

Novozymes accelerates growth in Q3 and is on track to deliver on full-year expectations

After the first nine months of the 2023 financial year, Novozymes sees increasing demand for sustainable biosolutions and delivers 5% organic sales growth. The full-year organic sales growth outlook is maintained at 4-6%.

COPENHAGEN, Denmark – October 26, 2023. Novozymes delivers 5% organic sales growth, an EBIT-margin of 25.5% before special items, and ROIC including goodwill of 16.3% before special items in the first nine months of the 2023 financial year. The company's full-year organic sales growth outlook is maintained at 4-6%.

"The results we are presenting today are another proof-point to the strength of our well-diversified portfolio and broad market exposure. With accelerating organic sales growth reaching 5% after the first nine months, including a strong 8% in the third quarter with 3% volume growth, we are on a solid trajectory to deliver on our full-year guidance. Growth was supported by destocking gradually levelling off in the food-related areas and increasing customer demand for our sustainable biosolutions," says Ester Baiget, President & CEO, and continues:

"We are progressing very well on closing the combination with Chr. Hansen and we continue the regulatory approval process. We have formally submitted our filing with the European Commission on October 20, and with the new company's Executive Leadership Team announced earlier this month, we will be able to execute with full speed ahead when becoming one, combined company."

In December 2022, Novozymes and Chr. Hansen agreed to combine and create a leading, global biosolutions partner with a broad biological toolbox, strong innovation and application expertise, and world-class production capabilities. As previously communicated, the closing of the combination is expected to be completed in the fourth quarter of 2023 or the first quarter of 2024. In the third quarter, China, Brazil, and Turkey joined the countries granting regulatory approval regarding the combination with Chr. Hansen. South Korea and EU clearance is outstanding, with our official filing with the European Commission submitted on October 20. The Executive Leadership Team of the new company was announced on October 10, 2023.

During the first nine months of the 2023 financial year, Novozymes launched 10 new products, four of which were public. Novozymes also participated at the United Nations General Assembly in New York with a strong agenda, and a strong pull for accelerated sustainability efforts.

Business area results

For the first nine months of the 2023 financial year, organic performance by business area was 3% in Household Care, -2% in Food, Beverages & Human Health, 25% in Bioenergy, -9% in Grain & Tech Processing and 7% in Agriculture, Animal Health & Nutrition.

Sales growth in the nine months of 2023 was within expectations, benefitting from a well-diversified portfolio and broad market exposure.

Bioenergy showed continued strong demand across geographies and a broad, differentiated portfolio of solutions for multiple end-markets.

In Agriculture, Animal Health & Nutrition, growth was driven by performance in Animal Health & Nutrition with strong demand for sustainable yield and health solutions. Performance in Agriculture was more muted following destocking in the value chain.

Household Care experienced growth in developed markets from innovation and increased penetration despite declining in-market detergent volumes. Emerging markets grew from increased penetration of enzymatic solutions.

In Food, Beverages & Human Health, sales growth improved in Q3 as expected, with destocking gradually levelling off as well as improvements in Human Health. The first half year was negatively impacted by destocking

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and reduced consumer demand and Human Health was impacted by supply-chain constraints and a soft North American probiotics market.

In Grain & Tech Processing, sales growth in Grain was offset by expected softness in tech from reduced sales of solutions for Covid-19 test kits and declining demand in textile.

Regional results

For the first nine months of the 2023 financial year, organic growth rates by geography were 3% in Europe, Middle East & Africa, 7% in North America, -1% in Asia Pacific, and 16% in Latin America.

Sales in developed markets grew by 6% organically and 3% in emerging markets. Bioenergy was the main driver of growth in developed markets, while Agriculture, Animal Health & Nutrition delivered solid growth. Household Care also contributed to growth despite declining industry volumes in developed markets. Food, Beverages & Human Health were flat while Grain & Tech Processing declined.

In emerging markets, growth was driven by Bioenergy, while Household Care and Agriculture, Animal Health & Nutrition also contributed positively. This was offset by negative growth in Food, Beverages & Human Health, and Grain & Tech Processing.

Financial outlook for 2023

The organic sales growth outlook is maintained in the range of 4-6%. Full-year growth is expected to be driven mainly by pricing. Positive pricing is expected across all business areas, including in the fourth quarter, whereas innovation and increased market penetration are expected to be volume supportive.

As initially expected, growth declined in the first half of the year, with an acceleration anticipated for the second half.

The outlook assumes no major changes to the current state of the global economic situation and reflects an anticipated levelling-off of destocking also in the fourth quarter, in the food-exposed areas.

EBIT margin expectations before special items are maintained at 25-26%. ROIC incl. goodwill before special items is maintained at 16-17%.

About Novozymes

Novozymes is the world leader in biological solutions. Together with customers, partners, and the global community, we improve industrial performance while preserving the planet's resources and helping build better lives. As the world's largest provider of enzyme and microbial technologies, our bioinnovation enables higher agricultural yields, low-temperature washing, energy-efficient production, renewable fuel, and many other benefits that we rely on today and in the future. We call it Rethink Tomorrow. www.novozymes.com

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