

DSM announces Joint Venture with Nenter

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Royal DSM, science-based company in Nutrition, Health and Sustainable Living has announced that it intends to create a 75/25 joint venture with Nenter & Co., Inc., which will include all Nenter's production and related assets for Vitamin E.

In order to fulfill its future need for Vitamin E, DSM will acquire a 75% shareholding in the joint venture, for a cash consideration of about € 135 million, representing an EV/EBITDA multiple of roughly 6x based on the estimated 2019 EBITDA generated by Nenter's Vitamin E business.

The joint venture will acquire and operate the Vitamin E production facilities in Jingzhou, Hubei, China and have a minority shareholding in Nenter's Shishou facility, also in Hubei, China. The joint venture will exclusively produce Vitamin E for DSM subject to existing supply agreements of Nenter, and there will be a profit share agreement in place between DSM and Nenter.

DSM will, together with the joint venture partner Nenter, upgrade and refurbish the facilities and improve the operational performance, to secure high-quality and sustainable supply of Vitamin E, while ensuring compliance with DSM's safety, health and sustainability standards.

Through this joint venture, DSM will enhance its Vitamin E position. The joint venture will provide DSM with cost-effective access to additional capacity allowing DSM to continue to grow organically in Vitamin E, which is an essential ingredient in DSM's animal nutrition premix solutions.

The joint venture will strengthen DSM's global supply chain footprint, enabling the company to offer locally produced Vitamin E in China and Asia Pacific, next to its facilities in Switzerland. This will support DSM's strategic actions to reduce its working capital requirements by simplifying its supply chain.

Vitamin E is well recognized and accepted as nature's most effective fat-soluble, chain-breaking antioxidant, protecting cellular membranes from being attacked by lipid peroxy radicals. Although primarily known as an efficacious biological antioxidant, Vitamin E has more benefits, including maintenance of the structural integrity of all tissues and substantial contribution to optimum health and disease resistance of farm animals due to its modulating effects on the immune system.

The transaction is subject to several regulatory approvals and expected to close in Q2/Q3 2019. As of the date of gaining control DSM will consolidate the entity.