

# Presentation to Investors

*First nine months 2020 results*

NUTRITION • HEALTH • SUSTAINABLE LIVING



**DSM**

BRIGHT SCIENCE. BRIGHTER LIVING.



# Co-CEOs statement

*“The first nine months of 2020 were impacted by the COVID-19 pandemic, with Nutrition overall performing well in this environment and Materials significantly affected. During this period, we have taken timely actions to protect profitability and cash flow generation while we continued to execute our long-term strategy. We closed two acquisitions in Nutrition, including the Erber Group in October, and announced the divestment of our Resins and Functional Materials businesses.*

*Our businesses performed in line with our expectations for the third quarter, as we set out in early August. Conditions were overall good in Nutrition, with momentum in Materials improving.*

*With a surge of COVID-19 cases in recent weeks impacting near term visibility, we remain vigilant and focused on the health and safety of our employees. We thank them for their commitment and for ensuring continued security of supply to our customers.”*

*Geraldine Matchett and Dimitri de Vreeze*



# Highlights first nine months 2020

## Continuing operations results:

- DSM reports a solid first nine months in a challenging COVID-19 environment, with a continuing robust performance in Q3, despite significant negative foreign exchange effects
- Group sales stable and Adjusted EBITDA -3%
  - ✓ Nutrition: sales +4%, organic sales +5%, Adjusted EBITDA +6%
  - ✓ Materials: sales -18%, volumes -13%, Adjusted EBITDA -33%
- Adjusted net profit down 8% to €544m

## Total Group:

- Net profit: €453m
- Adjusted Net Operating Free Cash Flow of €639m, up 16% year to date
- Outlook 2020 unchanged

# Highlights Q3 2020

## Continuing operations results:

- DSM reports a solid Q3 despite significant negative foreign exchange effects
- Group sales -4% and Adjusted EBITDA -1%:
  - ✓ Nutrition: sales stable, organic sales +4%, Adjusted EBITDA +7%
  - ✓ Materials: sales -17%, volumes -6%, Adjusted EBITDA -31%
- Adjusted net profit down 20% to €176m.

## Total Group:

- Total net profit: €183m
- Adjusted Net Operating Free Cash Flow of €297m, up 1% compared to Q3 2019

# Outlook 2020

DSM suspended its overall earnings outlook for the full year 2020 earlier this year owing to COVID-19 related uncertainties in Materials. For Nutrition, DSM indicated it expected to deliver at least a mid-single digit increase in Adjusted EBITDA for 2020, which is unchanged.

# 9M 2020 | Key financials

Continuing operations

in € million	Jan-Sept 2020	Jan-Sept 2019	% Change	Volume	Price/mix	FX	Other
<b>Sales</b>	<b>6,026</b>	6,064	-1%	1%	-1%	-2%	1%
Nutrition	<b>4,771</b>	4,573	4%	5%	0%	-3%	2%
Materials	<b>1,092</b>	1,327	-18%	-13%	-5%	-1%	1%
<b>Adjusted EBITDA</b>	<b>1,144</b>	1,178	-3%				
Nutrition	<b>1,014</b>	956	6%				
Materials	<b>187</b>	278	-33%				
Innovation	<b>16</b>	19					
Corporate	<b>-73</b>	-75					
EBITDA	<b>1,020</b>	1,133					
<b>Adjusted EBITDA margin</b>	<b>19.0%</b>	19.4%					

# Q3 2020 | Key financials

## Continuing operations

in € million	Q3 2020	Q3 2019	% Change	Volume	Price/mix	FX	Other
<b>Sales</b>	<b>1,961</b>	2,035	-4%	1%	-1%	-5%	1%
Nutrition	<b>1,547</b>	1,544	0%	3%	1%	-6%	2%
Materials	<b>362</b>	435	-17%	-6%	-8%	-3%	0%
<b>Adjusted EBITDA</b>	<b>383</b>	388	-1%				
Nutrition	<b>340</b>	317	7%				
Materials	<b>62</b>	90	-31%				
Innovation	<b>5</b>	6					
Corporate	<b>-24</b>	-25					
EBITDA	<b>337</b>	378					
<b>Adjusted EBITDA margin</b>	<b>19.5%</b>	19.1%					

- Trading conditions during Q3 were in line with expectations as communicated in August with the Q2 results. Nutrition performed well, despite a significant negative foreign exchange effect of minus 6%. Materials, whilst still impacted by COVID-19, showed an improving volume trend relative to the prior quarter, especially in September.

# Key figures and indicators

Continuing operations in € million	January - September			Q3 2020	Q3 2019	% Change
	2020	2019	% Change			
<b>Sales</b>	<b>6,026</b>	6,064	-1%	<b>1,961</b>	2,035	-4%
<b>Adjusted EBITDA</b>	<b>1,144</b>	1,178	-3%	<b>383</b>	388	-1%
<b>Adjusted EBITDA margin</b>	<b>19.0%</b>	19.4%		<b>19.5%</b>	19.1%	
<b>ROCE (%)</b>	<b>10.9%</b>	12.9%				
<b>Effective tax rate<sup>1</sup></b>	<b>18.1%</b>	18.9%				
<b>Adjusted net profit<sup>2</sup></b>	<b>544</b>	589	-8%	<b>176</b>	220	-20%
<b>Net profit<sup>2</sup></b>	<b>407</b>	573	-29%	<b>167</b>	215	-22%
<b>Adjusted net EPS</b>	<b>3.14</b>	3.29	-5%	<b>1.01</b>	1.23	-18%
<b>Net EPS</b>	<b>2.34</b>	3.20		<b>0.96</b>	1.20	
<b>Operating cash flow</b>	<b>906</b>	865	5%	<b>361</b>	406	-11%
<b>Adj. Net Operating Free Cash Flow</b>	<b>593</b>	506	17%	<b>263</b>	280	-6%
Total Group in € million	January - September			Q3 2020	Q3 2019	% Change
	2020	2019	% Change			
<b>Net profit<sup>2</sup></b>	<b>453</b>	640	-29%	<b>183</b>	239	-23%
<b>Net EPS</b>	<b>2.59</b>	3.57	-27%	<b>1.05</b>	1.33	-21%
<b>Operating cash flow</b>	<b>990</b>	941	5%	<b>406</b>	434	-6%
<b>Adj. Net Operating Free Cash Flow</b>	<b>639</b>	550	16%	<b>297</b>	293	1%

<sup>1</sup> Over Adjusted taxable result

<sup>2</sup> Including result attributed to non-controlling interest

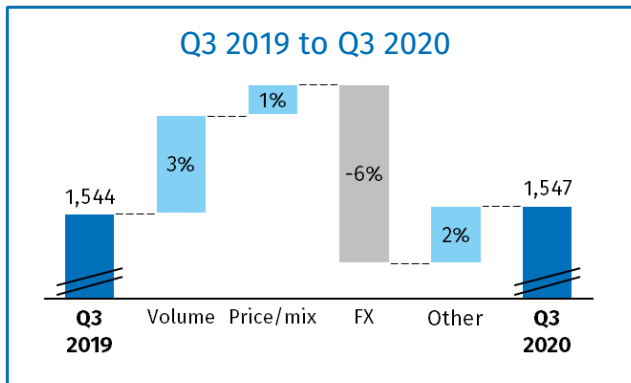
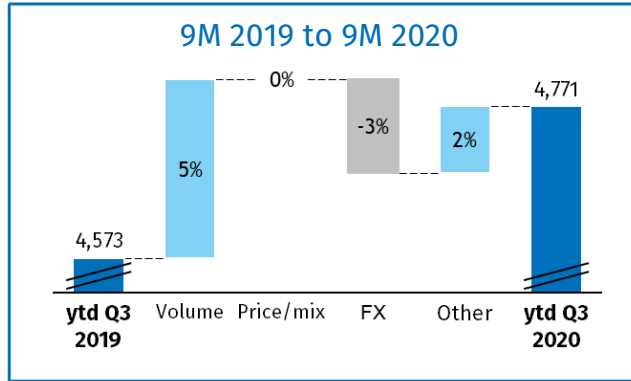


# Nutrition | Key financials

in € million	January - September			Q3 2020	Q3 2019	% Change
	2020	2019	% Change			
Sales	<b>4,771</b>	4,573	4%	<b>1,547</b>	1,544	0%
Adjusted EBITDA	<b>1,014</b>	956	6%	<b>340</b>	317	7%
Adjusted EBITDA margin (%)	<b>21.3%</b>	20.9%		<b>22.0%</b>	20.5%	
Adjusted EBIT	<b>717</b>	687	4%	<b>239</b>	225	6%
Capital Employed	<b>7,369</b>	6,626				
Average Capital Employed	<b>7,067</b>	6,251				
ROCE (%)	<b>13.5%</b>	14.6%				
Total Working Capital	<b>1,661</b>	1,746				
Average Total Working Capital as % of Sales	<b>26.9%</b>	27.8%				

# Nutrition

## Sales bridges (€m)

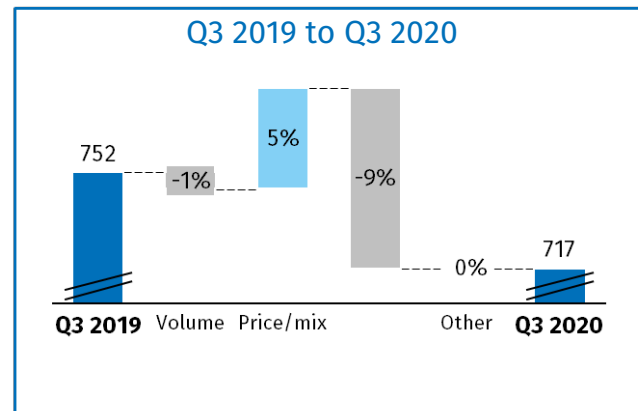
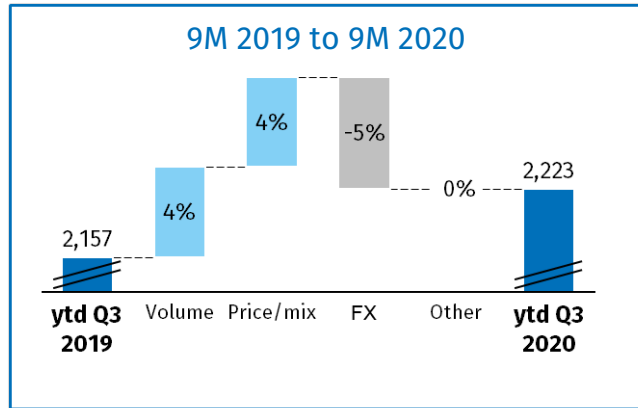


## Observations

- 9M 2020 sales** Nutrition delivered a good performance in the first nine months in a challenging economic environment, with COVID-19 having a slightly positive impact on overall sales but offset by increasingly negative FX effects moving through the period. Organic sales were up 5% driven by volumes. Including a 2% contribution from the CSK and Glycom acquisitions and a negative FX effect of -3%, total reported sales were up 4%.
- 9M Adjusted EBITDA** The reported Adjusted EBITDA growth was 6% with a negative FX effect of 3% offsetting the contribution from the CSK and Glycom acquisitions. The Adjusted EBITDA margin was up to 21.3% versus 20.9% in the same period last year.
- Q3 2020 sales** Nutrition reported 4% organic growth in Q3 with volumes up 3%, driven by Human Nutrition, and prices up 1% driven by Animal Nutrition. Overall, sales were stable as the contribution from the acquired businesses CSK and Glycom were more than offset by the impact of FX movements, especially in Animal Nutrition.
- Q3 2020 Adjusted EBITDA** The reported Adjusted EBITDA growth was 7%, with a significant negative FX effect of 6% more than offsetting the contribution from CSK and Glycom acquisitions. The Adjusted EBITDA margin increased to 22.0% versus 20.5% in Q3 2019.

# Animal Nutrition & Health

## Sales bridges (€m)

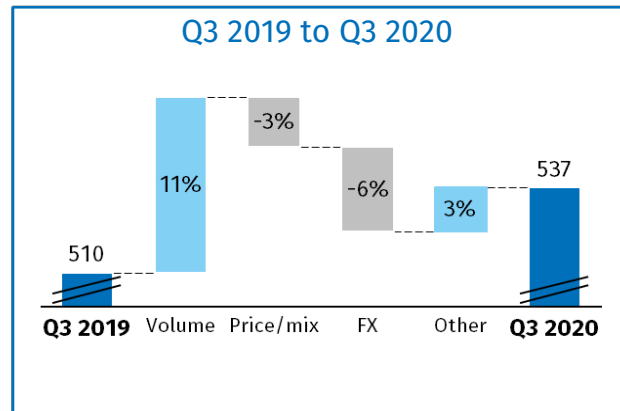
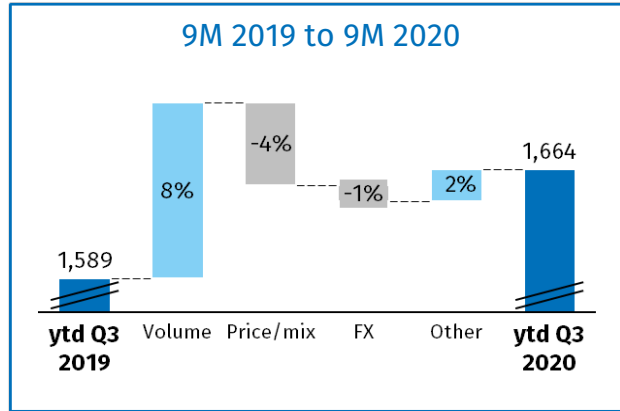


## Observations

- **9M 2020 organic sales** Animal Nutrition delivered 8% organic growth, with a 4% volume increase. After the Q1 stocking effect (+12% volume) driven by COVID-19 disruptions, Q2 and Q3 witnessed an unwinding of inventory.
- Underlying business conditions in poultry and pork were solid with an increased demand in western markets, due to a shift from food services to eating-at-home, which increased the consumption of these easy-to-prepare proteins. In some emerging economies the consumption of poultry and pork softened due to the general loss of household income.
- Global demand for beef softened, being overweight in food services channels, however DSM saw good sales growth as Brazilian beef exports remained strong. Demand for fish feed was solid, despite softness in food services' demand for farmed fish, especially in salmonids.
- ASF continues to recede in China and the steady rebuilding of the swine population continues. DSM is benefitting from the increased demand for its higher value-added nutrition and gut health solutions, owing to the increased professionalization of farming and recent regulatory changes that reduce the use of antibiotics in the food chain.
- **Q3 2020 organic sales** Animal Nutrition reported 4% organic growth, with volumes down 1% and prices increasing by 5%. The volume development reflected customer uncertainty as to how the market will develop in the short term due to ongoing COVID-19 challenges in large parts of the world. By the end of Q3 however destocking was largely complete with customer sentiment improving. The reported 5% higher prices were partly driven by higher prices of externally sourced ingredients and FX-related price increases in Brazil.

# Human Nutrition & Health

## Sales bridges (€m)



## Observations

- **9M 2020 organic sales** Human Nutrition delivered 4% organic growth, with volumes up 8% and prices down 4%. F&B volumes were positively impacted by pantry loading of packaged foods in Q2, normalizing in Q3, whilst demand for immunity-boosting solutions remained elevated since the start of the COVID-19 pandemic, particularly supporting Dietary Supplements and Pharma sales. Early Life Nutrition sales were down on weak market conditions in China.
- Total sales were up 5%, supported by the recent Glycom acquisition (2%), but partly offset by negative FX effects (-1%).
- **Q3 2020 organic sales** Human Nutrition reported 11% volume growth, with continued strong demand for immunity-optimizing products in Dietary Supplements and Pharma. Food & Beverages still benefitted somewhat from good demand for packaged foods. Early Life Nutrition sales remained soft, but Glycom delivered a good performance in a challenging environment. Prices were down 3% with lower contractual prices in Early Life Nutrition and mix effects. Organic growth was 8%. With a 3% contribution from Glycom and a 6% negative FX impact, total sales ended up at 5%.
- **Glycom**, which was consolidated as from 1 April 2020, delivered €14m sales with an Adjusted EBITDA of €8m in Q3.

# Other Nutrition activities

- **Food Specialties** delivered a good performance in the first nine months, with good demand in Baking, Dairy and Savory, but softness in Hydrocolloids and Brewing. Recently acquired CSK delivered a very strong performance, well ahead of the business plan for the initial year, with €53m sales during the first nine months and a total Adjusted EBITDA of €12m.
- **Personal Care & Aroma Ingredients** had a weak nine months due to soft demand in its Personal Care segment directly related to COVID-19, especially in sun care and cosmetics, but with positive signs of recovery starting in Q3. Sales of Aroma Ingredients were supported by increased demand for detergents and disinfectants.
- Overall these **Other Nutrition activities** delivered good financial results despite recording a -1% organic sales development in the first nine months and -2% in Q3.



# Materials | Key financials

## Continuing operations

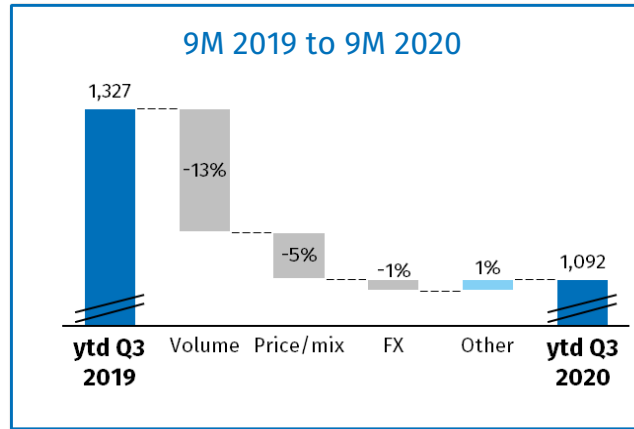
in € million	January - September			Q3 2020	Q3 2019	% Change
	2020	2019	% Change			
Sales	<b>1,092</b>	1,327	-18%	<b>362</b>	435	-17%
Adjusted EBITDA	<b>187</b>	278	-33%	<b>62</b>	90	-31%
Adjusted EBITDA margin (%)	<b>17.1%</b>	20.9%		<b>17.1%</b>	20.7%	
Adjusted EBIT	<b>112</b>	204	-45%	<b>37</b>	65	-43%
Capital Employed	<b>1,013</b>	1,127				
Average Capital Employed	<b>1,045</b>	1,084				
ROCE (%)	<b>14.3%</b>	25.3%				
Total Working Capital	<b>253</b>	317				
Average Total Working Capital as % of Sales	<b>18.2%</b>	17.4%				

Following the announcement of the sale of DSM's Resins & Functional Materials businesses, the related activities were reclassified to 'Discontinued operations'.

# Materials | 9M 2020 overview

## Continuing operations

### Sales bridge (€m)

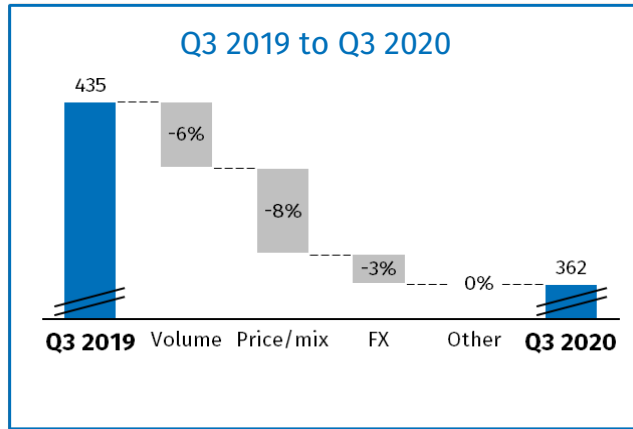


## Observations

- **9M 2020 Sales development** After a solid start to the year, Materials saw an abrupt deterioration in business conditions in Q2 due to the COVID-19 pandemic. Following a slow recovery in the period June-August, Materials saw a strong improvement in momentum in September and into Q4.
  - ✓ **DSM Engineering Materials** - Volumes were significantly down driven especially by a very sharp demand contraction in global automotive in Q2. Q3 saw a recovery in volumes, especially towards the end of the quarter.
  - ✓ **DSM Protective Materials** - Personal Protection activities were significantly down from the end of Q1 and into Q2, as orders under the typical large contracts were postponed. These orders slowly restarted in Q3.
- **9M Adjusted EBITDA** was -33% compared to previous year. This negative leverage results from lower volumes especially in high margin specialties which recorded a very strong performance in same period last year. 9M 2020 Adjusted EBITDA margin was 17.1% compared to 20.9% in 9M 2019.

# Materials | Q3 2020 overview

## Continuing operations Sales bridge (€m)



## Observations

- **Q3 2020 Sales development** Materials reported 6% lower volumes but with a strongly improving momentum during the quarter. Where volumes in July-August were down about 10%, September volumes were slightly positive versus same period last year. This recovery is driven by restocking effects and more positive end user demand. Materials started the fourth quarter with September conditions continuing into October, but significant uncertainty persists over market conditions going forward especially as the resurgence of COVID-19 in recent weeks could change the outlook quickly as seen in March this year. Prices were down 8%, reflecting lower input costs.
- **Q3 2020 Adjusted EBITDA** was -31% compared to previous year driven by negative operating leverage, owing again to lower volumes especially in the high margin specialties, and negative foreign exchange effects. Lower operating costs provided a small benefit. Q3 2020 Adjusted EBITDA margin increased from 12.6% in Q2 to 17.1% compared to 20.7% in Q3 2019.

# Innovation center

## Continuing operations

in € million	January - September			Q3 2020	Q3 2019	% Change
	2020	2019	% Change			
Sales	133	133	0%	42	47	-11%
Adjusted EBITDA	16	19		5	6	
Adjusted EBIT	-13	-7		-4	-4	
Capital Employed	576	605				

- **9M sales** were flat with Biomedical softening during the period. After a good start to the year, COVID-19 related postponement of many elective surgery procedures especially in the US, started to impact the business as from June, which continued throughout Q3. Biobased Products & Services' licensing business was stable over the period.
- **9M Adjusted EBITDA** declined compared to the same period last year due to softening Biomedical sales and a negative USD effect. In Q3 DSM received licensing income of a few millions from Aerie Pharmaceuticals following an accelerated completion from certain milestones, compensating the shortfall from Biomedical.

# Corporate activities

in € million	January - September		Q3 2020	Q3 2019
	2020	2019		
Sales	<b>30</b>	31	<b>10</b>	9
Adjusted EBITDA	<b>-73</b>	-75	<b>-24</b>	-25
Adjusted EBIT	<b>-106</b>	-117	<b>-34</b>	-36

- 9M Adjusted EBITDA was in line with previous year.



# Discontinued operations

in € million	January - September		Q3 2020	Q3 2019
	2020	2019		
Sales	<b>700</b>	794	<b>233</b>	255
Adjusted EBITDA	<b>97</b>	110	<b>33</b>	38
Adjusted EBIT	<b>63</b>	77	<b>21</b>	26

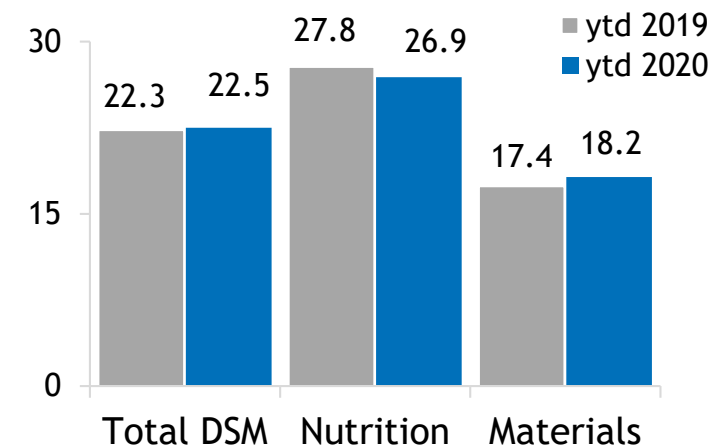
- Discontinued Operations captures the result of DSM's Resins & Functional Materials businesses and the coatings activities of DSM Advanced Solar, which were previously included in the Materials and Innovation section.
- Resins & Functional Materials saw continued good recovery of demand throughout the third quarter with volume growth at 4% and Adjusted EBITDA at -13% compared to the same period last year.

# Cash flow and working capital

## Condensed Cash Flow statement and (Operating) Working Capital

in € million	Continuing operations				Total Group			
	January - September		Q3 2020		January - September		Q3 2020	
	2020	2019	Q3 2020	Q3 2019	2020	2019	Q3 2020	Q3 2019
Cash provided by Operating Activities	906	865	361	406	990	941	406	434
- Cash from APM adjustments	60	33	19	14	61	37	19	14
- Cash from capital expenditures	-359	-384	-113	-136	-398	-420	-124	-151
- Cash from drawing rights	-14	-8	-4	-4	-14	-8	-4	-4
Adjusted Net Operating Free Cash Flow	593	506	263	280	639	550	297	293
Operating Working Capital (OWC)	2,168	2,322						
Average OWC as % of Sales	27.5%	27.9%						
OWC as % of Sales - end of period	27.6%	28.5%						
Total Working Capital (WC)	1,795	1,927						
Average Total WC as % of Sales	22.5%	22.3%						
Total WC as % of Sales - end of period	22.9%	23.7%						

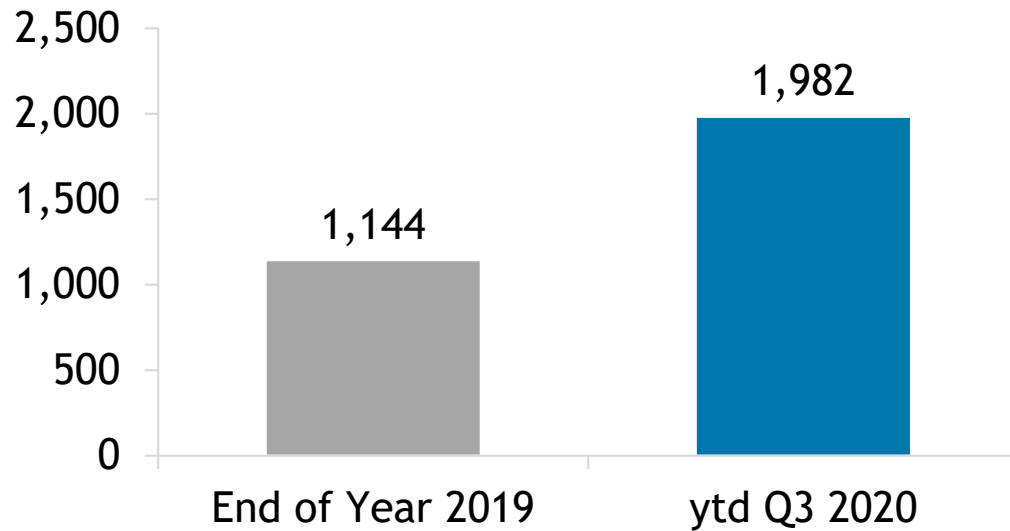
## Average Total Working Capital as % of Sales



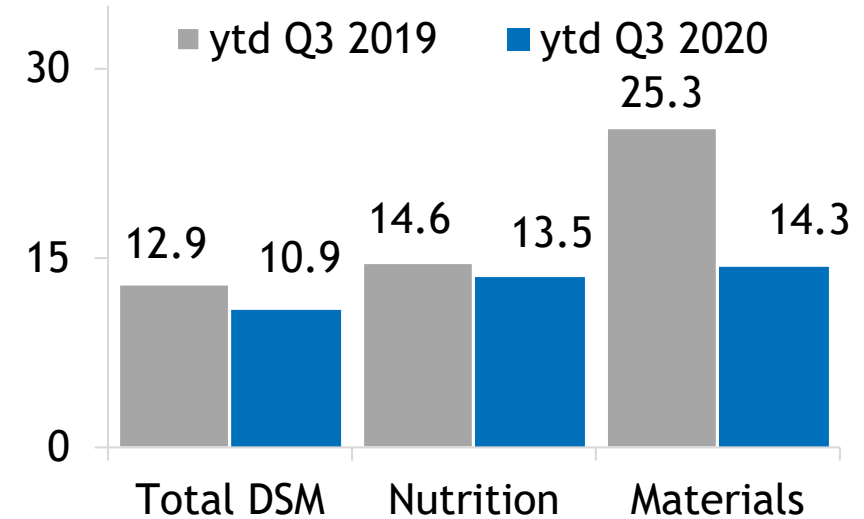
- Adjusted Net Operating Free Cash Flow** amounted to €639 million in the first three quarters of 2020 being an increase of 16% compared to previous year. The step-up in cash flow is amongst others driven by a reduced cash-out related to working capital of €55 million as well as lower capital expenditures.
- Operating Working Capital and Total Working Capital:** Operating working capital end Q3 2020 showed a decrease of €154 million compared to end of Q3 2019 which was mainly due to the impact of exchange rates. OWC as % of sales end-of-period showed a decrease of 0.9% compared to end of Q3 2019.

# Net debt and ROCE

Net debt (€ million)



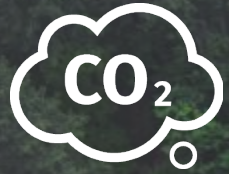
ROCE (%)



- **Net debt** increased mainly from the execution of the SBB program and the financing of the acquisition of Glycom Group.
- **ROCE** as of Q3 2020 was 10.9%, down 200 bps from Q3 2019, mainly driven by higher capital employed due to recent acquisitions.



# Continued step-up in sustainability



**~18%**

GHG structural improvement  
(vs. 2016)



**1.8%**

Energy efficiency improvement  
year-on-year



**54%**

Purchased renewable  
electricity



**0.24**

Safety Frequency  
Recordable Index



**20%**

Female executives



**63%**

Brighter Living Solutions



# COVID-19 | Commitment to Health & Safety

*DSM's long-standing priority remains the health, safety and well-being of its employees and partners*

- DSM has taken various proactive measures such as preemptive travel restrictions, working from home where possible, and heightening hygiene and safety protocols in line with local conditions
- DSM also distributed free immunity-optimizing micro-nutrients to all employees and their families worldwide and provided employee assistance programs across the globe
- DSM continues to apply its scientific know-how and resources, including financial contributions and donating large quantities of personal protective equipment, disinfectant, test kit equipment, and immunity-optimizing micro-nutrients to help ease the impact of COVID-19 through various local and global initiatives.





# DSM Virtual Capital Markets Day

Save the Date:

## 4 November 2020



NUTRITION · HEALTH · SUSTAINABLE LIVING



# DSM Factbook

For more information on DSM's portfolio, products & strategy, please visit our Factbook online

<https://www.dsm.com/corporate/investors/key-facts-figures-overview/key-market-data-factbooks.html>



# Safe harbor

This presentation may contain forward-looking statements with respect to DSM's future performance and position. Such statements are based on current expectations, estimates and projections of DSM 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 contained in this presentation, unless required by law

More details on DSM's performance can be found in the results press release, published together with this presentation. 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](http://www.dsm.com)



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