

Chr. Hansen Holding A/S acquires Jennewein Biotechnologie GmbH to enter and lead the high-growth Human Milk Oligosaccharides market

Chr. Hansen Holding A/S (“Chr. Hansen”) has today entered into an agreement to acquire all of the shares of Jennewein Biotechnologie GmbH (“Jennewein”), which is a leading player in the Human Milk Oligosaccharides (“HMO”) market. The acquisition is fully in line with Chr. Hansen’s 2025 Strategy of pursuing bolt-on acquisitions that extend and strengthen its microbial and fermentation technology platforms.

- The acquisition of Jennewein strengthens and expands Chr. Hansen’s microbial and fermentation technology platforms by adding the emerging and exciting, high-growth business area of human milk oligosaccharides
- HMOs are essential groups of milk sugars which are naturally occurring in human breast milk and which nurture the infant microbiome (including bacteria with a probiotic effect)
- Functional ingredients, especially HMOs and probiotics, are driving the premiumization trend in infant formula and there is a significant potential to increase the penetration of these two ingredients, and also to create synergistic blends in the future
- HMOs are produced industrially by fermentation, which is a core capability of Chr. Hansen
- Jennewein is recognized as a global leader in the HMO market with six commercialized HMOs, a strong product pipeline, a global customer base and a strong IP portfolio of more than 200 patents granted in key markets
- The company has around 100 employees headquartered in Bonn, Germany, with production partly outsourced to contract manufacturers
- The addressable market for HMOs is estimated to be more than EUR 400 million by 2025, and more than EUR 1 billion long-term, with Chr. Hansen now poised to be a leading supplier
- Strong investment case for Chr. Hansen to unlock significant scalability benefits in fermentation and drive efficiencies by leveraging Chr. Hansen’s production know-how
- Chr. Hansen plans to invest more than EUR 200 million in production assets until 2025, including an investment in a brown-field factory, to expand HMO capacity to supply the expected demand, a meaningful part of which has already been secured through long-term contracts
- Chr. Hansen’s long-term financial ambition is unchanged.

Jennewein is expected to generate sales of around EUR 50 million in 2021, but with a net EBIT loss. The total consideration equals EUR 310 million on a debt-free basis. The transaction is expected to be completed in September 2020. The transaction will be financed through committed facilities from existing debt financing partners. Jennewein was founded by Dr. Stefan Jennewein and Dr. Klaus Jennewein. Dr. Stefan Jennewein will transfer into a role as Chief Science and Technology Advisor, while Dr. Klaus Jennewein will retire from the company.

Human Milk Oligosaccharides are essential groups of milk sugars found only in human breast milk and are essential to developing a healthy digestive system in infants. HMOs are synergistic with probiotics and help to create and strengthen a well-balanced microbiota, support the development of a strong immune function and protect infants from infections. HMOs are approved as an ingredient for infant formula in North America, Europe, parts of Latin America and Asia with approvals pending in key markets such as China, India, Brazil and Argentina.

Mauricio Graber, CEO of Chr. Hansen, said: *“I am truly excited that we have reached an agreement to acquire Jennewein. The fast-growing HMO market is a new space that we have been following with strong interest for some years. In truth, we are making a long-term investment and commitment to HMOs, which I am convinced will bring long-term value creation to our shareholders. Given the addressable market and the expected growth rates, this is now our 5th strategic lighthouse and will be accretive to our organic growth beyond 2020/21. HMOs also fit perfectly with our purpose, ‘Growing a better world. Naturally’, as these are some of nature’s most intricate nutritional components for the most precious and vulnerable – newborn infants and young children. For us, Jennewein is a strong fit to our microbial portfolio, as its fermentation platform is also scalable and offers good long-term margin potential as volumes increase. Jennewein is a leader in the HMO industry with a superior product offering and IP portfolio, and we believe the company holds a leading position in this relatively new and very exciting market. Jennewein’s products will have strong functional synergies with our probiotic bacteria, such as LGG® and BB-12® and combining the companies will create an even stronger competitive advantage. Furthermore, we believe that the very talented employees of Jennewein will be a strong cultural fit to Chr. Hansen.”*

Dr. Stefan Jennewein, Founder and CEO of Jennewein, said: *“Today, we are starting a new chapter in the pre- and synbiotic market by combining the strengths of Chr. Hansen and Jennewein Biotechnologie. 15 years ago, Jennewein started with the ambition to make human milk oligosaccharides available for all infants. Today, HMOs have become a must-have for all premium infant formula. Whereas initially we were very much intrigued by the anti-infective effects of HMOs, in particular against human pathogenic viruses, today it is clear that even more beneficial effects can be expected from the combination of HMOs with probiotics. Thus, Chr. Hansen is the perfect match for Jennewein to bring the HMO story to the next level.”*

Financial implications and outlook

Chr. Hansen’s financial outlook for 2019/20 is unaffected, and the long-term financial ambition also remains unchanged. The HMO business will be part of the Health & Nutrition area and will operate as a separate, full value chain with strong support from Chr. Hansen. The HMO business is expected to be EBIT margin dilutive to the Chr. Hansen Group through the strategic period until scale in the business is realized. However, beyond 2024/25 the EBIT margin potential is expected to be similar to the existing Chr. Hansen business.

Conference call

Chr. Hansen will host a conference call on September 22, 2020 at 13:00 CEST. The conference call will take 30 minutes and can be accessed via www.chr-hansen.com/investors.

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About Jennewein Biotechnologie GmbH

Jennewein Biotechnologie is a leading international industrial biotechnology company with a range of products in the field of human milk oligosaccharides (HMOs) and rare monosaccharides such as L-Fucose and Sialic acid. The company manufactures an extensive portfolio of innovative HMO products, such as 2' fucosyllactose, 3'-fucosyllactose, Lacto-N-neotetraose, and lacto-N-tetraose. These rare sugars are used in the food industry (particularly infant milk formulas), the pharmaceutical industry, and the cosmetic industry.

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 around 40,000 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 make 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 140 years. We are proud that more than one billion people consume products containing our natural ingredients every day.