

## Chr. Hansen and Lonza establish a 50/50 joint venture to pioneer the emerging market for live biotherapeutic products

- Two global leaders create a strategic joint venture to become the partner of choice for developing and manufacturing live biotherapeutic products for pharma and biotech customers
- Clinical supply has a market potential of EUR 150-200m by 2025 with the long-term prospect of large upside from commercial manufacturing
- Phased investment of EUR 90 million to be shared equally between the partners over three years
- Headquarters and pharma-grade drug production facility to be established in Switzerland
- Closing expected for Q1 2019/20 subject to merger control clearance
- Chr. Hansen's 2018/19 outlook and 2021/22 long-term financial ambition remain unchanged

Chr. Hansen Holding A/S, a leading global bioscience company, and Lonza AG, a leading pharma contract manufacturing company, have signed an agreement to establish a 50/50 joint venture to pioneer the live biotherapeutic products (LBP) industry and position themselves as the leading contract development and manufacturing partner (CDMO) for biotech and pharma customers. The joint venture will be a 50/50 controlled legal entity which will operate from its headquarters in Basel, Switzerland and have production facilities in Denmark and Switzerland.

### Strong competitive position due to best-in-class, complementary capabilities

The joint venture brings together best-in-class, complementary capabilities and will be the first CDMO globally to provide a full supply chain that offers manufacturing of bacterial strains for therapeutic use. Whilst Chr. Hansen contributes its extensive know-how in developing, upscaling and manufacturing bacterial strains, Lonza brings strong capabilities in pharma contract manufacturing and outstanding drug delivery technologies. Furthermore, the joint venture will possess leading competences in handling, characterizing, formulating, manufacturing and encapsulating strict anaerobe bacteria. These competences under one roof, with seamless exchanges between drug substance and drug product activities will decrease development timelines and increase chance of 'right-first-time'.

*"The joint venture is a quantum leap for Chr. Hansen's human microbiome lighthouse. It's a great opportunity to utilize our microbial capabilities in the highly attractive LBP industry whilst sticking to our strategy of not becoming a fully-fledged pharma company. Chr. Hansen has more than 120 years of experience in strain development and manufacturing and we are really thrilled to join forces with a leading global company in the pharma CDMO market to become the partner of choice for end-to-end biotherapeutic solutions. The clinical trial supply industry is a rapidly emerging field, not to speak of the very large potential when the first bacteria-based medical products enter the commercial market,"* says Mauricio Graber, CEO of Chr. Hansen.

*"We need to think differently about how we develop solutions for manufacturing in the microbiome space as we see the potential of this therapeutic area develop. By teaming up with Chr. Hansen, one of the world's largest producers of bacteria, we are combining expertise that perfectly fits the very specific needs of aspirational companies in the microbiome space. Our customers will be able to draw on the unrivalled skillset of two world experts that master the exacting processes required for production of strict anaerobic microbes*

through to formulation and dosage forms. We understand the complexities of bringing pharmaceuticals to market, including the evolving regulatory environment, and will offer unique development and pharma-grade manufacturing that addresses an unmet need in the industry, enabling customers to deliver therapies for patients," says Mark Funk, CEO, Lonza Group.

### **Clinical and commercial demand for LBP offers highly attractive growth prospect**

The joint venture targets the emerging preclinical and clinical supply industry for LBP with a large upside to serve the ensuing commercial demand, once the first live biotherapeutic products will be approved and available for treatment. Given the current number of ongoing preclinical to phase III drug trials, the clinical supply industry globally is estimated to reach EUR 150-200 million by 2025. By 2035, the combined clinical and commercial supply industry is estimated to exceed EUR 1 billion.<sup>1</sup>

### **Pharma-grade production set-up to be established**

The phased investment of EUR 90 million will be shared equally between the parties over a period of three years and will be deployed to build cGMP<sup>2</sup>-compliant pharma production capabilities. The joint venture will upgrade existing facilities in Hørsholm, Denmark, and equip new facilities in Basel, Switzerland to serve pre-clinical to phase II projects. Further facilities for phase III and commercial manufacturing will be developed as the pipeline matures. Investments follow a stage-gate-process with clearly defined targets. EUR 45 million will be spent initially and additional EUR 45 million once customer demand for clinical phase III and commercial supply is confirmed. The joint venture is expected to be largely self-funding after the production set-up has been established.

### **Perfectly aligned with Nature's no. 1 strategy**

The joint venture fully supports Chr. Hansen's Nature's no. 1 strategy to further utilize its microbial platform in Health & Nutrition. Going forward, Chr. Hansen's human microbiome activities will operate twofold. The pharma-related anaerobe capabilities will be transferred to the joint venture whilst the human microbiome team that focuses on the discovery and development of the next generation of probiotics for dietary supplements and infant formula will be integrated into Chr. Hansen's Human Health business.

Financially, the joint venture will not impact Chr. Hansen's outlook for the financial year 2018/19 nor its long-term ambition towards 2021/22. Following closing of the transaction, the interest in the joint venture will be accounted for using the equity method in the consolidated financial statements. In terms of capital allocation priorities, Chr. Hansen remains committed to its capital discipline and dividend policy. The joint venture will, however, modestly reduce Chr. Hansen's capacity to distribute excess cash to shareholders for the first three years. Closing of the agreement is expected for Q1 2019/20 subject to merger control clearance.

---

<sup>1</sup> Management estimates.

<sup>2</sup> Current good manufacturing practice regulations contain minimum requirements for the methods, facilities, and controls used in manufacturing, processing, and packing of a drug product.

**For further information please contact:**

Martin Riise, Head of Investor Relations, Tel: +45 5339 2250

Annika Stern, Investor Relations Officer, Tel: +45 2399 2382

Camilla Lercke, Head of Media Relations, Tel: +45 5339 2384

**About Lonza**

Lonza is an integrated solutions provider that creates value along the Healthcare Continuum®. Through our Pharma Biotech & Nutrition segment and our Specialty Ingredients segment businesses, we harness science and technology to serve markets along this continuum. We focus on creating a healthy environment, promoting a healthier lifestyle and preventing illness through consumers' preventive healthcare, as well as improving patient healthcare by supporting our customers to deliver innovative medicines that help treat or even cure severe diseases.

Patients and consumers benefit from our ability to transfer our pharma know-how to the healthcare, hygiene and fast-moving consumer goods environment and to the preservation and protection of the world where we live.

Founded in 1897 in the Swiss Alps, Lonza today is a well-respected global company with more than 100 sites and offices and approximately 15,500 full-time employees worldwide at the end of 2018. The company generated sales of CHF 5.5 billion in 2018 with a CORE EBITDA of CHF 1.5 billion. Further information can be found at [www.lonza.com](http://www.lonza.com).

**About Chr. Hansen**

Chr. Hansen is a leading global bioscience company that develops natural ingredient solutions for the food, nutritional, pharmaceutical and agricultural industries. We develop and produce cultures, enzymes, probiotics and natural colors for a rich variety of foods, confectionery, beverages, dietary supplements and even animal feed and plant protection.

Our product innovation is based on more than 30,000 microbial strains – we like to refer to them as “good bacteria.” Our solutions enable food manufacturers to produce more with less – while also reducing the use of chemicals and other synthetic additives – which makes our products highly relevant in today’s world. Sustainability is an integral part of Chr. Hansen’s vision to improve food and health.

In 2019 Chr. Hansen was ranked as the world’s most sustainable company by Corporate Knights thanks to our strong sustainability efforts and our many collaborative partnerships with our customers. We have been delivering value to our partners – and, ultimately, end consumers worldwide – for over 145 years. We are proud that more than one billion people consume products containing our natural ingredients every day.