



Chr. Hansen
FY 2017/18 Results
October 15, 2018

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FINANCIAL HIGHLIGHTS

Another successful year for Chr. Hansen; financial targets met

9% organic growth

Guidance FY 17/18:
8-10%

29.2% EBIT margin b.s.i.

Guidance FY 17/18:
Around the same level as in 16/17 (28.9%)

EUR 196m FCF b.s.i.a.




Guidance FY 17/18:
Around the same level as in 16/17 (EUR 188m)

EUR 0.87 dividend proposal per share (50% of net profit)

Guidance FY 17/18: 40-60% of net profit




FINANCIAL HIGHLIGHTS

Double-digit growth in Food Cultures & Enzymes paired with solid growth in Health & Nutrition and good momentum in Natural Colors

Organic growth	FY 17/18 +12%	FY 17/18 +8%	FY 17/18 +5%
	<i>Q4 17/18</i> +12%	<i>Q4 17/18</i> +10%	<i>Q4 17/18</i> +6%
Share of Group revenue 17/18	59%	21%	20%
	Food Cultures & Enzymes 	Health & Nutrition 	Natural Colors 

Good progress on Nature's no. 1 strategy in 2017/18



	 PROGRESS 17/18 FOOD CULTURES & ENZYMES	 PROGRESS 17/18 HEALTH & NUTRITION	 PROGRESS 17/18 NATURAL COLORS
	Leverage the full potential	Develop the microbial platform	Create further value
Drive penetration of new innovation	<ul style="list-style-type: none"> ▶ Bioprotection grew 35%, especially driven by 1st generation in dairy ▶ 2nd generation bioprotection successfully introduced 	<ul style="list-style-type: none"> ▶ Good progress in Human Health & Human Microbiome on new product development ▶ Launch of two Plant Health products in Brazil, renegotiated collaboration terms with FMC 	<ul style="list-style-type: none"> ▶ Launched FRUITMAX® oil soluble range for applications in key regions
Reinforce position in growth markets	<ul style="list-style-type: none"> ▶ Strong organic growth in Latin America and solid growth in APAC ▶ Expanded local customer support teams and infrastructure 	<ul style="list-style-type: none"> ▶ Strong organic growth in Human and Animal Health in Asia-Pacific and Latin America 	<ul style="list-style-type: none"> ▶ Successful expansion into food service segment ▶ Strong momentum in coloring foods
Generate fuel for growth	<ul style="list-style-type: none"> ▶ Scalability impacts from new expansion ▶ Excellent delivery performance 	<ul style="list-style-type: none"> ▶ Scalability and efficiencies in production 	<ul style="list-style-type: none"> ▶ Streamlined product portfolio ▶ Strengthened operational processes to enable scalability of the business

SUSTAINABILITY HIGHLIGHTS

82% of our revenue contributes to UN Global Goals

82%

of revenue contributes to UN Global Goals



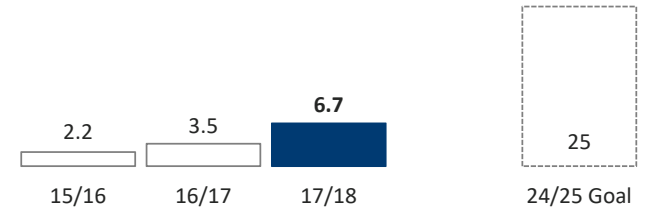
- Reviewed by PwC

BETTER FARMING

+3.2 hectares farmland treated with natural solutions



Hectares of farmland treated with natural solutions (cumulative)

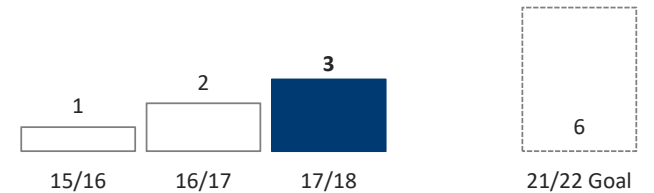


BETTER HEALTH

+1 new product launched with health benefits



New products launched with health benefits (cumulative)

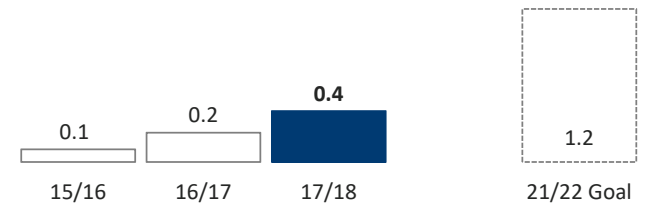


LESS WASTE

+0.17m tons of yogurt waste reduced



Million tons of global yogurt waste reduced (cumulative)

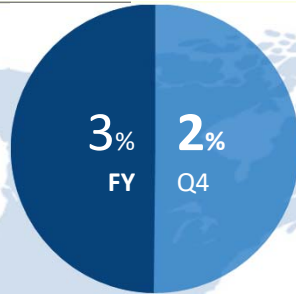


REGIONAL PERFORMANCE

EMEA, Asia-Pacific and Latin America driving global organic growth

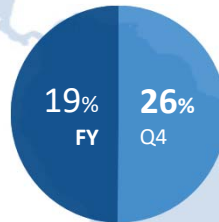
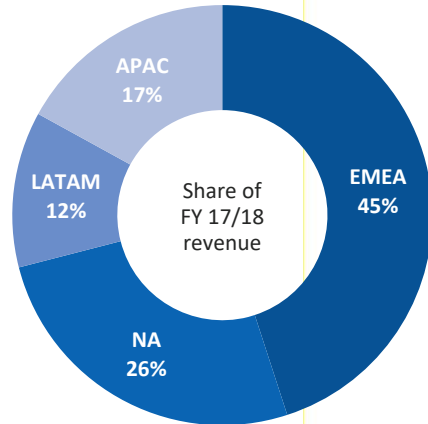
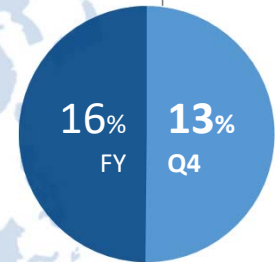
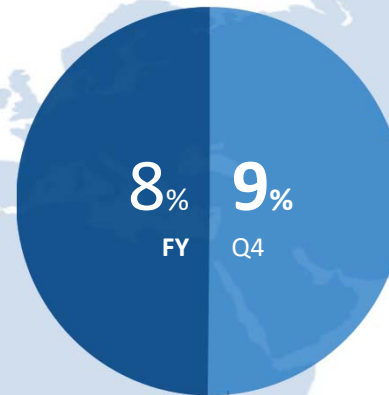
NORTH AMERICA

- ▶ **FY:** Solid growth in FC&E and AH; HH declined; NCD flat
- ▶ **Q4:** Solid growth in FC&E and AH; HH declined due to customer destocking in dietary supplements; NCD slightly down



APAC

- ▶ **FY:** Strong growth in H&N and NCD, whilst FC&E reported solid growth
- ▶ **Q4:** Strong growth in H&N and good growth in FC&E and NCD



LATAM

- ▶ **FY:** Strong growth in FC&E, AH and PH; NCD flat
- ▶ **Q4:** Strong growth in FC&E, AH and PH; NCD with good performance

EMEA

- ▶ **FY:** Strong growth in FC&E and AH; NCD solid; HH in decline due to customer destocking in infant formula
- ▶ **Q4:** Strong growth in FC&E, solid growth in NCD; HH declined due to timing of orders; AH on par

FC&E= Food Cultures & Enzymes, H&N= Health & Nutrition, NCD= Natural Colors (Division), AH= Animal Health, HH= Human Health, PH= Plant Health.



Solid volume growth in Q4 and margin improvements from CPH expansion

+12% ORGANIC GROWTH FY 17/18

- FY**
- ▶ Double digit growth in cheese, fermented milk, meat and enzymes, whilst probiotics grew slightly
 - ▶ Bioprotection delivered ~35% organic growth

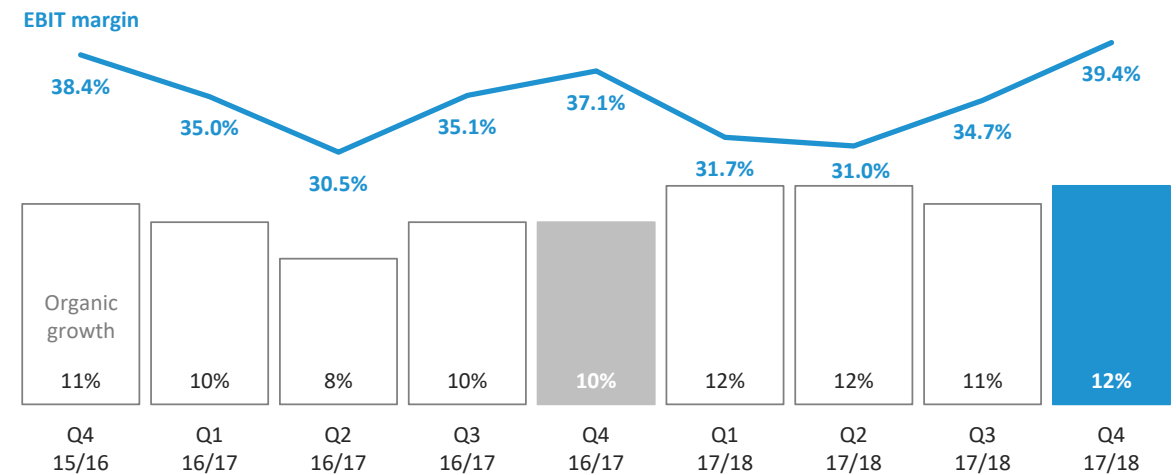
- Q4**
- ▶ Organic growth was driven by strong growth in cheese, fermented milk, meat and enzymes
 - ▶ Bioprotection delivered ~30% organic growth

34.3% EBIT MARGIN FY 17/18 (-0.2%-point yoy)

- FY**
- ▶ Slight decline vs. prior year due to adverse currency impacts
 - ▶ Positive margin contribution from new capacity

- Q4**
- ▶ Increase driven by scalability from new production and absence of ramp-up costs incurred in Q4 16/17

Quarterly development of organic revenue growth and EBIT margin, %



EUR million	Q4 16/17	Q4 17/18	FY 16/17	FY 17/18
Revenue	165	173	618	647
Organic growth	10%	12%	9%	12%
Volume/mix	9%	8%	9%	8%
EBIT b.s.i. margin	37.1%	39.4%	34.5%	34.3%
ROIC ex. goodwill			47.1%	45.6%



Solid performance despite headwinds in Human Health

+8% ORGANIC GROWTH FY 17/18

- FY**
- ▶ HH with strong growth in infant formula in APAC and NA as well as in dietary supplements in APAC; decline in dietary supplements in NA and infant formula in EMEA due to inventory reductions and order patterns of customers
 - ▶ Strong growth in silage and solid growth in swine and poultry; cattle declined due to difficult US market conditions
 - ▶ PH benefited strongly from new product launches in Brazil

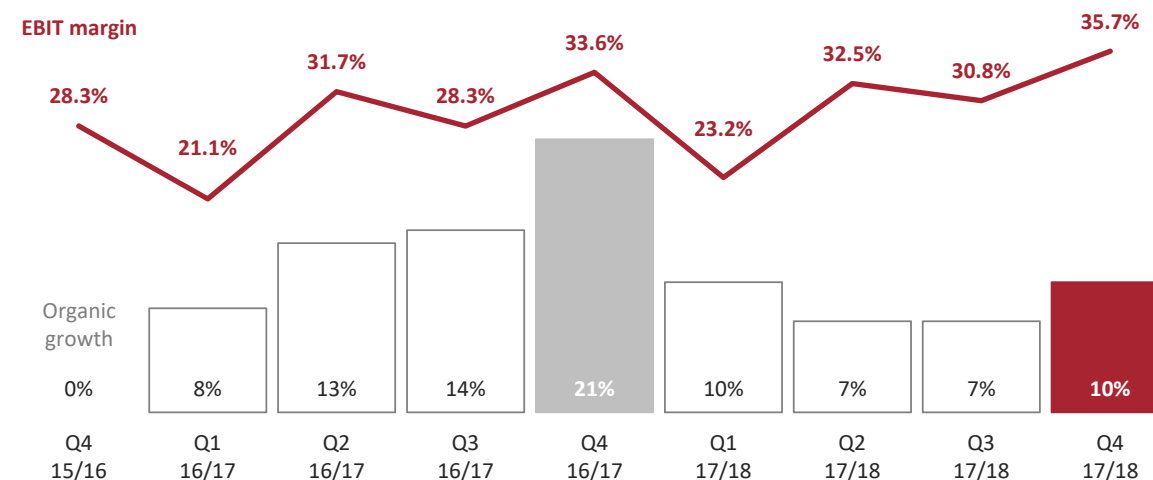
Q4 ▶ Strong growth in AH and PH, HH with solid performance driven by infant formula

31.0% EBIT MARGIN FY 17/18 (+1.8%-points yoy)

- FY**
- ▶ Increase driven by positive product mix in HH, lower scrap and synergies from NPC and LGG®, partly offset by FX

Q4 ▶ Improvement due to positive product mix and the absence of impairments in Q4 2017/18 compared to prior year, partially offset by FX and costs for NN1 initiatives

Quarterly development of organic revenue growth and EBIT margin, %



EUR million	Q4 16/17	Q4 17/18	FY 16/17	FY 17/18
Revenue	62	66	225	231
Organic growth	21%	10%	14%	8%
Volume/mix	21%	10%	14%	8%
EBIT b.s.i. margin	33.6%	35.7%	29.2%	31.0%
ROIC ex. goodwill			29.8%	29.0%



Improved revenue and earnings momentum in the second half of the year

+5% ORGANIC GROWTH FY 17/18

- FY**
- ▶ Strong growth in coloring foodstuff range FRUITMAX®, particularly in APAC and EMEA
 - ▶ Strong momentum in ice cream

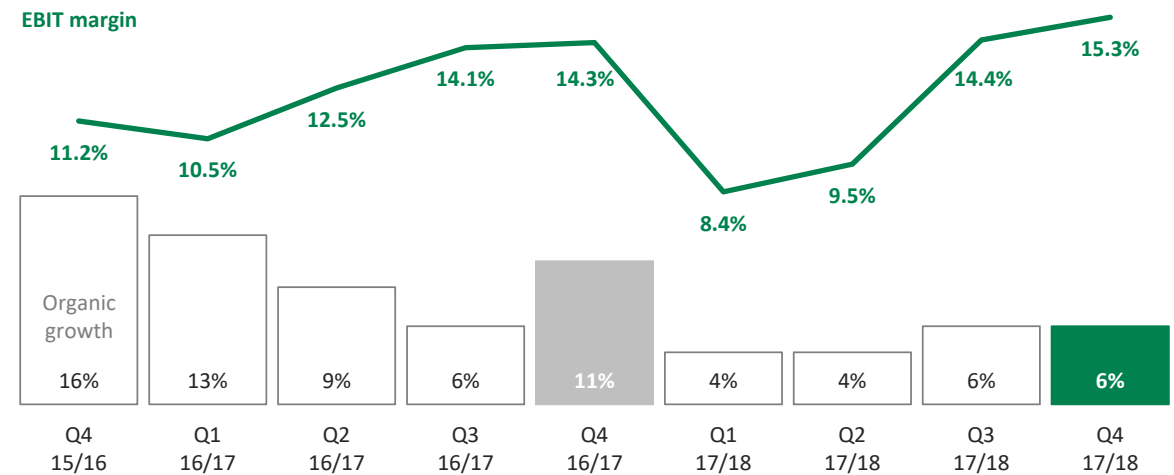
- Q4**
- ▶ Solid growth in EMEA and APAC, driven by FRUITMAX®
 - ▶ Strong growth in ice cream and solid momentum in confectionary and beverage applications

12.0% EBIT MARGIN FY 17/18 (-0.9%-point yoy)

- FY**
- ▶ Decrease due to FX headwinds, a negative impact from raw materials on inventories and one-off costs related to management changes

- Q4**
- ▶ 1.0%-point increase primarily due to margin management initiatives

Quarterly development of organic revenue growth and EBIT margin, %



EUR million	Q4 16/17	Q4 17/18	FY 16/17	FY 17/18
Revenue	57	58	220	219
Organic growth	11%	6%	10%	5%
Volume/mix	8%	5%	6%	2%
EBIT b.s.i. margin	14.3%	15.3%	12.9%	12.0%
ROIC ex. goodwill			30.3%	24.6%

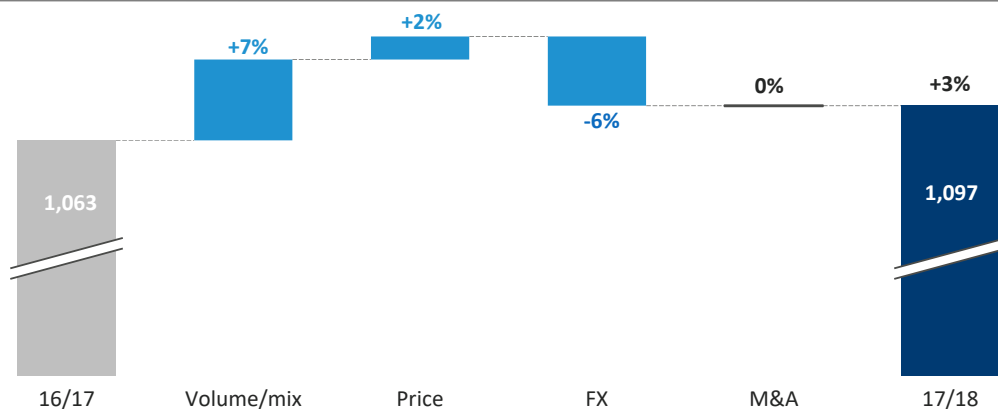
INCOME STATEMENT

Group margins up despite substantial headwinds from FX

Comments

- ▶ Organic growth of 9% mainly driven by volume growth; FX headwinds of -6%
- ▶ Increase in gross margin driven by favorable product mix in H&N offsetting adverse FX
- ▶ Operating expenses totaled EUR 280m or 25.6% of revenue in line with prior year
- ▶ EBIT margin b.s.i. up 30bps mainly due to higher gross profit; negative hit from FX
- ▶ Financial result negatively impacted by unrealized FX losses (ARS, BRL, CNY, TRY); net interest cost was EUR 11m, slightly up compared to prior year

Revenue growth FY 2017/18



EUR million

Revenue	1,063	1,097
Cost of sales	-484	-497
Gross profit	578	601
<i>Gross margin</i>	<i>54.4%</i>	<i>54.7%</i>
R&D expenses	-71	-73
<i>% of sales</i>	<i>6.7%</i>	<i>6.7%</i>
Sales and marketing expenses	-134	-139
<i>% of sales</i>	<i>12.6%</i>	<i>12.7%</i>
Administrative expenses	-71	-70
<i>% of sales</i>	<i>6.7%</i>	<i>6.4%</i>
Other operating income/expenses	5	3
EBIT b.s.i.	307	320
<i>EBIT b.s.i. margin</i>	<i>28.9%</i>	<i>29.2%</i>
Special items	-1	-
EBIT	306	320
<i>EBIT margin</i>	<i>28.8%</i>	<i>29.2%</i>
Net financial items	-15	-24
EBT	291	296
Income taxes	-67	-68
<i>Tax rate</i>	<i>23.0%</i>	<i>22.9%</i>
Profit for the year	224	228

FY 16/17

FY 17/18

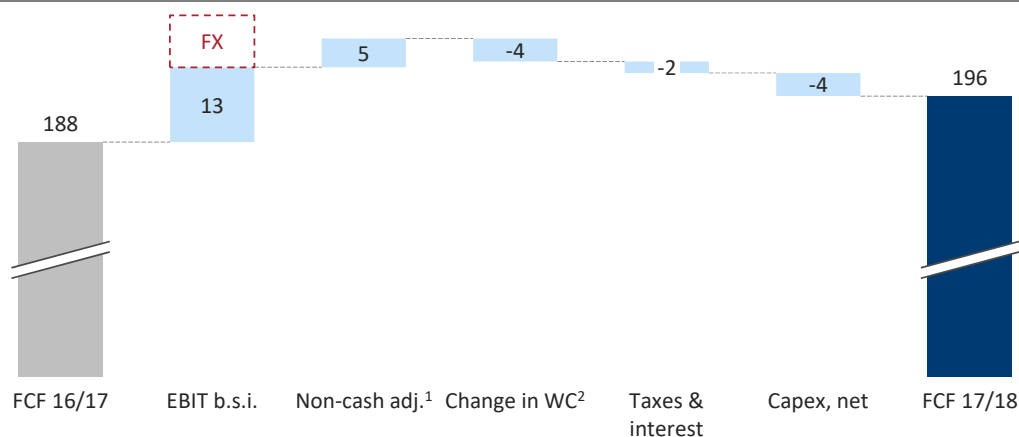
CASH FLOW STATEMENT

Free cash flow on prior year level as expected

Comments

- ▶ Operating cash flow increased by 6% to EUR 302m mainly due to improved EBIT and non-cash adjustments, offset by the changed Danish export credit scheme
- ▶ Net working capital increased driven by higher inventories and receivables
- ▶ Operational investing cash flow was EUR 107m or 9.8% of revenue (in line with 16/17)
- ▶ Free cash flow b.s.i.a. was EUR 196m, up 4% from EUR 188m in 2016/17
- ▶ ROIC ex. Goodwill was down 2.1%-points due to higher invested capital and a substantially larger FX headwind on EBIT compared to invested capital

Change in free cash flow b.s.i.a.



¹ Before special items and acquisitions.

² Includes other payables and receivables.

In EUR m

Cash flow

Operating activities	284	302
Operational investing activities	(104)	(107)
Free operating cash flow	180	195
Free cash flow b.s.i.a. ¹	188	196
Acquisition activities	(73)	-
Free cash flow	107	195

Balance sheet

Total assets	1,802	1,861
Equity	769	772
Net interest-bearing debt	628	659

Key ratios




Net working capital	175	189
Capital expenditure	10.0%	9.8%
ROIC excluding goodwill	40.1%	38.0%
NIBD/EBITDA	1.7x	1.7x

FY 16/17

FY 17/18

OUTLOOK

Strong organic growth with EUR price list effect and free cash flow impacted by peak capex expected for 2018/19

	Realized 2017/18	Outlook 2018/19 ¹ As per Oct 15, 2018	Long-term financial ambition ²
Organic revenue growth	+9%	9-11%	8-10%
 <i>Food Cultures & Enzymes</i>	+12%	<i>Above long-term ambition</i>	7-8%
 <i>Health & Nutrition</i>	+8%	<i>10% or above</i>	<i>n.a.</i>
 <i>Natural Colors</i>	+5%	6-10%	<i>n.a.</i>
EBIT margin b.s.i.	29.2%	Around 29.5%	30+%
Free cash flow b.s.i.a.	EUR 196m +4% yoy	Around the same level as in 17/18 ³	+10% CAGR

¹ Based on constant currencies and stable raw material prices, and assumes no acquisitions. The outlook is also based on the current political and economic environment, although there is a risk of increased political and economic uncertainty – e.g. the economic climate in the Middle East and Latin America, and trade tensions between large economies. Any deterioration in these situations might impact the outlook.

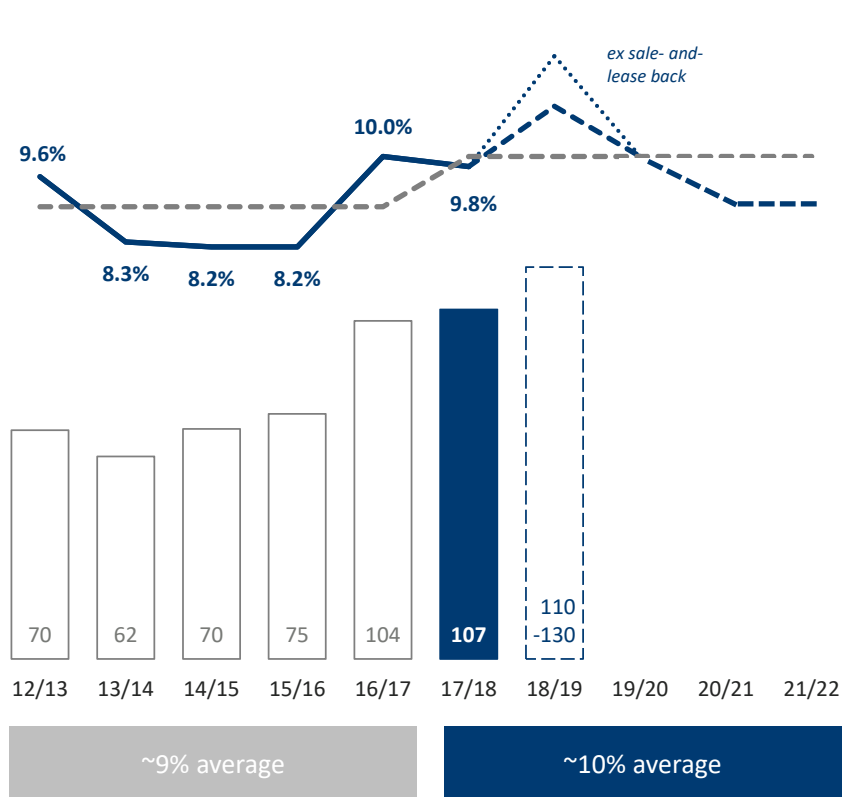
² Baseline 2016/17, updated at Capital Market Day on April 18, 2018.

³ Assumes lower growth in cash flow from operating activities than growth of EBIT before special items, due to a higher level of taxes to be paid in 2018/19, mainly related to the absence of acquisition-driven tax benefits realized in 2017/18. Cash flow used for operational investment activities will be at a relatively high level, and is expected to be between EUR 110-130 million. This includes multiple investments across the group, and also assumes a successful sale-and-lease-back of the company's main site in Hørsholm in Q4 2018/19.

OUTLOOK








Peak capex in 18/19, partially to be financed with sale-and-lease-back

Capex projection in EUR m and % of revenue (illustrative)



Selection of major investment projects

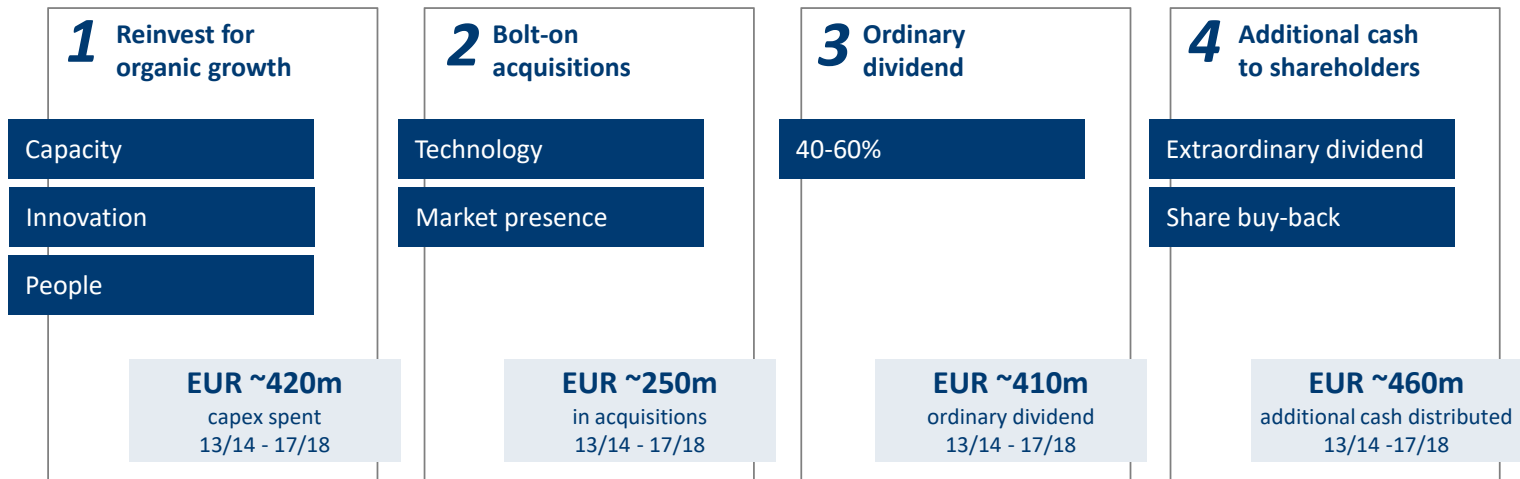
Expected year of completion

Freeze dried & powder packaging  	19/20
Natural Colors US footprint & Montpellier R&D upgrade 	19/20
Capacity expansion in Health & Nutrition 	20/21
R&D facility  	20/21
Dairy expansion 	Beyond 21/22

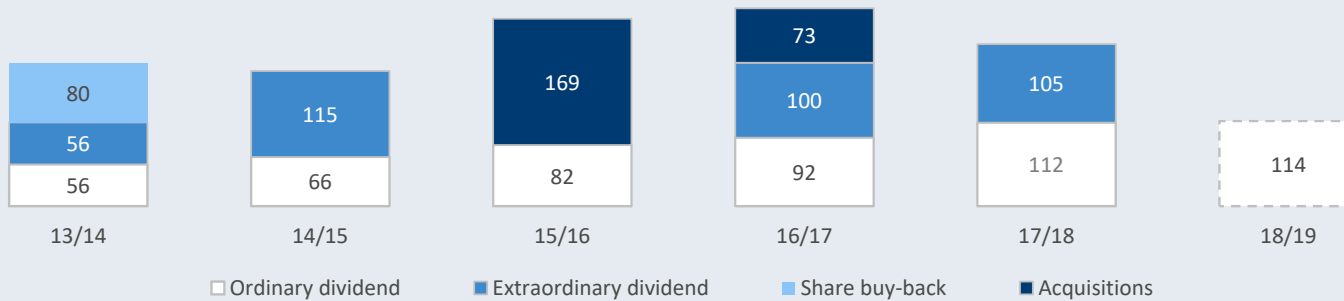
~10% of net revenue capex p.a. 2017/18 – 21/22

OUTLOOK

Capital allocation priorities & discipline are unchanged



Distributing cash to shareholders in EUR m





CHR HANSEN

Improving food & health