



Novozymes strengthens and expands position in human health and functional foods by acquiring a majority stake in Synergia Life Sciences

Novozymes takes the next significant step in accelerating into the fast-growing markets of human health and functional foods by entering into an agreement to acquire a majority stake in Synergia Life Sciences Pte. Ltd., a leading developer and manufacturer of spore probiotics and natural vitamin K2-7. Synergia Life Sciences has a global commercial footprint, three production sites in India, and 2021 pro forma sales (adjusted for Novozymes related sales), of around DKK 150 million and EBITDA/EBIT margins well above those of Novozymes.

Synergia was founded in 2004, employs approximately 150 people, and is headquartered in Mumbai, India. The company produces spore probiotics and natural vitamin K2-7 and is already a key supplier to Microbiome Labs, which was acquired by Novozymes in early 2021. Synergia's clinically documented spore probiotic strain portfolio offers enhanced stability, allowing growth in a wide range of applications including dietary supplements and functional foods, both of which are targeted strategic growth areas for Novozymes. The vitamin K2-7 portfolio is a strong complementary enabler to support growth in Novozymes' BioHealth platform. Vitamin K2-7 demand is expected to grow at double-digit rates, leveraging on Novozymes' biotech capabilities and offering an attractive supplemental product portfolio when engaging with functional foods and dietary supplement customers. The founders of Synergia will continue to be actively involved in the business.

"Synergia is a perfect strategic fit for Novozymes, providing access to a complementary and strategic product portfolio, and to a spore probiotics manufacturing footprint. Synergia's scientifically proven portfolio strengthens our human health business and accelerates our functional food offerings. This acquisition further builds our foundation for future growth in attractive high-growth markets. To put it simply – we are executing on our strategy 'Unlocking growth – powered by biotech'," said Ester Baiget, President and CEO of Novozymes.

"Novozymes' strong presence in the functional foods and dietary supplement space makes this a strategic fit for Synergia's innovative product portfolio. We are very excited to be part of the Novozymes family," said Dilip Mehta, CEO of Synergia Life Sciences Pvt. Ltd.

This is Novozymes' third human-health-related acquisition since mid-2020 and yet another key component in increasing synergies and creating complementary levers across the BioHealth platform. With this acquisition, Novozymes strengthens its strong scientific and innovation capabilities to deliver clinically proven solutions to improve human health and wellbeing via a portfolio of microbes (pre/probiotics), enzymes and other biological solutions. Novozymes expects to outgrow the underlying market CAGR of 7%-8% in human health supplements during the strategy period to 2025.

Financials

Novozymes is today entering into a binding agreement to acquire 60% of all outstanding shares in Synergia Life Sciences Pte. Ltd., subject to the fulfilment of certain closing conditions. The acquisition is made on a cash and debt-free basis at a price of DKK ~1 billion (USD ~150 million). The remaining 40% is to be acquired no later than in 2025 at a similar pre-defined relative valuation level, including a maximum payout cap. The transaction is financed by existing cash and bank facilities and does not change the capital structure policy of Novozymes. The transaction is expected to close before the end of 2021 and is not subject to any antitrust filings.

Synergia's 2021 pro forma sales are expected at around DKK 150 million (adjusted for Novozymes related sales) with solid positive cash flows and strong earnings, including EBITDA and EBIT margins well above those of Novozymes.

Transaction costs of approximately DKK 50 million will impact EBIT negatively in the fourth quarter of 2021, but the full year EBIT margin outlook is maintained at around 27%. Additionally, in the fourth quarter, currency conversion costs relating to the acquisition of between DKK 10-30 million will impact the net financial line. ROIC, including goodwill will be impacted negatively in 2021 by roughly 1pp from higher invested capital as well as lower NOPAT. Consequently, the full year outlook for ROIC, including goodwill is now expected at 19%-20%.

Looking ahead to 2022, the acquisition is expected to have a neutral margin impact on Novozymes' group level earnings even when including the negative impact from higher depreciation & amortization. Additionally, the acquisition is expected to be EPS accretive already in 2022, whereas ROIC including goodwill will be negatively impacted by roughly 1pp. There are no changes to Novozymes' long-term financial targets.

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 to 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

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