DSM to acquire First Choice Ingredients to accelerate growth in food & beverage

Presentation to Investors

September 2021
**Deal highlights**

### First Choice Ingredients
- Milwaukee (WI, USA) based company founded by Mr. Jim Pekar (CEO) in 1994. The company develops, produces, and markets clean label dairy-based flavor solutions obtained through fermentative processes. ~100 employees; 3 manufacturing facilities (WI, US).
- Numerous F&B applications including soups, snacks, salad dressings and sauces, prepared meals, sweet baking, as well as dairy products and plant-based meat and dairy alternatives.
- First Choice Ingredients works as an innovation partner with food producers, flavor houses and food service suppliers.

### Acquisition
- Royal DSM has signed an agreement to acquire First Choice Ingredients for an enterprise value of $453 million.
- This transaction represents an EV/EBITDA multiple of 19.8x based on the estimated 2021 Adjusted EBITDA, reflecting strong growth expectations and high Adjusted EBITDA margins (~30%).
- First Choice Ingredients estimates to deliver about $75 million sales and about $23 million Adjusted EBITDA in 2021. The sales growth track record shows a high single-digit CAGR growth for the past 5 years.
- Sales and EBITDA are expected to continue to grow at a high single-digit CAGR supported by inclusion of First Choice Ingredients products in DSM’s integrated solutions, geographical expansion and as well by leveraging DSM’s biotech competences.
- Contribution to DSM EPS is expected to be about €0.10 in 2022.

### Strategic fit
- This acquisition is a highly attractive step for DSM in line with its strategy and its growth-oriented capital allocation priorities, predominantly focused on Nutrition, and adheres to our strict value creation criteria.
- First Choice Ingredients & DSM share a passion for science-based solutions for delicious, nutritious, and sustainable F&B products.
- Enables DSM to provide customers with innovative taste solutions as part of its integrated solutions offering in F&B.

### Synergies
- Highly synergetic acquisition for both companies
- Geographic expansion of the platform leveraging on DSM’s operational and industrial presence to better serve customers wherever they are.
- First Choice Ingredients will be able to tap into one the industry's largest enzymes and cultures strains portfolio, scale-up and unlock new value in new market segments by including its offerings in the DSM’s integrated solutions.

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Subject to regulatory approval, the transaction is expected to close in Q4 2021
First Choice Ingredients | A market leading manufacturer of concentrated dairy flavors through natural fermentation ...

- Unique combination of proprietary fermentation technology and R&D / application capabilities

- Extensive library of concentrates, pastes, powders and liquids: close to 500 different products offerings and capabilities to create custom flavors quickly

- Strong reputation: company’s dedication and “customer first” spirit built a diverse and sticky customer base
... addressing several end markets in the US

Global addressable taste markets by application segments (€bn)...

- Bakery
- Confectionery
- Dairy
- Seasonings
- Culinary
- Alc. Beverages
- Powd. Beverages
- Non-Alc Beverages

CAGR % 18-21

-5%

2021

.. and by geographies (€bn)

- LATAM
- North America
- EMEA
- China
- APAC

2021
First Choice Ingredients provides unique and innovative taste solutions.

- First Choice Ingredients’ natural dairy flavors are created through enzymatic modification, reaction, and compounding technologies.
- The natural flavor concentrates are made from milk, yogurt, butter, cream and cheese.
- Concentrates can be made as pastes, liquids, and powders.
- First Choice Ingredients’ flavors are 5-20 times stronger than the raw ingredients.
- Customization capabilities and able to meet several regulatory certifications.
.. to suit any industry applications and meet end-consumer trends
First Choice Ingredients | A good strategic fit for DSM

✓ First Choice Ingredients addresses attractive F&B end markets with growth opportunities
  ▪ Operates in highly attractive end-markets with future growth potential (e.g., plant-based alternatives)
  ▪ Opportunity to unlock new value by expanding in new markets outside the US

✓ Unique business model
  ▪ Differentiated formulations & application capabilities in F&B
  ▪ Strong focus on R&D and product innovation (e.g., plant-based taste solutions)
  ▪ Proprietary fermentation process, extensive library of strains
  ▪ Sticky customer relationships & diversified customer base
  ▪ Able to meet certification requirements (e.g., Clean label) and deliver customizations quickly
  ▪ Experienced management team and strong reputation
  ▪ Strong corporate culture

✓ Strong financial profile
  ▪ High single-digit CAGR sales growth in the past 5 years
  ▪ Attractive Adjusted EBITDA margin (~30%)
  ▪ Three state-of-the-art manufacturing facilities in the US and light operational footprint

✓ Strong sales synergies and scale-up opportunities
DSM | A €1 bn food & beverages powerhouse

- **Unique and broad** range of global products

- **Deep application expertise** in core end-market segments

- **Integrated solutions** combining taste, texture, and health, while at the same time bringing efficiency and sustainability benefits

- **Customer-focused innovation** in products & applications
Global leadership in fermentative biotechnologies

- One the industry’s largest enzymes and cultures strains portfolio
- Deep shared expertise & joint work on yield optimization
- Develop new strains using the biotech development platform

Broadest portfolio of taste, texture, nutrition & health ingredients and integrated solutions, with unique capabilities to support customers with customized offerings across dairy, savory, baking and beverage applications

Global reach through DSM’s operational and commercial presence

- Geographic expansion of First Choice Ingredients in Europe, Asia and LatAm
- Develop customer relationships across food globally

Multiple applications and integrated solutions designs bringing further agility to the combined customer base

- Enhance application capabilities with FCI’s sensory and functional expertise, product concepts, know-how in dairy- and dairy savory-based applications, highly complementary to DSM’s milk, cheese and dairy alternatives applications
- Add FCI’s taste solutions to DSM’s integrated solutions in savory
- Give access to FCI’s customer base to DSM’s integrated solutions in taste, texture and health
- Share clean label & regulatory expertise
- Tap into future growth opportunities including the fast-growing plant-based markets
Superior F&B offerings with FCI’s sensory and functional taste solutions

Dairy savory taste, textures and plant-based taste enrich DSM’s integrated solutions across various applications

**Integrated solutions provider**

<table>
<thead>
<tr>
<th>Dairy</th>
<th>Cheese</th>
<th>Fermented milk</th>
<th>Savory</th>
<th>Dairy alternatives</th>
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<td>Fresh milk</td>
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**Superior F&B offerings**

- **Milk drink** – lactase, L. Casei, Vit A, D, E, easy to digest – functional and health benefits, with unique dairy taste and prolonged mouthfeel
- **Plant based drinks** - Enzymes, vitamins and minerals, with plant based dairy flavor systems
- **Savory** – Vitamins, minerals, yeast extracts, Modumax™ (prolonged mouthfeel), Maxavor™ (salt reduction & taste enhancement), CanolaPRO, dairy & non-dairy fermented cheese flavor

**DSM competences**

- Dairy savory taste, textures and plant-based taste enrich DSM’s integrated solutions across various applications

**FCI enhancement**

- DSM competences
- FCI enhancement
Enhancing DSM’s plant-based offering with First Choice Ingredients’ taste & textures

Bringing authentic dairy taste and mouthfeel to plant-based and vegan menu options

Health: vitamins, minerals, lipids, protein

Taste: authentic cheese flavor

Taste: yeast extracts & process flavors

Texture: sauces with creamy mouthfeel

Texture: hydrocolloids & CanolaPRO®
DSM is looking forward to welcoming FCI’s colleagues!

- First Choice Ingredients is a **great fit** to DSM, with a shared passion for science-based solutions in Nutrition & Health.

- First Choice Ingredients has a **strong financial profile**: the 2021 estimates sales amount to $75m, with an Adjusted EBITDA of $23m and margin of 30%.

- Sales and EBITDA growth are expected to accelerate with expansion in new geographies, cross-selling opportunities enhancing the integrated solutions offerings in F&B and by leveraging 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 innovative solutions for delicious, nutritious, and sustainable F&B products.

- **Strong synergetic effects** to accelerate First Choice Ingredients’ growth by combining DSM’s global customer base, R&D, applications, regulatory and technology competencies with First Choice Ingredients’ technologies, product & application know-how.
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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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