

Chr. Hansen to acquire LGG[®] from Valio

Chr. Hansen has today signed an agreement with Valio OY to acquire LGG[®], the world's best documented probiotic strain, including trademarks and related business for a cash consideration of EUR 73 million.

Lactobacillus rhamnosus GG (protected under the trademark LGG[®]) has been used in food and dietary supplements since 1990, described in more than 800 scientific publications and studied in more than 200 clinical studies¹. The main indication areas are within gastrointestinal and immune response. In 2015, the acquired business generated revenue of around EUR 9 million, including royalty payments from Chr. Hansen Holding A/S.

Cees de Jong, CEO of Chr. Hansen Holding A/S

"One of the ambitions in our Nature's No. 1 strategy is to expand our current business within microbial solutions for human health. The LGG[®] strain is together with our own probiotic strain BB-12[®] the best documented probiotic strain in the world, and the acquisition allows us to capture the full potential of the LGG[®] brand across markets for dietary supplements and infant formula offerings, as well as pursuing new opportunities in dairy."

Annikka Hurme, CEO of Valio OY

"An important element in the deal is closer co-operation between the two companies' world leading innovations teams, which will further strengthen the impressive science backing LGG[®]."

Strategic rationale

Chr. Hansen has been selling LGG[®] products for human dietary supplements and infant formula under a license agreement with Valio OY for more than 10 years and already produces the strain in-house at cGMP standards. By acquiring the full rights to the strain, Chr. Hansen is strengthening its position in probiotic solutions for human health and dairy with attractive opportunities to fully leverage the potential of the LGG[®] brand both as a stand-alone product and in combination with Chr. Hansen's own strains such as the BB-12[®] strain.

As part of the agreement Chr. Hansen will take over a number of specialty strains already in production and a bacterial collection of around 3,200 strains. In addition, Chr. Hansen and Valio will enter into a strategic R&D collaboration to extract further value within dairy, including commercialization of Valio's transglutaminase enzyme technologies.

¹ As of July 2015

Financial impact

The acquisition will be funded by Chr. Hansen's own cash and existing credit facilities and is supportive of Chr. Hansen's capital allocation priorities according to which investments in organic growth and bolt-on acquisitions are prioritized. Despite the acquisition, the Board of Directors will consider the option for distributing excess cash during 2016/17, while maintaining financial leverage consistent with a solid investment-grade credit profile.

The acquisition will contribute positively to Chr. Hansen's EBIT b.s.i. in 2016/17, while not changing Chr. Hansen's long-term financial ambitions, as stated in the announcement of 12 April 2016.

Approximately EUR 2 million in non-recurring costs related to the transaction will be recognized as special items in 2016/17.

Closing conditions

The acquisition of the LGG® business is subject to customary closing conditions. Closing is expected during the fall of 2016.

About Chr. Hansen's human health business

Demand for natural dietary supplement solutions that advance human health is on the rise and the expected growth for microbial solutions in this industry is 7-9%. The human health business with revenue of approximately EUR 100 million in 2014/15 is part of the Health & Nutrition business unit.

About the acquired business

The acquired business includes the LGG® trademarks and related royalties, a collection of around 3,200 strains and a small production site in Tikkurila, Finland, which currently produces the LGG® strain and a number of specialty strains for cheese, etc.

For further information, please contact:

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The announcement has been prepared in Danish and in English. In the event of discrepancies, the Danish version prevails.

Forward-looking statements

This announcement contains forward-looking statements. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of Chr. Hansen Holding A/S, may cause actual developments and results to differ materially from the expectations expressed in this announcement.

About Chr. Hansen

Chr. Hansen is a global bioscience company that develops natural ingredient solutions for the food, nutritional, pharmaceutical and agricultural industries. The products include cultures, enzymes, probiotics and natural colors, and all solutions are based on strong research and development competencies coupled with significant technology investments. Revenue in the 2014/15 financial year was EUR 859 million. The company has more than 2,600 dedicated employees in 30 countries and main production facilities in Denmark, France, USA and Germany. Chr. Hansen was founded in 1874 and is listed on Nasdaq Copenhagen. For further information, please visit www.chr-hansen.com.