure is higher than the revenue exposure. A 5% decrease in the EUR/USD exchange rate would impact EBIT negatively by roughly two thirds of the revenue impact. The sensitivity also applies to the free cash flow.”

Q4 FY21 comments ([Conference Call Transcript Q4 FY21](#)):

- **Human Health acquisitions:** “If you see the acquisition of UAS Labs and HSO separately, they delivered double-digit growth rate. E-commerce continues to grow and to be an area where more consumers look for their probiotic solutions. We expect the combination of those two to provide a more balanced growth picture for Human Health in 2022.”
- **HMO:** “We expect HMOs to grow north of 20% next year, and HMO would be a front panel ingredient on the proposition that it brings the missing ingredient from mother’s milk into infant formula. [...] We have always assumed a low single-digit growth for the infant formula volume [for our strategy period].”
- **Bacthera:** “You see in our results in FY21 the share of loss of the JV was about 7 million and that has been sort of the burn rate for Bacthera. [...] I would assume the same level of burn rate, at least for FY22.” à *Please note that the P&L does not capture the full investment into Bacthera, also see Cash Flow Statement.*
- **FC&E growth:** “For Food Cultures and Enzymes, we expect a pretty balanced view for our FY22. So, it would be in this mid-range, mid-single digits throughout the year.”

- **Dairy market growth:** “When we look at FY22, we expect overall dairy to be about 1% growth, and this will be like 1-1.5% in cheese and a flattish development for fermented milk.”
- **Input cost inflation:** “Inflationary pressure is normally covered by regular price increases. However, as all others, we also face a much more volatile environment with regards to energy costs, key raw materials and transportation costs. We will work with customers to reflect higher costs through price adjustments or other optimizations, but there may be a timing delay. [...] And that’s why we go with a more cautious number of 27 to 28%.”
- **Tax FY22:** “We do expect to go back to normalised levels. We had a one-time non-recurring impact of around EUR 45 million in FY21 that will not be repeated in the future. And that’s impacting both the P&L and cash, of course.”
- **Long-term financial ambitions until FY25:** “We adjust our long-term financial ambitions to reflect the divestment of Natural Colors and the acquisition of Jennewein but confirming the original ambition of industry-leading organic growth, margin progression and strong cash flow generation during the strategy period. Until the end of our financial year, 2024/25, and taking 2020/21 as our new baseline, we aim to deliver mid to high single digit organic growth averaged over the period; an increase in our EBIT margin before special items over the period with production efficiencies, scalability benefits and acquisition synergies that will be partly reinvested into the business. Average growth in free cash flow before special items we expect to exceed average growth in EBIT before special items. Please note that the baseline for cash flow is adjusted for the acquisition-related tax impact of approximately EUR 45 million in 2020/21.”

Q1 FY21 comments ([Conference Call Presentation Q1 FY21, p. 6-8](#)):

Regions:

- EMEA (7% org growth): 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
- NA (9% org growth): 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
- LATAM (40% org growth): 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 (-4% org growth): 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

FC&E (8% org growth):

- 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
- 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

H&N (15% org growth):

- HH with solid growth driven by very strong performance in supplements, mainly in US, while IF declined because of delays in product launches and softer volumes
- 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
- PH with very strong growth driven by bionematicides business in LATAM
- Acquisitions contributed EUR 21m revenue, EUR 4m to EBITDA and a EUR 2m loss to EBIT

- 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

Corporate news

- **SweetY Y-3 culture:** Chr. Hansen launched its next-generation SWEETY® culture, the latest addition to its sugar reduction portfolio for fresh dairy ([Press release](#))
- **Science-based climate targets:** Chr. Hansen launched science-based climate targets that will form the basis of the company's strategy to reduce its carbon footprint towards 2030 ([Press release](#))
- **Bacthera/Seres collaboration:** Bacthera announced that they signed a long-term commercial manufacturing agreement with Seres Therapeutics for its drug SER-109 which has the potential to become the first-ever live biotherapeutic to be produced commercially ([Press release](#))
- **Chr. Hansen/UPL collaboration:** Chr. Hansen and UPL announced a long-term collaboration to develop and commercialize microbial solutions for sustainable agriculture ([Press release](#))

Sources

- [Company Announcement Q4 FY21](#)
- [Conference Call Transcript Q4 FY21](#)
- [Conference Call Presentation Q1 FY21](#)

Forward-looking statements

This aide memoire contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. 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.

Forward-looking statements include statements regarding objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; liquidity, capital resources and capital expenditures; economic outlook and industry trends; developments of the Company's markets; the impact of regulatory initiatives; and the strength of competitors. The forward-looking statements in this aide memoire are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in records and other data available from third parties.

Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and maybe beyond our control. Such risks, uncertainties, contingencies and other important factors could cause the actual results of the Company or the industry to differ materially from those results expressed or implied in this aide memoire by such forward-looking statements. The information, opinions and forward-looking statements contained in this aide memoire speak only as at the date of this aide memoire and are subject to change without notice. The Company and its respective agents, employees or advisors do not intend to, and expressly disclaim any duty, undertaking or obligation to, make or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this aide memoire to reflect any change in events, conditions or circumstances beyond what is required by applicable law or applicable stock exchange rules and regulations.

By viewing this aide memoire, you acknowledge and agree to be bound by the foregoing limitations and restrictions.