

Royal DSM, a global science-based company, today presents its strategy update entitled “Growth & Value - Purpose led, Performance driven.” at its Capital Markets Day in London (UK).

- Strategy 2015-18 delivering well ahead of all targets
- 2018 outlook, as issued on 8 May, reconfirmed
- DSM will position itself towards a Nutrition, Health and Sustainable Living company, pursuing enhanced organic growth, with a purpose-led coherent set of business activities
- DSM commits to new ambitious growth and financial targets:
 - organic top-line growth above market
 - high single-digit adjusted EBITDA growth
 - step-up in cash generation
 - 25% dividend increase over 2018, with future dividend growth aligned with long-term earnings growth
- Value-creating acquisitions predominantly in Nutrition

Feike Sijbesma, CEO/Chairman DSM Managing Board, commented: “Our Strategy 2015-18 has been highly successful. After transforming DSM over the period 2010-15, we delivered strong growth with greatly improved operational and financial performance and significant value creation in all our businesses. In addition, we took important steps to monetize our non-core Pharma and Bulk Chemicals joint ventures. DSM has become a growth company with ambitious sustainability efforts creating value for all stakeholders across the three dimensions of People, Planet and Profit.

DSM will evolve further towards a purpose-led, science-based company in Nutrition, Health and Sustainable Living. We have created a strong platform for growth, centered on developing innovative solutions addressing Nutrition & Health, Climate & Energy and Resources & Circularity. Increased customer centricity and large innovation projects will enable above-market growth, while we will remain focused on cost control and operational excellence, allowing us to accelerate profit and cash generation. Organic growth will be complemented by acquisitions predominantly in Nutrition.

I am convinced that our strategy will create further significant value for all our stakeholders and the step-up in the dividend demonstrates our confidence in the future.”

DSM’s strategy update

Purpose sets scope for further growth and evolution

- With its unique science-based competences, DSM is ideally positioned to capture the growth opportunities offered by the global megatrends and Sustainable Development

Goals (SDGs), with a particular focus on Nutrition & Health, Climate & Energy and Resources & Circularity

- DSM will therefore evolve into a Nutrition, Health and Sustainable Living company:
 - DSM's Nutrition business will focus on human nutrition (ingredients and solutions for Food & Beverages, as well as Specialty Nutrition, nutritional ingredients, consumer branded products and Personalized Nutrition), animal nutrition (covering all species with premix and specialty solutions) and personal care and aroma ingredients
 - DSM's Materials business will further develop into a high-growth, higher-margin specialty business and focus on health, bio/ green applications and new mobility & connectivity applications
- By improving the impact of its own operations, enabling sustainable solutions for its customers and advocating sustainable business, DSM can grow faster and reduce its cost and risk profile
- DSM will step-up its ambitions regarding the reduction of GHG emissions, energy efficiency and use of renewable energy

Performance driven to deliver growth and value

Ambitious targets for profit growth and cash generation to drive value creation

- Two financial targets have been set for the period 2019-2021:
 - High single-digit annual percentage increase in adjusted EBITDA
 - About 10% average annual increase in adjusted net operating cash flow

Financial targets to be supported by holistic value-creation approach

- Committed to top-line growth ahead of market, resulting in about 5% organic growth
 - Organic growth across all our businesses will be supported by an expanded solutions offering, putting the customer even more in the center, and the delivery of large innovation projects
 - Approximately 20% of our sales will come from innovation and 45% of sales from high growth economies
 - DSM continues to invest in differentiating science and technology with circa 5% of sales
- DSM will also continue to harness digital capabilities to increase customer intimacy, improve productivity/efficiency and support new business models
- New adjusted EBITDA margin ambitions by 2021:
 - Nutrition over 20%

- Materials 18-20%
 - To be achieved by greater efficiencies and increased focus on higher-margin specialty solutions
- Organic top-line growth combined with margin enhancements to drive high single-digit adjusted EBITDA growth
- Focus on investment and cash generation to improve returns and accelerate growth in operating cash flow of about 10% annually
 - Working capital levels to be reduced with an ambition of around 50 bps annually to about 16% of turnover (from 18.4% in 2017)
 - Disciplined approach to capex and overall level limited to approximately 6.5% of turnover
 - Ambition to drive improvements in organic ROCE of around 1% annually
 - Capital to be deployed in M&A
 - Predominantly in Nutrition given its growth potential, resilience, strong leadership position and value creation potential
 - Deployment of capital expected to drive EPS growth ahead of EBITDA growth

Step-up in dividend linked to underlying earnings growth

- Unchanged policy of a stable, preferably rising dividend
- DSM will propose a dividend increase of about 25% to €2.30 per ordinary share over 2018, already to be reflected in the upcoming interim dividend over 2018
- DSM's performance expected to result in further dividend growth, which could lead to an expected average payout of 40-50% of adjusted (underlying) earnings

Cash allocation policy remains unchanged

- Clear order of priority for deployment of cash
 - Disciplined capex for organic growth: about 6.5% of annual sales
 - A stable, preferably rising dividend
 - Disciplined M&A, predominantly in Nutrition
 - In the absence of value-creating M&A, capital to be returned to shareholders
- DSM remains committed to maintaining a strong, investment grade credit rating

Video-webcast and presentations

A conference call for the media will be held at 08:30 CET. The DSM Capital Markets Day can be followed live via video webcast from 10:00-14:00 CET. The presentations can be found below as of 09:45 CET.