



# Conference call 12M 2021

February 1, 2022



Disclaimer

## Forward Looking Statement

This presentation and its related comments contain forward-looking statements, including statements about future events, future financial performance, plans, strategies and expectations. Forward-looking statements are associated with words such as, but not limited to, "believe," "anticipate," "expect," "estimate," "intend," "plan," "project," "could," "may," "might" and other words of similar meaning.

Forward-looking statements are by their very nature associated with risks and uncertainties that may cause actual results to differ materially from expectations, both positively and negatively. The risks and uncertainties may, among other things, include unexpected developments in **i)** the ability to develop and market new products; **ii)** the demand for Novozymes' products, market-driven price decreases, industry consolidation, and launches of competing products or disruptive technologies in Novozymes' core areas; **iii)** the ability to protect and enforce the company's intellectual property rights; **iv)** significant litigation or breaches of contract; **v)** the materialization of the company's growth platforms, notably the opportunity for marketing biomass conversion technologies or the development of microbial solutions for broad-acre crops; **vi)** the political conditions, such as acceptance of enzymes produced by genetically modified organisms; **vii)** the global economic and capital market conditions, including, but not limited to, currency exchange rates (USD/DKK and EUR/DKK in particular, but not exclusively), interest rates and inflation; **viii)** significant price decreases on input and materials that compete with Novozymes' biological solutions. The company undertakes no obligation to update any forward-looking statements as a result of future developments or new information.

# Highlights

## Strong overall performance in 2021

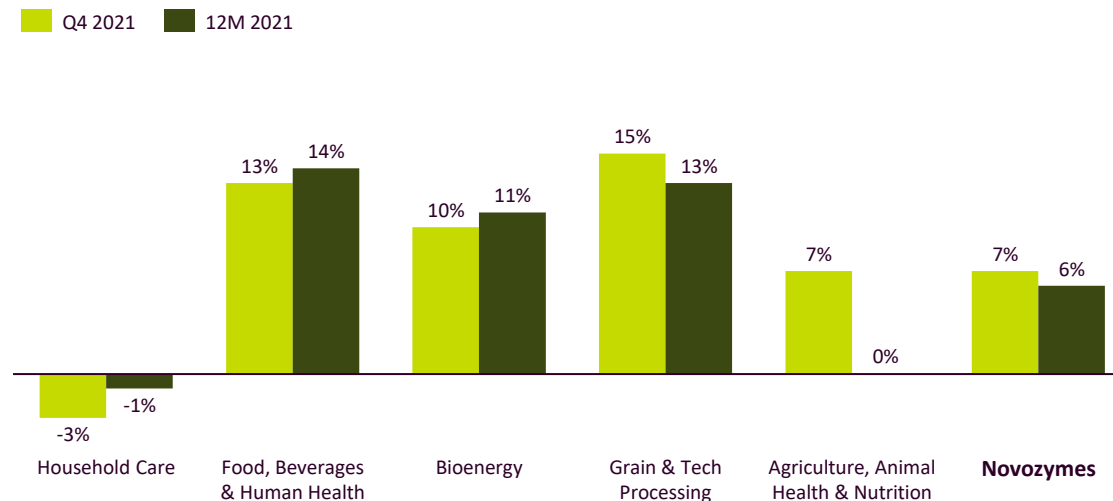
- Organic 12M sales growth y/y: 6% (Q4 y/y: 7%).
- Double-digit growth in three out of five business areas demonstrates the strength of a well-diversified portfolio.
- Emerging markets at 18% organic sales growth. Developed markets at 1%.
- On track to meet 12 out of 13 non-financial targets for 2022. Strong positive impact of our solutions on the planet, people and societies.
- 14 products launched in 2021, including 6 in the fourth quarter alone.
- Solid reported EBIT margin at 26.8%, including re-investments and acquisitions.
- Strategy execution: Initiated construction of new production line for advanced protein solutions in Blair, Nebraska; Saipem collaboration; Synergia acquisition.

## 2022 outlook:

- Organic sales growth of 3% to 7% (~3p.p. additionally in reported DKK) and solid EBIT margin of 25% to 26% despite significantly higher input costs.
- ROIC incl. goodwill expected at 16% to 17% and free cash flow before acquisitions of between DKK 1.7 and 2.1 billion, including DKK 2.5 to 2.8bn in CAPEX.
- Proposed dividend of DKK 5.50 per share corresponding to a payout ratio of 48.5%, and stock buyback program of up to DKK 500 million approved.

		Initial 2021 outlook	Latest 2021 outlook	Realized 12M 2021	2022 outlook
Sales performance, organic	%	2 to 6	5 to 6	6	3 to 7
EBIT margin	%	25 to 26	~27	26.8	25 to 26
ROIC, incl goodwill	%	~19	19 to 20	19.3	16 to 17
Free cash flow before acquisitions	DKKbn	2.7 to 3.1	2.8 to 3.2	2.9	1.7 to 2.1

## Organic sales performance by business area

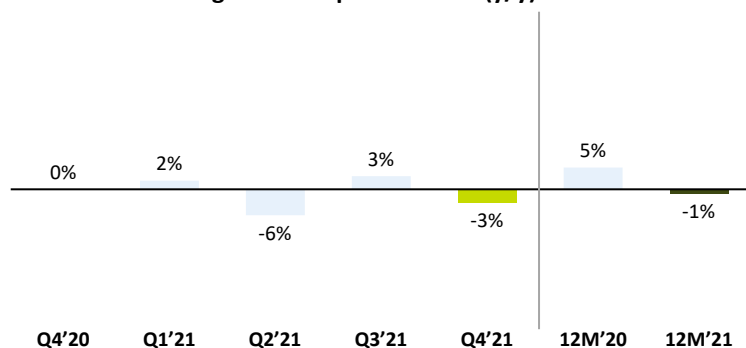


# Household Care

**Solid performance in Emerging Markets and with Freshness; slight decline overall against tough COVID-19 impacted comparator**

- Organic 12M sales growth y/y: -1% (Q4 y/y: -3%).
- Emerging markets performed well; local presence and tailored solutions driving increased enzymatic penetration.
- Developed markets declined; weak performance in Europe accelerated through the year.
- Freshness technology performing according to plan; broad market solution successfully launched in Q3.
- Q4 overall roughly in line with expectations; developed markets declined while emerging markets performed well.

**Organic sales performance (y/y)**



**32% of sales**



## 2022 perspectives

- Growth driven by increased penetration in emerging markets, Freshness, professional & medical cleaning and dishwash.
- Freshness gradually to contribute more to growth as the year progresses and in coming years.
- Full-year organic sales indication of from 2% to 4%.

## Did you know?

Most ingredients in laundry detergents are fossil-based. Less than 15% of detergent raw materials are the renewable and biodegradable solutions that Novozymes develops. We want to change that and move the industry towards fully biodegradable solutions.

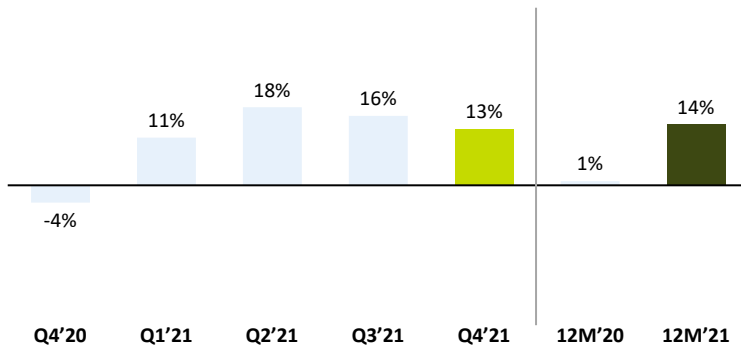


# Food, Beverages & Human Health

## Strong performance with all subareas growing double digits

- Organic 12M sales growth y/y: 14% (Q4 y/y: 13%).
- Food; mainly driven by market penetration and strong demand for health-focused solutions, especially in baking.
- Beverages; benefitted from recovery in brewing volumes following last year's COVID-19 lockdown measures.
- Human Health; strong performance driven by cross selling and regional expansion.
- Q4; strong performance driven by Food and Human Health, while Beverages roughly flat.

Organic sales performance (y/y)



**23%** of sales



## 2022 perspectives

- Growth in Food driven by market penetration, health-focused solutions as well as raw material optimization and ingredient substitution.
- Beverages expected to grow against a tough comparator.
- Strong double-digit growth in Human Health driven by innovation, cross-selling and regional expansion.
- Full-year organic sales indication of high single-digit growth.

### Did you know?

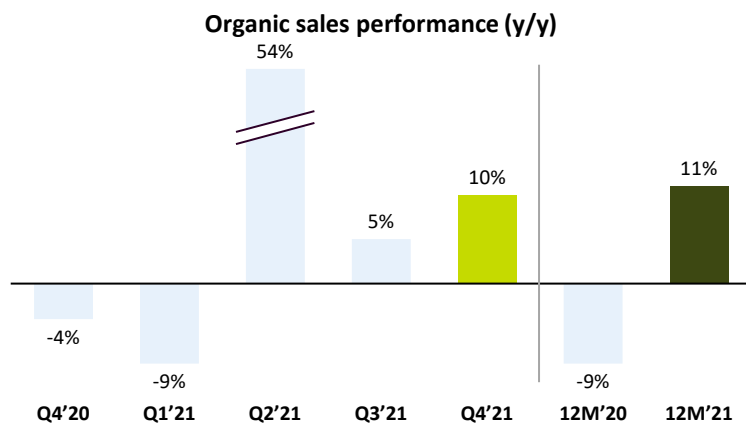
Plant-based food and beverages is one of the fastest growing retail categories in the U.S. We support the adoption of plant-based products in global diets to ensure better use of the available arable land, and we do this with solutions that reduce the need for sugar and salt, improve the taste and the texture of protein and eliminate additives. This does good for our planet while ensuring the health of consumers.



# Bioenergy

## Strong growth on the back of U.S. recovery

- Organic 12M sales growth y/y: 11% (Q4 y/y: 10%).
- Strong 12M performance driven by recovery of U.S. ethanol production, innovation, capacity expansion in Latin America, and biodiesel.
- Continued recovery of U.S. ethanol production, innovation, and Latin American capacity expansion behind strong Q4 performance. Demand also benefitted from very good market conditions in the U.S. ethanol industry.



18% of sales



## 2022 perspectives

- Growth driven by continued recovery of U.S. ethanol production, innovation, capacity expansion in Latin America, and biodiesel.
- Organic sales expected to grow in the low-to-mid-single-digits. Uncertainties related to the pandemic and volatile market conditions are the main reasons for the broad range.

### Did you know?

Today's transport sector is a key area for reducing carbon emissions, as it accounts for about 25% of global energy-related CO2 emissions. Our solutions for biorefineries and other green technologies play an important role in the pursuit of a carbon-neutral world. Every year, the ethanol production enabled by Novozymes' bio-solutions results in the displacement of ~8 billion gallons of gasoline. This corresponds to taking some 25 million cars off the road.

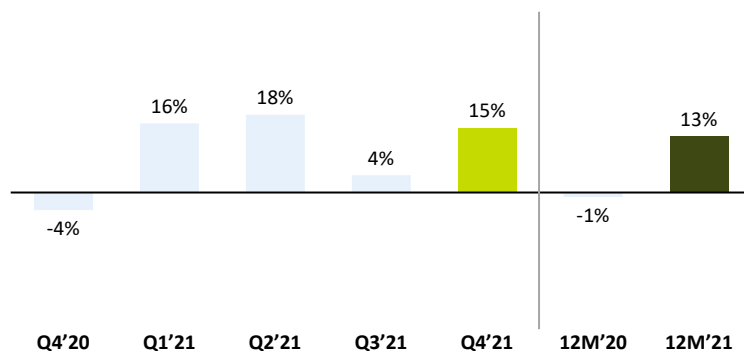


# Grain & Tech Processing

## Strong performance based on growth across subareas

- Organic 12M sales growth y/y: 13% (Q4 y/y: 15%).
- Strong 12M performance primarily driven by innovation and higher end-market demand in starch; recovery in textile; market penetration in vegetable oil processing.
- Starch, vegetable oil processing and diagnostics enzymes main drivers of strong Q4 growth.

Organic sales performance (y/y)



15% of sales



## 2022 perspectives

- Growth mainly from market penetration in vegetable oil processing and innovation.
- Organic sales expected to range from flat to low-single-digit growth. Uncertainties related to the pandemic and volatile market conditions are the main reasons for the sales growth range.

### Did you know?

Our Frontia® technology in grain milling can help reduce greenhouse gas (GHG) emissions, energy, water, and waste generation. In fact, Frontia® helps customers cut 9 kilograms of CO2 equivalents per metric tonne of corn, while still generating higher yields. Together with our customers, we continue to push for a world where good business and sustainability go hand in hand.

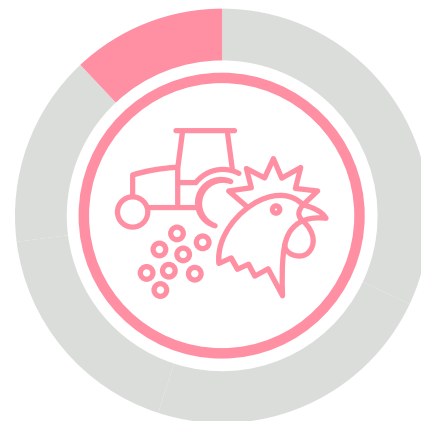
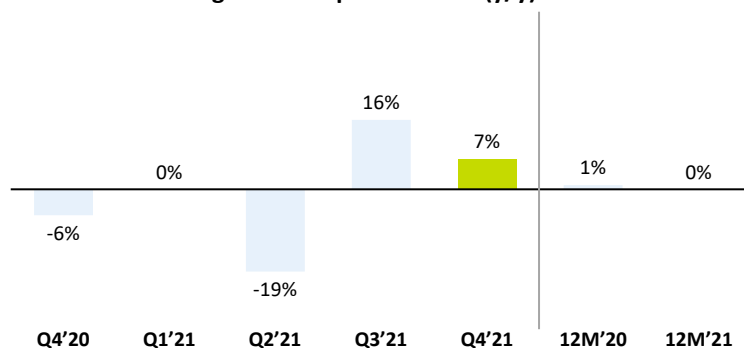


# Agriculture, Animal Health & Nutrition

## Flat despite negative base effect from BioAg one-off

- Organic 12M sales growth y/y: 0% (Q4 y/y: 7%).
- Flat 12M sales development – good underlying performance driven by innovation and market penetration offset by negative base effect from BioAg one-off in Q2 2020.
- Solid Q4 performance driven primarily by demand for health and protein solutions for animals, and bioyield solutions in agriculture.

Organic sales performance (y/y)



12% of sales



## 2022 perspectives

- Innovation, new go-to-market model, and good market conditions are key enablers behind double-digit growth in Agriculture. Growth in Animal Health & Nutrition will primarily be driven by innovation and volume growth.
- Organic sales expected to grow at a rate in the high-single-digits to low-teens. Uncertainties related to the pandemic and volatile market conditions are the main reasons for the broad range.

### Did you know?

Synthetic fertilizers that are currently used in agriculture can be replaced by biological alternatives that are non-pollutant to water quality and marine wildlife. We are developing biological solutions that boost natural nitrogen absorption, allowing replacement of 50-60lbs of fertilizer per corn-acre per year. If all corn in the U.S. were produced this way, we could potentially save more than 2 million tonnes of chemical fertilizer annually.





# Sustainability and non-financial targets

	Milestones	2021	2022 Targets
<b>Zymers &amp; Society</b>	Nurture diversity <sup>1</sup>	85	86
	Occupational injury <sup>2</sup>	1.5	≤1.5
	Zymer spirit index score <sup>3</sup>	82	81
	Enable learning <sup>3</sup>	79	80
	Pledge our time to local outreach activities	In progress	1% of time <sup>4</sup>
<b>Operations</b>	Reduce absolute CO <sub>2</sub> emissions from operations <sup>5</sup>	42%	40%
	Develop context-based water management programs	73%	100% of sites <sup>6</sup>
	Manage biomass in circular systems	99%	100%
	Develop circular management plans for key packaging materials	On track <sup>7</sup>	100%
	Develop programs to reach zero waste by 2030	67%	100% of sites <sup>6</sup>
<b>World</b>	Save CO <sub>2</sub> emissions by enabling low-carbon fuels in the transport sector	60 million tonnes of CO <sub>2</sub>	60 million tonnes of CO <sub>2</sub>
	Reach people by providing laundry solutions that replace chemicals	4.1 billion people	>4 billion people
	Gain food by improving efficiency from farm to table	206,000 tonnes of food	500,000 tonnes of food

<sup>1</sup> Index calculated based on gender and national representation at various professional levels.

<sup>2</sup> Defined as three-year rolling average of lost time injuries per million working hours.

<sup>3</sup> Measured by score to relevant questions in annual survey.

<sup>4</sup> Qualitative reporting only.

<sup>5</sup> From a 2018 baseline.

<sup>6</sup> The targets do not include sites with activities not considered to have a significant environmental impact, e.g. sales offices, R&D labs, etc.

<sup>7</sup> We are progressing as planned in the development of circular plans to make our key packaging recyclable, reusable or compostable.





# Financial results

## Strong overall performance in 2021, including 7% organic sales growth in Q4

- 12M organic sales growth y/y: 6%; DKK sales 7% y/y.
- Gross margin strong at 57.7%; 170bps higher than last year driven by productivity improvements & efficiencies, sales leverage and to some extent M&A.
- Solid EBIT margin at 26.8%; 70bps higher than last year driven by strong gross margin and higher other operating income; increased operating costs from M&A and growth investments.
- Net investments of DKK 1.1 billion at 7% relative to sales.
- Free cash flow before acquisitions solid at DKK 2.9 billion or 20% relative to sales, despite increase in NWC.
- ROIC incl. goodwill at 19.3%, ~40bps higher than last year driven by higher operating profit and despite increase in average invested capital

		12M 2021	12M 2020	Q4 2021	Q4 2020
Sales performance, organic	%	6	0	7	-3
Gross margin	%	57.7	56.0	56.1	55.5
EBIT margin	%	26.8	26.1	21.0	23.1
Net investments excl. acquisitions	DKKbn	1.1	0.9	0.5	0.3
Free cash flow before acquisitions	DKKbn	2.9	3.4	0.2	0.7
ROIC incl. goodwill	%	19.3	18.9	14.1	17.6





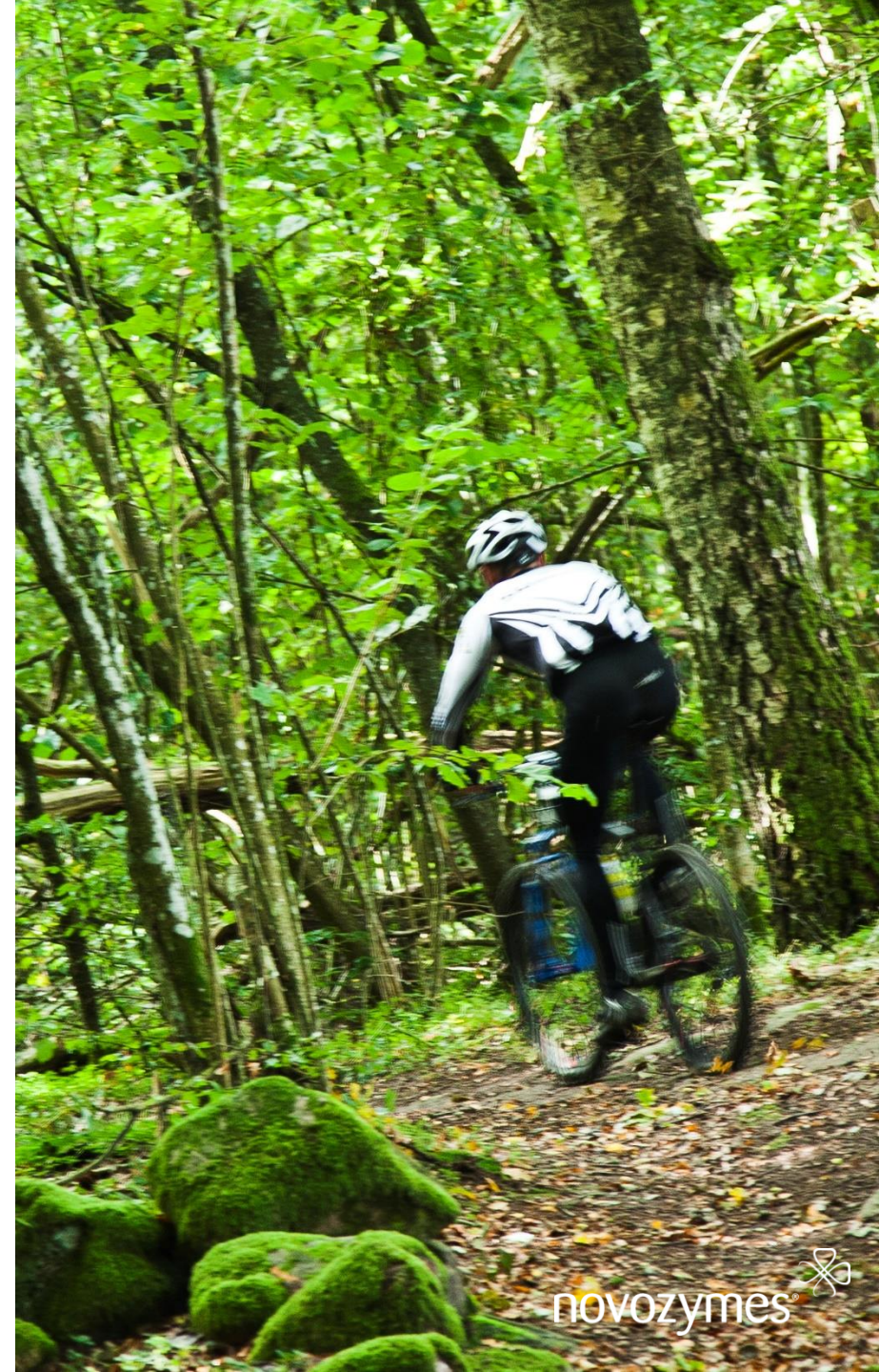
# Financial outlook 2022

## 2022 outlook

- Organic sales growth of 3% to 7% with sales in reported DKK around 3 percentage points higher.
- EBIT margin of 25% to 26%.
- ROIC incl. goodwill of 16% to 17%.
- Free cash flow before acquisitions of DKK 1.7 to 2.1 billion.

		2021 realized	2022 outlook
Sales performance, organic	%	6	3 to 7
EBIT margin	%	26.8	25 to 26
ROIC, incl goodwill	%	19.3	16 to 17
Free cash flow before acquisitions	DKKbn	2.9	1.7 to 2.1
For modeling purposes:			
Effective tax rate	%	19.9	~22%
Net financials costs	DKKbn	79	~250
Net investments	DKKbn	1.1	2.5 to 2.8
Stock buyback program	DKKbn	1.5	0.5

*\*Assumes constant currencies from the time of this announcement and for the remainder of the year*

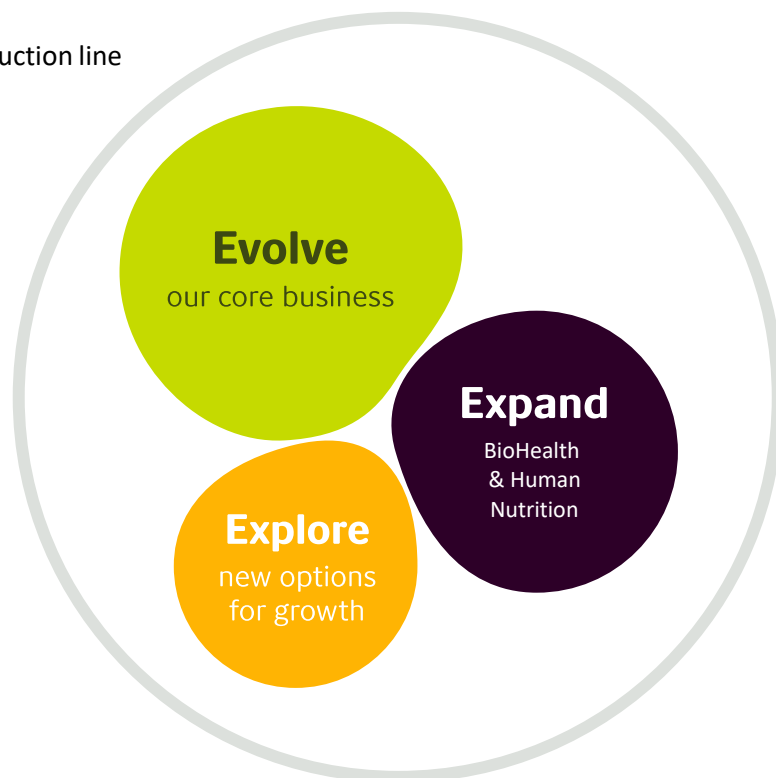




# Summary

**Strong overall performance in 2021; solid outlook for 2022; executing on strategic framework**

- Strong sales performance with double-digit growth in three out of five business areas.
- Delivering on all key progress areas:
  - Partnerships
  - Innovations
  - Digital journey
  - Sustainability agenda
- Launch of refreshed strategy - 2022 progress areas:
  - Achieve key milestones in construction of new Blair production line
  - Leverage Human Health acquisitions
  - Invest in first customer co-creation center
  - Continued prioritization in the core business







novozymes® 

Rethink Tomorrow