

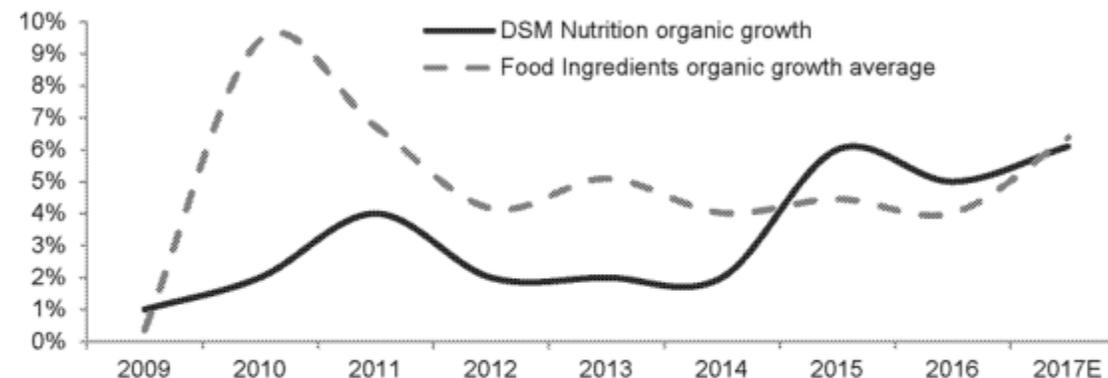
17 **DSM – Virginie Boucher-Ferte, BUY, close €81.8, €100 tgt, 22% potential upside**

- We see Nutrition (68% of EBITDA) as a key growth driver. We forecast a **9% EBITDA 2018-20E CAGR** driven by cost cutting, innovation and leverage of its broad portfolio.
  - A greater proportion of the Nutrition portfolio is in **higher-value and faster-growing ingredients and ‘solutions’** rather than just vitamins.
- **Up to 30% upside to 18E EBITDA forecast** if vitamin price increases are sustained.
  - Prices are unlikely to revert fully: China’s environmental policies are should give structural support in the long term.
- Full exit from Materials likely, driving **portfolio shift** towards becoming a pure play in higher-value ingredients.
- **M&A** should drive the next phase of development. DSM is likely to use its **strong balance sheet** (0.5x 17E net debt/EBITDA) to broaden its ingredients portfolio.
  - **This would unlock >€20/share** of value from EPS accretion and re-rating.
- Trades on 16x 19E P/E, in line with chems but a **33% discount to ingredients**. We believe the portfolio shift should prompt re-rating.
- Our €100 tgt implies a 20x 19E P/E – still a 15% discount to ingredients.
- Catalysts: Upside through higher value and fast growing ingredients and “solutions”. Portfolio shift optionality.

**Related DB Research:**

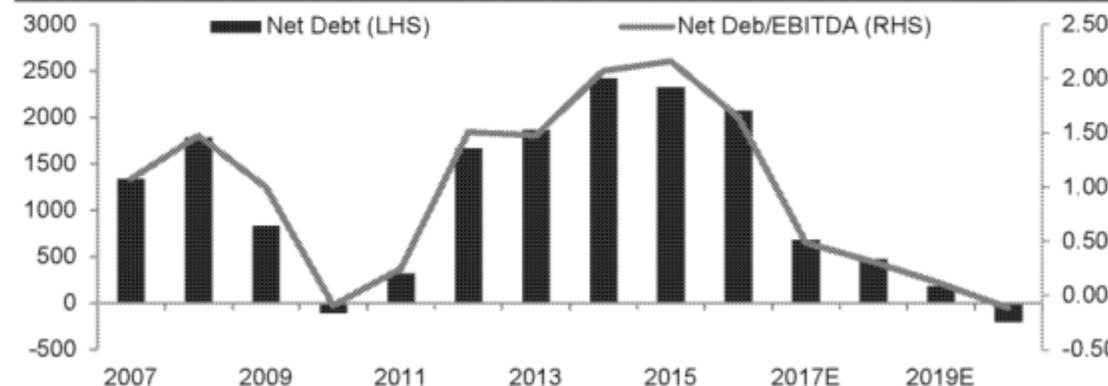
[DSM: The path to E100 \(and potentially more\): upgrade to BUY \(Boucher-Ferte\)](#)  
[Ingredients: 2018 Outlook: Recipe for success \(Boucher-Ferte\)](#)

**DSM Nutrition organic growth now compares well to peers**



Source: Deutsche Bank, Company Data

**Lots of firepower for accretive M&A (DBe synergies 6% of sales)**



Source: Deutsche Bank, Company Data