



# Chr. Hansen Q1 2021/22

Investor presentation

January 13, 2022

CHR HANSEN

*Improving food & health*



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# A solid start to the year

Financial highlights Q1 2021/22



**ORGANIC GROWTH**

**9%**



**EBIT MARGIN**  
before special items

**24.4%**



**FREE CASH FLOW**  
before acquisitions and special items

**EUR 55m**

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# Good progress on strategic initiatives across core and lighthouses

Strategic and operational highlights Q1 2021/22

## 2025 STRATEGY

### REINVEST<sup>1</sup>

in core businesses to defend and further strengthen market position

~90% of revenue  
Q1 2021/22



**FC&E** with strong project execution in EMEA and good momentum in cheese in North America



Stronger-than-expected start for **Human Health** driven by market rebound, new wins and strong supply performance



**HMO** growth supported by customer launches of 5HMO mix in North America



**Plant Health** entered partnership with UPL to bring microbial crop protection to market

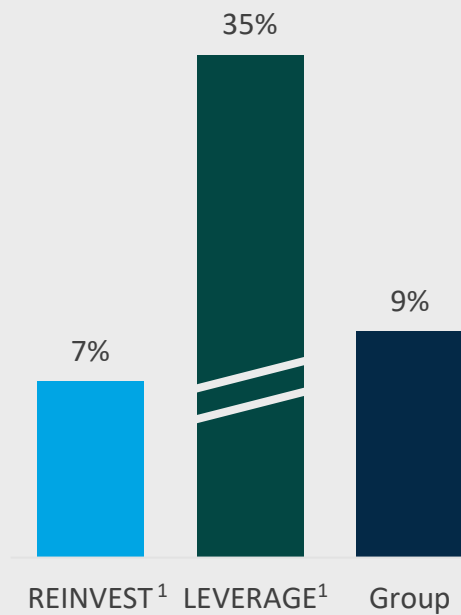
### LEVERAGE<sup>1</sup>

technology platform to expand into new growth areas (lighthouses)

~10% of revenue  
Q1 2021/22

## ORGANIC GROWTH

Q1 2021/22



<sup>1</sup> REINVEST includes FC&E ex. Bioprotection and Fermented Plant Bases, Human Health and Animal Health. LEVERAGE includes Bioprotection, Fermented Plant Bases, HMO and Plant Health.

# Bacthera reached an important milestone

with Seres Therapeutics commercial manufacturing agreement



## LIVE BIOTHERAPEUTIC MARKET



**Clinical supply** market  
slower due to delays  
in clinical trials



**Commercial supply**  
market materializing  
faster than expected



### SER-109

has the potential to become the  
first-ever live biotherapeutic product



### New site in Visp

for commercial manufacturing to  
be established until 2024

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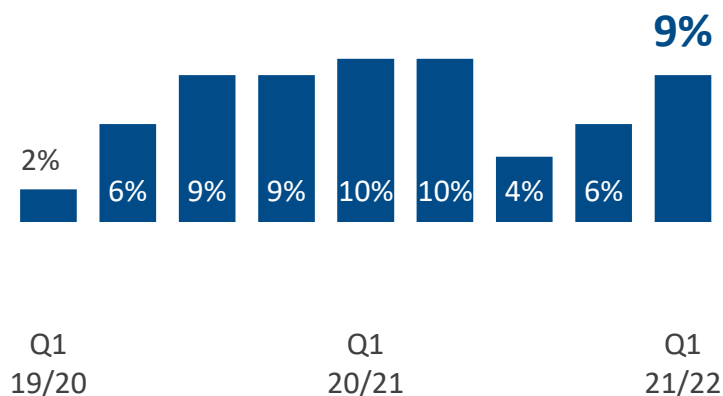
# Continued strong momentum in FC&E and rebound in Health & Nutrition

Sales performance by segment

Organic growth by business



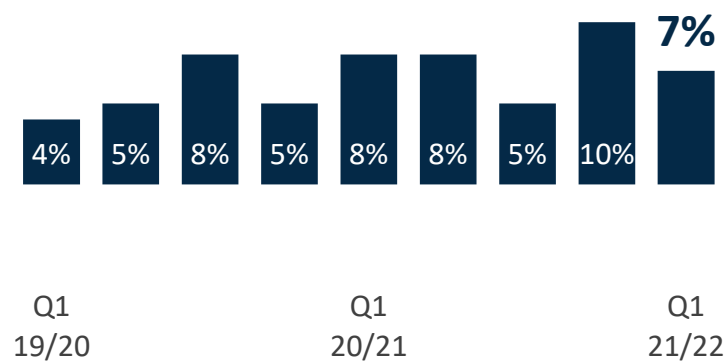
**GROUP<sup>1</sup>**



VOLUME/ MIX	PRICE	FX	EUR GROWTH
+9%	0%	+1%	+10%



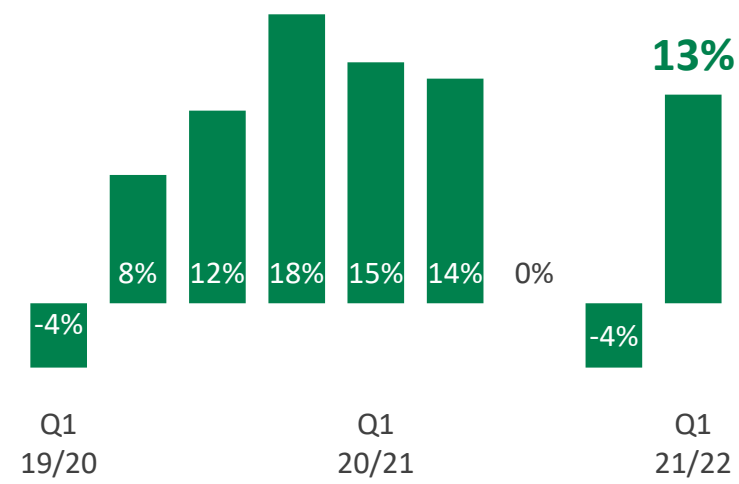
**FOOD CULTURES & ENZYMES**



VOLUME/ MIX	PRICE	FX	EUR GROWTH
+7%	0%	+1%	+8%



**HEALTH & NUTRITION<sup>2</sup>**



VOLUME/ MIX	PRICE	FX	M&A	EUR GROWTH
+14%	-1%	+2%	+1%	+16%

1 Historic figures refer to continuing operations (i.e. excluding Natural Colors).

2 The acquisition of HSO HC is included in organic growth since Q3 2020/21 (closing April 2020), UAS Labs (closing July 2020) and Jennewein (closing October 2021) since Q1 2021/22.

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# Regional growth driven by developed markets

## Sales performance by region

Organic growth by region Q1 2021/22

**+12%**

**NORTH AMERICA**

34% of revenue

Solid growth in FC&E driven by good momentum in cheese

Strong growth in H&N supported by HMO launches and order timing

**+10%**

**EUROPE, MIDDLE EAST & AFRICA**

37% of revenue

Solid growth in FC&E driven by good progress of sales project pipeline

Strong growth in H&N supported by increased activity in traditional channels

**+8%**

**LATIN AMERICA**

12% of revenue

Solid growth in FC&E with small contribution from EUR pricing

H&N with solid growth supported by Plant Health

**+4%**

**ASIA-PACIFIC**

17% of revenue

Solid growth in FC&E supported by China

H&N on par with last year due to high comparable

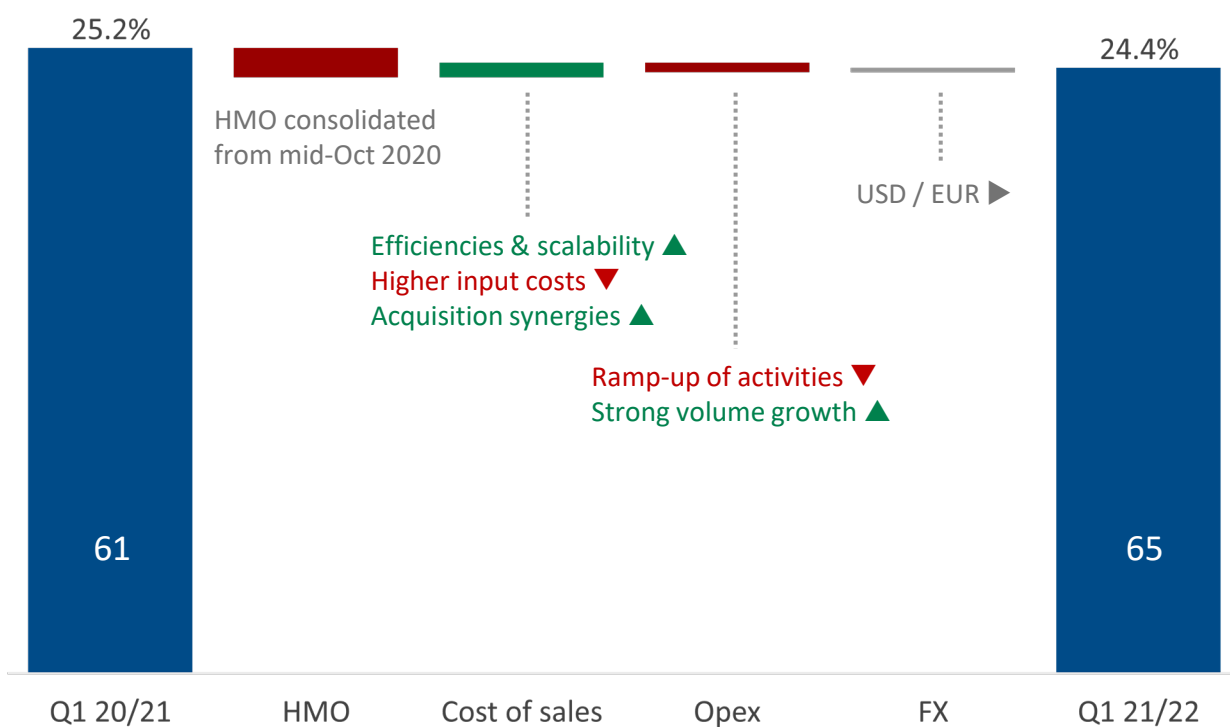
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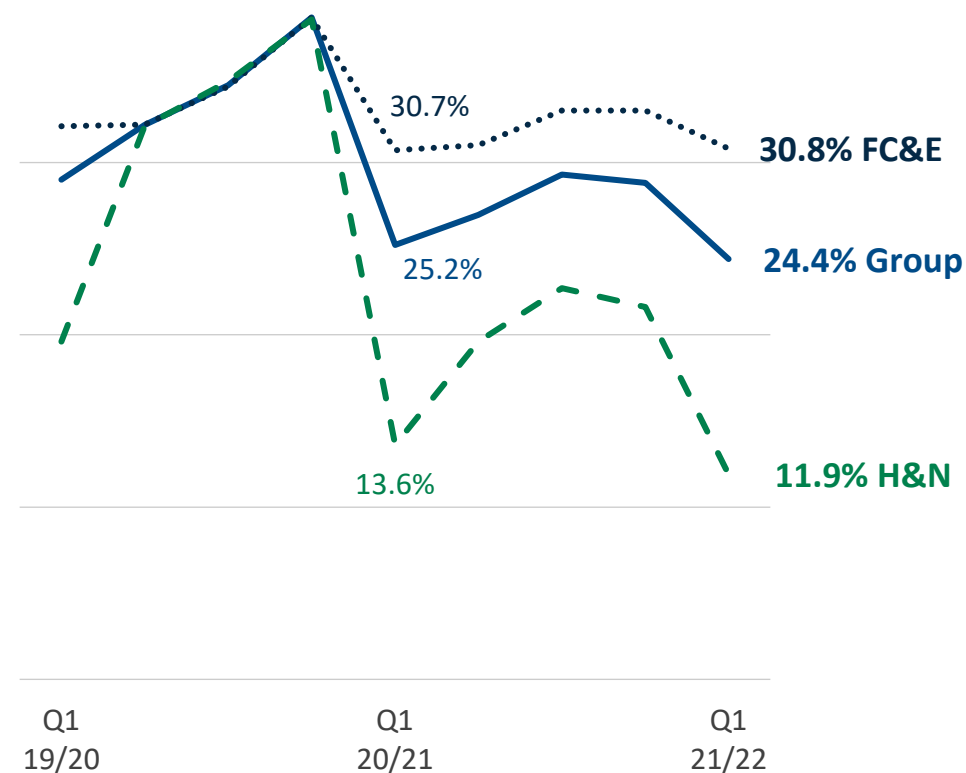
# Profitability impacted by inclusion of HMO, higher input and travel costs

EBIT margin b.s.i.

GROUP EBIT B.S.I. BRIDGE in % / EUR m



GROUP AND SEGMENTS EBIT MARGIN B.S.I. in %



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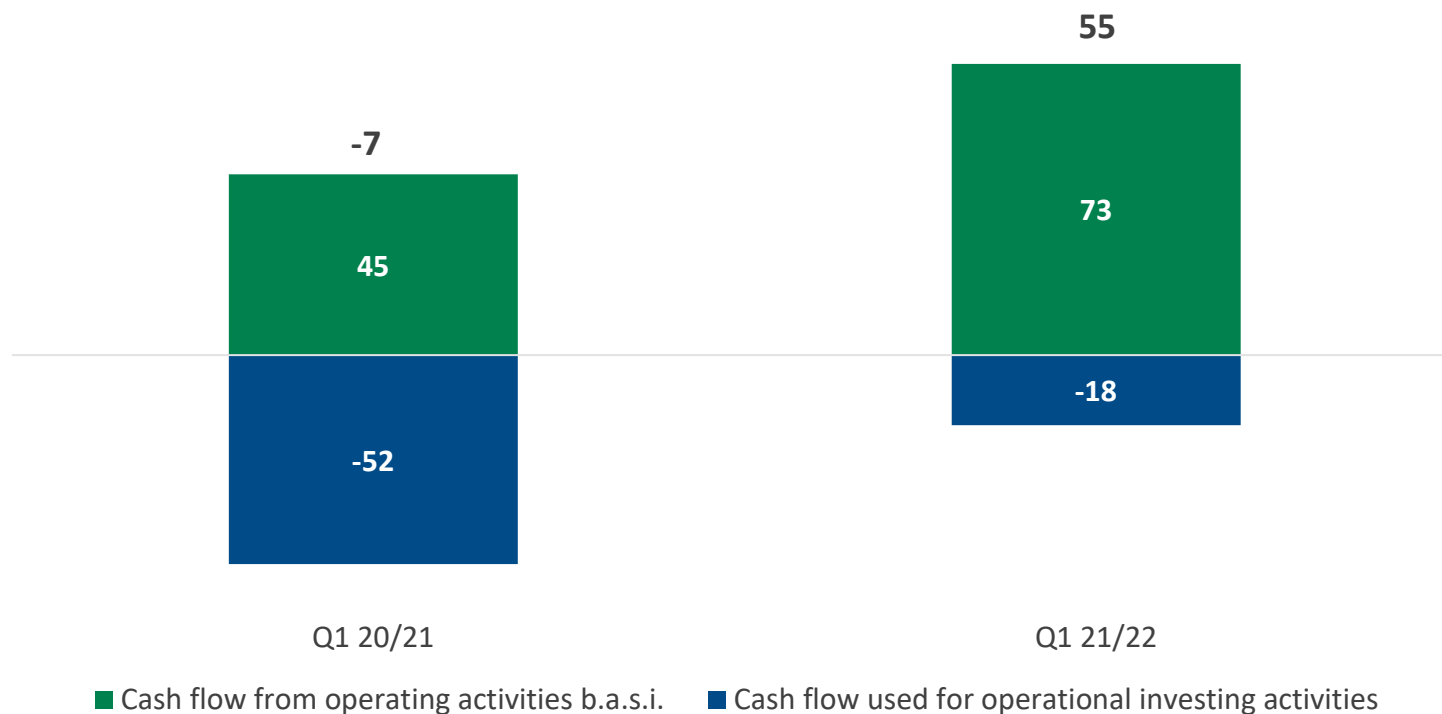
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# FCF b.a.s.i. above last year due to lower capex; ROIC impacted by M&A

Cash flow and investments

## FREE CASH FLOW B.A.S.I. in EUR m



## ROIC excl. goodwill in %



	20/21 YTD	21/22 YTD
<b>Group</b>		
	20.6%	20.0%
<b>FC&amp;E</b>		
	33.4%	33.3%
<b>H&amp;N</b>		
	7.2%	6.6%

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# Guidance confirmed for the year

2021/22 outlook and long-term financial ambitions until 2024/25

	OUTLOOK FOR 2021/22		LONG-TERM FINANCIAL AMBITIONS 2020/21 – 2024/25
 <b>ORGANIC GROWTH</b>	<b>5-8%</b>	<ul style="list-style-type: none"><li>• Largely volume-driven</li><li>• Mid-single-digit growth in FC&amp;E; insignificant contribution from EUR-based pricing</li><li>• H&amp;N supported by acquisitions</li></ul>	<ul style="list-style-type: none"><li>• Mid- to high single-digit organic growth, averaged over the period</li></ul>
 <b>EBIT MARGIN</b> b.s.i.	<b>27-28%</b>	<ul style="list-style-type: none"><li>• Production efficiencies and acquisition synergies to be offset by continued ramp-up post COVID-19, investments into HMO and inflationary pressure on certain input costs</li></ul>	<ul style="list-style-type: none"><li>• Increase in EBIT margin b.s.i. over the period (to &gt; 30%) supported by efficiency gains, scalability benefits and acquisition synergies that will be partly reinvested into the business</li></ul>
 <b>FREE CASH FLOW</b> b.s.i.	<b>EUR 140-170m</b>	<ul style="list-style-type: none"><li>• Higher taxes related to acquisitions</li><li>• CAPEX in line with last year (2020/21: EUR 154m)</li></ul>	<ul style="list-style-type: none"><li>• Average growth in free cash flow b.s.i. to exceed average growth in EBIT b.s.i.</li></ul>

The outlook is based on constant currencies, no acquisitions and the current political and economic environment. Changes in the political and macroeconomic climate including continued COVID-19 related disruptions, development of raw material and other input costs might impact the outlook.

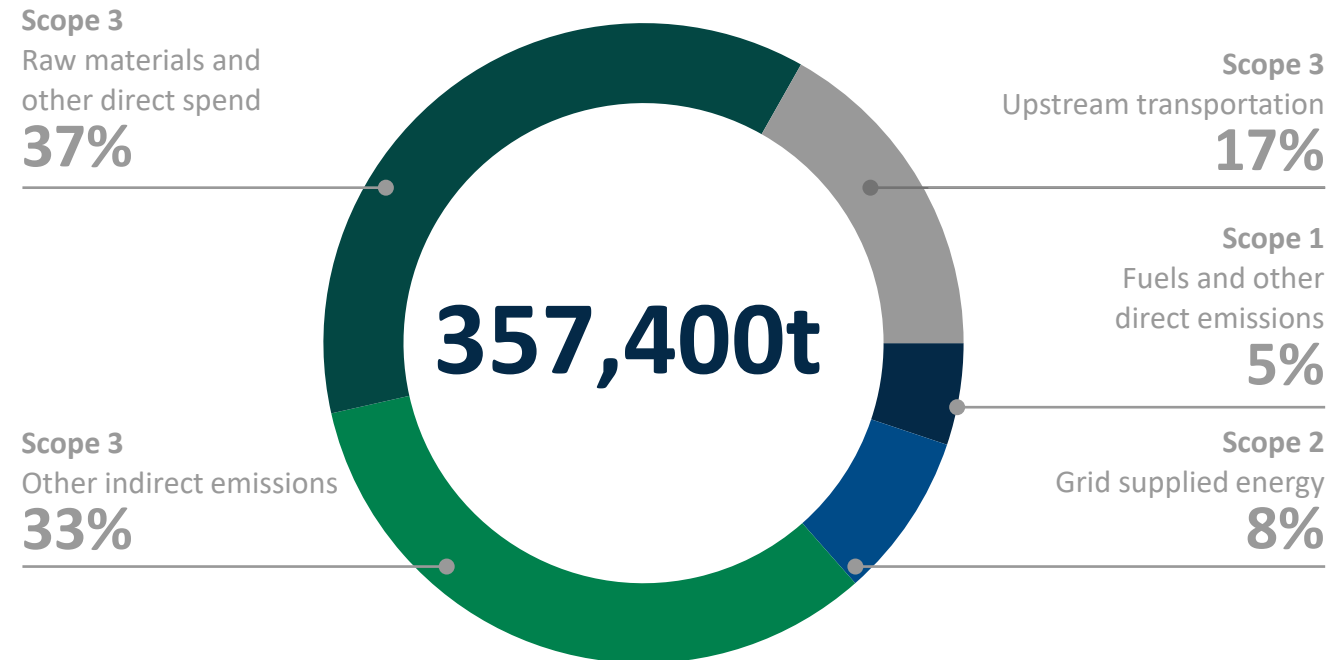
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# We have embarked on a focused decarbonization journey towards 2030

## Science-Based Targets

### TOTAL ANNUAL EMISSIONS CO<sub>2</sub> equivalents (base year 2019/20)



### 2030 SCIENCE-BASED CLIMATE TARGETS



**42%**

reduction target for scope 1+2



**20%**

reduction target for scope 3

CO<sub>2</sub> equivalents is the unit of measuring various greenhouse gases in the same unit such as methane and carbon dioxide. The unit follows the Greenhouse Gas Protocol and UN IPCC.

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# Let's grow a better world. Naturally.

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



# Chr. Hansen is a microbial and fermentation technology leader

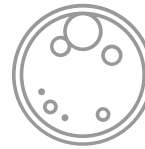
across different end-markets in food, health and agriculture



## FOOD CULTURES & ENZYMES

66% of revenue YTD 2021/22

Dairy  
Food & Beverages



## Microbial Platform

Shared R&D and  
production backbone



## HEALTH & NUTRITION

34% of revenue YTD 2021/22

Human Health & HMO  
Animal Health & Plant Health

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# What makes us stand out

## Equity story highlights

### INDUSTRY ATTRACTIVENESS

Defensive nature

Strategic ingredient

Fully aligned with megatrends

Consolidated industry in FC&E

Innovation-driven

### OUR COMPETITIVE EDGE



**Unique microbial capabilities and over 145 years experience**



**Cost leadership through scalability**



**Close customer ties and high stickiness/switching costs**



**Strong purpose and performance culture**



**>80% of revenue contribute to Sustainable Development Goals**



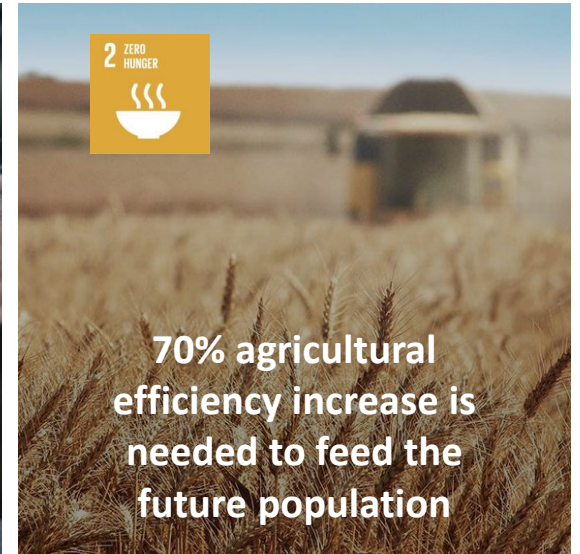
**MARKET LEADER WITH HIGH ENTRY BARRIERS**

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# We address global challenges

with the POWER OF GOOD BACTERIA™



## FOOD CULTURES & ENZYMES



Our Good Bacteria can:



Increase productivity in yogurt and cheese manufacturing



Extend shelf life of foods and protect against pathogens



Create great healthy and tasty foods



Support gut & immune health in adults and infants



Potentially cure diseases as 'bugs as drugs'



Reduce use of AGPs in livestock production



Replace chemical pesticides in crop farming

## HEALTH & NUTRITION



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# Our underlying markets are supported by megatrends

and increasing adoption of microbial solutions

## FOOD CULTURES & ENZYMES



### FRESH DAIRY



### CHEESE

Estimated market growth (CAGR)

4-5%	<b>2-2.5%</b>	2-3%	<b>1-2%</b>
FY15-19	<b>FY20-25</b>	FY15-19	<b>FY20-25</b>

Current penetration rates of microbial solutions<sup>1</sup>



**80%**  
(90% potential)



**55%**  
(75% potential)

## HEALTH & NUTRITION



### HUMAN HEALTH



### ANIMAL HEALTH



### PLANT HEALTH



### HMO

10%	<b>4-6%*</b>	7-8%	<b>7-8%</b>	15-18%	<b>15-18%</b>	<b>&gt;20%</b>
FY15-19	<b>FY20-25</b>	FY15-19	<b>FY20-25</b>	FY15-19	<b>FY20-25</b>	<b>FY20-25</b>



**5-15%**



**10-15%**



**<5%**



**<5%**

Vast opportunities to increase microbial penetration

<sup>1</sup> Management estimates. For dairy and cheese referring to penetration of DVS solutions.  
Sources: IDF, GIRA, Euromonitor, Markets and Markets, FAO statistics, BCG, McKinsey, Mintel, customer interviews.  
\* Reduced by 1%-pt. due to lower outlook in infant formula.



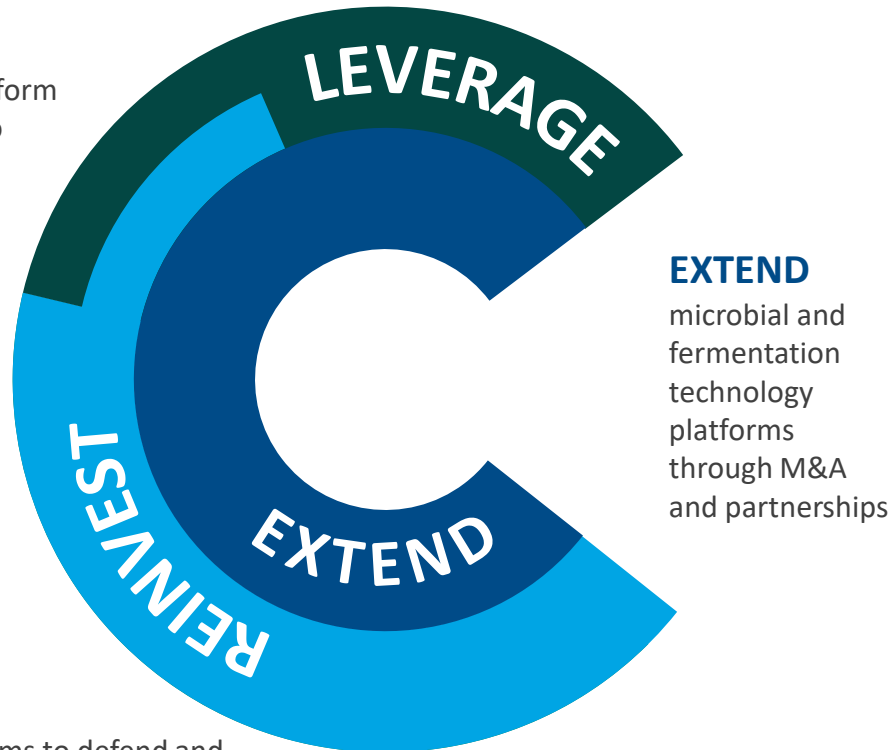
# 2025 Strategy: Creating a differentiated bioscience company

with focus on microbial and fermentation technology platforms to grow a better world. Naturally.

## Where to play

### LEVERAGE

Microbial Platform  
to expand into  
new areas



### REINVEST

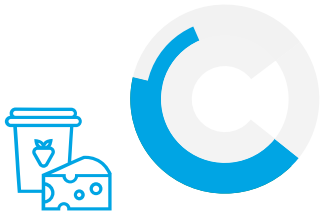
in core platforms to defend and  
further strengthen market position

## 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** Grow a better world. Naturally.

# We will continue to reinvest in our core FC&E business

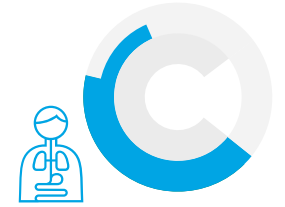
to bring new innovations to customers and increase our share of wallet through upselling



Conversion in fermented milk  
~80% (potential: 90%) and in  
cheese ~55% (potential: 75%)

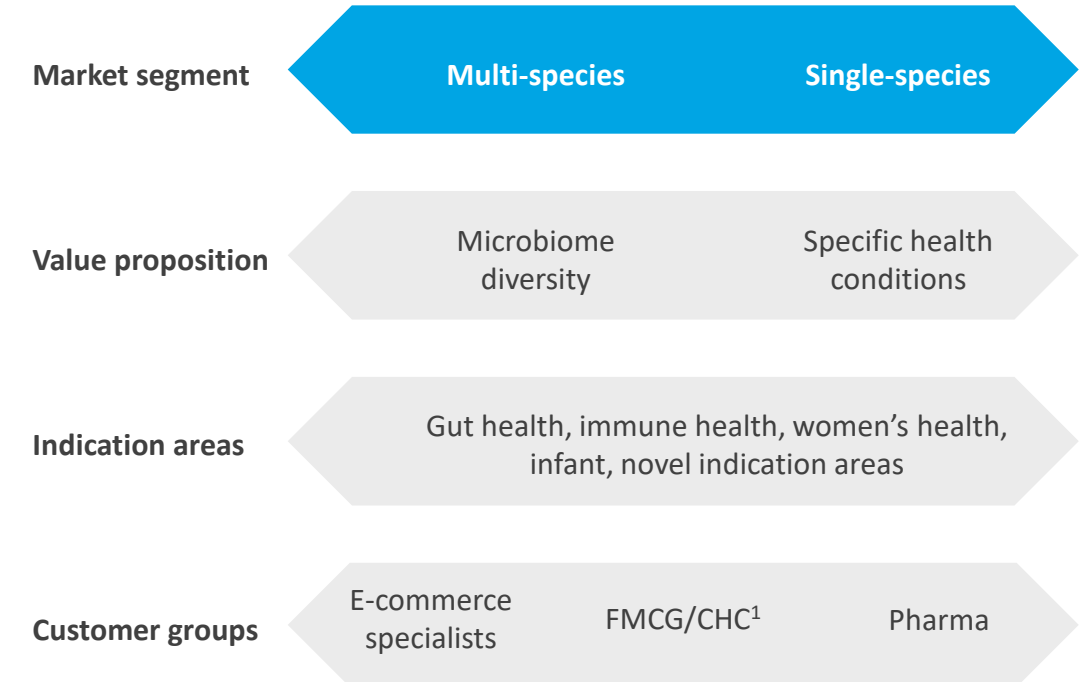
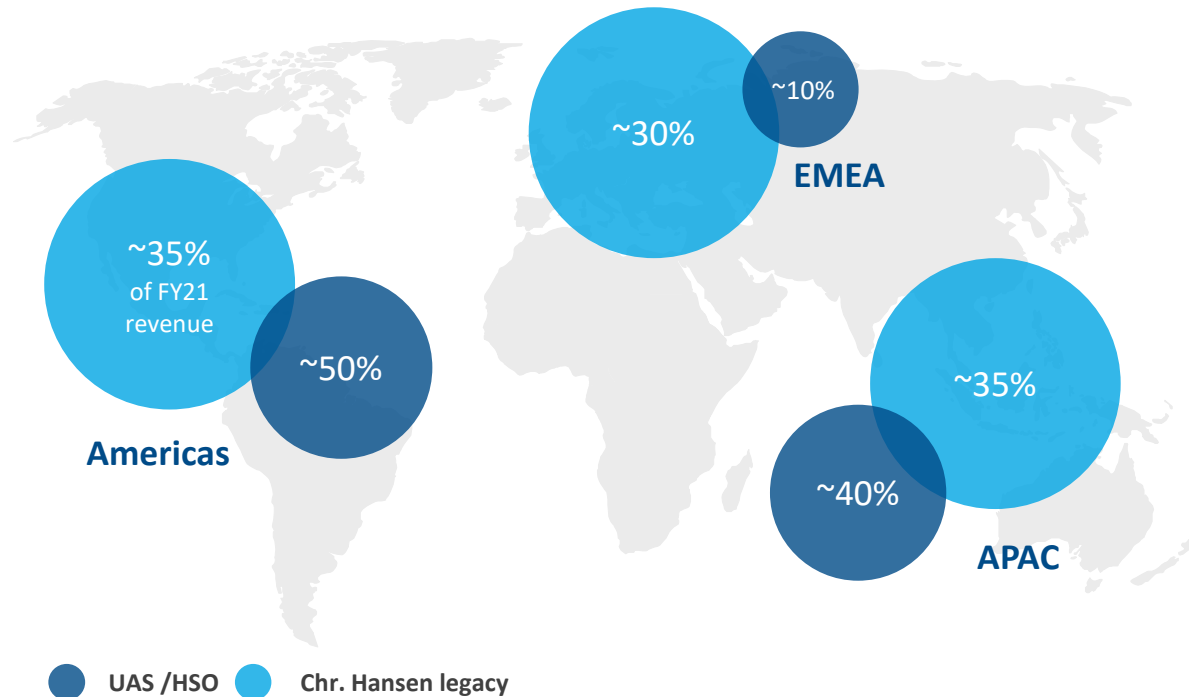
# Human Health is uniquely positioned after the acquisitions

to serve a broader customer base and realize synergies



**WE WILL LEVERAGE OUR GLOBAL COMMERCIAL CAPABILITIES TO ROLL OUT OUR PRODUCT OFFERING GLOBALLY....**

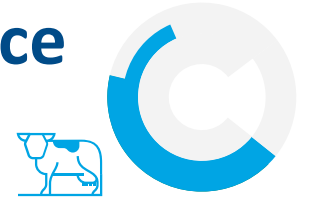
**... TO A BROADER CUSTOMER BASE IN DIFFERENT SEGMENTS, INDICATION AREAS AND CHANNELS**



<sup>1</sup> Fast moving consumer good companies/consumer health care companies.

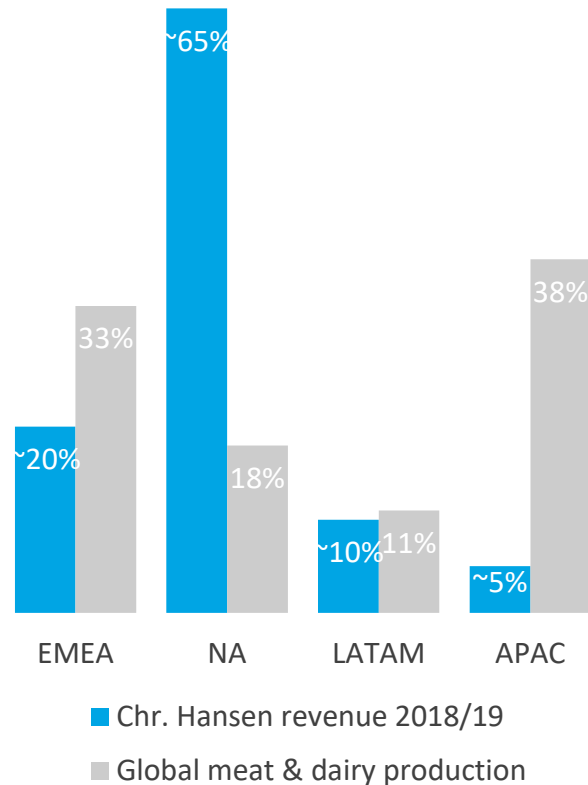
# In Animal Health we will continue to expand our market presence

working with partners and direct accounts and rolling our products out globally



## EXPANDING OUTSIDE OF NORTH AMERICA

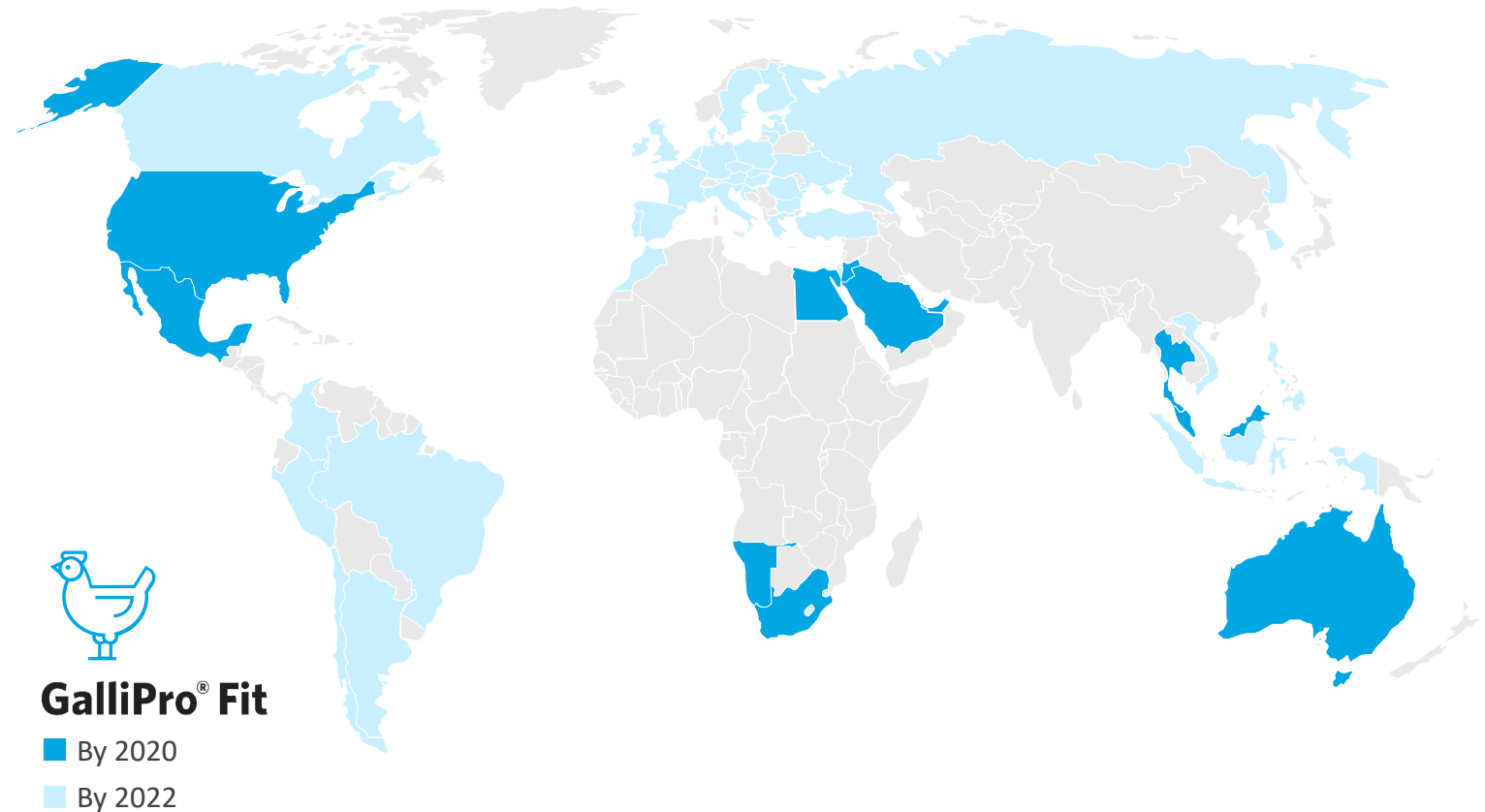
Animal Health revenue vs. global meat and dairy production volumes by regions<sup>1</sup>



<sup>1</sup> FAOSTAT (2018).

## GLOBAL ROLL-OUT OF PRODUCT PORTFOLIO

Example: Countries with (expected) registrations for GALLIPRO® Fit



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# We leverage our technology platform to expand into new areas

and bring microbial solutions to food, health, pharma and farming markets



## FOOD CULTURES & ENZYMES



### Bioprotection

Reduce food  
spoilage and increase  
food safety



### Fermented Plant Bases

‘Fermented milk’  
alternatives and  
fermented beverages

Estimated addressable markets<sup>1</sup>

EUR 200m  
2025

EUR 1bn  
Long-term

EUR <100m  
2025

EUR >100m  
Long-term

## HEALTH & NUTRITION



### Plant Health

Microbial crop  
protection for more  
sustainable farming



### HMO

Prebiotics for  
infant formula

EUR <400m  
2025

EUR >1bn  
Long-term

EUR <400m  
2025

EUR >1bn  
Long-term

## BACTERIA

50/50 JV with Lonza



### Live Biotherapeutics

Contract development  
and manufacturing for  
live biotherapeutics

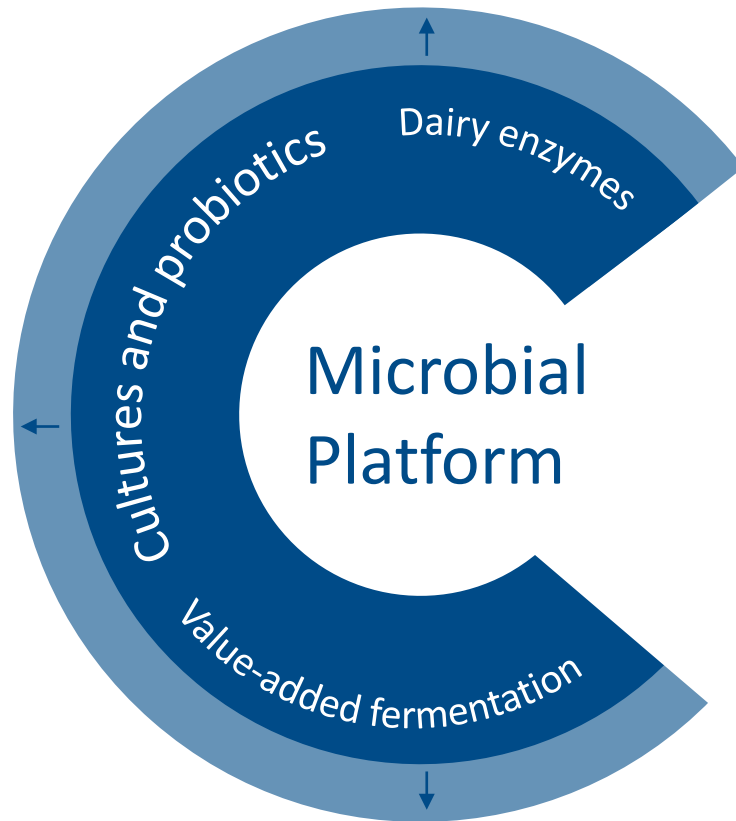
EUR 150-200m  
2025

EUR >1bn  
Long-term

<sup>1</sup> Management estimates.

# We will extend our Microbial Platform

through M&A and partnerships to strengthen our technology platform or improve market access



## COMPLEMENTED WITH BOLT-ON ACQUISITIONS

2015  
**DIAL**



2016  
**NPC**



2016  
**LGG**



2018  
**Hundsbichler**



2020  
**HSO**



2020  
**UAS Labs**



2020  
**Jennewein**



## STRONG NETWORK OF GLOBAL PARTNERS



FOOD OPTIMIZED

**Lonza**

**FMC**

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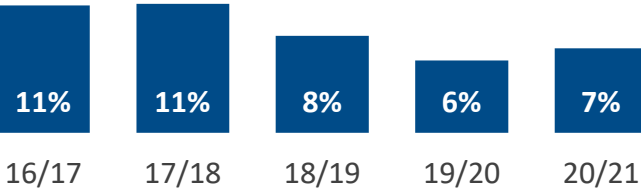
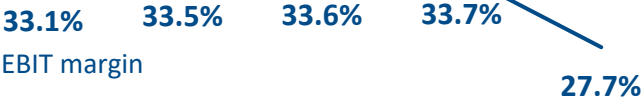
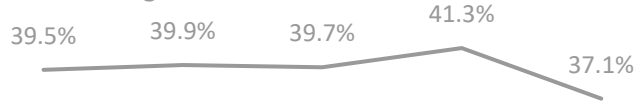
# We aim for industry-leading organic growth

across our two segments

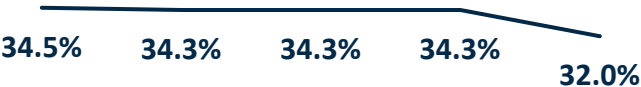


## GROUP

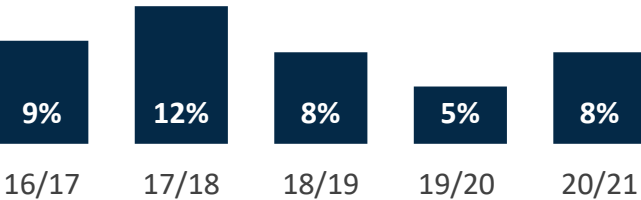
EBITDA margin



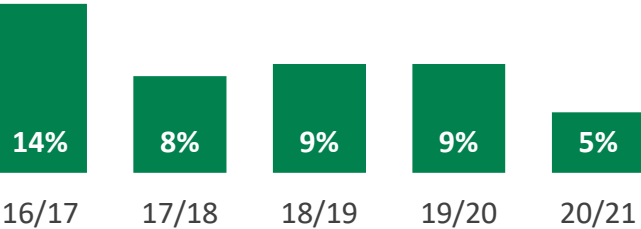
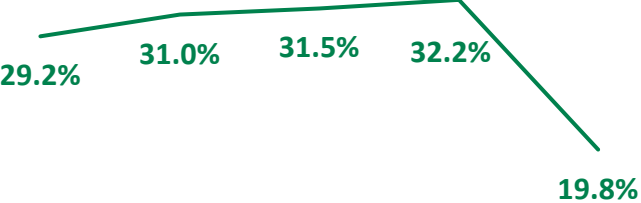
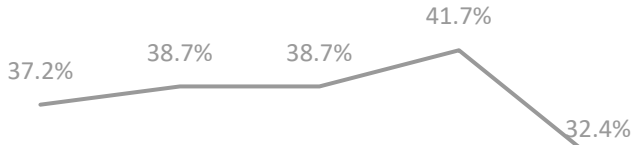
## FOOD CULTURES & ENZYMES



Organic growth



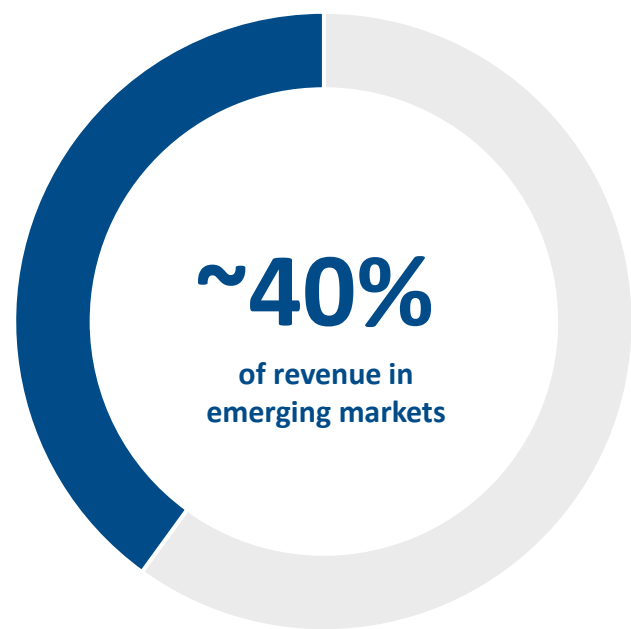
## HEALTH & NUTRITION



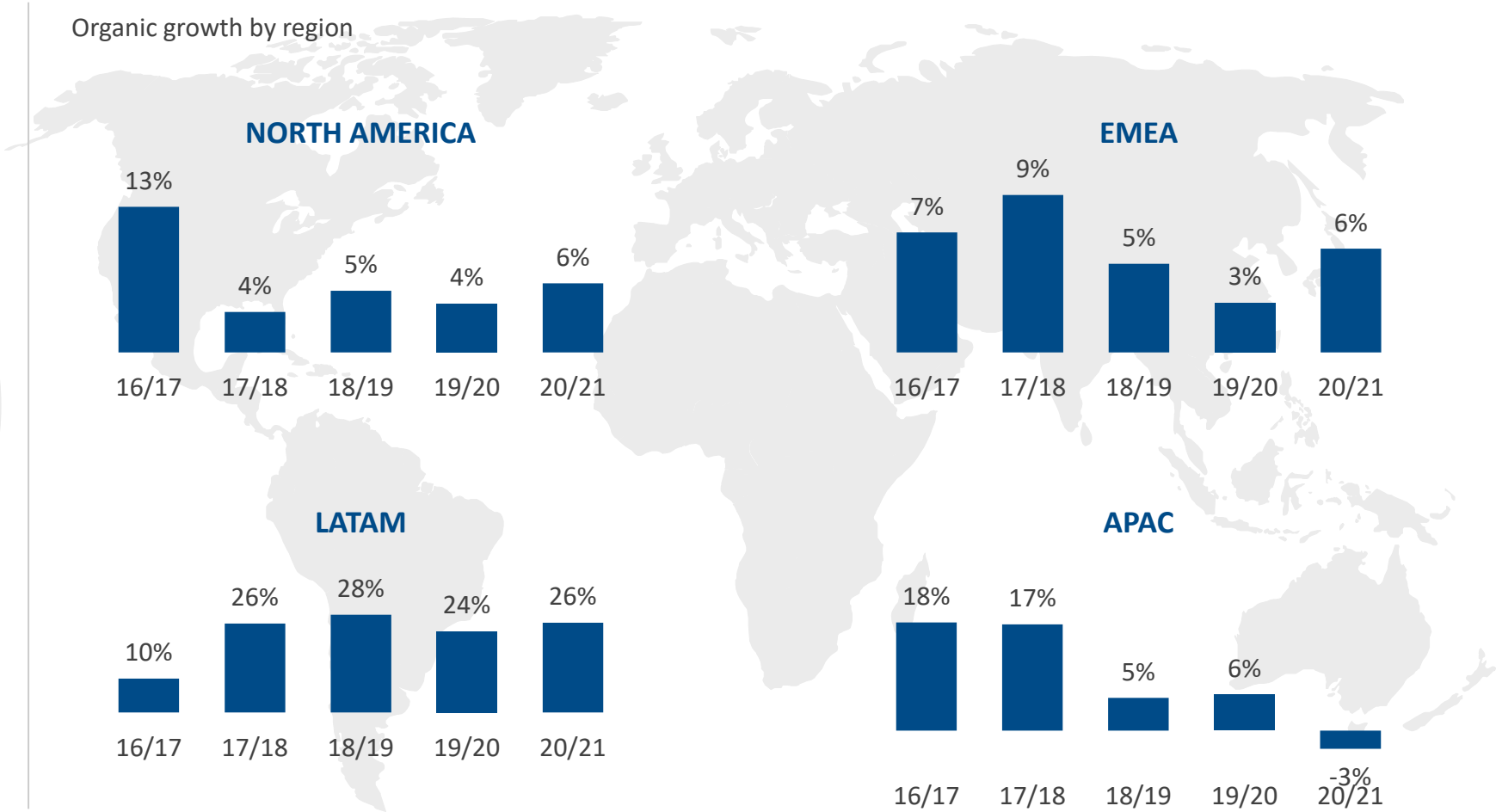
# We will further drive growth in developed and emerging markets

by expanding our customer base and global reach

Revenue split



Organic growth by region

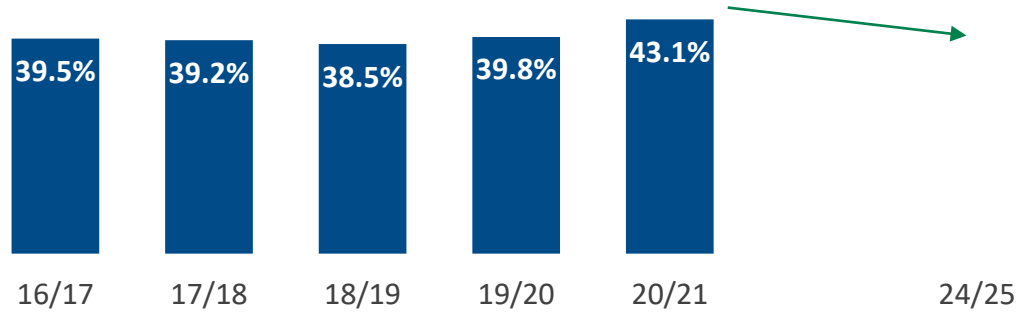




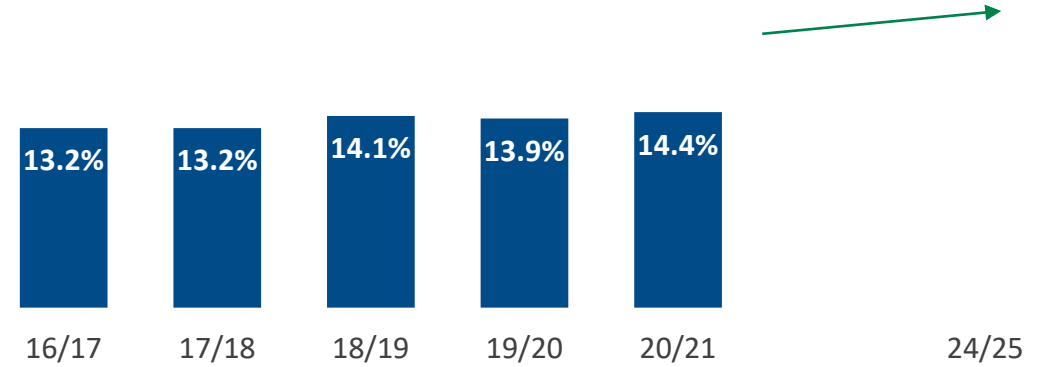
# We remain committed to driving gross margin expansion

while investing in sales & marketing and R&D to support future growth

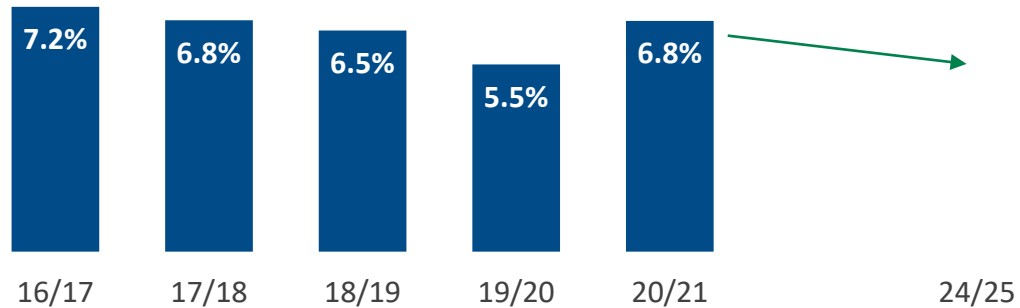
**COST OF SALE % of revenue**



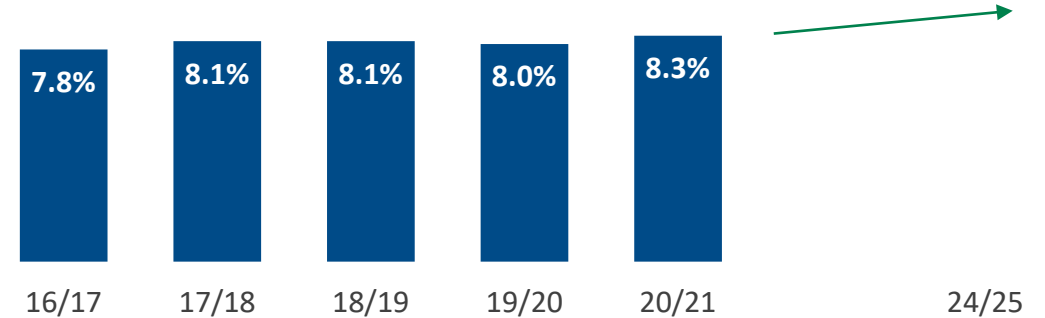
**SALES & MARKETING EXPENSES % of revenue**



**ADMINISTRATIVE EXPENSES % of revenue**



**R&D EXPENSES INCL. CAPITALIZATIONS % of revenue**



Note: Restated figures for continuing operations (Microbial Platform).

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# Chr. Hansen reconfirms commitment to industry-leading profitable growth

Long-term ambitions 2020/21 - 2024/25



## FINANCIALS<sup>1</sup>

### Creating long-term value.

#### Industry-leading growth

- Mid- to high single-digit organic growth, averaged over the period

#### Improving profitability

- Increase in EBIT margin b.s.i. over the period with efficiency gains, scalability benefits and acquisition synergies to be partly reinvested into the business

#### Strong cash flow

- Average growth in free cash flow before special items<sup>2</sup> exceeding the average growth in EBIT before special items
- HMO investments to be phased in line with the development of the business

## PRODUCTS

### More than 80% of revenue from sustainable products.

- 25m hectares covered with natural solutions
- 200m people consuming our probiotics
- 2m tons of yogurt waste reduced



## PLANET

### Limit global temperature rise.

- 100% use of renewable energy
- 100% circular management of biowaste
- 100% key packaging materials recyclable
- 42% reduction of scope 1+2 emissions and 20% of scope 3 emissions



## PEOPLE

### A diverse, engaged and safe workforce.

- 1:1 female employees and women in management
- Top 25 score in engagement matters survey
- < 1.5 Lost-Time Incident Frequency
- 100% of new employees onboarded to culture model



<sup>1</sup> The financial ambitions are based on constant currencies and do not take future acquisitions or divestments into account. The financial ambitions are also based on the current political and economic environment and projections, and any deterioration may impact the ambitions negatively.

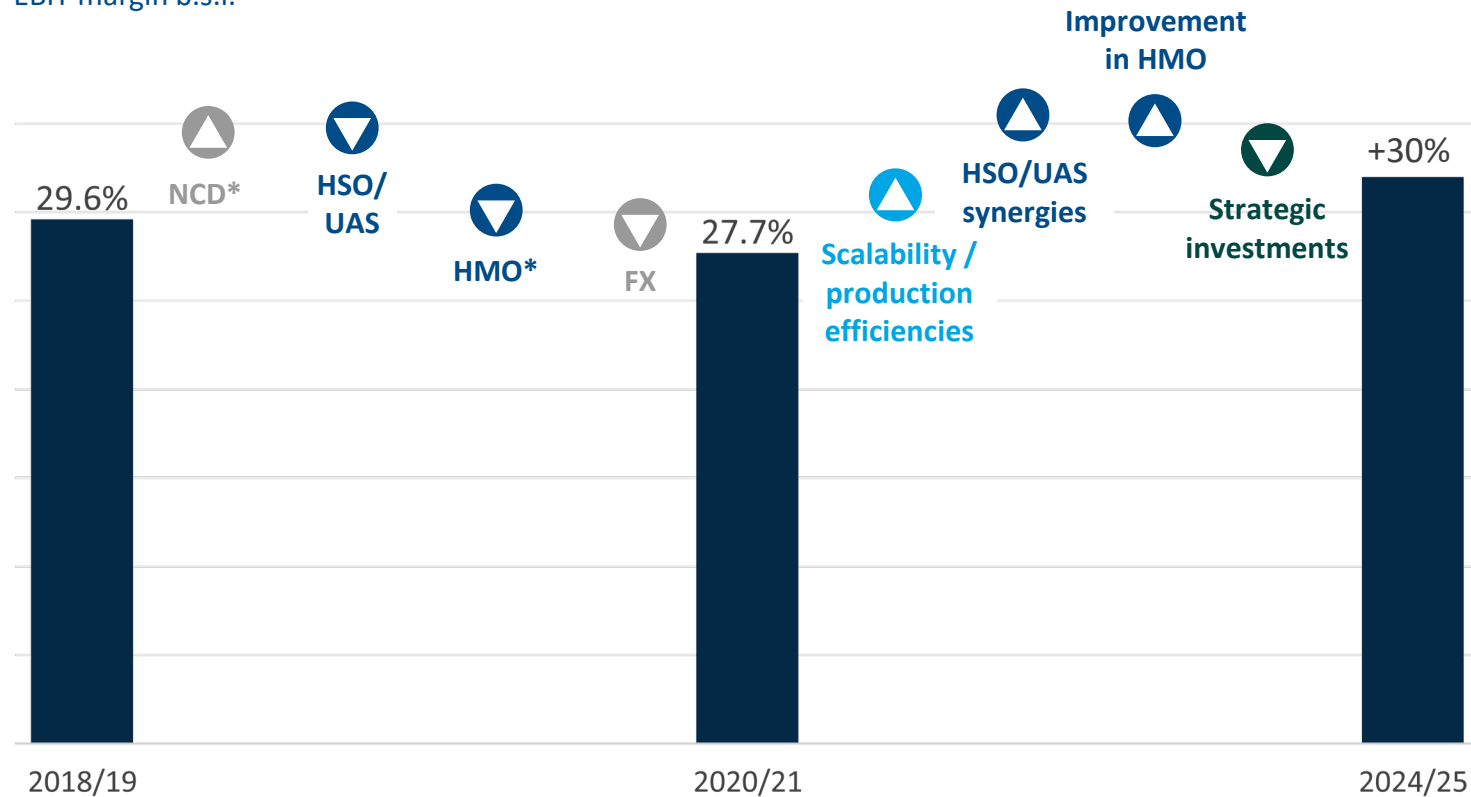
<sup>2</sup> 2020/21 free cash flow baseline adjusted for acquisition-related impact on taxes paid of approx. EUR 45m.

# EBIT margin before special items

Long-term financial ambitions 2020/21 - 2024/25

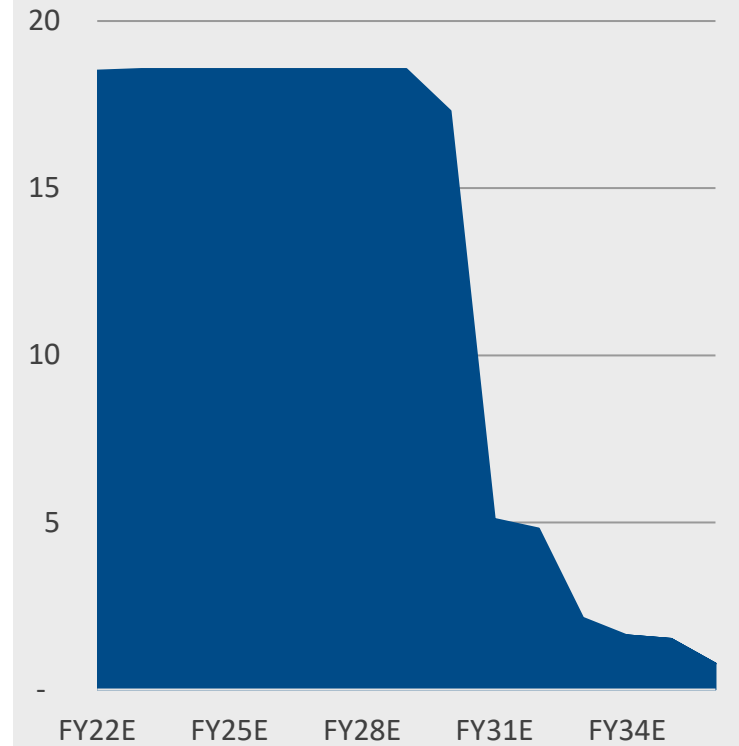
## PROFITABILITY DRIVERS

EBIT margin b.s.i.



## AMORTIZATIONS FROM M&A

EUR m

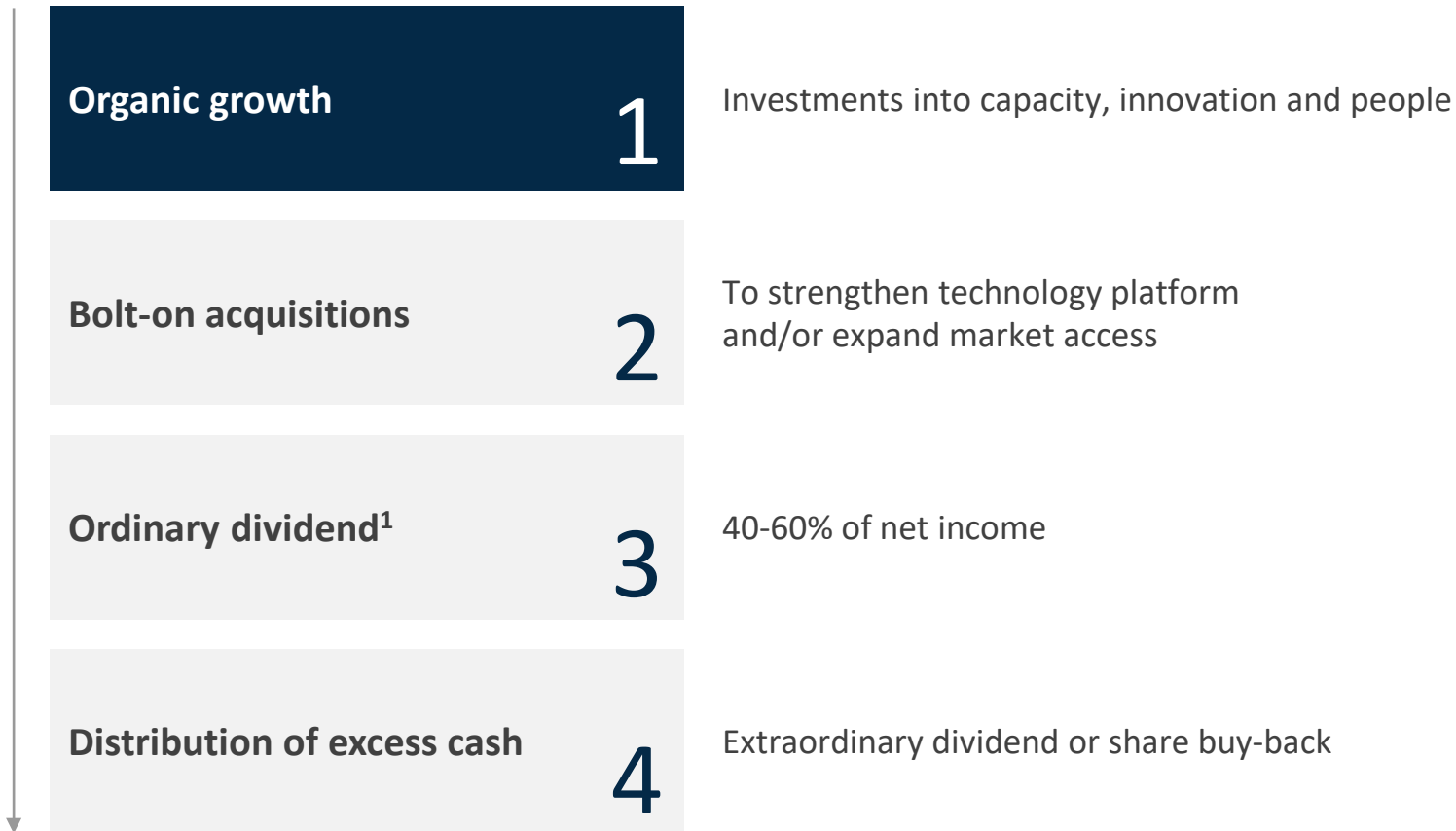


\* Update compared to Capital Markets Day presentation, p. 77.

# Creating shareholder value

with very clear capital allocation priorities

## CAPITAL ALLOCATION PRIORITIES



<sup>1</sup> The dividend proposed will depend on the Board of Directors' assessment of factors such as business development, growth strategy, current leverage and financing needs, and there is no guarantee that an ordinary dividend will be proposed or declared in any given year.

## WHAT WE WILL NOT DO

- X** Pursue acquisitions in unrelated areas
- X** Expand outside microbial and fermentation platform
- X** Expand enzyme business outside food enzymes
- X** Become an integrated solutions provider
- X** Become a full value-chain pharma company

# Executive compensation linked to sustainability targets

and closely aligned with shareholder interests; strong incentive component

## SHORT TERM: ANNUAL INCENTIVE PROGRAM FOR CEO AND CFO

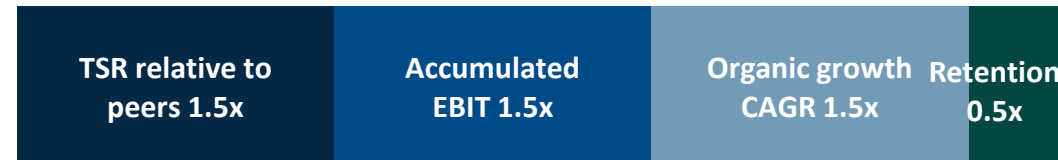
- Based on group financial and non-financial targets
  - 20% of annual bonus linked to ESG (KPIs related to customer service, quality, diversity, safety and environment)
- Bonus is paid as a minimum 1/3 in Restricted Stock Units and 2/3 in cash; normally accounts for 25-30% of total remuneration package



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

## 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



Target matching shares per investment of one share

In % of fixed pay <sup>1</sup>	Target	Max
CEO	80%	120%
CFO/EVP	60%	90%

<sup>1</sup> Base plus pension.



# Financial calendar

**April 6, 2022**

Interim Report Q2 2021/22

**July 7, 2022**

Interim Report Q3 2021/22

**October 12, 2022**

Annual Report 2021/22

**November 23, 2022**

Annual General Meeting 2022

# Contacts

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**CHR HANSEN**

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