

Chr. Hansen Holding A/S
Q1 Report 2017/18

12 January 2018

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Financial highlights YTD 2017/18

Revenue

EUR ***255*** million

(up 5% on 2016/17)

Organic growth

10%

(11% in 2016/17)

Operating profit (EBIT) margin

before special items

25.4%

(27.1% in 2016/17)

Profit for the period

EUR ***47*** million

(down 1% on 2016/17)

R&D expenditures incurred

EUR ***20*** million

(7.8% of revenue, compared to 7.4% in 2016/17)

Free cash flow

before acquisitions and special items

EUR ***(19)*** million

(EUR (19) million in 2016/17)



Strategic & operational highlights YTD 2017/18

Nature's no. 1 strategy launched in September 2013 with the ambition to pursue growth opportunities in the current core businesses and within new microbial solutions. Strategy reaffirmed at Capital Market Day in April 2016. A new strategy review is in progress with finding to be presented in April 2018.

- **Bioprotection:** Strong growth of approx. 45%, with momentum in all segments driven by 1st generation. Positive feedback from launch of 2nd generation and first sales driving very strong growth in LATAM, albeit from a low base.
- **Plant Health:** Recently launched products in Brazil Quartzo™ and Presence™ driving strong growth combined with continued penetration of Nemix® C.
- **LGG®:** Contributing to growth in both FC&E and H&N according to plan. New concept, ProKids, launched, tapping in to the large potential of the functional dairy market targeting children.
- **Capacity:** Ramp-up of the new capacity has progressed according to plan and is expected to contribute positively towards the end of the year.
- **Human health in North America:** Challenging market situation due to increased availability of probiotic products and a migration to new sales channels. Probiotic category overall growing well.
- **Natural Colors:** Growth negatively impacted by order phasing in North America, tough baseline in Middle East and profitability initiatives. Outlook for the year maintained.



Regional performance YTD 2017/18

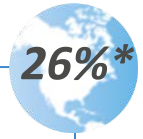
EMEA



- Strong growth in cheese, enzymes and meat
- Solid growth in probiotics for fermented milk and good growth in fermented milk
- Animal health and natural colors delivered good growth while revenue from human health was below last year
- Very strong momentum in bioprotection

6%
Organic growth

North America



- Strong growth in cheese, fermented milk including probiotics, enzymes, meat and animal health
- Human health was below last year impacted by a challenging market situation
- Natural Colors was below last year impacted by timing of orders and a soft market in dairy & fruit preparations
- Very strong momentum in bioprotection

7%
Organic growth

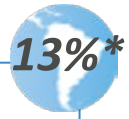
APAC



- Strong growth in fermented milk, human health, animal health and natural colors
- Enzymes and probiotics for fermented milk showed good growth
- Revenue from cheese was below last year
- Strong growth in fermented milk was mainly driven by China

20%
Organic growth

LATAM



- Strong growth in cheese, fermented milk, enzymes and plant health
- Good growth in natural colors
- Revenue from probiotics for fermented milk and animal health was below last year
- First significant wins in Bioprotection

15%
Organic growth

** Share of revenue*

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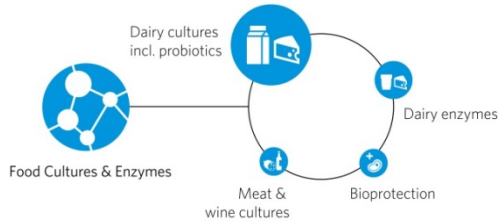
Food Cultures & Enzymes

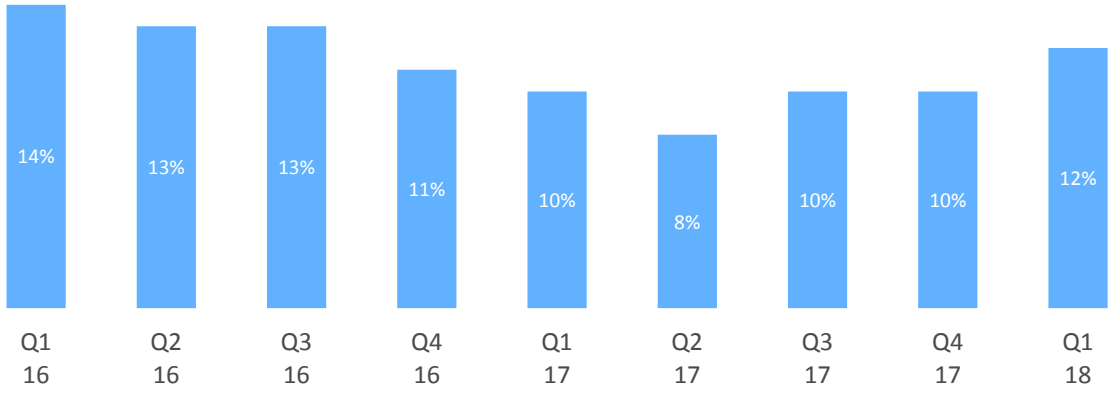


EUR million	Q1 17/18	Q1 16/17
Revenue	155	144
Organic growth	12%	10%
EBIT	49	50
EBIT margin	31.7%	35.0%
ROIC ex. goodwill	40.8%	45.0%

Organic growth

- Volume/mix 10% and price 2%
- Strong growth in cheese, fermented milk, enzymes and meat, while probiotics showed good growth
- Growth of approximately 45% in bioprotection driven by the core segments. First sales with second generation, which has generated strong interest from customers

Quarterly organic growth



EBIT margin

- Margin down 3.3%-points on 2016/17
  - Driven by the sale of a property in Argentina last year, adverse currency impacts, ramp-up costs for the new production capacity in Copenhagen, including inventory build-up ahead of production shutdowns last year, and an unfavorable product mix

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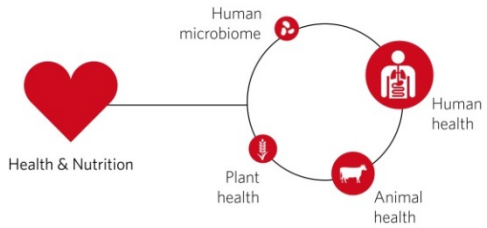
Health & Nutrition

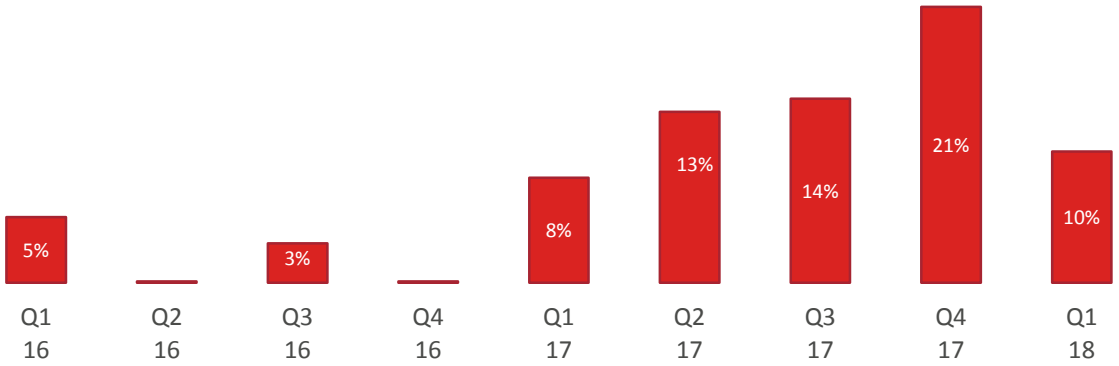
EUR million	Q1 17/18	Q1 16/17
Revenue	48	46
Organic growth	10%	8%
EBIT	11	10
EBIT margin	23.2%	21.1%
ROIC ex. goodwill	18.7%	17.8%



Organic growth

- Volume/mix 10%
- Strong growth in animal health driven by silage and swine segments and very strong growth in plant health driven by both existing and new products.
- Modest growth in human health, impacted negatively by a challenging market situation in North America

Quarterly organic growth



EBIT margin

- Margin up 2.1%-points on 2016/17
  - Driven by the absence of royalty payments on LGG®, insourcing of NPC products, lower scrap and a positive product mix in human health
  - Partly offset by currency

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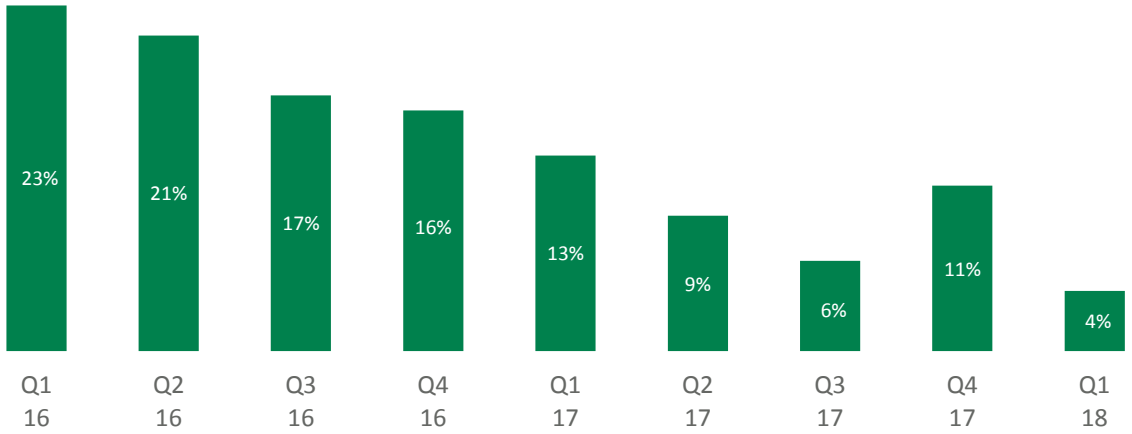
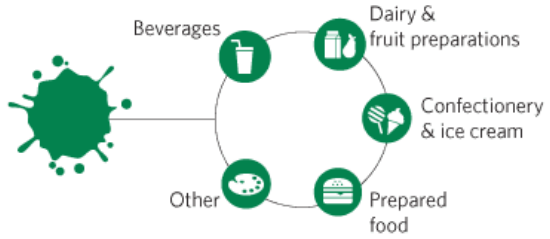
Natural Colors

EUR million	Q1 17/18	Q1 16/17
Revenue	51	51
Organic growth	4%	13%
EBIT	4	5
EBIT margin	8.4%	10.5%
ROIC ex. goodwill	15.0%	22.1%

Quarterly organic growth





Organic growth

- Volume/mix 1% and price 3%. Price increases reflected increased raw material prices, general price increases and EUR-based pricing
- Strong growth in the annatto and carotene categories and solid growth in coloring foodstuffs. Carmine declined due to profitability initiatives
- Dairy and prepared food showed strong growth, while beverages decreased due to a tough comparable. North America decreased driven by negative timing and a soft market for dairy & fruit preparations

EBIT margin

- Margin down 2.1%-points on 2016/17
  - Driven by negative impact from raw materials, including timing of inventories, and lower sales
  - Partly offset by the ongoing optimization initiatives including product management and operating efficiencies

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Income statement

EUR million	Q1 17/18	Q1 16/17
Revenue	255	242
Organic growth	*10%*	*11%*
EUR growth	*5%*	*13%*
Gross margin	*52.5%*	*53.4%*
R&D expenses	(19)	(17)
Sales & marketing expenses	(32)	(32)
Administrative expenses	(18)	(17)
Other income/expenses	0	3
EBIT before special items	65	66
EBIT margin b.s.i.	*25.4%*	*27.1%*
Special items	-	(1)
EBIT	65	65
EBIT Margin	*25.4%*	*26.8%*
Net financials	(4)	(3)
Income tax	(14)	(15)
Profit for the period	47	47

Highlights

Revenue	
Volume/mix	8 %
Price	2 %
Organic growth	**10 %**
Currencies	-5 %
EUR growth	**5 %**

Gross margin

– Down 0.9%-point to 52.5% driven by FC&E and NCD, partly offset by H&N

EBIT b.s.i.

– Down EUR 1 million and decreased by 1.7%-points to 25.4% driven by FC&E and NCD, partly offset by H&N

– Margin development as expected and guidance for EBIT margin b.s.i. around 28.9% maintained

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Cash flow and balance sheet

EUR million	Q1 17/18	Q1 16/17
Cash flow		
Operating activities	4	2
Operational investing activities	(23)	(22)
Free operating cash flow	(19)	(20)
Acquisition activities	-	(73)
Free cash flow	(19)	(93)
Balance sheet		
Total assets	1,797	1,767
Equity	703	697
Net interest-bearing debt	647	645
Key figures		
Net working capital	*19.7%*	*20.5%*
Capital expenditure	*9.1%*	*10.2%*
ROIC excluding goodwill	*30.9%*	*34.3%*
NIBD/EBITDA	*1.8x*	*1.9x*

Highlights

Cash flow

- Cash flow from operating activities improved by EUR 2 million
- Cash flow used for operational investing activities increased by EUR 1 million
- Free cash flow was EUR (19) million, up from EUR (93) million last year, where LGG® was acquired
- Free cash flow before special items and acquisitions was unchanged at EUR (19) million compared to 2016/17

Key figures

- Capital expenditures corresponded to 9.1% of revenue, down from 10.2% in 2016/17
- ROIC excluding goodwill down 3.4%-points
- NIBD/EBITDA decreased to 1.8x

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Outlook for 2017/18 slightly adjusted

	Realized 2016/17	Outlook 2017/18 25 Oct., 2017	Outlook 2017/18 12 Jan., 2018	Long-term financial ambitions [1]
Organic revenue growth	10%	8-10%	8-10%	8-10%
✓ *Food Cultures & Enzymes*	*9%*	*Slightly above L.T.*	*Above L.T.*	*7-8%*
✓ *Health & Nutrition*	*14%*	*In line w/ L.T.*	*Below L.T.*	*+10%*
✓ *Natural Colors*	*10%*	*In line w/ L.T.*	*In line w/ L.T.*	*Around 10%*
EBIT margin b.s.i.	28.9%	Around the same level as in 2016/17	Around the same level as in 2016/17	Increasing [2]
Free cash flow before acquisition, divestments and special items	EUR 188 million	Around the same level as in 2016/17	Around the same level as in 2016/17	Increasing [2]

[1] *Baseline 2014/15*
[2] *Over the period*



Capital Market Day on 18 April 2018 in London



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Back up

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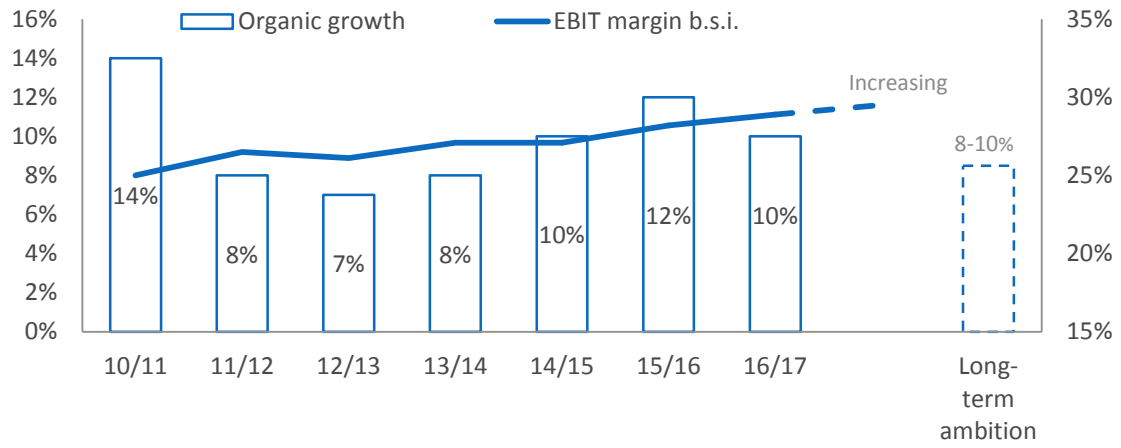
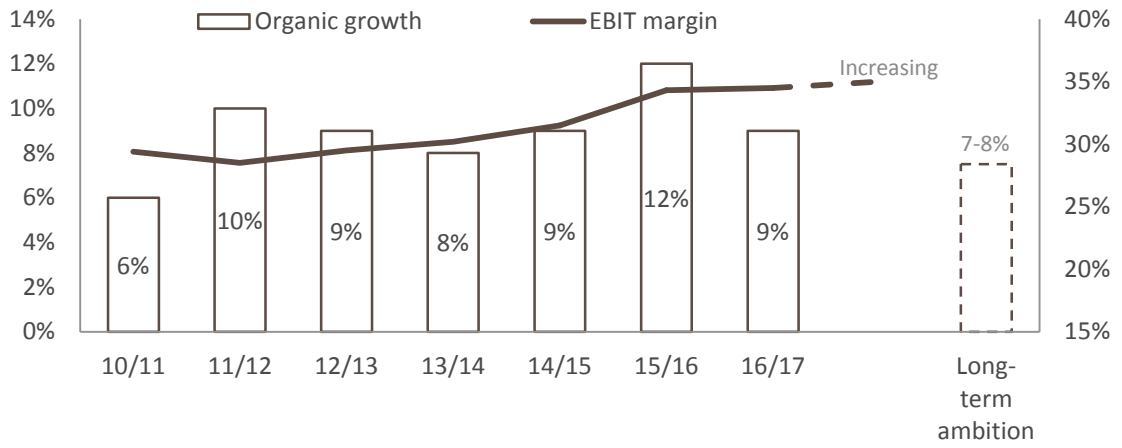
Organic growth and EBIT margin history

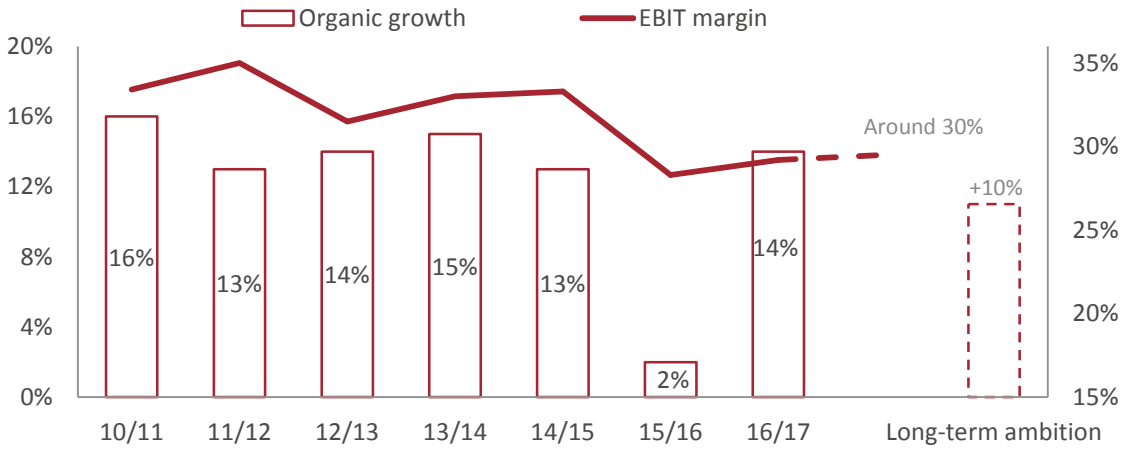
Group



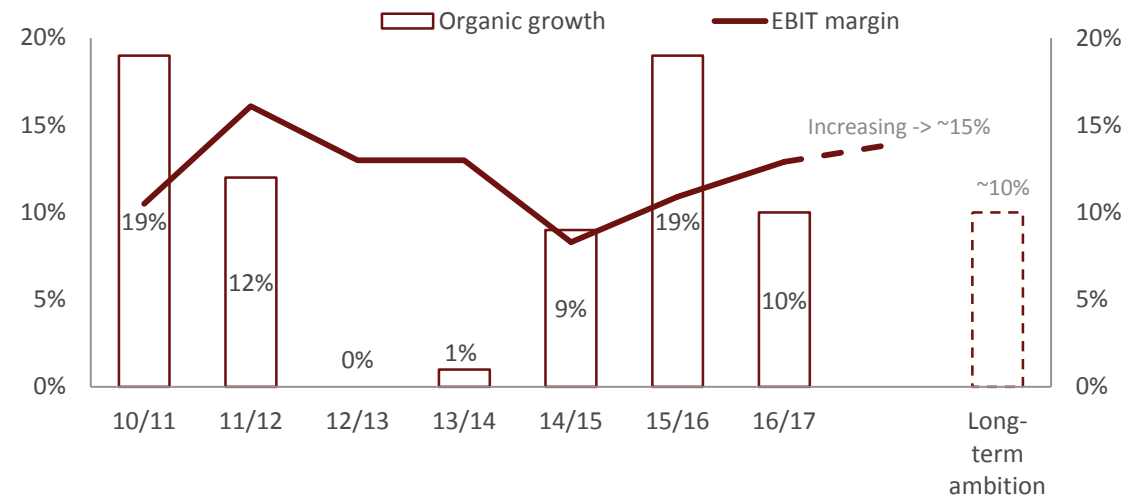
FC&E



H&N



NCD



Definitions

Organic growth
Adjusted organic revenue growth is calculated based on the reported International Financial Reporting Standards revenue adjusted for sales reductions (such as commissions and sales discounts), further adjusted for acquisitions and divestitures in order to standardize year-on-year comparisons and measured in local currency.

Special items
Special items comprise material amounts that cannot be attributed to recurring operations, such as income and expenses related to divestment, closure or restructuring of subsidiaries and business lines from the time the decision is made. Also classified as special items are, if major, gains and losses on disposal of subsidiaries not qualifying for recognition as discontinued operations in the income statement. Material non-recurring income and expenses that originate from prior years or from projects related to the strategy for the development of the Group and process optimizations are classified as special items.

EBIT (Earnings before interest & taxes)
EBIT is calculated as profit for the period before financial income and expenses and corporate income taxes. EBIT also excludes income and expenses from discontinued operations.

Free cash flow
Free cash flow is a measure of financial performance calculated as operating cash flow less net capital expenditures.

Invested capital
Invested capital is calculated as intangible assets, property, plant and equipment, trade receivables and inventories less trade payables.

ROIC (return on invested capital) excluding goodwill
Operating profit as a percentage of average invested capital excluding goodwill.



Share details

Share Data

Number of shares of DKK 10 (1 September 2017)	131,852,496
Own shares (30 November 2017)	156,538
Classes of shares	1
Voting & ownership restrictions	None

NASDAQ Copenhagen

ISIN code	DK0060227585
Ticker symbol	CHR
Sector	Health Care

OTC ADR Level 1 program (BNY Mellon)

DR Symbol	CHYHY
CUSIP	12545M207
DR ISIN	US12545M2070
Ratio	DR:ORD 2:1
Effective Date	Jan 27, 2014
Industry	General Industrials

Financial Calendar 2017/18

11 April 2018	Interim Report Q2
28 June 2018	Interim Report Q3
11 October 2018	Annual Report 2017/18
29 November 2018	Annual General Meeting 2018

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