



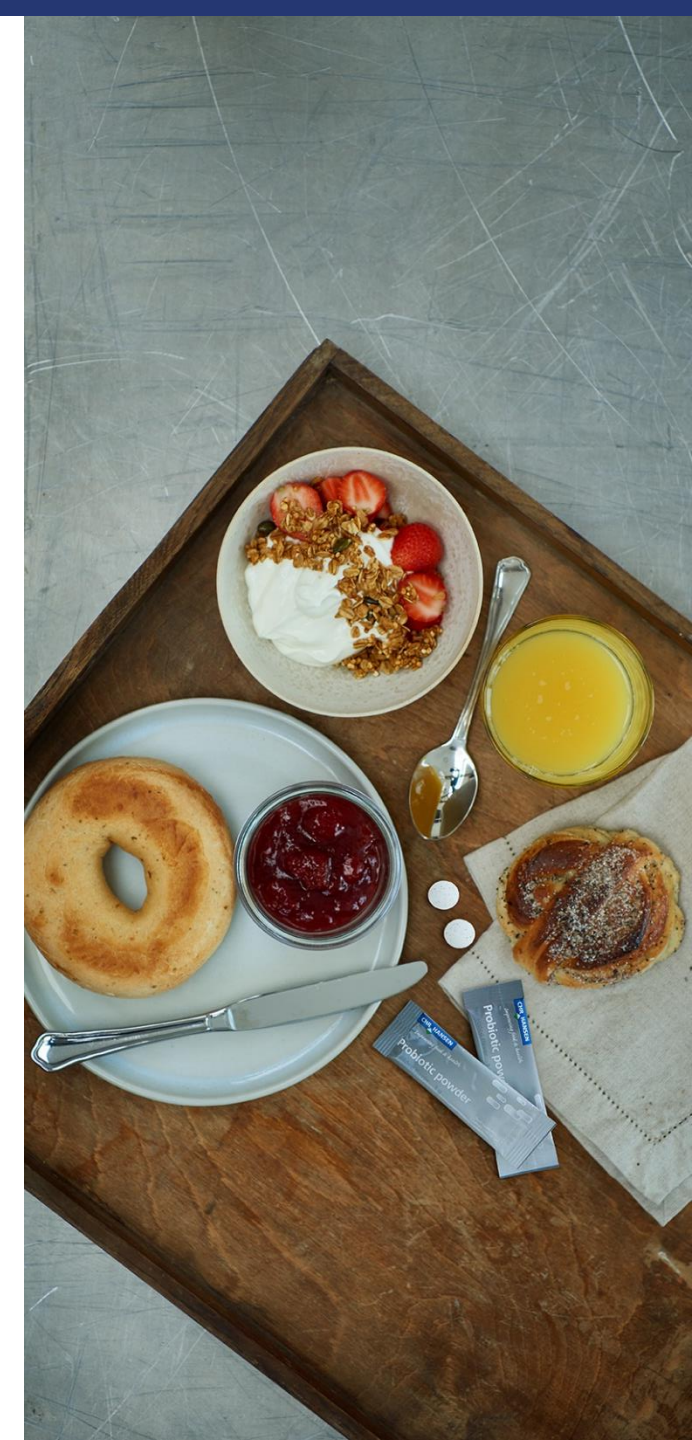
**Chr. Hansen**  
**Q1 2018/19 Results**  
January 17, 2019

**CHR HANSEN**

*Improving food & health*

# Safe harbor statement

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# We had a solid start to the year, in-line with our expectations

**10%** organic growth

Guidance 2018/19: 9-11%

**26.3%** EBIT margin b.s.i.

Q1 2017/18: 25.4%

EUR **(32.5m)** FCF b.s.i.a.

Q1 2017/18: EUR (18.9m)

# Focus areas for 2018/19 defined to deliver on Nature's no. 1 strategy



**FOCUS 2018/19  
FOOD CULTURES & ENZYMES**

**Leverage the full potential**

- ▶ Continue to drive penetration of new products, e.g. bioprotection
- ▶ Cross-sell and develop adjacent areas



**FOCUS 2018/19  
HEALTH & NUTRITION**

**Develop the microbial platform**

- ▶ Launch new products in Human Health
- ▶ Expand Plant Health business to new countries and crops



**FOCUS 2018/19  
NATURAL COLORS**

**Create further value**

- ▶ Portfolio expansion within coloring food stuff

**Drive penetration of new innovation**

**Reinforce position in growth markets**

**Generate fuel for growth**

- ▶ Strengthen attention to key accounts
- ▶ Invest in and strengthen local footprint
- ▶ Push market-specific new product development

- ▶ Continue growth momentum in all segments
- ▶ Further expand Animal Health commercial footprint in Asia-Pacific and Latin America

- ▶ Driving conversion projects in partnerships with our customers

- ▶ Leverage new expansion
- ▶ Upgrade e-commerce solution
- ▶ New digital services

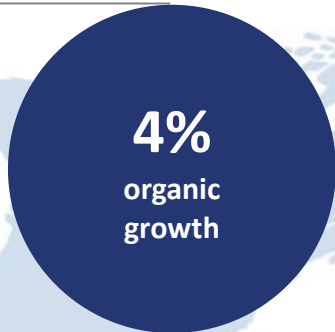
- ▶ Scalability and efficiencies in production

- ▶ Investments in new US capacity and continuation of efficiency programs

# Momentum continued with EMEA, APAC and LATAM driving growth

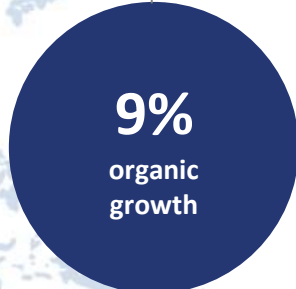
## NORTH AMERICA

- ▶ Strong growth in FC&E and Natural Colors
- ▶ Animal Health declined due to timing of orders in silage and poor dairy farmer economics; Human Health was flat



## APAC

- ▶ Human Health with strong growth
- ▶ Natural Colors with solid growth
- ▶ FC&E grew slightly impacted by timing of orders and lower market growth



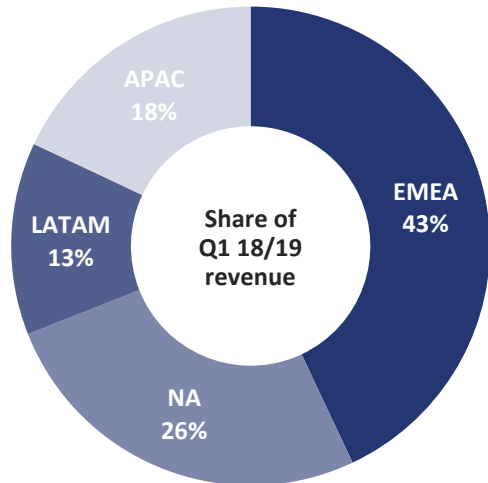
## LATAM

- ▶ Strong growth across all businesses except for Natural Colors which declined due to raw material headwinds and cost-conscious customers
- ▶ EUR pricing accounted for approximately half of the organic growth



## EMEA

- ▶ Strong growth in Human Health and Animal Health
- ▶ FC&E and Natural Colors with solid growth



€€€ **EUR pricing:** Invoicing in local currency, but based on EUR-denominated price lists i.e. if a currency depreciates against the EUR, prices in local currency will be increased automatically to protect bottom line against currency fluctuations; fully or partially implemented in most countries except USA & China.



# Strong start driven by cheese, meat and bioprotective cultures

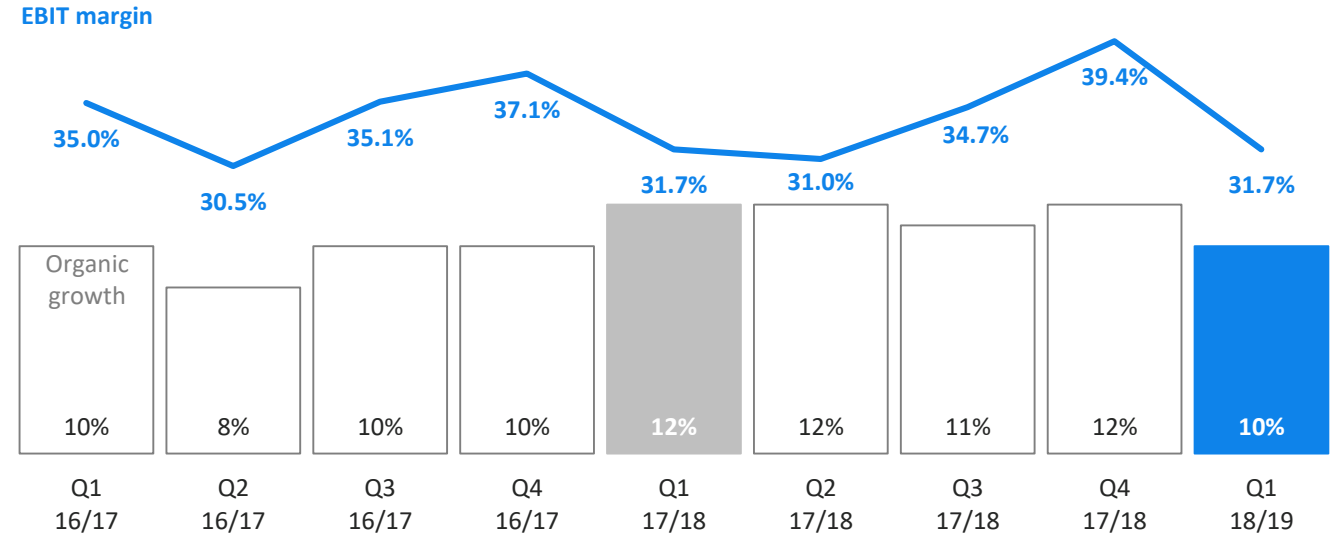
**+10%** ORGANIC GROWTH Q1 18/19

- ▶ Strong growth in cheese and meat cultures followed by enzymes and fermented milk with solid growth; probiotics were flat
- ▶ Bioprotection delivered ~15% organic growth against a high comparable, driven by existing segments; penetration of 2<sup>nd</sup> generation continued to increase particularly in LATAM and APAC, albeit from a low base
- ▶ Pricing contribution driven by EUR pricing reflects strong pricing power

**31.7%** EBIT MARGIN Q1 18/19 (on par yoy)

- ▶ Scalability benefits in excess of 1%-point, most notably from Avedøre expansion, were offset by strategic initiatives such as digitalization and bioprotection as well as an increase in sales and application development activities

Quarterly development of organic revenue growth and EBIT margin, %



EUR million

Revenue

Organic growth

*Volume/mix*

EBIT margin

ROIC ex. goodwill

	Q1 17/18	Q1 18/19
Revenue	155.1	161.0
Organic growth	12%	10%
<i>Volume/mix</i>	10%	5%
EBIT margin	31.7%	31.7%
ROIC ex. goodwill	40.8%	39.0%



# Human Health back on track, Plant Health strong and margins increased

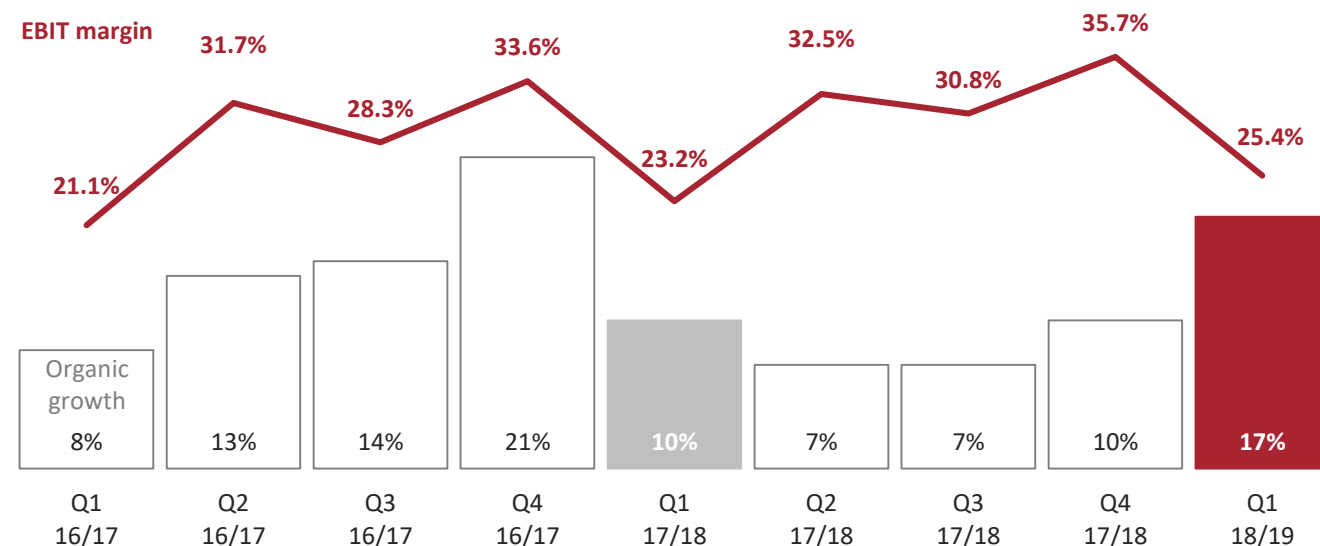
## +17% ORGANIC GROWTH Q1 18/19

- ▶ Human Health with strong growth in infant formula in all regions and continued strong momentum in dietary supplements in APAC
- ▶ Animal Health with a strong quarter in swine, whilst cattle declined due to poor dairy farmer economics in the US, and silage declined due to timing of orders
- ▶ Plant Health continued to increase strongly in LATAM

## 25.4% EBIT MARGIN Q1 18/19 (+2.2%-point yoy)

- ▶ Increase driven by high volume growth and timing of production costs, partly offset by investments in Animal Health's sales force expansion outside of North America as well as Plant Health

Quarterly development of organic revenue growth and EBIT margin, %



EUR million

Revenue

Organic growth

Volume/mix

EBIT margin

ROIC ex. goodwill

Q1 17/18

Q1 18/19

48.3

55.6

10%

17%

10%

16%

23.2%

25.4%

18.7%

21.7%



# Momentum from Q4 maintained, but raw material prices declining

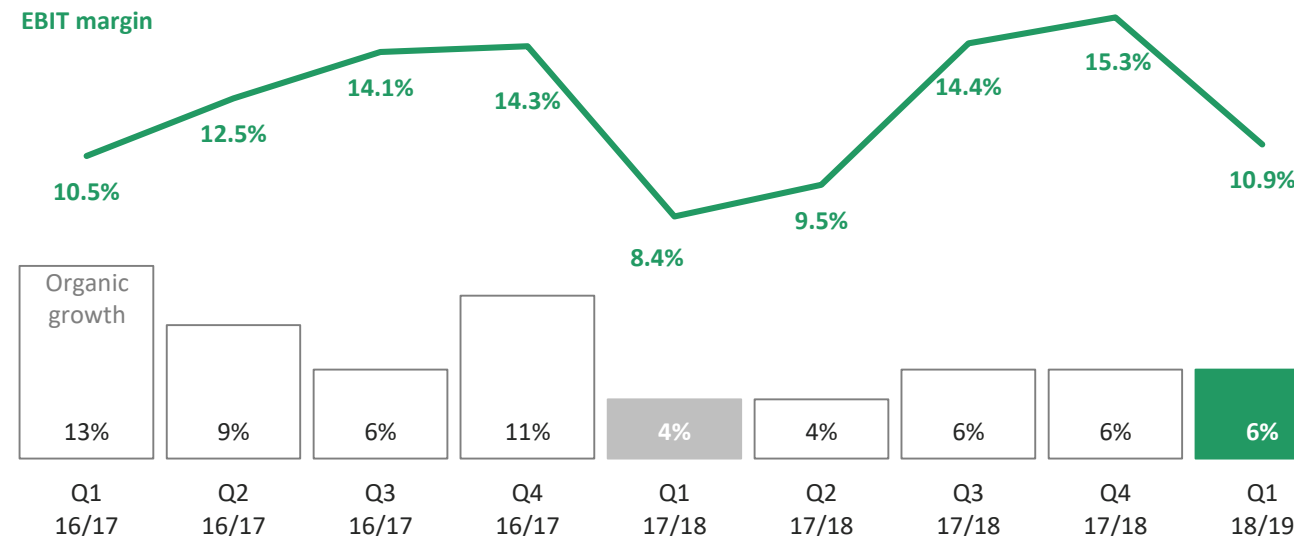
**+6%** ORGANIC GROWTH Q1 18/19

- ▶ Strong growth in coloring foodstuff with new launches in the FRUITMAX® range
- ▶ Declining carmine and annatto prices negatively impacted organic growth

**10.9%** EBIT MARGIN Q1 18/19 (+2.5%-point yoy)

- ▶ Margin improvement driven by operating efficiencies and modest prior year comparable

Quarterly development of organic revenue growth and EBIT margin, %



EUR million

Revenue

Organic growth

*Volume/mix*

EBIT margin

ROIC ex. goodwill

Q1 17/18    Q1 18/19

Revenue	51.1	52.8
Organic growth	4%	6%
<i>Volume/mix</i>	1%	5%
EBIT margin	8.4%	10.9%
ROIC ex. goodwill	15.0%	19.2%



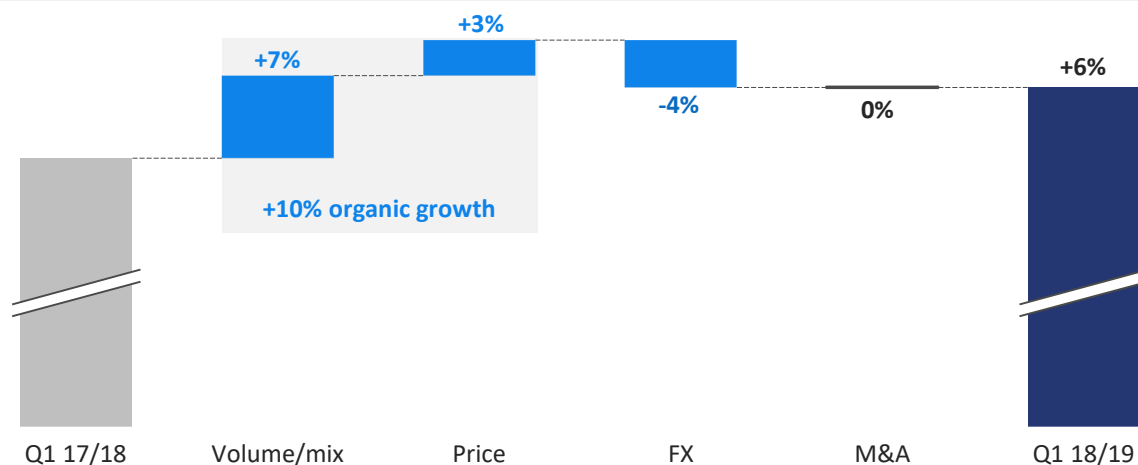
## INCOME STATEMENT

# Gross margin improvement partly offset by increased S&M expenses

### Comments

- ▶ Gross margin increased by 2.4%-points driven by all three business areas
- ▶ Operational expenses increased by 12% mainly due to higher sales & marketing expenses related to NN1 initiatives and more sales and application development activities in FC&E
- ▶ EBIT margin b.s.i. increased by 0.9%-points to 26.3%; currencies had a immaterial impact
- ▶ Special items of EUR 1m related to the acquisition and integration of Hundsbichler

### Group revenue growth Q1 2018/19



EUR million

	Q1 17/18	Q1 18/19
Revenue	254.5	269.4
Cost of sales	(120.8)	(121.5)
<b>Gross profit</b>	<b>133.7</b>	<b>147.9</b>
<i>Gross margin</i>	<i>52.5%</i>	<i>54.9%</i>
R&D expenses	(19.0)	(19.3)
<i>% of sales</i>	<i>7.5%</i>	<i>7.2%</i>
Sales and marketing expenses	(32.4)	(38.9)
<i>% of sales</i>	<i>12.7%</i>	<i>14.4%</i>
Administrative expenses	(18.0)	(19.4)
<i>% of sales</i>	<i>7.1%</i>	<i>7.2%</i>
Other operating income/expenses	0.4	0.5
<b>EBIT b.s.i.</b>	<b>64.7</b>	<b>70.8</b>
<i>EBIT b.s.i. margin</i>	<i>25.4%</i>	<i>26.3%</i>
Special items	-	(0.5)
<b>EBIT</b>	<b>64.7</b>	<b>70.3</b>
<i>EBIT margin</i>	<i>25.4%</i>	<i>26.1%</i>
Net financial items	(4.3)	(3.9)
<b>EBT</b>	<b>60.4</b>	<b>66.4</b>
Income taxes	(13.9)	(15.3)
<i>Tax rate</i>	<i>23%</i>	<i>23%</i>
<b>Profit for the year</b>	<b>46.5</b>	<b>51.1</b>

# Free cash flow b.s.i.a. reflects absence of tax benefits and higher capex




## Comments

- ▶ Decrease in operating cash flow was driven by higher taxes paid (EUR 47.3m vs. EUR 32.7m last year) due to absence of acquisition-related benefits), partly offset by increase in EBIT
- ▶ Net working capital as % of revenue increased due to higher inventories and stable trade payables
- ▶ Increase in cash flow used for operational investing activities from 9.1% to 11.1% of revenue
  - ▶ In line with communicated expansion program including investments in Avedøre (freeze-dried & powdered packaging for FC&E and H&N), Milwaukee and Montpellier (new US facility and R&D center upgrade for NCD) to be completed by 2019/20
  - ▶ Total capex for the financial year 2018/19 expected to be between EUR 110-130m
- ▶ Cash flow used for acquisitions of EUR 9m related to Hundsbichler acquisition announced on October 15 (specialty cheese rennet)

In EUR m	Q1 17/18	Q1 18/19
<b>Cash flow</b>		
Taxes paid	(32.7)	(47.3)
Operating activities	4.2	(3.1)
Operational investing activities	(23.2)	(29.9)
Free operating cash flow	(19.0)	(33.0)
Free cash flow b.s.i.a.	(18.9)	(32.5)
Acquisition activities	0	(9.3)
Free cash flow	(19.0)	(42.3)
<b>Balance sheet</b>		
Total assets	1,796.7	1,877.7
Equity	702.9	713.1
Net interest-bearing debt	646.5	714.1
<b>Key ratios</b>		
Net working capital	19.7%	20.8%
Capital expenditure	9.1%	11.1%
ROIC excluding goodwill	30.9%	31.4%
NIBD/EBITDA	1.8x	1.8x

## OUTLOOK

# Group outlook for the year maintained

	Q1 2018/19	Outlook 2018/19 <sup>1</sup> As per Oct 15, 2018	Outlook 2018/19 <sup>1</sup> As per Jan 17, 2019	Long-term financial ambition <sup>2</sup>
<b>Organic revenue growth</b>	<b>10%</b>	<b>9-11%</b>	<b>9-11%</b>	<b>8-10%</b>
 <i>Food Cultures &amp; Enzymes</i>	<b>10%</b>	<i>Above long-term ambition</i>	<i>Above long-term ambition</i>	<i>7-8%</i>
 <i>Health &amp; Nutrition</i>	<b>17%</b>	<i>10% or above</i>	<i>10% or above</i>	<i>n.a.</i>
 <i>Natural Colors</i>	<b>6%</b>	<i>6-10%</i>	<b>6-9%</b>	<i>n.a.</i>
<b>EBIT margin b.s.i.</b>	<b>26.3%</b>	<b>Around 29.5%</b>	<b>Around 29.5%</b>	<b>30+%</b>
<b>Free cash flow b.s.i.a.</b>	<b>(32.5m)</b>	<b>Around the same level as in 17/18<sup>3</sup></b>	<b>Around the same level as in 17/18<sup>3</sup></b>	<b>+10% CAGR</b>

<sup>1</sup> 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, the risk of a ‘hard’ Brexit and trade tensions between large economies. Any deterioration in these situations might impact the outlook.

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

<sup>3</sup> 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.

# Sustainability is at the core of our business



**End hunger and promote sustainable agriculture**



**More out of milk**  
*by increasing productivity*



**More out of land**  
*by increasing crop yields*



**More access to nutrition**  
*by increasing affordability*



**Ensure healthy lives and promote well-being for all at all ages**



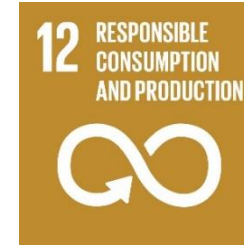
**Better health and well-being**  
*for a smarter gut*



**Better healthier alternatives**  
*for a good life*



**Better animal welfare**  
*for reduced antibiotic resistance*



**Enable sustainable consumption and production patterns**



**Less food waste**  
*by using bioprotection*



**Less food contamination**  
*by using natural solutions*



**Less artificial ingredients**  
*by using natural colors*

## Financial calendar

April 3, 2019  
Interim Report Q2 2018/19

July 3, 2019  
Interim Report Q3 2018/19

October 10, 2019  
Annual Report 2018/19

November 27, 2019  
Annual General Meeting 2019

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