



## Strategy update for the three-year period 2020-2022

### Better business with biology

Today, Novozymes announces the path to drive stronger growth over the three-year period 2020-2022. The updated strategy and consequent adjustments focus on better utilization of Novozymes' core capabilities, making it possible to better prioritize high-impact pipeline projects, invest in new longer-term strategic opportunity areas and drive stronger commercial execution. Novozymes serves many industries with different customer needs. The ability to differentiate innovation, product offerings and service levels at industry and geographical level is expected to generate higher growth. Novozymes' enzyme and microbial technology platforms, together with dedicated employees, make biology matter every day and remain the foundation for its future success.

The 2019 outlook from June 6, 2019, is maintained. Novozymes expects 1-3% organic sales growth, 28-29% EBIT margin (26-27% excluding deferred income and one-off items) and ~23% ROIC including goodwill (~22% excluding deferred income and one-off items).

In the three-year period 2020-2022, Novozymes targets 5+% annual organic sales growth with 2020 likely negatively impacted by portfolio changes. By 2022, we expect the EBIT margin to be at 28% or above and ROIC incl. goodwill at 23% or above.

Peder Holk Nielsen, CEO, says: *"Our strategy update process has shown compelling reasons to invest in finding biological answers for better lives in a growing world, as our purpose states. I'm happy and excited about Novozymes investing more in these opportunities, and as we do so, we'll see improved short- and mid-term growth. We will free up DKK 200-300 million from our existing portfolios, as well as from simplification and efficiency improvements. We will reinvest a significant part of that in new strategic opportunities, high-growth projects and commercial activities that generate improved performance over the coming years and create significant options and results for Novozymes and its stakeholders."*

### The main headlines in the updated 2020-2022 strategy are:

- A DKK 200-300 million reallocation and efficiency program, also allowing for reduced complexity across the organization. A significant part of the freed-up resources will be reinvested in higher-growth projects, exploiting the short-, mid- and long-term potential, as well as creating better commercial capabilities
- A new portfolio structure with business portfolio units and clear portfolio roles, allowing the organization to deliver to its full potential. This includes more targeted and differentiated value offerings and service levels depending on the different characteristics of the businesses
- Significant investments in new strategic opportunity areas – combining enzymes and microbes – with significant potential beyond the mid-term strategy period. We plan to invest in removal of water contaminants, gut and oral health, and alternative specialty proteins
- Focus on cash generation in the company with a well-defined capital structure

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### About Novozymes

Novozymes is the world leader in biological solutions. Together with customers, partners and the global community, we improve industrial performance while preserving the planet's resources and helping build better lives. As the world's largest provider of enzyme and microbial technologies, our bioinnovation enables higher agricultural yields, low-temperature washing, energy-efficient production, renewable fuel and many other benefits that we rely on today and in the future. We call it Rethink Tomorrow. [www.novozymes.com](http://www.novozymes.com)

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**Business success measures 2020-2022:**

- Organic sales growth of 5+% per year. 2020 will likely be negatively impacted by portfolio changes (2019 outlook: 1-3%). All business areas are expected to contribute to organic sales growth
- EBIT margin at 28% or above by 2022 (2019 outlook: 26-27% excl. deferred income and one-off items; 28-29% reported)
- ROIC incl. goodwill at 23% or above by 2022 (2019 outlook: ~22% excl. deferred income and one-off items; ~23% reported)

**Organic sales growth**

In recent years, multiple external factors have impacted our business negatively. The strategy process has made it clear that a more focused approach and a review of the business portfolio are needed to drive higher growth. Novozymes will reallocate resources and invest differently to secure greater impact. Our mid-term organic sales growth target is 5+% per year. 2020 will likely be negatively impacted by portfolio changes. All business areas are expected to contribute to organic sales growth over the three-year period.

**EBIT margin**

Novozyymes' updated mid-term target for EBIT margin is 28% or above by 2022, compared with the adjusted 2019 outlook base of 26-27% (28-29% reported). Novozymes continues to believe that it is in the best interest of the company and its stakeholders to further strengthen its innovation and commercial capabilities and invest in future growth opportunities. A reallocation and efficiency program will release resources, DKK 200-300 million, to invest in higher-growth projects, including new strategic opportunity areas, as well as a further step-up in commercial capabilities. The proceeds from sales of biopharma royalty assets in the second quarter are expected to cover costs relating to restructuring that are expected to be finalized in 2019.

**ROIC incl. goodwill**

Novozyymes' updated mid-term target for ROIC (including goodwill) is 23% or above by 2022 (compared with the adjusted 2019 outlook base of ~22%; reported ~23%).

***Supportive modelling assumptions:*****Free cash flow**

Novozyymes intends to improve the net working capital/sales ratio and aims to move toward a net investments/sales ratio of 8% or below. This will support improvements in free cash flow (before acquisitions).

**Capital structure**

Novozyymes will continue to have a conservative balance sheet and target net debt/EBITDA of 1x (previously 0-1x). Novozymes intends to distribute the full cash generation to shareholders and aims to move toward an ordinary dividend payout ratio of ~50% over the coming years (44.6% in 2018). Excess cash will be distributed as stock buyback programs. The current DKK 2 billion stock buyback program continues for 2019.

**Capital allocation principles:**

Novozyymes' allocation principles prioritize organic sales growth and inorganic investments within the enzyme and microbial space. The priorities are:

1. Supporting organic sales growth through investments in R&D, commercial capabilities, production capacity and employees.
2. Pursuing bolt-on acquisitions, mainly supportive technologies in key areas and competencies, and scaling to develop growth areas.

3. Moving toward an ordinary dividend payout ratio of ~50% of net profit over the coming years, subject to the decision of the Board of Directors and approval at the Annual Shareholders' Meeting.
4. Maintaining financial leverage of ~1x net debt/EBITDA and returning excess cash to shareholders through stock buyback programs.

### Non-financial commitments and targets

Novozymes has defined commitments for 2030 and targets for 2020-22 for People – inside and outside the company – and for three global challenges: Climate, Water and Production & Consumption. For each of these three challenge areas, we commit to grow the positive impact from our commercial solutions and to reduce the negative impact of our operations. This will ensure that our commercial opportunities align with our operational responsibilities and that we maximize our contributions to the UN Sustainable Development Goals. We commit to build a culture where our employees thrive and grow. And we commit to contribute to a good life for people in our local communities.

	Commercial – by 2022	Our own operations – by 2022
<b>Climate</b>	Save 60 million tons of CO <sub>2</sub> in the transport sector	Reduce our absolute CO <sub>2</sub> emissions by 25%
<b>Water</b>	Reach more than 4 billion people with laundry solutions	Develop water management programs at all sites
<b>Production &amp; Consumption</b>	Gain 500,000 tons of food by improving farm-to-table efficiency	Develop circular management plans for all our packaging materials

### People:

- Score above 80 on learning in employee survey by 2022
- Score above 86 on our diversity index by 2022
- Drive down lost-time injury frequency rate by 2022
- Pledge 1% of employee time to local outreach activities

*All targets in this announcement assume constant currencies, constant raw material prices, no acquisitions or divestments, no special items and no severe disruptions to the state of the global economy.*

### Capital Markets Day

The updated strategy will be presented at a Capital Markets Day event on 17 June 2019, starting at 13:00 CET. The presentations will be made available on the same day prior to the event on Novozymes' website, [www.novozymes.com/investors](http://www.novozymes.com/investors), and a webcast of the CMD event starting at 13:00 can also be accessed via [www.novozymes.com/investors](http://www.novozymes.com/investors).

**Forward-looking statements**

This company announcement and its related comments contain forward-looking statements, including statements about future events, future financial performance, plans, strategies and expectations. Forward-looking statements are associated with words such as, but not limited to, "will", "believe," "anticipate," "expect," "estimate," "intend," "plan," "project," "could," "may," "might" and other words of similar meaning. Forward-looking statements are by their very nature associated with risks and uncertainties that may cause actual results to differ materially from expectations, both positively and negatively. The risks and uncertainties may, among other things, include unexpected developments in i) the ability to develop and market new products; ii) the demand for Novozymes' products, market-driven price decreases, industry consolidation, and launches of competing products or disruptive technologies in Novozymes' core areas; iii) the ability to protect and enforce the company's intellectual property rights; iv) significant litigation or breaches of contract; v) the materialization of the company's market-expanding growth platforms, notably the development of microbial solutions for broad-acre crops; vi) political conditions, such as acceptance of enzymes produced by genetically modified organisms; vii) global economic and capital market conditions, including, but not limited to, currency exchange rates (USD/DKK and EUR/DKK in particular, but not exclusively), interest rates and inflation; viii) significant price decreases for inputs and materials that compete with Novozymes' biological solutions. The company undertakes no obligation to update any forward-looking statements as a result of future developments or new information.

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