

## Nature's No. 1 reaffirmed - strategy update

Chr. Hansen has reaffirmed the Nature's No. 1 strategy (launched in Sept. 2013) and updated the long-term financial ambitions through 2019/20. The strategy aims to capture the full potential of Chr. Hansen's core businesses, while at the same time pursuing broader opportunities within microbial solutions by leveraging the company's strong technology platform. The long-term financial ambitions are organic revenue growth of 8-10% each year from 2016/17 through 2019/20 (previously 7-10%), combined with improvements in EBIT margin<sup>1</sup> and free cash flow<sup>2</sup> over the period.

### Results achieved so far

Since the launch of the Nature's No. 1 strategy in 2013, Chr. Hansen has delivered well in line with the original ambition. Organic revenue growth has averaged around 9% per year since 2012/13, and the EBIT margin for 2015/16 will be above 27.1%, despite a negative impact from lower capitalization of development costs of almost 1 percentage point.

**Food Cultures & Enzymes** has delivered growth, among other things by means of continued conversion and innovative solutions for the dairy industry and beyond, and secured an undisputed leadership position in China. In addition, the scalable business model has proved itself with an increased EBIT margin.

**Health & Nutrition** has delivered growth by expanding the human health and animal health businesses through a strengthened base, including the acquisition of NPC, and developed a first presence within plant health. In addition, opportunities within the human microbiome have been successfully explored.

**Natural Colors** has delivered lower-than-expected growth in the early years of the original plan period and a drop in EBIT margins. To address these challenges and the significant conversion opportunities in this area, Natural Colors has been strengthened by establishing a separate organization with a dedicated sales and application team and a stronger commercial mindset.

### Nature's No.1. Grow the business of today - create the solutions of tomorrow

*"I'm very pleased with the progress and results we've achieved so far. The strategy review has in all major respects reaffirmed our ambitions with Nature's No. 1, and we're making only minor - yet important - adjustments to our strategy that will help us continue to deliver attractive growth and strong profitability," says CEO Cees de Jong.*

The main conclusions from the review are:

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<sup>1</sup> Before special items.

<sup>2</sup> Before acquisitions, divestments and special items.

### **Growth outlook in Food Cultures & Enzymes remains positive, combined with further opportunities for scalability**

Chr. Hansen remains strongly positioned as a market leader to drive growth in specific niches within dairy and other food segments. Chr. Hansen's technologies cater to emerging consumer and food market trends and deliver high impact and value to its customers.

Future growth opportunities are based on fundamental market growth - not least in emerging markets - as well as continuing to convert bulk starter users to DVS formats, introducing new culture and enzyme functionalities and expanding the use of bioprotective solutions.

Chr. Hansen has seen strong growth in bioprotective solutions since 2013, and the strategy review confirmed attractive opportunities for further growth - both in existing markets for processed meat and dairy - and for penetration into new food categories such as ready-to-eat and fresh meat and fish.

Chr. Hansen has opportunities to further expand margins, mainly through production efficiency and the ability to upsell solutions that bring added value to customers' products and/or processes.

### ***Food Cultures & Enzymes' long-term financial ambition through 2019/20***

- Average annual organic growth rate of 7-8%.
- Increased EBIT margin over the period.

### **Further opportunities to expand and invest in Health & Nutrition**

The business areas in Health & Nutrition are supported by global trends such as increasing awareness of the adverse effects of antibiotic growth promoters and chemical pesticides, resource scarcity, increasing health costs and a growing scientific understanding of the benefits of "good bacteria."

Chr. Hansen has opportunities to expand and grow its businesses in human and animal health through innovation in the form of new strains and new applications, and further penetration with key customers and in new geographies. The product pipeline in plant health also offers significant opportunities, despite the temporarily challenging market conditions that have impacted first sales of Nemix C. Opportunities have opened up faster than expected within the human microbiome, especially the potential to support partners in upscaling and establishing production processes.

To support long-term growth in Health & Nutrition, a high investment level will be maintained in innovation across all four business areas, but particularly the human microbiome and plant protection. Chr. Hansen will also consider bolt-on acquisitions where these support existing business areas.

### ***Health & Nutrition's long-term financial ambition through 2019/20***

- Average annual organic growth rate above 10%. Meaningful growth from plant health by 2019/20.
- As a consequence of increased investments in future growth opportunities, EBIT margin is expected to be around 30% during the period.

### **How to succeed in Food Cultures & Enzymes and Health & Nutrition**

Chr. Hansen will continue to refine and develop its core processes, particularly those relating to innovation, production and commercialization. Chr. Hansen will focus on handling increasing complexity and demands from customers and regulatory bodies, as well as mitigating relevant risks such as production and product safety, increasing customer concentration in human health and increasing competition in animal health.

### **Positive growth outlook and opportunities to restore profitability in Natural Colors**

Increased regulation and growing consumer awareness are driving the demand for cleaner food & beverage products, including the demand for natural ingredients. Chr. Hansen benefits from these trends, which drive a fundamental long-term conversion from synthetic to natural colors. This trend has recently also started to materialize in the US market.

Chr. Hansen will secure growth, not least in the US, through continued strengthening of commercial and operational efficiency and by expanding its product portfolio, particularly within coloring foodstuffs.

Profitability in Natural Colors has been below expectations, but optimization and simplification initiatives identified across the business offer opportunities to increase profitability over the period.

### ***Natural Colors' long-term financial ambition through 2019/20***

- Average annual organic growth rate around 10%.
- Increased EBIT margin over the period.

In order to succeed in Natural Colors, Chr. Hansen will continue to refine and develop its core organizational processes, particularly those relating to innovation, strategic sourcing, production and logistics. Chr. Hansen will focus on complexity management, including simplifying its product portfolio, and mitigating relevant risks such as changes to regulation and the competitive situation.

### ***Financial discipline***

Chr. Hansen will continue to invest in innovation, emerging markets and capacity. Significant investments in capacity will be made, especially in 2016/17, with the planned expansion of capacity for cultures in Copenhagen. To fuel this growth and to deliver improved profitability, strong focus will be maintained on cost discipline as well as productivity and efficiency gains across the organization.

### *Long-term financial ambition through 2019/20*

- Organic revenue growth rate of 8-10% per year from 2016/17 to 2019/20 (previously 7-10%).
- Increased EBIT margin before special items over the period.
- Increased free cash flow before acquisitions, divestments and special items over the period.

The outlook for 2015/16 is unchanged from the announcement of 7 April 2016.

### *Capital allocation principles*

Chr. Hansen's capital allocation principles prioritize investment in organic revenue growth and bolt-on acquisitions to support its existing businesses. The priorities are as follows:

1. Support organic revenue growth through investments in innovation, capacity and people.
2. Pursue bolt-on acquisitions, e.g. via technology or market presence.
3. Pay an ordinary dividend of 40-60% of net profit<sup>3</sup>.
4. Maintain financial leverage consistent with a solid investment-grade credit profile, while returning excess cash to shareholders through interim dividends or buyback programs.

### **Capital Markets Day**

The updated strategy will be presented at a Capital Markets Day event today, 12 April 2016. The presentation will be webcast and can be accessed via [www.chr-hansen.com](http://www.chr-hansen.com).

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### **Forward-looking statements**

This announcement contains forward-looking statements. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of Chr. Hansen Holding A/S, may cause actual developments and results to differ materially from the expectations expressed in this announcement.

### **About Chr. Hansen**

Chr. Hansen is a global bioscience company that develops natural ingredient solutions for the food, nutritional, pharmaceutical and agricultural industries. The products include cultures, enzymes, probiotics and natural colors, and all solutions are based on strong research and development competencies coupled with significant technology investments. Revenue in the 2014/15 financial year was EUR 859 million. It has more than 2,600 dedicated employees in 30 countries and main production facilities in Denmark, France, USA and Germany. Chr. Hansen was founded in 1874 and is listed on Nasdaq Copenhagen. For further information, please visit [www.chr-hansen.com](http://www.chr-hansen.com).

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<sup>3</sup> The dividend proposed will depend on the Board of Directors' assessment of factors such as business development, growth strategy and financing needs, and there is no guarantee that an ordinary dividend will be proposed or declared in any given year.