



Novozymes announces its 2025 strategy: *Unlocking growth – powered by biotech*

Novozymes now takes the next step on its growth journey with the launch of ***Unlocking growth – powered by biotech***. The strategy is based on the solid foundation of ***Better business with biology*** and covers the five-year period to 2025. It sets out an organic sales growth target of 5+% CAGR for the period with solid earnings including significant re-investments to secure higher long-term growth, enabling the ambition to double the company's sales by 2030.

Ester Baiget, President & CEO: *"We've completed a comprehensive review of our company's key capabilities and positions. Our refreshed strategy builds on a solid foundation and further defines how we prioritize our efforts. We're leveraging our position as a biotech powerhouse with a clear focus and firm commitment to drive stronger, sustainable and profitable top-line growth. We commit to clear targets until 2025 and we are looking further ahead with an ambition to double our sales by 2030. In addition to the financial objectives, we also commit to make a sustainable difference for the climate, food systems and healthier lives. The investments we're making today will enable us to build a stronger long-term growth profile for the company. I'm convinced that, together with our customers, we're set to create significant results for a healthier planet."*

Key elements of the refreshed strategy include

- Turning proportionally more of the company's overall investments and focus into higher growth areas such as Health and Nutrition, while investing to secure solid and healthy performances in our core businesses. The strategy also allows for a more structured venture approach to future growth bets with significant sales potential such as for example carbon capture, nitrogen fixation and sustainable plastics.
- Expanding the company's production footprint into higher growth areas with dedicated CAPEX, and an annual investment level of DKK ~300 million (by 2025) to staff and operate new customer co-creation centers at key geographical locations in our efforts to move closer to our customers, particularly in the areas of Food, Beverages, Health and Nutrition.
- Further executing on and simplifying the business segmentation logic with a clear and differentiated approach defined by the characteristics of relevant markets and their respective needs, supported by stronger commercial excellence including digital tools and increased emerging market presence.
- Continued strong focus on productivity improvements and efficiency gains with less focus on incremental innovation in low-growth markets.
- Updated definition of addressable market potential looking across the relevant application base for Novozymes' existing and future technologies.
- Utilizing M&A as a tool for technology and market access.
- Continued focus on sustainability leadership with ambitious targets for Operations, Zymers & Society as well as Commitments for a healthy planet. Targets include focus on decarbonization and a diversity & inclusion strategy.

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Company announcement
No.46

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- Financial targets for the five-year period to 2025*:
 - Organic sales growth: 5% CAGR or higher
 - EBIT margin: 26% or higher by 2025
 - ROIC including goodwill: 20% or higher by 2025

More details are available in the Financial and sustainability appendix on page 3-5.

**All targets assume constant currencies, no additional acquisitions, no divestments, no special items, a gradual normalization of the global economy and supply chain post-COVID, and no new severe disruptions of the global economy*

Event information

Novozyme's Capital Markets Day will be held in a virtual format tomorrow, September 28, from 13:00 CEST with a duration of approximately 2.5 hours. Presentation materials will be available on [Novozymes' website](#) from approximately 09:00 CEST on the same day.

Live stream

The event will be live streamed and subsequently available as a replay. Both can be accessed through this [link](#).

Q&A session

It will be possible to ask questions at two separate sessions during the event. Please dial in using one of the below phone numbers. The lines will open 30 minutes prior to each session. There will also be an opportunity to submit questions online on the [live webcast page](#).

Please note the phone numbers below:

- DK: +45 35 44 55 77
- UK: +44 33 33 00 08 04
- US: +1 631 913 1422

PIN code for all countries: 48667262#

Financial and sustainability appendix

Financial targets for the five-year period to 2025*

- **Organic sales growth: 5% CAGR or higher**
- **EBIT margin: 26% or higher by 2025**
- **ROIC including goodwill: 20% or higher by 2025**

Being a responsible company in a world in high need of sustainable solutions and stewardship, Novozymes is committed to delivering strong results while also driving a strong ESG agenda. During the strategy review it has become evident that there are significant opportunities and capabilities available to Novozymes, and that a clear emphasis on prioritization is required to avoid diluting the potential. Additionally, Novozymes' core technologies as a biotech powerhouse span across enzymes, microbes and advanced proteins, with strong leverage opportunities around the company's strong capabilities in innovation, sustainability, fermentation and upscaling.

The best way for Novozymes to enable strong returns to its shareholders is to prioritize growth. Organic growth is key, but Novozymes' ability to selectively include value-generating inorganic growth opportunities will be utilized even more with the ability to leverage the company's unique optimization capabilities.

As sales growth is key to enabling strong earnings leverage, the company will not prioritize short-term margin expansion at the expense of securing its long-term growth potential. Novozymes' sales growth is attractive not only from an earnings-leverage point of view, but also for employees and the world we live in, as the societal benefits from the company's solutions are highly positive. Novozymes believes that the strategic direction set out in today's refreshed strategy will allow for a longer period of sustained high growth. Consequently, the company's ambition is to double reported sales by 2030.

Organic sales growth

- Organic sales growth is driven by a combination of evolving the solid core businesses, expanding the strong growth opportunities in BioHealth and Human Nutrition, as well as exploring new growth opportunities from a venture-like mindset that would normally require a longer-term approach.
- At Novozymes, we believe there are ample opportunities to drive solid growth through innovation and sustainability across our businesses. Demand for sustainable solutions is only increasing and Novozymes is able to supply biological solutions to meet customer and consumer needs. Successful prioritization and an increased allocation of resources to high-growth areas are key to succeeding with the *Unlocking growth – powered by biotech* strategy.
- The strengthened prioritization agenda already introduced by the company allows for more focus where it matters the most, and also enables faster commercial success.
- Opportunities in the emerging markets are significant and investments to build on recent successes will be ongoing.
- Novozymes believes it is important to continue to move closer to customers and the strategy implies a direct investment to build and operate customer co-creation centers which will allow for a much stronger understanding of customer and consumer needs in support of growth at Novozymes.

EBIT margin

- Novozymes targeted an EBIT margin of 28% or higher in the previous strategy period. The target EBIT margin was set, for natural reasons, excluding the impact from currencies and M&A, and translates into 26% or higher when including these factors.
- With the most recent EBIT margin outlook for 2021 at ~26%, Novozymes is already close to, or at, this level.

- The EBIT margin target of 26% or higher by 2025 includes already announced acquisitions and investments as well as significant new growth investments. Novozymes prioritizes investing for long-term growth over short-term margin expansion.
- The underlying gross margin expansion from productivity improvements and operational leverage is expected to continue during the strategy period, and likely beyond. Fluctuations in raw material prices impact Novozymes' gross margin, but the company's unique capability to drive productivity and efficiency improvements is expected to continue.
- During the strategy period, the company seeks to continue to optimize the allocation of resources to where they matter the most. The R&D-to-sales ratio is expected to be maintained at around 13% while the sales-and-distribution-to-sales ratio is expected to increase.
- The EBIT margin is not expected to be lower than 25% for a given year during the strategy period.

ROIC including goodwill

- Novozymes targeted ROIC including goodwill at 23% or higher for the previous strategy period. The target ROIC was set, for natural reasons, excluding the impact from currencies and M&A.
- With the most recent ROIC including goodwill outlook for 2021 at 19-20%, Novozymes is already close to this level adjusted for acquisitions and currency effects.
- The target for ROIC including goodwill of 20% or higher by 2025 includes already announced acquisitions and investments as well as new growth investments, such as customer co-creation centers.

Other financials

- A well-defined and well-maintained cash return profile continues with the full return of free cash flows to shareholders including a ~50% dividend pay-out ratio, complemented by flexible share buyback programs.
- Continued focus on a relatively conservative balance sheet, which is reflected by a target for net interest-bearing debt of around 1x EBITDA. The target ratio might be exceeded following acquisitions, but in such cases Novozymes is committed to bringing the ratio back to the target level.
- CAPEX-to-sales level of ~10% during the strategy period with increased growth-focused investments especially in the Food, Nutrition and Health space. The already announced DKK 2bn investment in a new protein production facility at Blair, Nebraska to supply the alternative proteins market, will be additional and impact the CAPEX- to-sales ratio for 2021-2023 (DKK300m in 2021).
- Effective tax rate of between 22-23% in the target period.
- Net working capital is expected to see an improvement from current levels, relative to sales.

Sustainability targets

Novozymes will continue to report on the sustainability metrics as set out in the *Better business with biology* strategy in 2019. These metrics include targets for the period 2020-22, as well as a few long-term commitments towards 2030.

The company remains committed to delivering a positive impact on the world via three commitments to a healthy planet. We will deliver on these commitments via innovation, customer engagement and advocacy, and whenever relevant and possible, we will provide quantitative data on our impact.

Commitments to a healthy planet

- Accelerate towards a climate-neutral society.
- Transform food systems.
- Enable healthier lives.

The company introduces new 2030 targets related to its operations and employees:

Operations

- Reduce greenhouse gas emissions by 50% from operations and supply chain (scope 1+2+3) by 2030 from a 2018 baseline. This is in line with a 1.5°C decarbonization pathway, and is an upward adjustment to our existing verified science-based target. Novozymes also maintains its commitment to become a net zero emitter by 2050.
- Source 100% renewable electricity by 2030.
- 100% of sites to manage water in balance with local conditions by 2030.
- Zero waste from operations by 2030.

Zymers & society

- Achieve gender balance across all professionals and in senior leadership by 2030.
- Take action and monitor progress to ensure organizational well-being.
- Pledge 1% of our employees time to community outreach.

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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