

Press release

Reading, January 25, 2022

Brenntag's Larry Davis on serving major trends in the Nutrition industry

Brenntag, the global market leader in chemicals and ingredients distribution, acquired the US-located Storm Chaser Holding Corporation ("JM Swank"), a leading distributor of food ingredients. The acquisition in June 2021 was a decisive step for Brenntag's expansion strategy in the North American Nutrition industry as the combined businesses now form the leading food ingredients distributor in the North American market. In this interview, Larry Davis, President Nutrition Americas at Brenntag speaks about the advantages of this acquisition and explains the created unique value proposition and how customers from the USA, but also Canada and Mexico, will benefit from the combined offering.

Larry, please explain why this acquisition is so important for Brenntag.

Larry Davis: We've spent a lot of time over the last four years building out our Nutrition business. In the past, we've sold into the Nutrition industry, but were only viewed as a logistics company selling commodities. Now, we can help with formulations and new product development, and be proactive in addressing market trends. We have the largest functional and specialties portfolio and now our customers are recognizing we are not just a commodities company, we are much more.

This acquisition of JM Swank has added a unique opportunity for our organization and is transformational simple for the benefit it brings to our customers and producer suppliers. Our number one concern throughout this entire process is making sure we continue to serve our customers in the manner of which they need to be served, while representing our supplier producers in the appropriate manner. We will further build our cohesive team by taking best practices of both companies and putting them into place, helping our customers to improve their business.

How would you summarize JM Swank, its portfolio and business model?

Larry Davis: JM Swank and its affiliated companies (Lentz Milling & Armour), headquartered in Iowa, are an ingredient distributor into the US Food & Nutrition market space. Their portfolio is more aligned with base ingredients versus the Brenntag functional/specialty ingredients. The JM Swank business model is very similar to the Brenntag model: ingredient distribution to end customers. Their ingredient portfolio is centered around base ingredients (those ingredients greater than 2% in a formula), while our previous portfolio was centered around additives and functional ingredients (in a finished product used at less than 2%).

What are the biggest advantages and most exciting aspects of the acquisition?

Larry Davis: The number one advantage is the broadening of our portfolio. With this acquisition, we really increased our base ingredient offerings. In addition, our customer base has almost tripled in size. There are many customers who were purchasing from either Brenntag or JM Swank, but not both. We are now able to service all customers with our full line portfolio. Full line means not only the specialty/functional ingredients, but also base ingredients and process chemicals/water treatment products. We are now the only distributor in North America to service customers with products from all three areas. Having the market coverage, the dedicated fleet, base ingredients, specialty functional ingredients, process chemicals, and water treatment solution to offer a Nutrition customer makes our value proposition unique. And our customers in Canada and Mexico will benefit from this as our producers were not previously in these locations. For our suppliers, especially the ones brought over with JM Swank, they will now have access to our Application and Development centers. We can take our JM Swank producer products and expand regionally into Canada and in Mexico. Previously, they did not have coverage in these locations.

What can your customers and suppliers expect from the combined business in terms of portfolio and services?

Larry Davis: Due to the expansion of our geographical presence including 13 additional warehouses and over 100 dedicated fleet trucks our suppliers and customers will also benefit from shorter distances, resulting in faster turnaround time. We will be able to offer an even more comprehensive range of value-add services, including mixing and blending services. We plan on expanding our mixing and blending capabilities and we are going to get very active in that respective. Areas we will concentrate on include stabilizers, hydrocolloids, enzyme blends, and vitamin and mineral pre-mixes.

How do you answer to the trends and potentials in the US Nutrition market?

Larry Davis: Natural/Clean label is a major trend. Consumers are consistently demanding it, proving why this acquisition is so important to us. Base ingredients are a staple in any food product. From starch, to sugar, to protein: these are core ingredients that virtually every application uses. Although sometimes additives are needed for benefits like longer shelf life, consumers are paying more attention to the label. If they don't know what something is or if it has a chemical sounding name, they don't want it in their food.

Another continuously growing trend is vegan. Majority of consumers are not necessarily vegan but are looking for overall better health. Consumers are looking at their animal protein intake because they believe every day consumption is unhealthy, so they have started supplementing their diet with vegan alternatives. As this demand has increased over the last years, pricing has starting to drop, and finished products taste better. One of the fast-growing vegan trends is the development of milks, including almond milk, nut milk, and oat milk. This trend goes hand in hand with the natural/clean label trend as

well. To comply with natural and clean label demand, companies will continuously look for new innovations to meet those requirements. If consumers continue to keep demanding improvement for natural and clean label, new product and innovation will continue to evolve.

How will your Application & Development centers help with this transition?

Larry Davis: Rather than our customer having to figure out what works on their own, our Application and Development center chemists can take ingredients and can showcase them in a finish product form. We pride ourselves on our technical capabilities and we know this is unique to the market space. Our centers are a significant benefit to our suppliers as we can showcase the benefit, features, and functionality of one or many supplier products. We know everything is about speed with consumers, so suppliers are always working on the clock to see how fast they can develop a product with a good taste and nice mouth feel. Our Application & Development centers can handle these products, so our customers don't have to.

How has COVID-19 impacted the Nutrition business and market and the way your Nutrition team is working?

Larry Davis: The nice thing about the Nutrition business is no matter what is happening in the world, people must eat. What changes is where they eat. The food service space took a hit due to the Corona pandemic because no one was able to go out to eat, but if you look at the retail space (groceries) it increased massively because people were making more food at home. That is the resiliency of our market. If one segment is down, you will probably see an increase in another segment. For our industry, buying habits and new product innovations will always change and fluctuate based on what is happening in the market.

It is amazing to watch how the Nutrition space has changed because it is significantly different than where it was before. Our major adaptation was making sure we utilized our technology to continue our support to our customers and suppliers. We had to adapt the way we presented to our customers and supplier producers including making sure our R&D teams were included in joint virtual calls, sending literature prior to a meeting, or setting up a live feed so our customers could watch our team test in the lab. We just recently had a great success with our first Global Virtual Nutrition event informing around 4,000 customers and suppliers across the globe about Brenntag's Nutrition expertise and offering.

Our team has done a great job adapting our offerings to address the consumer market trends and their request for wellness and better health. We've relied on our ingredient portfolio and worked through formulation ideas to improve the healthy natural of the finished products as our customers are requesting it.

About Brenntag Food & Nutrition:

Brenntag Food & Nutrition, part of Brenntag SE, is a leading provider of food ingredients to the marketplaces around the globe. We built a reputation of partnering with the best suppliers of ingredients and additives and deliver right to our customers' needs and requirements. With more than 900 dedicated employees, a presence in 77 countries and 28 application and development centers, Brenntag Food & Nutrition provides technical expertise, tailor-made formulation and application solutions, a broad portfolio of specialty and commodity ingredients and profound industry know-how in the segments meat, poultry & fish processing, bakery & bread, dairy & ice cream, beverages, chocolate & confectionary, convenience food and fruit & vegetable processing. Brenntag Food & Nutrition makes its business partners "Sense the difference".

For more information, please visit www.brenntag.com/food-nutrition

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