

DSM, CVC Capital to form new polymer intermediates firm

DATE : 2016-03-16

- **DSM delivers on the strategic actions it announced for these businesses in November 2014**
- **CVC is an experienced investor with a proven track record in the chemical industry**

Royal DSM, the Life Sciences and Materials Sciences company, and CVC Capital Partners (CVC), one of the world's leading investment advisory firms, today announced a partnership for DSM's activities in Polymer Intermediates (Caprolactam and Acrylonitrile) and Composite Resins through the formation of a new company, provisionally called NewCo. **Highlights of the transaction:**

- NewCo will be 65% owned by CVC and 35% by DSM, with 1,950 employees
- Pro-forma third-party sales of NewCo in 2014 amounted to €2.1 billion with a 2014 EBITDA of €106 million
- The enterprise value of the transaction is €600 million plus an earn-out of up to €175 million
- Financing of NewCo will primarily be through an equity contribution from both shareholders, third party financing and a €100 million bridge loan provided by DSM
- Estimated net cash proceeds at closing to DSM of €300-350 million
- DSM will recognize an initial book loss of approximately €130 million after tax and non-controlling interests, as an exceptional item in Q1 2015
- Closing, subject to customary conditions and approvals, is expected in Q3 2015

Feike Sijbesma, Chief Executive Officer and Chairman of the Managing Board of Royal DSM said: *"This proposed transaction delivers on the strategic actions DSM announced for these businesses in November 2014 and is a decisive step in further optimizing our portfolio and reducing our cyclicalities. We have found a good partner in CVC after a careful process in which we evaluated all options. We believe the partnership with CVC is the best way forward for these businesses. NewCo will operate as an independent, dedicated company under the leadership of CVC. DSM can now focus fully on improving the operational performance of its Nutrition and Performance Materials businesses as well as benefitting from the future value creation in this new venture. This transaction is geared towards value creation for these businesses and is consistent with our commitment to continue to generate value for our stakeholders and deliver on our strategy."* Steven Buyse, Partner at CVC Capital Partners, added: *"We are excited about partnering with DSM and bringing our experience and expertise to bear to further leverage the leading market positions of the businesses. We look forward to working with such a dedicated and talented group of employees to build on the strong existing customer base and create value for all of our stakeholders"*. Further details of the transaction:

- DSM will contribute its global caprolactam business (Europe, North America, its 60% stake in DNCC (China) and the caprolactam licensing business), DSM's acrylonitrile business and DSM's Composite Resins business including its 75% stake in JDR (China)
- DSM's 65% stake in the service organization Sitech Services held via its caprolactam and acrylonitrile businesses will also be transferred
- DSM Engineering Plastics has secured at least 80% of its caprolactam needs for 15 years after closing via drawing rights to secure its strategic position and competitiveness, effectively maintaining DSM Engineering Plastics' backward integration

For DSM, this proposed transaction is a logical step in the execution of its strategy as Polymer Intermediates (caprolactam, acrylonitrile) and Composite Resins no longer fit with its more resilient portfolio in Nutrition and Performance Materials. The partnership with CVC allows DSM to further reduce the cyclicalities of its portfolio, secure a long-term competitive supply position of caprolactam for DSM Engineering Plastics and fully focus on the Nutrition, Performance Materials and Innovation activities complemented by accelerated actions to improve efficiencies and reduce costs.

CVC will work with current management of these businesses to make NewCo a success. CVC sees these businesses as a solid platform with leading positions and substantial potential for future growth.

As a 35% shareholder in NewCo, DSM will be able to benefit from any improvements in the businesses that will become part of NewCo.

NewCo will continue to supply at least 80% of DSM Engineering Plastics' caprolactam needs in Europe and North America for the coming 15 years via a drawing rights contract, effectively maintaining DSM Engineering Plastics' backward integration. In China DSM Engineering Plastics will continue to be supplied by NewCo as today. This secures an ongoing strategic and competitive position for the polyamide 6 business in which DSM is a global leader.

NewCo will operate as an independent company with three business units: caprolactam, acrylonitrile and composite resins. Pro-forma third party sales of NewCo amounted to €2.1 billion in 2014 with an EBITDA of €106 million, excluding non-controlling interests (DNCC, JDR and Sitech) of €19 million and including the caprolactam licensing income.

Due to the ownership change of DSM's caprolactam and acrylonitrile businesses, NewCo automatically becomes an indirect 65% shareholder in Sitech Services, the on-site service provider at the Chemelot Industrial Park in Sittard-Geleen (Netherlands). As a service provider, Sitech generally reinvests the majority of its profit into the Chemelot Industrial Park. DSM will remain a 5% shareholder in Sitech Services via DSM Engineering Plastics. In 2014 Sitech Services generated an EBITDA of €27 million, reported within DSM's Corporate Activities, of which 65% is included in NewCo's pro-forma 2014 EBITDA of €106 million mentioned above.

Over the past ten years, DSM has further developed the Chemelot Industrial Park and the Brightlands Chemelot Campus (Research) in Sittard-Geleen (Netherlands) into a world-leading innovation and production location. The close cooperation with the University of Maastricht and the Province of Limburg further enhances this development. Both the Industrial Park and the Campus have a deep-rooted cluster of activities, with over 100 companies and knowledge institutions such as Eindhoven University present, currently employing over 7,000 people, a number which is increasing. DSM is fully committed to its contribution for the further development of the Chemelot Industrial Park and Brightlands Chemelot Campus.

In accordance with the applicable accounting standards, DSM's caprolactam, acrylonitrile and composite resins businesses will be classified as assets held for sale in Q1 2015 and an initial book loss of approximately €130 million, after tax and non-controlling interests, will be recognized as an exceptional item in Q1 2015. This reflects the estimated value of the assets on a *fair value less cost to sell* basis, taking into account the specific terms of the transaction. The expected full value of DSM's remaining 35% stake will be recognized in the future. Post-closing, DSM will present the investment in NewCo as an associate, accounted in accordance with the equity method. Re-stated figures will be made available.

DSM's advisors on the transaction were Allen & Overy and the Valence Group. Advisors to CVC were Aon, Bain & Company, Citigroup, Clifford Chance, Deloitte, Environ, KPMG and McKinsey. Financing for the transaction is being provided by Citigroup and Rabobank.

Additional information

Today DSM will hold a conference call for the media from 08.30 AM to 09.00 AM CET and a conference call for investors and analysts from 10.00 AM to 11.00 AM CET. Details on how to access these calls can be found on the DSM website, www.dsm.com.

CVC Capital Partners

CVC Capital Partners (CVC) is one of the world's leading private equity and investment advisory firms. Founded in 1981, CVC today has a network of over 20 offices and over 300 employees throughout Europe, Asia and the US. Currently, CVC manages funds on behalf of over 300 investors from North America, Europe, Asia and the Middle East, who entrust their capital to CVC for periods of 10 years or more. To date, CVC has secured commitments of over US\$60 billion in funds from a diverse and loyal investor base, completing over 300 investments in a wide range of industries and countries across the globe, with an aggregate transaction value of over US\$120 billion. www.cvc.com.

SOURCE DSM.com