Chr. Hansen Holding A/S

Q2 2022/23 Results

Conference Call Transcript

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PRESENTATION

Mauricio Graber

Good morning, everybody, and welcome to the presentation of Chr. Hansen's Q2 22/23 results. I am here with our CFO, Lise Mortensen, and we will, as usual, walk you through the highlights of our second quarter and the outlook for the year. And we will also update you on the progress of the proposed merger with Novozymes. Before moving on, please take notice of the safe harbour statement.

And whilst you read this well-known statement, I would like to give my appreciation for the very strong support we've received from our shareholders to the proposed merger with Novozymes at our extraordinary general meeting, held on March 30th. With the approval from the shareholders of both Chr. Hansen and Novozymes, we have passed an important milestone towards creating a leading bioscience partner, based on our complementary technology platforms. Please turn to slide three.

Chr. Hansen progressed through the year with a strong performance in the second quarter, delivering 11% organic growth for the Group. Pricing came in as expected, with volumes in health and nutrition that were better than expected. In addition, euro based pricing was also more supportive, compared to our initial expectations for the quarter. Year-to-date, organic growth reached 10%.

Strong growth in food cultures and enzymes was mainly driven by price, but also, with good volume growth above the underlying markets. Solid growth in health and nutrition was volume driven, and with an increasing impact from the latest pricing initiatives implemented in January, we expect to continue the positive pricing impact in both businesses for the coming quarter. Our EBIT margin before special items reached 27% in the second quarter, which was 0.7 percentage points below last year.

As continued inflationary pressure, negative impact from product mix, and a high comparable in health and nutrition from Q2 last year were partly offset by a positive impact from pricing, scalability, and exchange rates. Year-to-date, the EBIT margin before special items was 25.9%, compared to 26.2% the year before. Free cash flow before acquisitions and special items was €39 million in the second quarter.

Year-to-date, the cash flow amounted to €56 million, down from €86 million the year before. The drop was due to the cash flow from operating activities being negatively impacted by a change in working capital, driven by inventories, and an increase in taxes paid. Please turn to the next slide, slide four, for the strategic and operational highlights of the quarter.

Adjusting our selling prices to reflect the inflationary environment has been a key focus area in the past year. And it's encouraging to see the increasing impact from our initiatives, especially in food cultures and enzymes, but also, to a lesser extent, in health and nutrition. With these pricing initiatives, we are taking important steps towards recovering from the inflationary environment we have experienced in the past year. However, despite some improvements in global supply, such as energy, we continue to see pressure from various raw materials and external services, and the general cost picture remains challenging short term.

Returning to organic growth, our core business delivered a solid 8% organic growth in the second quarter, and reached 9% year-to-date. Despite the solid growth, the core business was, as expected, outgrown by the lighthouses, which combined, delivered 38% organic growth in Q2, and 21% year-to-date. Let me remind you to be mindful that it is important not to look at the lighthouses on a quarterly basis, as they still represent only about 10% of the global sales for the Group. All lighthouse areas delivered double digit growth in the first half of the year.

Bioprotection started to see an improvement in the execution of the project pipeline, including projects related to the third generation FreshQ. Fermented plant based also showed strong growth, but still from a very low base. Plant health delivered strong growth across the first two quarters, but in part, it was positively impacted by the early timing of orders into the first half.

HMO also delivered strong growth in the first half, but before we move on to these, let me just highlight our joint venture, Bacthera. In March, Bacthera added additional fermentation capacity through a minor acquisition, which supports the long term growth outlook of the live biotherapeutics market.

And in addition to this, Bacthera continues to work on preparing production facilities for the SER-109 agreement with Seres Therapeutics. Due to the acquisition of capacity, and timing of milestone payment from Seres, Lonza and Chr. Hansen provided additional funding to Bacthera during the first half of the year. Please turn to slide five for the recent highlights on our HMO lighthouse.

As many of you know, our investment into the developing market for human milk oligosaccharides, or HMOs, got off to a rough start after the acquisition in 2020. Despite this, we have continued to believe in the market potential of this business, and I am very pleased that we have now, for several consecutive quarters, seen very healthy development, both in terms of the scientific, regulatory, operational, and commercial performance.

Let me mention some of the highlights, not least the encouraging performance in the first half, with strong organic growth, supporting an organic growth for the full year of around 30%. Looking further ahead, we continue to see high customer interest, which is supported by good progress within regulatory approvals.

In February, we received EU approvals for three of our key HMOs to be used in infant formula at the highest dosage. This follows approvals in the US, Canada, Israel, Australia, and New Zealand last year. In human health, we also introduced synbiotic solutions that combine both HMOs and probiotics for women's health. To support these positive developments, we have secured near term production capacity. However, we are still evaluating how to ensure the best expansion of capacity to support the long term profitable growth potential of our HMO business. Let me also mention that the approval process is still ongoing in China, and we await the feedback from the Chinese authorities. Please turn to slide six.

Now looking at the second quarter top line performance for the two business areas. Growth was mainly driven by price in food cultures and enzymes, while in health and nutrition, growth was volume driven, however, with increasing pricing impact. On Group level, the price adjustment contributed by 6% to the organic growth in Q2, and 5% year-to-date.

Food cultures and enzymes delivered strong 12% organic growth in Q2, reaching 10% year-to-date. While pricing accounted for 9% in Q2, we saw good volume growth above the underlying markets. Dairy showed strong growth, supported by pricing initiatives, solid momentum in cheese and the lighthouses of bioprotection and fermented plant bases. Despite the decline in probiotics and fresh dairy, the segment delivered solid growth, however, mainly driven by pricing initiatives. In food and beverages, we saw very strong momentum in both bioprotective solutions and fermentation cultures for meat.

Now, organic growth in health and nutrition reached 9% in Q2, driven by volume, leading to 10% year-to-date. Pricing contributed more positively in Q2, and the impact was 3%. Despite a tough comparable from last year, human health and HMO delivered strong growth. Going into the quarter, we were cautious on health and nutrition, especially in the US market. However, the strong performance of the region was supported by our HMO business, which in addition to the good underlying momentum in pricing initiatives, was also positively impacted by the timing of orders. Animal and plant health delivered solid growth, driven by pricing in animal health, and strong performance in plant health. Please turn now to the next slide, slide seven, for an update on the regional performance.

Overall growth in the second quarter was supported by all regions, except for Asia Pacific, which was flat. Year-to-date, though, all regions contributed to the positive development of the good Group organic growth. Starting with Europe, Middle East, and Africa, that delivered 18% organic growth in Q2 and 17% year-to-date. Strong growth in both health and nutrition and food cultures and enzymes drove the very positive EMEA performance. Growth in health and nutrition was supported by pricing initiative and strong volume growth across all product categories, while growth in food cultures and enzymes was supported by pricing, including euro based pricing and volume growth.

North America improved from the previous quarter, delivering 4% organic growth in Q2 and 1% year-to-date. Growth in food cultures and enzymes was solid, driven by good volume development across all segments, as well as pricing. In health and nutrition, we saw negative growth mainly related to a tough comparable from last year's quarter in human health, which was partly offset by a positive impact from timing of orders in HMO. Based on the current market trends, we see a stabilisation of volumes in North America during the second quarter. The growth of probiotic human health products, however, remains below the midterm outlook of 4% to 6%, mainly due to a slowdown in the North American market and certain Asian markets for dietary supplements.

Asia Pacific reported flat growth in Q2, while year-to-date growth was 6%. Food cultures and enzymes delivered negative growth, due to the lower volumes in China, which was partly offset by strong momentum in India. In health and nutrition, strong growth in China drove the modest growth, while softening market conditions led to a decline in South Korea.

Lastly, Latin America reported the strongest growth in Q2, growing 22%. The year-to-date growth was also very strong at 19%. Both pricing initiatives, including euro based pricing, and volume growth across health and nutrition, and food culture and enzymes, drove the very strong performance for the region.

I will now hand over to Lise for the financial review of the second quarter.

Lise Mortensen

Thank you, Mauricio, and welcome, everyone. Please turn to slide eight for profitability. On Group level, the absolute EBIT before special items in Q3 increased by 8% from the year before, reaching €91 million. The positive development was driven by a positive contribution from exchange rate, pricing initiatives, and volume growth, which was partly offset by a negative impact from higher input cost.

The EBIT margin before special items in Q2 amounted to 27.0%, a decline of 0.7 percentage points, compared to last year. The negative margin development was due to continued inflationary pressure, a negative impact from product mix, and a high comparable in health and nutrition from the year before, partly offset by a positive impact on pricing initiatives, scalability, and exchange rates.

Year-to-date, the absolute EBIT before special items increased by €18 million to €168 million, while the EBIT margin before special items reached 25.9%, compared to 26.2% the year before. Moving on to the segment margins, profitability in food cultures and enzymes improved in Q2 versus last year. And the EBIT margin before special items was 28.4% versus 28.0 last year.

Pricing initiatives [?], scalability, and the positive impact on exchange rates were partly offset by higher input cost, a change in product mix between fresh dairy and cheese, and the donation of an amount equal to the profit of Chr. Hansen Russia. In health and nutrition, the margin reached 24.7% in Q2, compared to 27.3% last year. The decline was due to continued inflationary pressure, negative impact on product mix, and not least, the high comparable from last year. This was partially offset by a positive impact on pricing initiatives and exchange rates.

Let's move on to the movement in free cash flow, please turn to slide nine. Free cash flow before acquisitions and special items was €56 million year-to-date, compared to €86 million last year. The decrease was due to cash flow from operating activities being impacted by negative change in working capital driven by increase in inventories and taxes paid, and despite the improvement in operating profit.

To secure our supply chains going into the year, we took measures that led to the higher inventories. We expect the inventories to decrease as we progress through the year. And as a reminder, the higher taxes paid in the first half was related to the fact that last year was positively impacted by acquisitions.

In addition, we expect a change in facing of operational investing activities, which will improve the free cash flow for the full year. Return on invested capital excluding goodwill was 23.2% year-to-date, up from 22.6 the year before. The improvement was driven by the strong sales development in health and nutrition. Next, let's have a look at our outlook. Please turn to slide ten.

The strong results of the second quarter made us confident about the attractiveness of the market we serve, both in food cultures and enzymes and health and nutrition. Organic growth was strong at 11%, driven by a mix of both price and volume. EBIT before special items increased by 8%, driven by the organic growth and currencies, and this led to an EBIT margin before special items, up 27.0%.

Based on the increased impact from euro based pricing, we adjusted the outlook for organic growth, while maintaining the outlook for EBIT margin before special items. For organic growth, we adjusted the outlook to 8% to 11% from 7% to 10%. The expected growth is composed of a positive impact from price adjustments, growth in lighthouses, and the successful execution of project pipeline in the core business, including expansion of the market for bacterial solutions, which provides customers with the opportunity for production improvements.

EBIT before special items is expected to grow in line with revenue, and the EBIT margin before special items is expected to be in the range of 26% to 27%. As the positive impacts from operational efficiencies and pricing initiatives is expected to be partly offset by continued pressure from the inflationary environment, and favourable product mix, and continued actions to protect against supply chain disruptions.

Free cash flow before special items is expected to be in the range of €180 million to €220 million from the previous €170 million to €210 million, to reflect the change of investing activities. I will now hand back to Mauricio for an update on the combination with Novozymes.

Mauricio Graber

Thank you, Lise, thanks for the good update on our strong financial performance. Before I sum it up, let me use this page on slide 11 to provide an update on the proposed combination with Novozymes. As mentioned earlier, we are very pleased with the strong support from our shareholders, who voted in favour of the proposed merger.

With the release of the exemption document, we also announced the nomination of the proposed board of directors for the NewCo, which offers a good balance between Chr. Hansen, Novozymes, and Novo Holdings as a major shareholder. While achieving important milestones, we continue our efforts to secure the closure, and preparing for the integration of these two great companies.

And another milestone, the expiration of the statutory waiting period for the US merger control, we continue our preparation for additional filings, and are engaging in a constructive dialogue with the relevant authorities. With this progress, we are advancing according to the expectations, and still expect closing of the merger in Q4 of this year, or latest, in Q1 of next year.

At the AGM, and as a condition for the completion of the merger, shareholders also approved the change of the financial year to follow the calendar year. In the transition year, the financial year will cover 16 months from 1st September 2022 to 31st December 23.

Subject to the status of the regulatory approval process for the proposed merger, we expect, in connection with the Q3 report in July, to supplement our current guidance for the financial period, September 1st 2022 to August 31st 2023, with an outlook for the extended financial period that will cover September 1st 2022 to December 31st 2023. Let me, with that, move on to slide 12 to sum up the presentation today.

While we are working on deal closing activities, as well as early preparation for the integration of these two great companies, the prime focus of our organisation is to secure our operational performance and deliver against our 2025 ambition. We have seen consistent improvement in our HMO business over the past quarters, and are tracking well in line with our revised business plan.

We are making good progress in Bacthera, where we are building solutions for the future. And we have, in close collaboration with our customers, implemented price adjustments across all our businesses to protect our ability to reinvest into future opportunities to the benefit of our customers, consumers, and society.

That said, with an uncertain macroeconomic and geopolitical environment, combined with a continued cost pressure, we maintain a cautious outlook for the coming quarters. But let me stress that we are ready to navigate under these circumstances. With 10% organic growth and an EBIT margin, which is stabilising, we continue our strong delivery in both businesses in the first half of the year, which makes us assured about the resilience of our customer centric business model.

I am very pleased with the performance of the entire Chr. Hansen organisation, and the progress we've made in the first half of the year, as well as our ability to deliver on our outlook for the full year. Thank you all very much for your attention, and we are ready to move on to the Q&A section of our call.

Operator

Ladies and gentlemen, at this time, we will begin the question and answer session. Anyone who wishes to ask a question may press star, followed by one, on their touchtone telephone. And again, please limit yourself to two questions only. If you wish to remove yourself from the question queue, you may press star, followed by two.

If you're using speaker equipment today, please lift the handset before making your selections. Anyone who has a question may press star, followed by one, at this time. The first question is from the line of Lars Topholm with Carnegie Investment Bank. Your question, please.

Lars Topholm

First of all, Lise and Mauricio, congrats on a very solid quarter. I just have one question, which is basically a discussion of your organic growth outlook of 8% to 11%. You now stand at 10% after the first half of the year, so I really wonder how you derive the low end of that range of just 8%, because that would imply 6% organic growth for the second half of the year, and you already have 6% from pricing.

So, I wonder if you can put a volume assumption on that organic growth guidance. And maybe also a comment on whether the 6% pricing momentum we saw in Q2 is a number we should expect to accelerate in the second half of the year, or stay at the same level, or maybe below, since there is some price that comes from H2 last year. Thank you.

Mauricio Graber

Thank you, Lars. Good morning. Thanks for the good questions. I think we have updated the guidance mainly to reflect the 1% change in euro based pricing. I think you are correct that the lower end of the guidance would imply lower volumes. I think I clearly stated in the call that we just remain cautious on the second quarter of the year, because of the macroeconomic challenges that we are still facing, and that's what is reflected there.

I can confirm, before I pass it on to Lise, that we are seeing a strong execution and delivery of our pricing. We expect pricing to continue to come in the quarters to come. It's a dynamic thing, because we then need to consider that in Q3, and even more in Q4, some of our initial waves or price increases will lapse, and then we will have the impact for the new price increases. But for sure, we expect the strong pricing contribution to continue in the second half. Lise, anything to add?

Lise Mortensen

No. I think it's spot on. Our impact on pricing will increase in the coming quarters, and volumes are taken quite cautiously. But I do want to highlight that we still have the ambition to outgrow the underlying markets.

Lars Topholm

So, just to be 100% certain that I understand you correctly, you said, Lise, the impact from pricing will increase in the coming quarters, i.e., be 6% or higher. Was that correct?

Lise Mortensen

Well, the impact of pricing will increase, Lars, because some of the latest round of pricing has only been implemented in January.

Lars Topholm

So, that implicitly means 6% or more for H2? Is that the case?

Lise Mortensen

It's in that ballpark, and it also, as you say, indicates that the lower end of our range is very modest on volume growth.

Lars Topholm

Thank you so much for answering my question.

Operator

The next question is from the line of Søren Samsøe SEB. Your question, please.

Søren Samsøe

Yes, just a follow up on the last question. I appreciate that you are being cautious in your assumptions for the second half, but would it be fair to say that the comparables in the second half are fairly easy, given that you had lower growth in the second half last year, in the second half than the first half? And the same was actually the case the year before that? So, is it fair to say that the comparables are rather easy in the second half, do you think?

Mauricio Graber

I think Søren, specifically to your question, we had a mountain to climb in Q2, where health and nutrition had a comparable of 26%. I am extremely proud, and want to thank our health and nutrition business team, who were able to deliver 9% organic growth on top of the 26% growth that we had last year. Yes, that was, let's say, the highest comparable, and then our business had a strong performance as well in the second half of last year. So, we came out, at the beginning of the year, with an ambitious guidance, which we have been able to deliver. And I think the most important for Chr. Hansen is to continue to deliver on our ambitious plans, and to make progress on the historic opportunity of the merger with Novozymes to create a bioindustrial solution partner for the future. And that's what we're delivering against with the strong performance of the second quarter.

Lise Mortensen

Maybe just adding one comment that there is also a component of HMO business and health business results in Q2 that's actually a timing of business that we anticipate later in the year.

Søren Samsøe

Okay, thank you. And now that we are talking about HMO, could you go into a little bit more detail with the strong growth? What is driving that? And a follow-up on that would be you did not make the investment in the HMO plan that you had first announced. Is there a risk that you will hit a wall at some point, in terms of production capacity? And when would that be, in that case? And then also, what are the margin levels of your HMO business now? Is it getting closer to being in line with the Group, or is it still far below?

Mauricio Graber

So, we have always, I think, said that we expect the HMO business to grow on a CAGR of north of 20%. I think it's strong, what we have mentioned today, that we expect 30% growth for this financial year for the HMO business. I think it’s driven by higher demand and product launches, where HMOs are approved, particularly in North America and Europe. I think, also, by some of the innovation and higher dosages of the regulatory approvals. That is what is driving the volume growth. I would say that nothing has changed in what we have communicated before, in the sense that we will phase the investments into capacity, based on the development. We have secured enough capacity for our 2025 strategy, and we expect HMO to at least be margin neutral by 2025.

And then I think that depending on the proposed merger, it will probably be a NewCo decision, where and how to make the investments, based on the combined future capabilities of the company.

Lise Mortensen

And talking about the HMO margin, there's an improvement, compared to last year, but we are still looking at a couple of percentage points drag for the current year.

Søren Samsøe

Thank you for your clear answer.

Operator

The next question is from the line of André Thormann with Danske Bank. Your question, please.

André Thormann

Thanks for taking my questions. Just two from me. First of all, also a bit of a follow-up on the pricing, but can you maybe help or repeat exactly the split of the top line guidance? So, you guided this at 8% to 11%, so how much is volume, how much is price, and how much is euro based price? That's the first one. Thank you.

Mauricio Graber

So, when we started the year, I think we said about half of the growth will come from pricing, half would come from volume, and I think directionally, that is still there. I don't think we specifically split our price increases, euro based pricing.

Lise Mortensen

Maybe at this point in time, Mauricio, we should say that we are indicating a little bit higher on pricing than on volume. This is how things developed, and as we previously said, we are quite cautious on our volume expectations. Pricing is executing according to plan, but euro based pricing is actually a positive on top with one percentage point.

André Thormann

So, euro based pricing, that's one percentage point?

Lise Mortensen

Yes. You can expect around one percentage point, which is what we changed our guidance with. That's in in broad terms, the euro based pricing impact.

André Thormann

And the original guidance, when you said half, half, there was no euro based pricing in that guidance, as far as I recall, right?

Lise Mortensen

There was clearly no euro based pricing, exactly.

André Thormann

So, that was 7% to 10%, so that's around just above 4% from pricing, ex euro based pricing, that was the initial guidance, and that has not changed? Is that true?

Lise Mortensen

Well, it's always a landing [?] corridor. And of course, we are quite confident, looking at the price of impact that we have seen so far. But I think this is the level of detail we can go into. We will have more from pricing than from volume, we are cautious on volume, and we have added euro based pricing.

André Thormann

And when you say more from pricing than on volume, that's including euro based pricing or excluding?

Lise Mortensen

Including.

André Thormann

But excluding is the same as the beginning of the year? I'm not sure I get it.

Lise Mortensen

Yes. You can assume something in that ballpark.

André Thormann

And then my second question is just in terms of what Lars also asked, because it does not make sense to me how pricing will be, you said 6% or higher in the rest of the year. If the initial guidance should make sense, in terms of these, or just above 4% from pricing ex euro based price.

Lise Mortensen

I think we are trying now to go into a game of being accurate on something that's very hard to be accurate on. When we talk about the impact on price increasing, it's also an absolute numbers, to be honest. When we go into Q4, we will come up against the price of initiatives already happening last year. So, yes, our price will be in the range of 5%, 6% 5% maybe. That's what our gut feeling is right now. And then one percentage point from euro based pricing.

André Thormann

On top of the 5% to 6%, or including?

Lise Mortensen

Euro based pricing is one percentage point on top of the pricing. If you look at where the pricing was for Q2, we also have one percentage point of euro based pricing.

André Thormann

Cool. Thank you. That's it for me.

Operator

The next question is from the line of Joan Lim with BNP Paribas. Your question, please.

Joan Lim

Hello. Thanks for taking my questions. Two questions for me.

Lise Mortensen

Sorry, we can't hear.

Joan Lim

Is this better? Can you hear me?

Mauricio Graber

I think you need to start from the beginning, and please get closer to the mic. We can hardly hear you.

Joan Lim

Can you hear me better now?

Lise Mortensen

Yes, it's better now.

Joan Lim

Perfect. Thank you very much for the colour on dietary supplements. So, for the full year, do you still expect the same stabilisation of volumes in North America and weaker markets in Asia? That's my first question. And my second question is on the merger. You've talked about being in discussions with regulators on anti-trust? What have you heard from your discussions with them so far? Thank you.

Mauricio Graber

So, to your question on the North American probiotic market. I think we have said that the US dietary supplement market remains soft, as we see that there's some consumer price sensitivity. However, we are confident that the US market is increasingly likely to rebound in the future, based on the consumption data that we see, the customer order patterns in the pipeline that, for us, is starting to trend positively.

Was there a question around China?

Lise Mortensen

Asia.

Mauricio Graber

For food cultures and enzymes, China has continued to be challenging. Basically, the first day we market, it will take some time. I am not, short term, optimistic on that. But I think the opening, the lifting of the restriction, enables us now to talk to customers, talk about projects, and I'm confident from the long term outlook for our food cultures and enzymes business in Asia.

And in health and nutrition, we have continued to see a pretty robust business momentum in China for dietary supplements, where we have seen a little bit of softening, as mentioned, is in the important market of South Korea. And then on the merger, it’s too early to comment about anything, but we need to basically get approval in other key jurisdictions, and that includes, among others, the EU, China, and Brazil, to mention just three of them.

Joan Lim

Thank you very much.

Operator

The next question is from the line of Alex Sloane with Barclays. Your question, please.

Alex Sloane

Morning, all. Two questions from me, please. Lise, I think you said that in H2 on volumes, you still had the objective to outgrow underlying markets. So, I'd be interested in terms of what are you assuming underlying market volume growth is? It may be in aggregate in the second half, and then maybe any specific colour with regard to some of the key end markets, like fresh dairy and cheese.

And secondly, just on HMOs, do you have any updated thoughts on the timing of potential approval in China from here? And I'd be interested in interest levels from customers ahead of that, given the success of HMOs in Europe and the US so far. Thanks.

Lise Mortensen

In terms of the market growth, the growth for the dairy market, we do remain cautious on that short term, amongst others, due to the uncertainty in China. We expect a growth of 0% to 1% volume growth in all of our FY 23, predominantly supported by the cheese segment and North America. While we actually expect fermented milk to be below FY22 slightly.

So, that's comparing a little bit against a flat market, when we talk with [unclear 00:40:19]. In health and nutrition, as Mauricio also talked to before, we are, of course, a little bit exposed to the probiotic sales, the dietary supplements market in large markets, like the US and South Korea, which is why we also expect this year to be below our usual midterm expectations of 4% to 6%. How much below? Is it half of that? We don't know. But we definitely see a slowdown in that market, and we remain cautious on that.

Mauricio Graber

And just to complement on what Lise said, I think an important thing is we've always talked about our ability to outgrow the underlying markets. So, it's clear that it's a flattish underlying market on the food cultures and enzymes, and an underlying market below the midterm expectation for health and nutrition of 4% to 6%.

But if you look at the results for the first half, which is what we can talk very clearly about, is on food cultures and enzymes, we saw a good component of volume. And that comes because, for example, our productivity initiatives on yield improvement products, and everything, continues to help customers produce more with less, and bring innovation and new products to market.

In the same way in health and nutrition, even though it's a challenging underlying market for dietary supplements, our strain [?] to solution strategy is working very well, and we are able to gain projects with customers, and deliver innovation in infant, in the women's health category, in immunity, and those are important categories that are performing well for us in our health and nutrition business. And that's where we continue to always have confidence on the Chr. Hansen resilient customer centric business model that we execute and win on projects with customers, and outgrow beyond our underlying markets. Now on to your question of HMO. If you can just refresh me, Alex, what was specific on HMO?

Alex Sloane

It is just a question in terms of the timing in China of approval, if you had any thoughts there. And what you're hearing and seeing from customers ahead of that, in terms of interest levels, given the success of HMOs elsewhere.

Mauricio Graber

So, HMO, in the markets where, at least, it has been approved, I think has delivered on what we had commented, that HMO would be a front panel ingredient in infant formula, demonstrating that HMO brings infant formulas closer to mother's milk. And obviously, the innovation, and for us, our HMO mix, has been one of the success drivers of our volume growth. We see very high interest from our customers in China, both from international customers leading with a strong presence in China, as well as from the strong innovation leaders, Chinese infant formula customers. So, I expect that HMO will be an important ingredient in the future formulation of the infant formulas in China.

I don't think we expect, we'll continue to say what we have said, that we expect probably the approval of HMOs in China to fall after our financial 2022, 23 year, meaning likely at the end of the calendar year, or in FY24.

Alex Sloane

That's very helpful, thank you.

Operator

Ladies and gentleman, as a reminder, if you would like to ask a question, please press star, followed by one, on your telephone keypads. The next question is from the line of Alexander Jones with BofA. Your question, please.

Alexander Jones

Great. Thanks very much for taking my questions. The first one is a follow-up on dietary supplements and innovation. Could you comment specifically on the performance of the UAS and HSR assets, and how that's helping you in the current dietary supplements market environment? That's the first one.

And then the second, just on bioprotection. You mentioned that you're starting to see a bit better traction there, particularly with the third generation product. Could you expand on that a bit? And does that mean the customers who are maybe a bit cautious with bioprotection, when consumers might be under a bit of income pressure, are now starting to change that trend and become more interested again? Thank you.

Mauricio Graber

I'm happy to comment on that. The UAS Labs acquisition and HSO have been a very important, in addition to our strategy and our performance on dietary supplements. Part of the continued success of our strain to solution strategy means that we are able to work with customers in single strains, high science from Chr. Hansen, as well as integrating multi-strain solutions from our UAS Labs acquisition.

When you see our strength in the women's health category, that is, in large part, driven by the strength of our Chr. Hansen UREX portfolio, combined with the HSO acquisition. So, I think if you look at the strength of our performance in human health over the last few years, it has definitely been, I would say, propelled by the broader portfolio, the larger and more diversified end customer segments, where we're now able to reach, as effectively, the traditional channel in Europe as the online channels in North America and Asia. So, we have a broader portfolio and more diversified across customers, regions, and indication areas that are growing successfully. So, I'm quite pleased with those acquisitions.

As it relates to bioP, yes, indeed, I always have to remember that bioprotection is an add on cost for customers. And the fact that we are seeing positive development of our bioP business shows that there's some business that is being developed that is not only related to yield and productivity, but also, to innovation and bringing natural solutions in clean labels to products for consumers.

With that, and I think what we have reported is a strong set of results, this concludes today's conference call Q&A session. Thank you all very much for joining this morning, and we look forward to continuing the dialogue with you in person and virtually over the coming days and weeks. On behalf of all of us at Chr. Hansen, thank you.