



DSM to acquire Glycom A/S Denmark to accelerate growth in Early Life Nutrition

Presentation to Investors

21 February 2020

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Executive Summary – Transaction Highlights Glycom

Acquisition

- Royal DSM has reached agreement to acquire **Glycom A/S (“Glycom”)**, the world's leading supplier of Human Milk Oligosaccharides (HMO) for an enterprise value of €765 million
- This transaction represents an **EV/EBITDA multiple of 20.6x** based on the 2019 reported EBITDA, and around **15x based on the estimated 2021 EBITDA**. This multiple reflects strong growth expectations and high Ebitda margins
- Glycom reported **2019 Sales of €74m and EBITDA of €37m. 2019 Ebitda margin of 50%**. The sales in 2019 were pre-dominantly generated with Nestlé and Nestlé will continue to be an important customer in the future. The Nestlé contract is a mutually beneficial long-term contract with firmly committed volumes also covering the mid-term horizon
- **Sales** and **EBITDA** are expected to grow strongly, driven by inclusion in high-end infant nutrition, and further accelerated by leveraging DSM's global HNH network as well as DSM's biotech competences
- Contribution to DSM **EPS** for 2021 is expected to be €0.10-0.15 in 2021

Strategic Fit

- This acquisition is an attractive and logical next step for DSM in line with its **Strategy 2021**. It is consistent with our growth-oriented capital allocation priorities, **predominantly focused towards Nutrition**, and adheres to our strict value creation criteria
- Shared passion for purpose-led and science-based solutions in Nutrition & Health
- Enables us to **accelerate growth** and provide customers with **innovative Early Life Nutrition (ELN) solutions** in our Human Nutrition business
- Following the acquisition, **DSM's balance sheet remains strong**

Synergies

- This acquisition by DSM will be highly synergetic for both companies
- DSM can **accelerate the growth** of Glycom by offering HMO products to DSM's broad global customer base and integrating it in its full solutions offering for ELN customers
- DSM can **accelerate the HMO product development** of Glycom by leveraging its strong R&D platform and clinical competencies to support Glycom's development of next-generation HMOs
- DSM can **increase HMO production**, and **improve cost position**, by applying its biotech competences for strain improvement
- DSM can introduce HMOs in **other Human Nutrition & Health segments** outside the ELN market, for instance for toddlers, children and adults, as well as in the medical nutrition and the pet food segments, creating additional growth potential

Executive Summary – HMOs in Early Life Nutrition

Glycom A/S	<ul style="list-style-type: none">• Glycom is a Danish company, with ~150 employees, founded in 2005 by a group of scientists that pioneered the development and commercialization of HMOs for Early Life Nutrition applications• Operates a state-of-the-art manufacturing plant in Esbjerg (Denmark) and is the only fully integrated HMO provider in the world with its own product development, preclinical and clinical development, regulatory and large-scale production with an exciting innovation roadmap for next-generation HMOs
Human Milk Oligo-saccharides	<ul style="list-style-type: none">▪ HMOs are a collection of carbohydrate structures found in human breast milk. They act as prebiotics in infants, which help to develop the desired microbial flora by serving as feed for the good bacteria in the intestine▪ HMOs are essential for development of the immune, cognitive and digestive system in infants and believed to have a multitude of health benefits for adults as well▪ Market for HMOs, currently around €100m, is expected to quadruple in the coming 5 years driven by large ELN producers adopting HMOs, increased inclusion rates, increased segment penetration, new HMOs introduced, approvals in other regions and the launch of HMO solutions in non-infant nutrition markets such as dietary supplements, medical nutrition and pet care
DSM in ELN	<ul style="list-style-type: none">▪ DSM is a leading global solutions supplier to the ELN industry with its unique portfolio of nutritional lipids such as ARA/DHA, vitamins and customized nutrient premixes▪ With the acquisition of Glycom, DSM adds HMOs to its portfolio, a novel high growth, high margins ingredient for next-generation ELN solutions▪ DSM currently has €0.5bn sales (2019) to the ELN segment
Timing	<ul style="list-style-type: none">▪ The transaction is expected to close in Q2 2020

Glycom A/S Denmark



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Glycom A/S Denmark

- Privately held, Danish biotech company , founded in 2005 in Copenhagen
 - ✓ **2019 Sales of €74m**, all in HMOs for Infant Nutrition, **2019 EBITDA of €37m**, **EBITDA margin of 50%**
 - ✓ 150 employees from 15+ nationalities
 - ✓ Research center and HQ in Hørsholm, Denmark
 - ✓ Manufacturing site in Esbjerg, Denmark
- **Leader in Human Milk Oligosaccharides (HMOs) for Human Health**, achieved via >10 years of exploration and development proceeding commercial scale manufacturing
 - ✓ First to make available many HMOs on large scale at reasonable cost
 - ✓ First product launched in Europe in 2016
 - ✓ Rich preclinical and clinical pipeline: leading innovator
 - ✓ Highest quality and safety
- **Leading competitive position** driven by:
 - ✓ Significant lead in innovation: R&D, biological efforts, patent publications and regulatory filings
 - ✓ Early entry advantage
 - ✓ Sustained scale benefits in manufacturing
 - ✓ An exciting innovation roadmap for next-generation HMOs
- **Current ownership:** founders, Nestle and various investors mainly Danish



Human Milk Oligosaccharides

HMOs



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Glycom's - GlyCare™ Human Milk Oligosaccharides (HMO) product

- HMOs are complex carbohydrates that exist naturally in large quantities in our very first food, mother's milk. Naturally occurring, there are about 200 different HMOs. HMOs are unique nutrients which have evolved over thousands of years providing health benefits for infants, children and adults
- Glycom has the broadest commercially available HMO product portfolio including two HMO classes which is continuously expanding. GlyCare™ 2FL and GlyCare™ LNnT are approved for use in foods (incl. infant nutrition and foods) and consumer health products. Glycom's HMO powders are manufactured via fermentation and are subsequently purified and packaged at its site in Esbjerg, Denmark
- GlyCare™ 2FL and GlyCare™ LNnT have approvals for use in the EU, and have notified GRAS status in the US, along with independent approvals for many countries in Asia, South America and Africa. Products containing Glycom's HMOs are available in more than 65 countries and are approved for use in more than 150 countries. Glycom continues to expand its global approval footprint across application areas
- Glycom is continuously expanding the GlyCare™ portfolio:
 - ✓ 4 additional HMOs are expected to be commercially available during 2020
 - ✓ Glycom's R&D is developing cost-effective production processes for additional HMOs with a focus on making a broad diversity of HMOs commercially available
 - ✓ Glycom invests in understanding how HMOs benefit both children and adults. This is done through clinical and mechanistic studies, partnerships and donation programs connected to more than 40 research institutions globally



HMOs for Infant Nutrition

- HMOs are the third-largest ingredient in human breast milk
- Bovine milk has very low amounts of HMOs with different structures, leaving HMOs as the biggest differentiator between human breast milk and infant formulas
- HMOs are approved for use in Infant Nutrition products in Europe, the US and beyond
- Since 2017, HMOs have been commercially available from Glycom
- Benefits of adding HMOs to Infant Nutrition (supported by clinical evidence):
 - ✓ Support development of healthy digestive system
 - ✓ Create well-balanced gut microbiota
 - ✓ Protect from infections
 - ✓ Support the development of strong immune function
 - ✓ (potential) Support brain development and memory development
- Glycom's HMOs have been clinically tested and have proven to be safe and beneficial; Glycom/Nestle's clinical trials show during the first 12 months:
 - ✓ Significant reduction in bronchitis and respiratory tract infections
 - ✓ Reduced use of antibiotics and fever reducing medicine



HMO benefits for adults

- Emerging evidence for HMOs benefits in adults, including:
 - ✓ Functional gastrointestinal diseases, including Irritable Bowel Syndrome (IBS), a chronic digestive disorder that affects 10-15% of the adult population
 - ✓ Metabolic diseases: obesity and co-morbidities
 - ✓ Reduction of consequences of antibiotic treatment
 - ✓ Allergies and intolerances



A woman with blonde hair, wearing a light blue denim shirt and dark pants, is crouching in a grocery store aisle. She is holding a young child with blonde hair, wearing a light blue sweater and jeans. They are both looking at a small red container on a shelf. The aisle is filled with various food products, including jars and cans. A shopping cart is visible in the background.

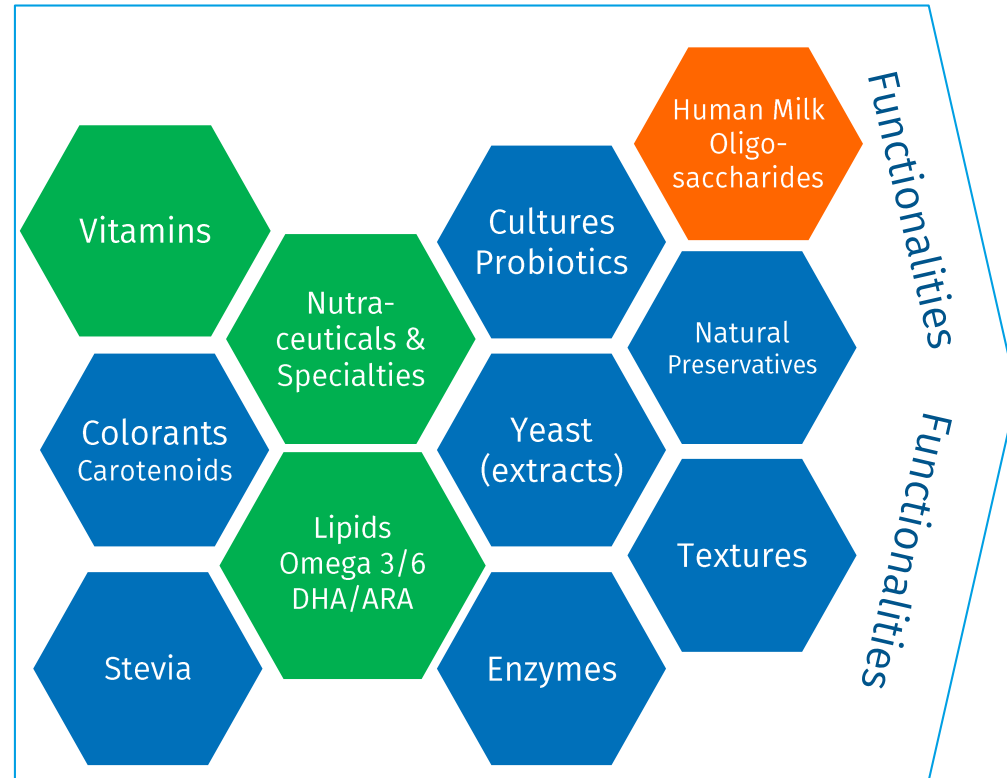
DSM's position in Human Nutrition & Health – Early Life Nutrition

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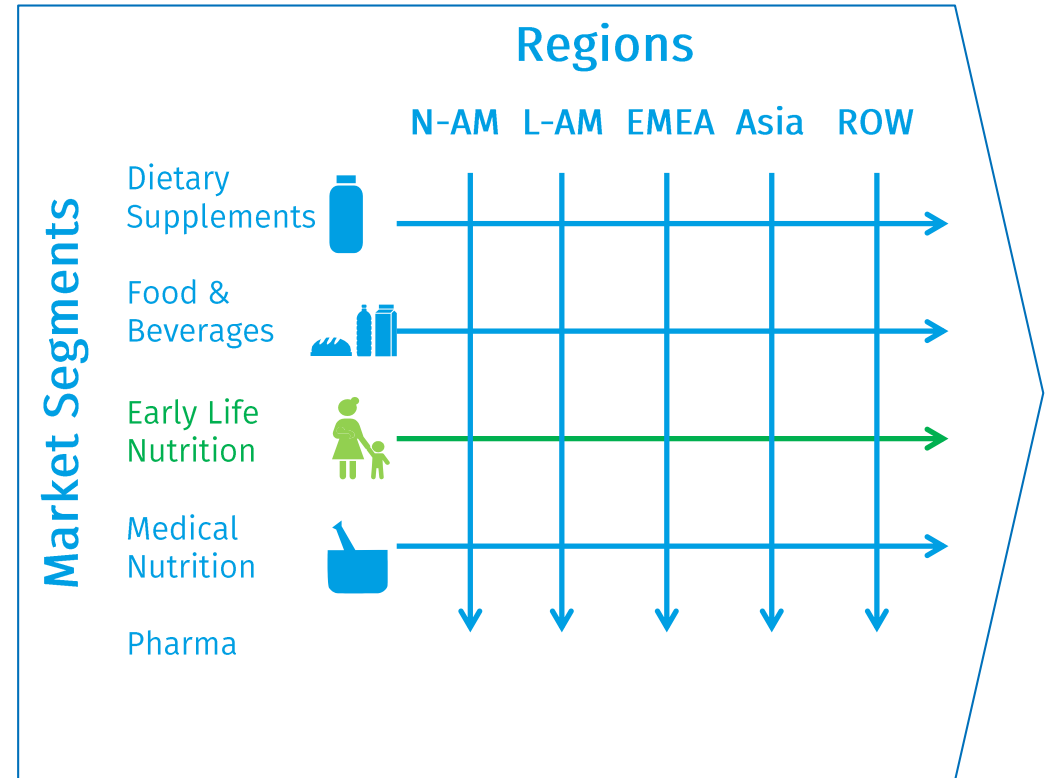
DSM's Unique business model in Human Nutrition & Health

Broad, global portfolio in ingredients & global network of (premix) solutions

Global Products

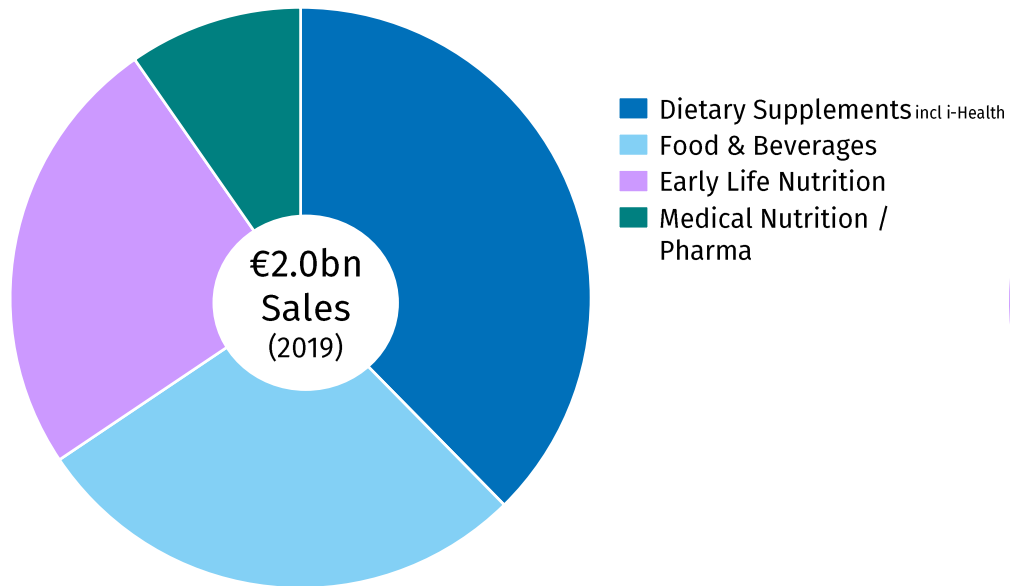


(Local) Solutions & Services

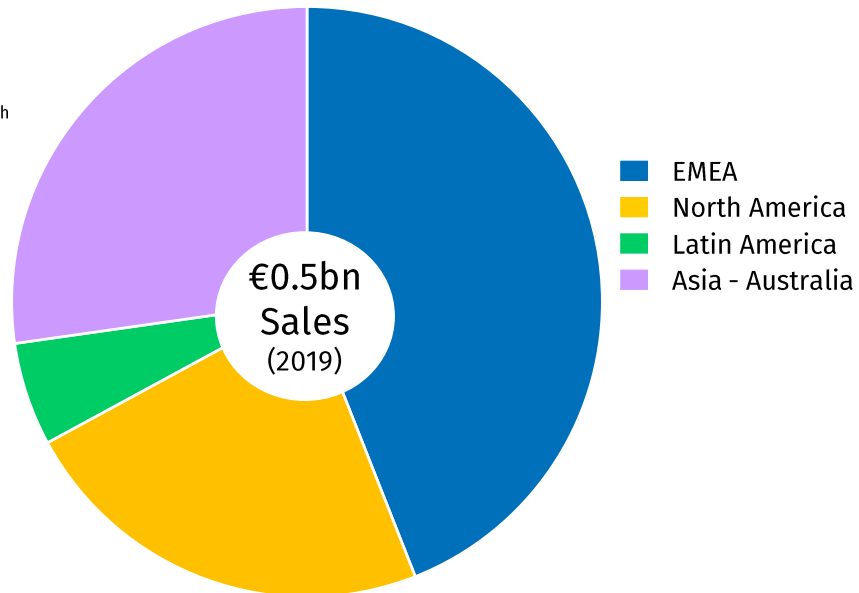


DSM's Early Life Nutrition sales in 2019: €0.5bn

Human Nutrition & Health Sales by business segment(%)



DSM ELN Sales by Region "ship-to customer"*



2019 ELN Market €48bn globally

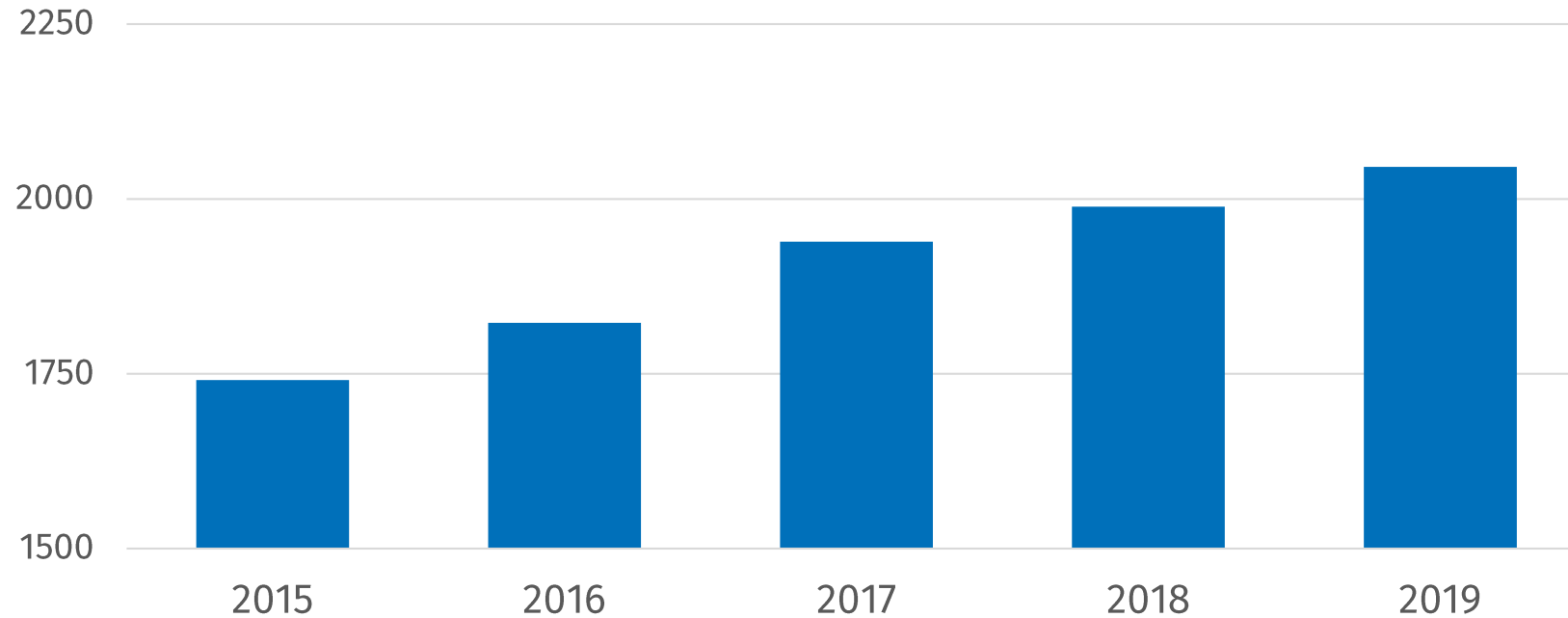


- DSM's sales to ELN largely to customers in Europe and North America; end-consumer base ELN is, however, larger in Asia, especially China

DSM's HNH business continued above-market growth

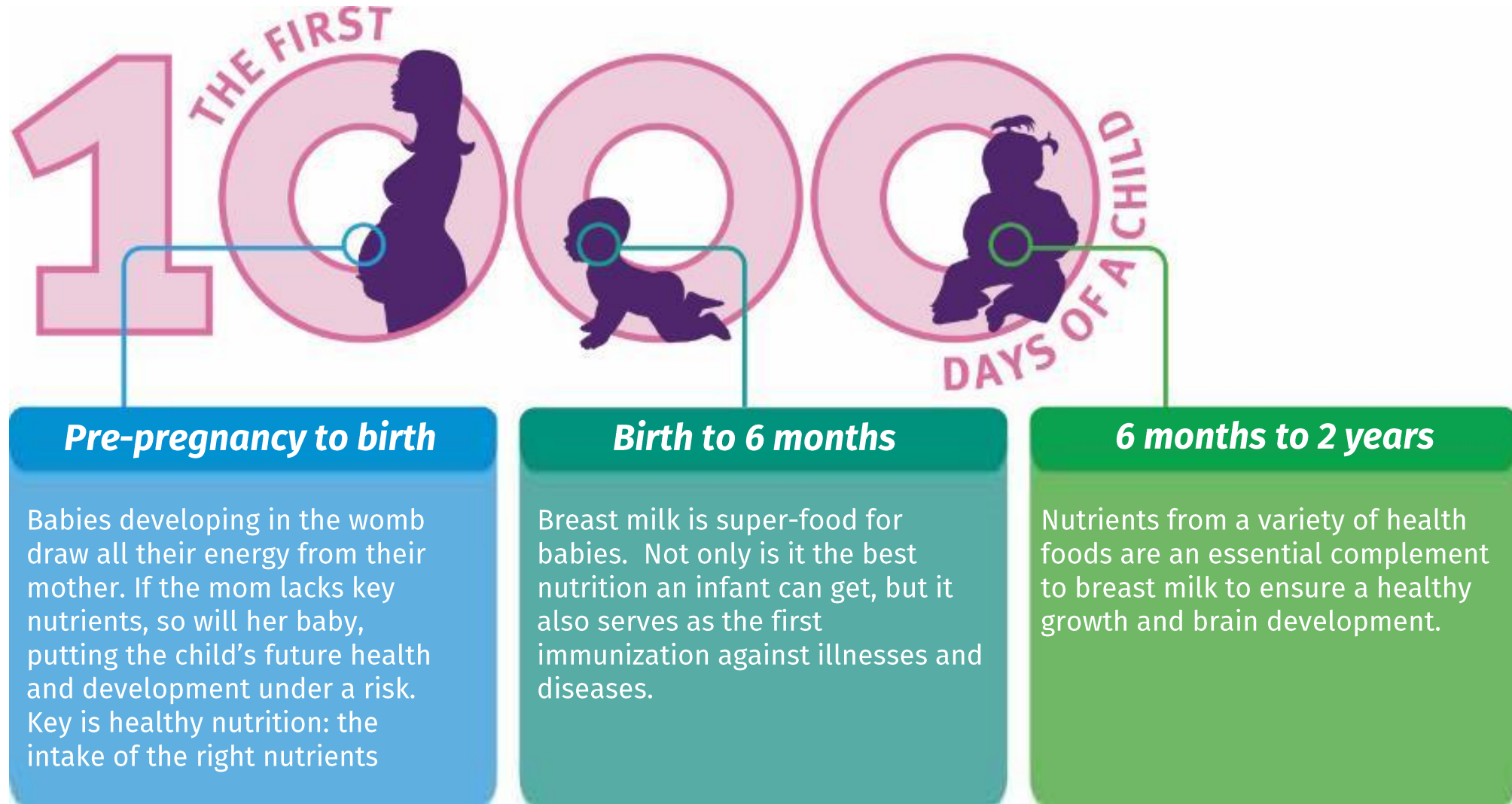
€2.0bn sales (2019) of which €0.5bn sales in Early Life Nutrition with **highly attractive margins**

Sales (€ million)

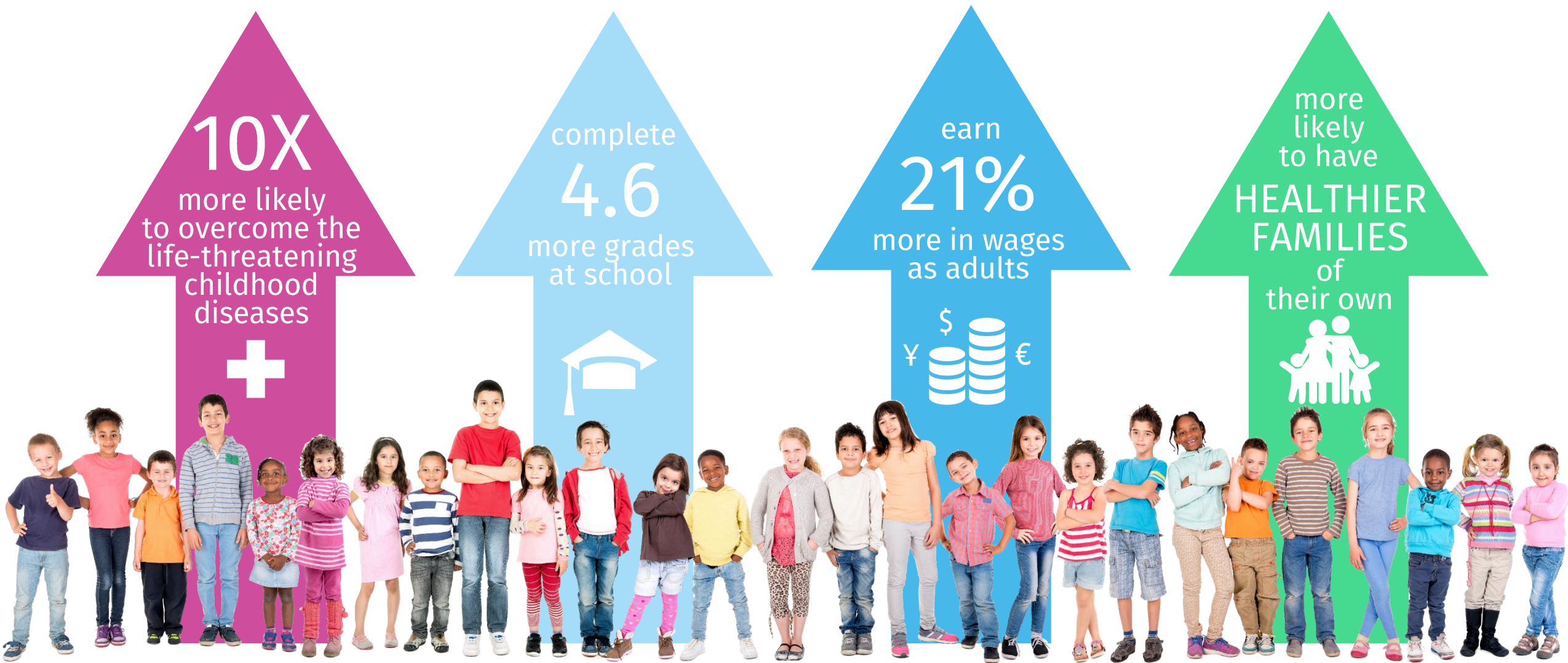


4%
CAGR organic growth
2016-2019

A healthy life starts *before* birth...



Children who get the **right nutrition** in their first 1000 days...



Source: www.thousanddays.org, <http://www.thelancet.com/series/maternal-and-child-nutrition>



Essentiality
of nutrition

The first **1000** days echo for the rest of **life**

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Summary:

Accelerating growth in Early Life Nutrition



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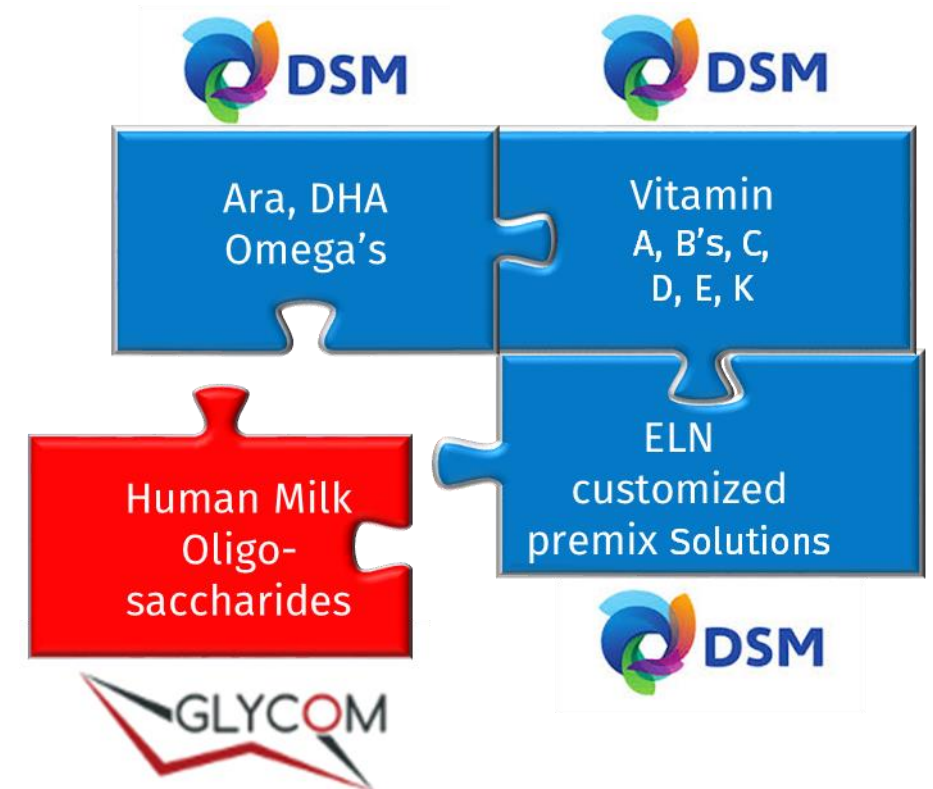


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Summary: welcoming Glycom into DSM

- Glycom has a **great fit with DSM**, with a shared passion for purpose-led and science-based solutions in Nutrition & Health
- Glycom has **highly attractive financials**: 2019 Sales of €74m, 2019 EBITDA of €37m, and Ebitda margin of 50%. Sales and EBITDA growth are expected to grow strongly driven by inclusion in high-end infant nutrition, and further accelerated by leveraging DSM's global HNH network as well as DSM's biotech competences
- This acquisition is a **financially attractive** and logical next step for DSM, in line with Strategy 2021, enabling DSM to further grow and strengthen its very attractive Early Life Nutrition segment in our Human Nutrition business
- **Strong synergetic effects** to accelerate Glycom's growth through combining DSM's broad market reach in Human Nutrition & Health and its R&D, clinical, regulatory and technology competencies with Glycom's best-in-class HMO platform, production footprint and innovation pipeline
- **Welcoming 150 passionate Early Life Nutrition specialists into DSM**



Disclaimer

- This presentation may contain forward-looking statements with respect to DSM's future (financial) performance and position. Such statements are based on current expectations, estimates and projections and information currently available to the company. DSM cautions readers that such statements involve certain risks and uncertainties that are difficult to predict and therefore it should be understood that many factors can cause actual performance and position to differ materially from these statements. DSM has no obligation to update the statements in this presentation, unless required by law
- A more comprehensive discussion of the risk factors affecting DSM's business can be found in the company's latest Annual Report, which can be found on the company's corporate website, www.dsm.com



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