

DSM to add world-leading animal nutrition and health specialty businesses with acquisition of Erber Group

Presentation to Investors

12 June 2020



Acquisition Highlights (1/3)

Transaction

- DSM to add world-leading animal nutrition and health specialty businesses with acquisition of Erber Group, for an enterprise value of €980 million
- EV/EBITDA multiple of about 14x the 2020 EBITDA (fiscal year ending September 2020)
- 2021 EPS contribution expected to be about €0.15
- 2 small units, Sanphar and EFB (representing 7% of Erber Group's total sales) are not included in the transaction
- The transaction, which is subject to customary conditions, is expected to close in Q4 2020
- The acquisition will be debt financed, with DSM's balance sheet remaining strong

Strategic Fit

- Enhances DSM's animal health and nutrition solutions for farm productivity and sustainability, with an emphasis on animal welfare, emissions reduction, feed efficiency, tackling antimicrobial resistance and better use of water and land:
 - ✓ Adds a new specialty feed ingredients segment with mycotoxin risk management
 - ✓ Enhances DSM's position in eubiotics
 - ✓ Enlarges DSM's global premix network
- Gives DSM access to feed and food diagnostics activities

Synergies

- With mycotoxin risk management, DSM expands its portfolio of specialty feed ingredients. Mycotoxin risk management (enzymes, microbials, binders) have a strong strategic fit with DSM's advanced solutions offering
- Strengthens DSM's science-based gut health/eubiotics platform with additional pro- and prebiotics, acids, phyto-genics
- Strengthens DSM's animal premix position in Central & Eastern Europe
- Animal and human diagnostic services are synergetic with DSM's precision nutrition developments in animal and its existing diagnostic activities in human nutrition & health
- Cross-selling, R&D and cost synergies after integration

Acquisition Highlights (2/3)

Key Data Acquired businesses	<ul style="list-style-type: none">• The acquired businesses have combined sales of €330m and an Adjusted EBITDA margin above 20% for the twelve months to the end of March 2020, with a high single-digit organic sales growth rate over the past 5 years• Biomin: 85% of sales (mycotoxin risk management, gut health/eubiotics, premix). Romer 15% of sales (feed & food testing)• Sales well split between Europe, Asia, and the Americas. Low customer concentration (top-20: ~30% of sales)• 12 manufacturing sites/ 15 R&D sites globally; ~1,200 employees• Strong innovation roots; Biomin Research Center in Tulln with strong connect to University and other leading academics + regional centers
Mycotoxin risk management - MTX (Biomin)	<ul style="list-style-type: none">• Mycotoxins are secondary metabolites produced by fungi developing on grains and other crops, that can contaminate feed and cause a toxic response when ingested in farm animals• Biomin provides biotransformation and biodegradation solutions (through complex mixes of enzymes, microbials and binders) to detoxify feed• Biomin has a strong position in terms of regulatory approvals and IP• Mycotoxin detoxifiers are a €700m market, growing at 5%; Biomin growing high-single digit in MTX due to its leadership position in the premium segments
Eubiotics for Gut Health (Biomin)	<ul style="list-style-type: none">• Eubiotics improve health and performance in farm animals by maintaining an optimal balance of microflora in the gastrointestinal tract. Eubiotics types include probiotics, prebiotics, organic acids and essential oils/ phytochemicals• The eubiotics market is estimated to be ~€2bn, expected to grow at an 8-10% CAGR over the next 5-10 years, driven mainly by the shift to 'antibiotics-free' and preventive health solutions• Biomin has a strong IP and sales position in the fastest growing Eubiotics segment of Probiotics; Biomin growth in eubiotics has been double digit over the last five years

Acquisition Highlights (3/3)

Premix (Biomim)

- Erber Group adds 3 premix facilities to DSM's global premix network
- Austrian state-of-the-art premix plant supports growth in Central & Eastern Europe

Feed and Food Diagnostics (Romer Labs)

- Romer Labs is active in the attractive market for diagnostic solutions for food and feed safety primarily as a kit manufacturer but also has several reference labs and the ability to consult
- Romer is focusing on testing of mycotoxins, allergens, microbiology & pathogens, GMO and veterinary drug residues
- Food & feed safety testing is a €4bn market, growing high-single digit
- Romer Labs has annual sales of €50 million, growing double digit

DSM in Animal Nutrition & Health

- Animal Nutrition & Health (ANH) is DSM's largest business with ~€2.9bn sales (2019)
- DSM is the #1 in this industry with the largest product portfolio and largest global premix network, supplying solutions for all species, with a strong focus on innovation
- ANH delivered a 7% organic sales CAGR over the last 5 years, well above market

Erber Group

Mycotoxin risk management
Eubiotics/ Gut health
Premix
Feed and Food Diagnostics



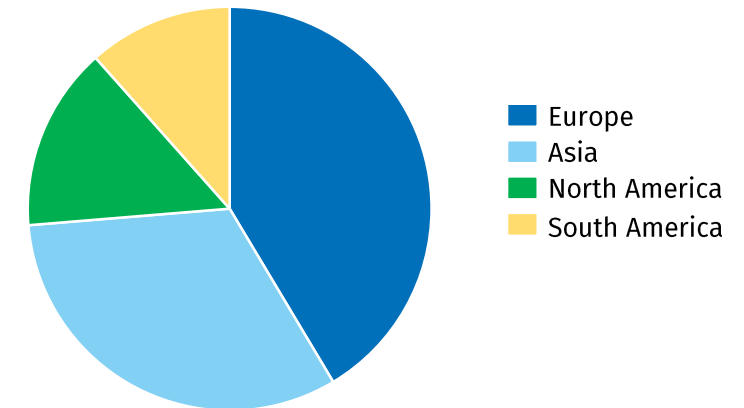
DSM

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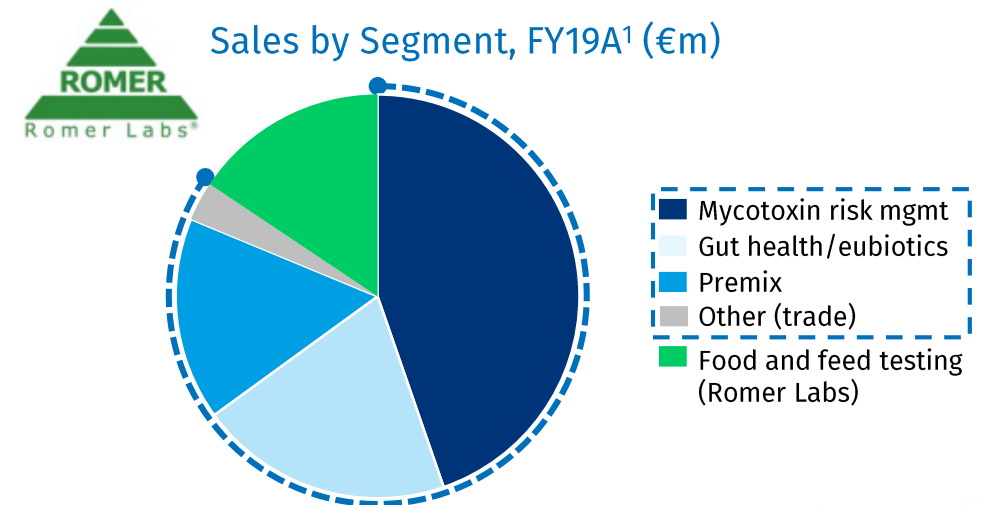
Erber Group's animal nutrition & health specialty businesses

- Privately held Austrian innovation-led company, founded in 1983. Biomin and Romer Labs together have:
 - ✓ Combined sales of €330m and an Adjusted EBITDA margin above 20% for the twelve months to the end of March 2020
 - ✓ ~1,200 employees
 - ✓ Global footprint with 12 production sites and 15 R&D sites
 - ✓ Sales in 130 countries; Specialty sales force of ~200 people across 40 countries
- Sanphar and EFB (two very small divisions of Erber Group are not included in above numbers; will be carved out before closing)
- Leader in mycotoxin risk management solutions, as the pioneer in the field supported by scientific claims, strong position in gut health/eubiotics as well as in premix and diagnostics for feed and food
 - ✓ international focus and their in-house research and development department are key elements of their success and have contributed to growth & sustainability for more than 30 years
 - ✓ Strong IP protection; patents and trade marks
 - ✓ Long-standing global customer base with customized solutions for key accounts

Sales by Region, FY19A¹ (%)



Sales by Segment, FY19A¹ (€m)



Erber Group: a global company with 12 production sites around the world



Stadtoldendorf, Germany
(acquired 2012)



Newark, USA (Romer)



Wuxi, China
(2017)



Herzogenburg, Austria
(1990)



Haag, Austria
(under construction, 2020)



Binh Duong, Vietnam
(2013)



Woodlands, Singapore
(1996)

Mycotoxin risk management

- Mycotoxins are secondary metabolites produced by filamentous fungi developing on grains and other crop plants. Fungal growth can occur:
 - ✓ On the field depending on weather conditions
 - ✓ During harvest depending on conditions
 - ✓ During storage (improper storage conditions)
- Different fungi can be involved
 - ✓ Field – e.g. Fusarium (and Aspergillus)
 - ✓ Storage – e.g. Penicillium and Aspergillus
- Mycotoxins can cause a toxic response (mycotoxicosis) when ingested in farm animals or a reduced performance
- Distinct regional trends with climate as key determinant; as a consequence of climate change, mycotoxins are increasingly occurring



Mycotoxin risk management

Biomin is the leader in the Premium and Advanced segments of the mycotoxin detoxifiers market

Market description

Key Players

Premium
~€300m (growing 7%/yr)

Complex combinations of biodegrading/ bio-transforming agents (microbes and enzymes) and binders, capable of selectively neutralizing a wide array of toxins while preserving the nutritional quality of feed. High & increasing barriers-to-entry (regulatory, IP)

Biomin (#1), Alltech

Advanced
~€300m (growing 4%/yr)

Combinations of binders and absorbers or micronutrients, usually targeting more than one mycotoxin

Biomin (#1), Alltech,
Kemin, EWN

Simple
~€100m (growing 2%/yr)

Simple binding agents (typically clays). Usually only binding 1-3 mycotoxins, at the risk of also binding useful micronutrients

Bayer, AmLan,
Cargill

Total mycotoxin detoxifiers market of ~€700m growing around 5%/yr; Biomin sales of ~€150m growing high-single digit

Mycotoxin risk management

Biomin with strong innovation roots and a well protected position in Mycotoxin Risk Management

Industry thought leadership/ strong innovation roots

- 37 inventions, covered by 262 granted patents + 100 filed patent applications in 50 countries
- 84 peer-reviewed scientific publications in the last 5 years
- Biomin Research Center in Tulln with strong connect to University and other leading academics + regional centers

Sophisticated mycotoxin testing for customers

Provided through Romer Labs



Biomin worldwide leadership position



First and only company with EU-registration (US-registration underway)

- Company led the creation of new functional regulation group
- 3 key ingredient groups covered
- Allows Biomin to use stronger product efficacy claims than competitors

Global Mycotoxin Risk Monitor

Longest running and most comprehensive of its kind, showing incidence of 6 most present mycotoxins



Eubiotics for gut health

Support the phasing out of antibiotic growth promoters

AMR report prompts further calls to curb use of antibiotics in farming

By Jane Byrne  23-Feb-2017
Last updated on 23-Feb-2017 at 11:59 GMT



Professor Leo den Hartog, **IS Nutrition**: "This report is yet an in animal husbandry. We need antimicrobial resistance. Poultry..."

Multi-drug resistance in **Salmo** critically important antimicrob remains low, finds a report by

Antibiotics: U.S. Veterinary Feed Directives (VFDs) Effective on January 1

Source: Feedinfo News Service (dated 29/11/2016)

29 November 2016 - be enacted in the U dramatically change t

Medically important fee authorization from the operation, assume resp veterinarian's directions

The most common dru ionophores, babermycin (Rumensin/Tylan). VFD veterinary feed directiv

NEWS

McDonald's, Subway and KFC fail to respond to worldwide antibiotic resistance health risk

25 Apr 2016

Consumers International (CI) has today launched a new report highlighting the failure of global fast food chains to confront the challenge posed by antibiotic resistant bacteria.



SCIENTIFIC REPORT

ADOPTED: 26 January 2017
doi: 10.2903/j.efsa.2017.4694



News | 19 Sep 2016 | 6733 views

FAO releases action plan for antibiotic resistance

FAO will help countries develop strategies for tackling the spread of antimicrobial resistance in their food supply chains.

The Food and Agricultural Organization released this statement just before a **level UN** event on September 21st in New York, where the UN General Assembly discussed the significant risk to human health posed by 'antimicrobial resistance' (AMR) and its connection to and impact on agriculture.



Frans Timmermans  @TimmermansEU · Oct 8, 2019

In the first 100 days of the @vonderleyen Commission we have a collective responsibility to frame this right for the next five years, and beyond. This will be a team effort.



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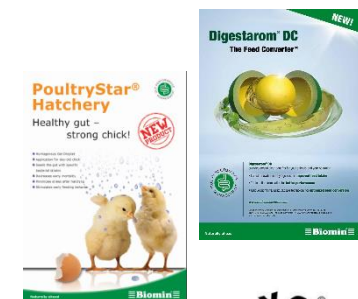
Antibiotic free chicken production: Tyson Foods shifts up a gear

By Aerin Einstein-Curtis  23-Feb-2017
Last updated on 24-Feb-2017 at 11:31 GMT



Related tags: Tyson, Antibiotic use, Perdue, Sanderson Farms, Antibiotic resistance, Poultry production

Tyson Foods is set to switch its retail line of company-branded chicken products to birds raised without any antibiotics.



Total market for eubiotics for gut health is currently ~€2bn; Potential of >€3bn by 2025

Enhances DSM's portfolio in eubiotics

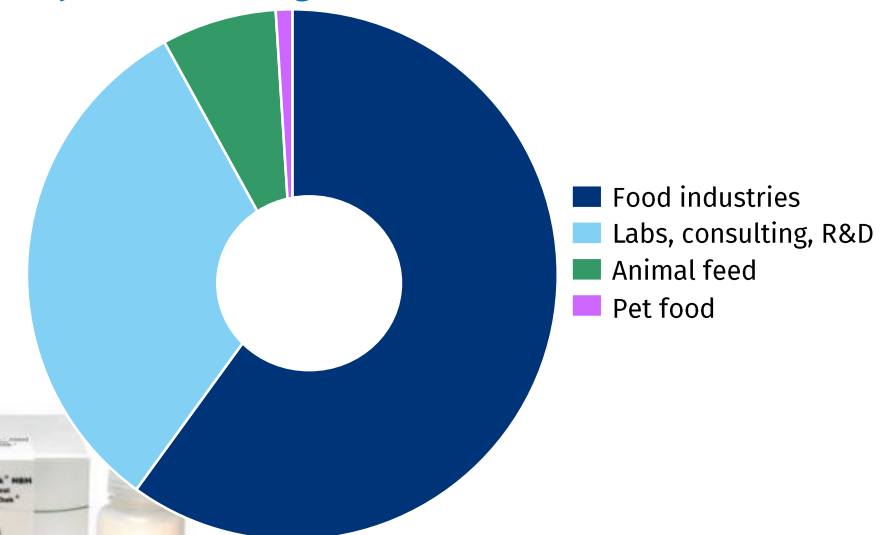
Eubiotic type	Nature of products	Effects	Key Players
Probiotics	Micro-organisms, direct feed microbials: live bacteria and live yeast	Colonizing the gut with healthy bacteria, production of specific antibacterial substances	Chr. Hansen, DuPont, Calpis, Alltech, Biomin, DSM
Prebiotics	Dead yeasts, yeast extracts, oligosaccharides	Feeding the intestinal bacteria and thereby stimulate activity which contribute to health and performance	Diamond V, Lesaffre, Lallemand, Alltech, Biomin and many others
Organic Acids	Organic acids such as benzoic, butyric, fumaric, citric, formic acid, lactic, sorbic acids	Reduction of gut pH. Modulation of intestinal microbiota, increases pepsin activity and reduces diarrhea	BASF, Perstorp, Eastman, FF Chemicals, Norel, Novus, Biomin, DSM
Essential oils/ Phytogenics	Ingredients present in various plants and spices	Modulation of intestinal microbiota, stimulating endogenous enzyme excretion	Delacon, ADM, Adisseo, Phytosynthese, Biomin, DSM

Total Biomin's eubiotics sales of ~€65m, growing double digit

Romer Labs is an internationally leading supplier of diagnostic solutions for food and feed safety

- Market size: €4bn globally (of which >€2bn in testing services, €0.7bn in testing kits, and remainder in equipment hardware, certification and consulting). Market growing around 7% per year
- Romer Labs is primarily a kit manufacturer but also has several reference labs and the ability to consult
- Romer Labs is active in mycotoxins, allergens, microbiology & pathogens, GMO and veterinary drug residues testing
- Main competitors and their main focus include
 - ✓ Neogen (food and feed testing unit, mycotoxin testing, allergens)
 - ✓ Charm Sciences (dairy testing)
 - ✓ R-Biopharm (pathogen detection and clinical diagnostics)
 - ✓ EnviroLogix (GMO and environmental testing)
- Romer Labs has an excellent reputation and is known for problem-solving and technical support capabilities
- DSM Food Specialties is active in antibiotic residue testing in dairy

Romer Lab Sales
by customer segment (FY19A, %)



Total Romer Labs sales of ~€50 growing double digit

DSM's position in Animal Nutrition & Health



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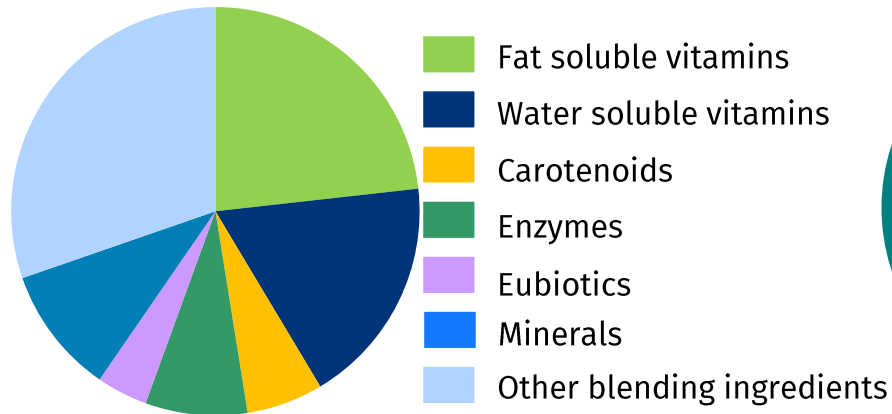
DSM in Animal Nutrition: active over the full value chain

€2.9bn sales (2019) diversified across species, geographies, and channels

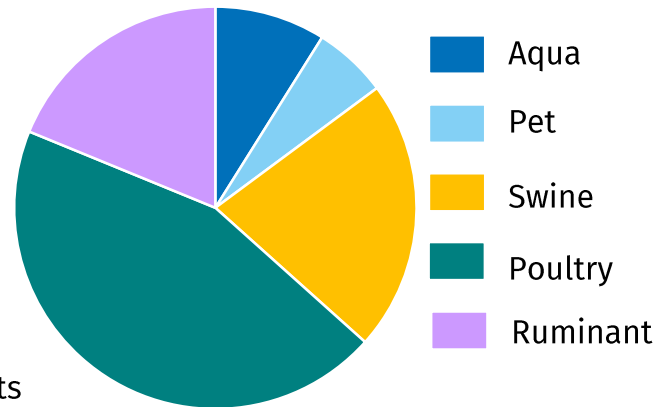
Feed value chain



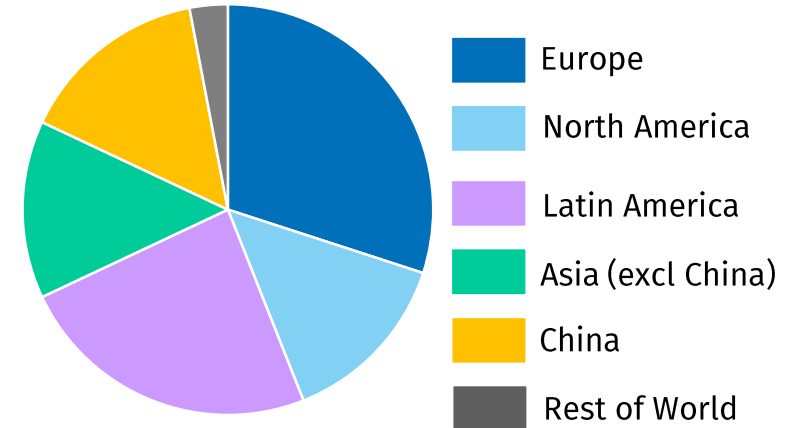
Sales by ingredient (%)



Sales by species (%)

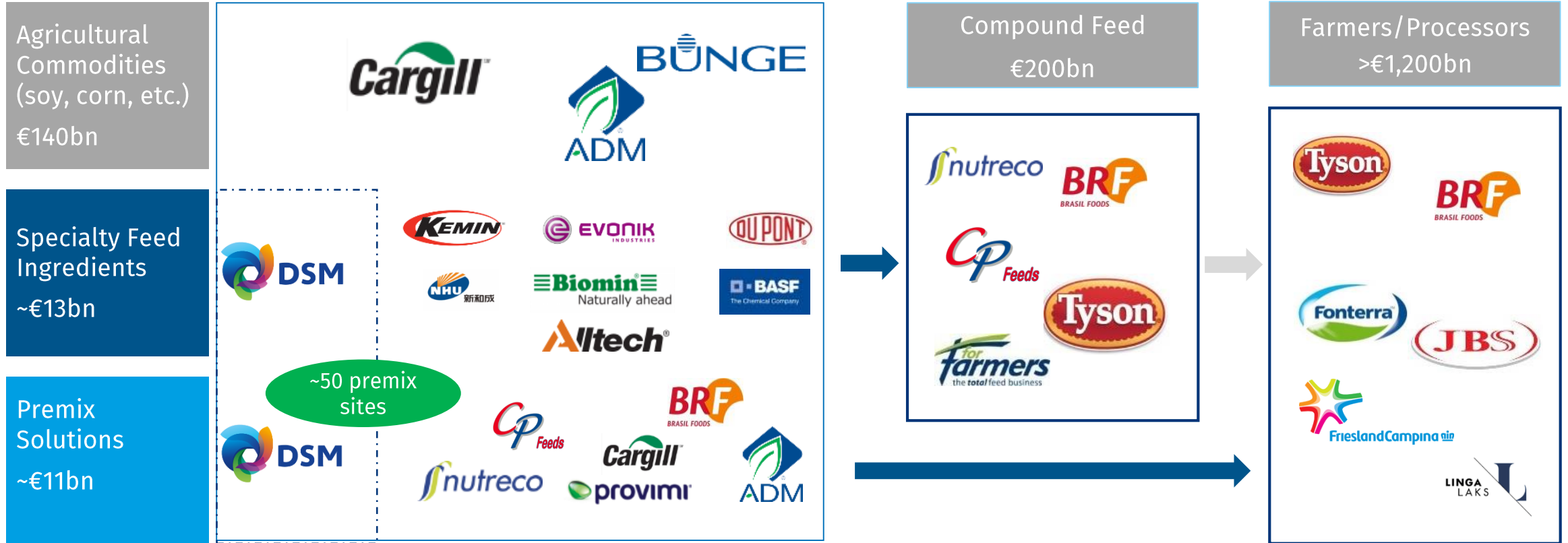


Sales by region (%)



DSM uniquely positioned versus competition

With the biggest portfolio of specialty feed ingredients and premix solutions



7% CAGR in last 5 years, well above market growth

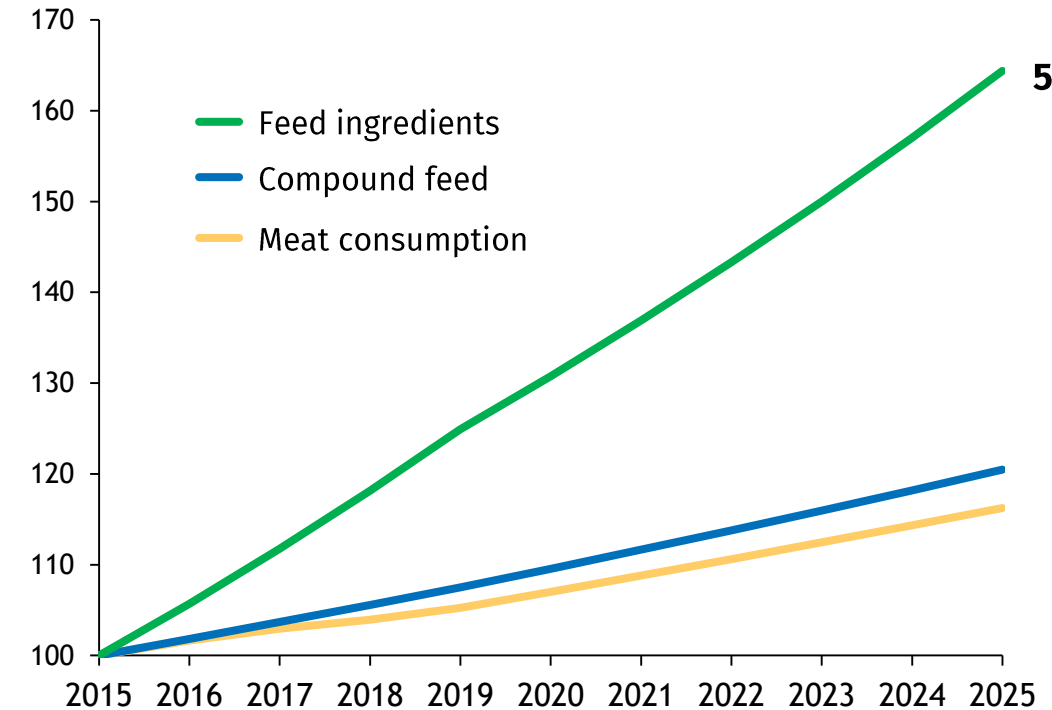
In an attractive market

Productivity & sustainability drive specialty feed ingredients

Higher inclusion rates driven by:

 <p>HELPING TACKLE ANTIMICROBIAL RESISTANCE</p>	 <p>REDUCING OUR RELIANCE ON MARINE RESOURCES</p>	 <p>MAKING EFFICIENT USE OF NATURAL RESOURCES</p>
 <p>REDUCING EMISSIONS FROM LIVESTOCK</p>	 <p>IMPROVING LIFETIME PERFORMANCE OF FARM ANIMALS</p>	 <p>IMPROVING THE QUALITY OF MEAT, MILK, FISH AND EGGS, WHILE REDUCING FOOD LOSS & WASTE</p>

Index
(Base 100 = 2015)



Market '15-'19 CAGR

Market '20-'25 CAGR

5%

4-6%

The acquisition further enhances DSM's animal health and nutrition solutions for farm productivity and sustainability, with an emphasis on animal welfare, emissions reduction, feed efficiency, tackling antimicrobial resistance and better use of water and land

DSM leading in sustainability, health and digital solutions

- Global food systems need to be transformed and made more sustainable, with increased productivity and circularity, and decreased loss and waste. There is a clear need to extract more nutrition from less livestock feed, ensuring that animals perform to their best potential throughout their lifespans. DSM makes this possible; with its current unique portfolio and its science-based innovation programs

Clean Cow

Reduction of methane (“Clean Cow”), ammonia, nitrate



Veramaris

Algae-based omega-3 fatty acids as replacement and/or enrichment of fish oil



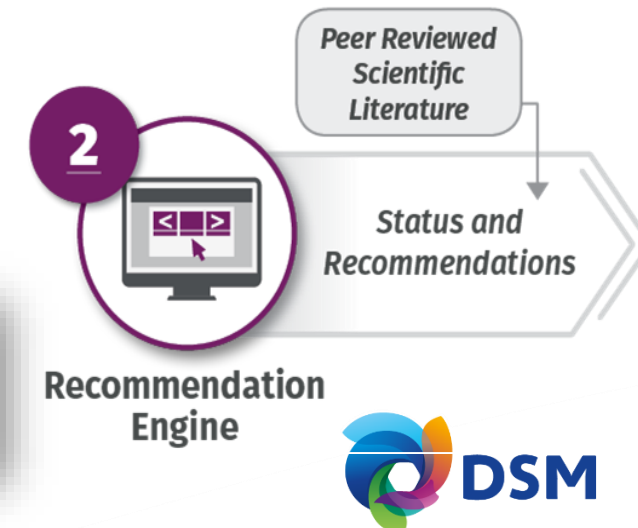
Balancius

Enzymes for gut health/ supporting antibiotic replacement



Spearhead

Data-driven nutrition optimization business model



Erber Group enhances DSM's specialty animal nutrition offering

NUTRITION · HEALTH · SUSTAINABLE LIVING

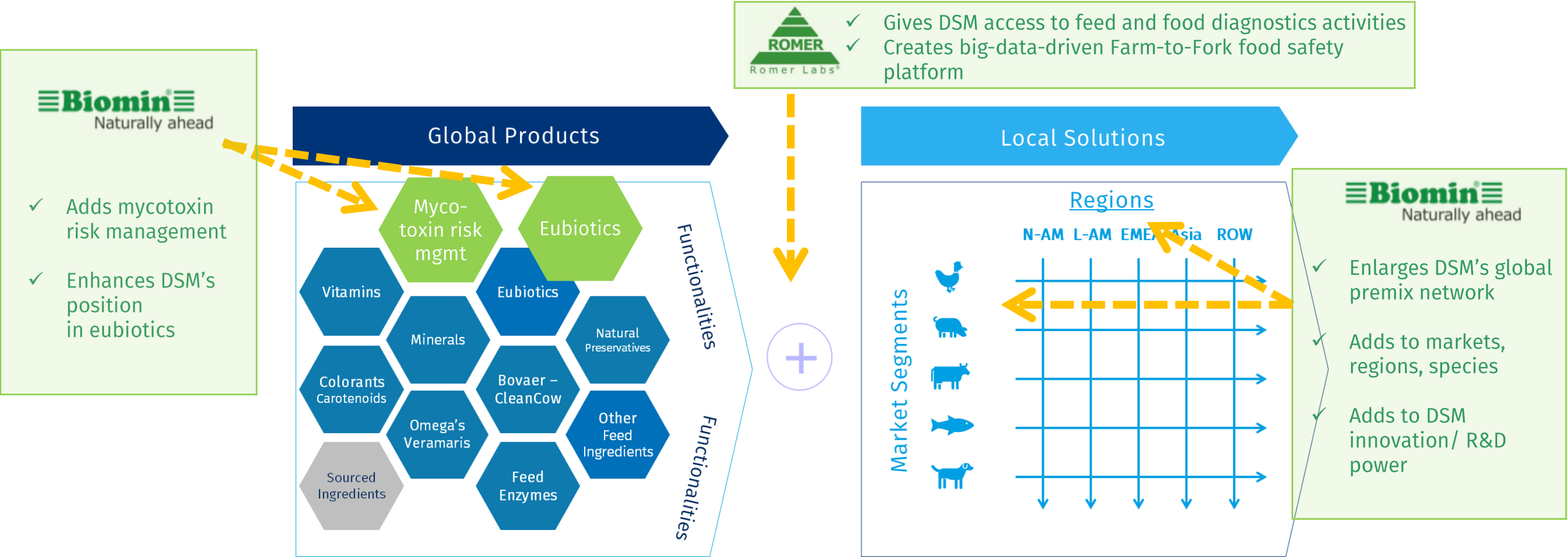


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Erber strengthens DSM's unique business model in Animal Nutrition

Adding to our portfolio of *specialty feed ingredients and solutions*



Commercial, R&D & Cost synergies

Integration to take 18-24 months

Accelerate development of Specialty Feed Additive Solutions engine

- Cross-selling:
 - ✓ DSM will be able to sell its enzymes, eubiotics and Hy-D products through the Erber Group specialty salesforce
 - ✓ DSM can leverage its global (premix) network to grow mycotoxin risk management (MTX)
- Science & Innovation:
 - ✓ Combining R&D in animal nutrition & health including gut health/ eubiotics and precision nutrition platforms

Grow share in Premix Central Europe

- The new Biomin Austrian premix facility can support growing DSM's share in Central Europe

Combining food & feed testing

- Fast growing food & feed quality diagnostic solutions has synergies with DSM Food Specialties' testing business (DelvoTest) for food & beverages

Cost synergies

- Synergies in overhead/ support functions and purchasing



Integration approach and timeline

Clear ambition to maintain and scale the Biomin Specialty Feed Additive engine

Biomin specialty set-up as the nucleus to create industry leading global Specialty Feed ingredients engine

Bring Biomin Premix operations (3 sites) into DSM global Premix Network (~50 sites)

Romer Labs as a stand-alone organization

Full integration of support functions into DSM set-up

- Integrate the DSM ANH global specialty sales team and the Biomin Specialty Feed ingredients team
 - ✓ Maintain close-knit ties between innovation and product management
 - ✓ Integrate gut health innovation platforms
- Region-by-region integration of the marketing & sales teams
- Integration into DSM ANH premix network
- Romer Labs will be kept intact as an organization. In due time, DSM's antibiotics residue testing business (Food Specialties' DelvoPro) to be integrated into Romer Labs organization
- Full integration of the Erber Group support functions (FIN, P&O, IT, corporate staff) in the DSM staff & support function organization

- Transaction expected to be closed in Q4 2020
- Integration planned to take 18-24 months
- Dedicated Integration Management team (DSM + Erber Group)

A wonderful addition to DSM

People at Erber Group share DSM's purpose-led mission

- Enables DSM to further accelerate its growth in Animal Nutrition & Health
- Makes DSM the undisputed, science-based, customer-centric global specialty feed solutions leader in fast growing attractive market segments
- Adds #1 position in mycotoxin risk management
- Enhances DSM's position in eubiotics for gut health
- Expands our global premix network with a state-of-the-art premix plant in Central-Europe
- Gives DSM access to feed and food diagnostics activities via Romer Labs with potential to become data-driven Farm-to-Fork food safety data platform
- Strong cultural fit, combined with organizational and cost synergies



Financial Strength

Strong balance sheet supports Erber Group acquisition

Balance sheet

- DSM continues to benefit from a strong balance sheet, with Q1 2020 Net Debt to EBITDA of 0.8x (1.2x after settlement of the Glycom acquisition in April), supported by strong cash generation
- As a prudent measure given the current Covid-19 environment and given the acquisition of Erber Group, DSM has decided to cancel the remainder of its €1bn share buy-back program which was first announced on 14 February 2019. The total number of shares repurchased to date under this program is 6.6 million shares for a total consideration of €745 million

Available liquidity

- DSM has strong available liquidity, supported by committed, undrawn revolving credit facilities of €1.5 billion. DSM's banking facilities, comprised of a €1 billion revolving credit facility maturing in 2025 and €500 million new revolving credit facilities concluded in April 2020, are not subject to any financial covenants or a MAC clause
- Furthermore, the company has no bond maturities in 2020 and 2021

Financing Erber Group acquisition

- Acquisition of Erber will be debt financed, with committed bridge financing in place
- DSM's balance sheet remains strong post acquisition
- Furthermore, DSM remains committed to maintaining a strong investment-grade credit profile



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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