

Q2 2022/23 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 Q2 2022/23. Please note that the items listed below are not exhaustive and that other factors may affect the comparisons versus last year.

FY23 guidance (Company Announcement Q1 FY23, p. 9):

- “Following the portfolio changes announced in 2020, Chr. Hansen has in 2020/21 and 2021/22 delivered organic growth in the range of 7-9% vs. a long-term ambition of mid-to-high single-digit organic growth. While the expectation to underlying market growth is modest for 2022/23 given the current uncertain geopolitical and macroeconomic environment, **Chr. Hansen expects to deliver organic growth in the range of 7-10%**. The expected growth is composed of a positive impact from ongoing price adjustments, growth in lighthouses, and successful execution of the project pipeline in the core businesses including expansion of the market for bacterial solutions which provides customers the opportunity for production improvements. For the coming quarter organic growth [...] will be impacted by a high comparable in Human Health which experienced very high volume growth in Q2 last year. This will be partly offset by increased impact from pricing following the latest initiatives to address the inflationary pressure.
- The current macroeconomic environment has led to volatile exchange rates and based on the current level for EUR/USD, (1.07) the impact from exchange rates on revenue is now expected to be neutral (previously positive by 5%).”
- “Based on the outlook for revenue and organic growth, absolute EBIT b.s.i. is now expected to grow in line with revenue, and with less favorable exchange rates **the EBIT margin b.s.i. is expected to be in the range of 26%-27% (previously 27%-28%)**. A positive impact from operational efficiencies and pricing initiatives, is expected to partly offset by continued pressure from the inflationary environment and continued actions to protect against supply chain disruptions.”
- “Free cash flow before special items is expected to be in the range of EUR 170-210 million (previously EUR 190-230 million).”

Sensitivities (Company Announcement Q1 FY23, p. 9):

- “Continued changes in the geopolitical and macroeconomic climate including additional sanctions towards Russia or other countries where Chr. Hansen operate, supply disruptions and developments in raw material and other input costs, such as energy, may impact the outlook for 2022/23.”
- “**The most significant currency exposure relates to USD**, while exposure to other currencies is relatively modest. A 5% increase/decrease in the EUR/USD exchange rate would have a positive/negative annualized impact on revenue measured in EUR of around EUR 25 million, while the impact on EBIT and cash flow is approximately two thirds of the impact on revenue. The outlook for 2022/23 is based on actual rates until January 11, 2023, and for the remainder of the year assuming constant exchange rates at the current level of EUR/USD rate of 1.07 (previously EUR/USD rate of 0.97).”
- “Organic revenue growth is sensitive to exchange rate fluctuations in currencies for which Chr. Hansen applies an EUR-based pricing model, while protecting the impact on EBIT and cash flow.”

Q1 FY23 comments ([Conference Call Transcript Q1 FY23](#)):

- **Human Health:** "Human Health delivered strong growth. [...] The supplements sector in North America showed, as expected, signs of negative impact from inflation and consumer price sensitivity."
- **HMO:** "On the backdrop of a very strong Q1 last year, HMO showed, as expected, a decline in the first quarter. The decline was impacted by order timing, and the full-year outlook remains strong."
- **Animal and Plant Health:** "Animal and Plant Health delivered solid growth, driven by pricing in Animal Health and strong performance in Plant Health."
- **FC&E:** "We continued to work closely with our customers on yield optimization-related projects. The momentum in cheese remains strong, while the fresh dairy sector was more challenged due to the microeconomic environment. [...] Food and Beverages grew strongly, driven by meat, including strong momentum with Bioprotective Solutions, while Fermented Beverages was negatively impacted by order timing within the wine segment. We saw an increasing impact from pricing adjustments, which contributed by 5% to the organic growth in Q1."
- **Lighthouses:** "The businesses delivered 4% organic growth in Q1. [...] HMO had a negative quarter that dragged down the lighthouses. I expect the lighthouses to grow double-digit for the full year."
- **Q1 EBIT margin:** "The Q1 EBIT margin before special items was 24.7%, plus 0.3 percentage point above last year. The improvement in the margin was due to the positive contribution from exchange rates and volume scalability, which was partly offset primarily by a continued inflationary pressure, despite the ongoing pricing initiatives, and a change in product mix in FC&E. [...] The EBIT margin before special items, excluding exchange rates, is still lagging versus last year, due to the inflationary pressure, as Q1 of last year was not yet impacted by the accelerating inflation."

Q2/FY23 comments ([Conference Call Transcript Q1 FY23](#)):

- **Human Health:** "We expect Human Health's growth rate to be challenged in the short run, also considering tough comparable from Q2 last year. [...] We don't have a concern, longer term, on the tracking of the strong portfolio that we have in Human Health for dietary supplements."
- **HMO:** "We see a stronger outlook for the full year 22/23. [...] We expect HMO to grow around 20% per year, and definitely this year, [...] we expect to at least grow at that level, if not well above that. [...] That growth will be driven mostly by North America, some of the other European and non-European countries where we have communicated that we have received approval, and also by the continued expansion of the 5 HMO mix, and not only the single 2-FL HMO."
- **China:** "The opening, even with the high cost of the infection rate that will come, we expect that to be a net positive. [...] We don't factor into our business or our current growth scenario a positive contribution from China."
- **Q2 growth outlook:** "For [...] Q2, organic growth is expected in the lower end of the expected range for the year, as volume growth will be impacted by a high comparable in Human Health, which experienced very high volume growth in Q2 of last year. This will partly be offset by an increased impact from pricing, following the latest initiatives to address the inflationary pressure. Organic growth is then expected to reaccelerate in the second half of the year."
- **Q2 EBIT margin outlook:** "For [...] Q2, EBIT margin before special items in FC&E is expected to increase, reflecting the impact from pricing initiatives, while the EBIT margin before special items in H&N is expected to decrease compared to last year, due to the impact from the high sales comparable in Human Health. Group EBIT margin before special items is expected to increase from the 24.7% in Q1 and throughout the year, mainly in the second half, driven by scalability from sales volumes and full impact from the sales price-up initiatives."

- **FY23 growth outlook:** “Considering the Q1 performance, we are confident to maintain our underlying target for the year, which remains unchanged. Organic revenue growth is still expected in the range of 7% to 10%. The growth outlook is based on a positive impact from ongoing pricing adjustments, growth in our lighthouses, as well as successful execution of the project pipeline in core businesses, including expansion of the market for bacterial solutions, which provide customers with productivity improvements. [...] You should expect [...] a 50/50 split between volume mix and pricing. [...] For euro-based pricing, we assume a neutral impact for the year.”
- **Pricing initiatives:** “Our latest price-up initiatives are taking effect from early 2023, and we expect a positive impact from this in the coming quarters. [...] A step-up in pricing impact from Q2 and improving impact on the margin throughout the year.”
- **Consumer spending:** “The US market is the market that would be more sensitive to consumer pressure on disposable income. [...] Particularly our end users around infant, women’s health, continue to show resiliency despite the pressures in the US.”
- **Novozymes/Chr. Hansen:** “By combining the complementary strengths of each business, we create strong opportunities for revenue and cost synergies, both on the short term and the long term. With regards to revenue synergies, we will be able to utilize each company’s broad market access and sales and marketing organization, and application capabilities, to reach existing and new customers with our products, especially in Human Health, but also across various Food and Beverage categories, and Animal and Plant Health. [...] Cost synergies will, in large part, be from optimizing our production, utilizing best practices and technologies from each business. As an example, supporting the scaling of our HMO production footprint, and from optimizing procurement and logistic savings.”

Q2 FY22 comments ([Investor Presentation Q2 FY22, p. 7](#)):

Regions:

- EMEA (13% org growth): Solid growth in FC&E supported by good progress in the sales project pipeline; very strong growth in H&N supported by increased activity in traditional sales channels and strong HMO sales
- NA (12% org growth): Solid growth in FC&E driven by good momentum in cheese; very strong growth in H&N supported by high pre-launch activity
- LATAM (17% org growth): Solid growth in FC&E partly due to a positive impact from pricing; very strong growth in H&N supported by Animal and Plant Health
- APAC (16% org growth): Solid growth in FC&E driven by strong momentum across geographies except for China which grew slightly; very strong growth in H&N supported by recent acquisitions and business wins in women’s health.

Sources

- [Company Announcement Q1 FY23, Conference Call Transcript Q1 FY23, Investor Presentation Q2 FY22](#)

Forward-looking statements

This document contains forward-looking statements that reflect management’s current views and expectations with respect to Chr. Hansen’s future and potential financial performance. Those forward-looking statements are based upon data and information currently available to the Company, and on a variety of assumptions, many of which may be beyond our control and subject to risks and uncertainties that may cause the actual results of the Company or the industry to differ materially from such forward-looking statements. The information, opinions and forward-looking statements are provided as of the date stated in this document and the Company is under no obligation to publish any updates thereof except for what is required by applicable law or stock exchange rules and regulations.