

# 2019 Half year results

## Excellent sales growth – on track to deliver 2020

18 July 2019



Givaudan

engage your senses



# Gilles Andrier

## Chief Executive Officer

# 2019 Half year results

## Performance highlights

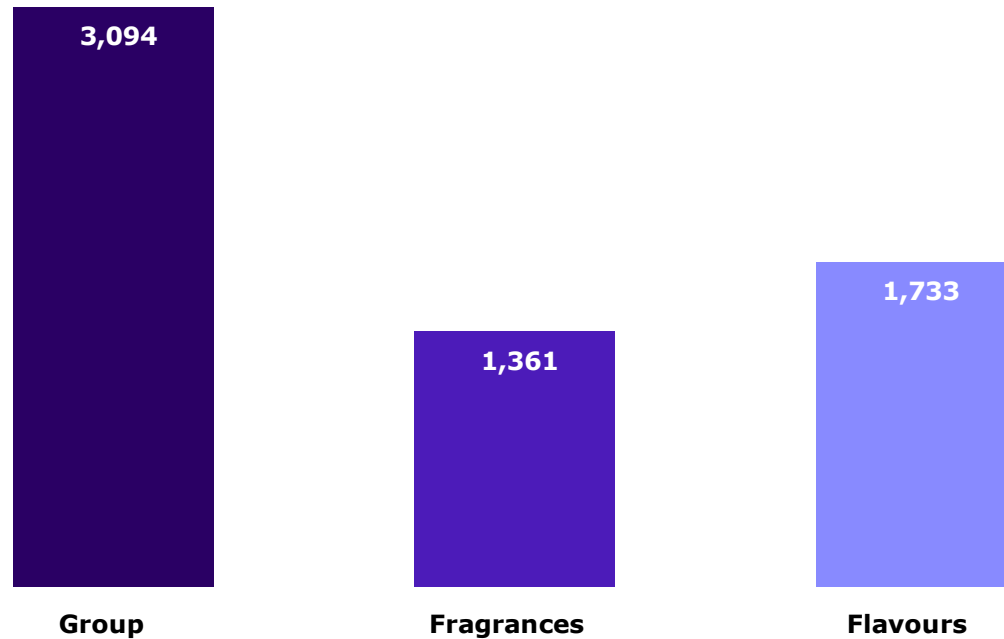
- Sales of CHF 3,094 million, up 6.3% on a like-for-like\* basis and 15.7% in Swiss francs
- Project pipeline and win rates sustained at a high level
- Strategic focus areas and acquired businesses strongly contributing to growth
  
- EBITDA of CHF 660 million in 2019
- EBITDA margin of 21.3%, with strong underlying business performance
- Free cash flow of 4.8% of sales, compared to 4.2% in 2018
  
- Givaudan Business Solutions (GBS) well advanced and delivering planned benefits
- Naturex Integration project fully on track

\* LFL (like-for-like) excludes the impact of currency, acquisitions and disposals

# 2019 Sales performance

## Excellent performance in both divisions

In million CHF



% 2019 growth on LFL\* basis

6.3%

8.6%

4.4%

% 2019 growth in CHF

15.7%

11.3%

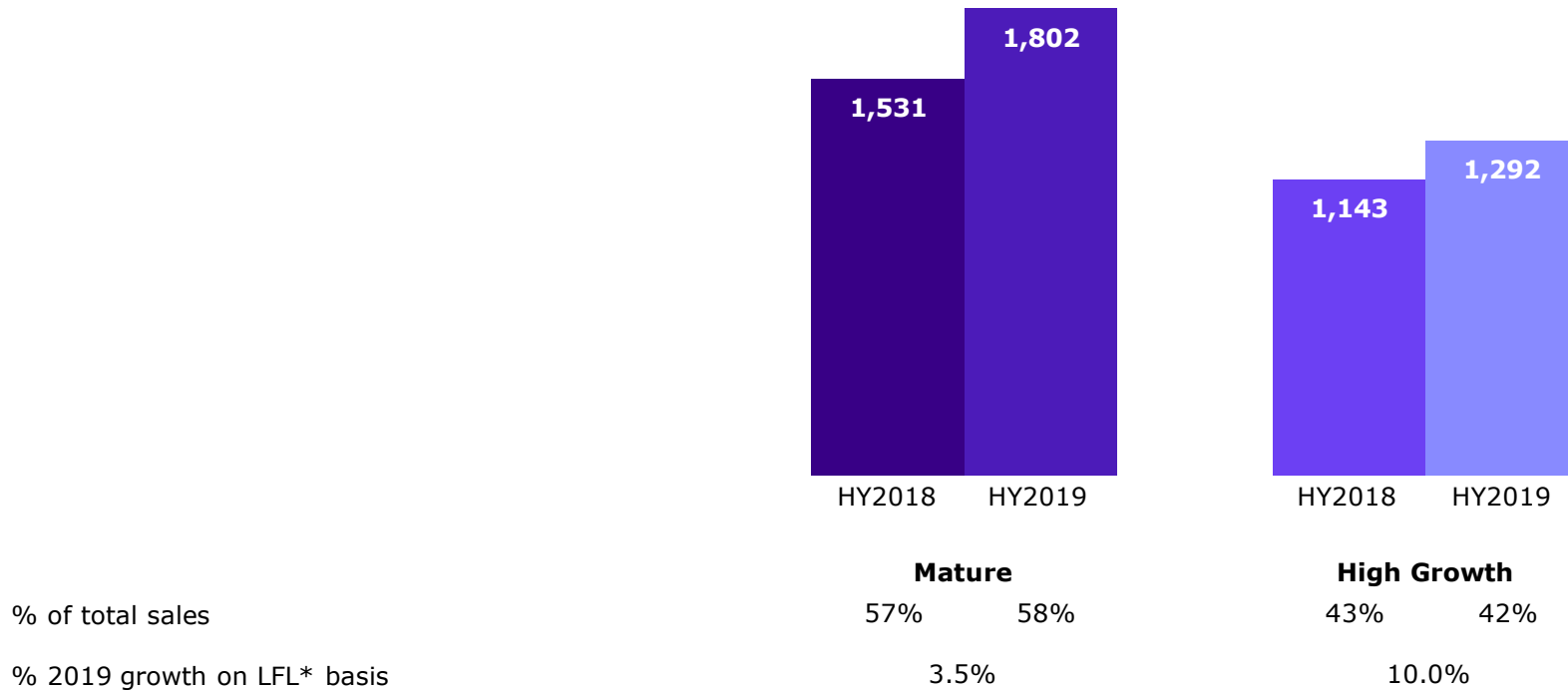
19.4%

\* LFL (like-for-like) excludes the impact of currency, acquisitions and disposals

# Sales evolution by market

## Strong contribution from high growth markets

In million CHF

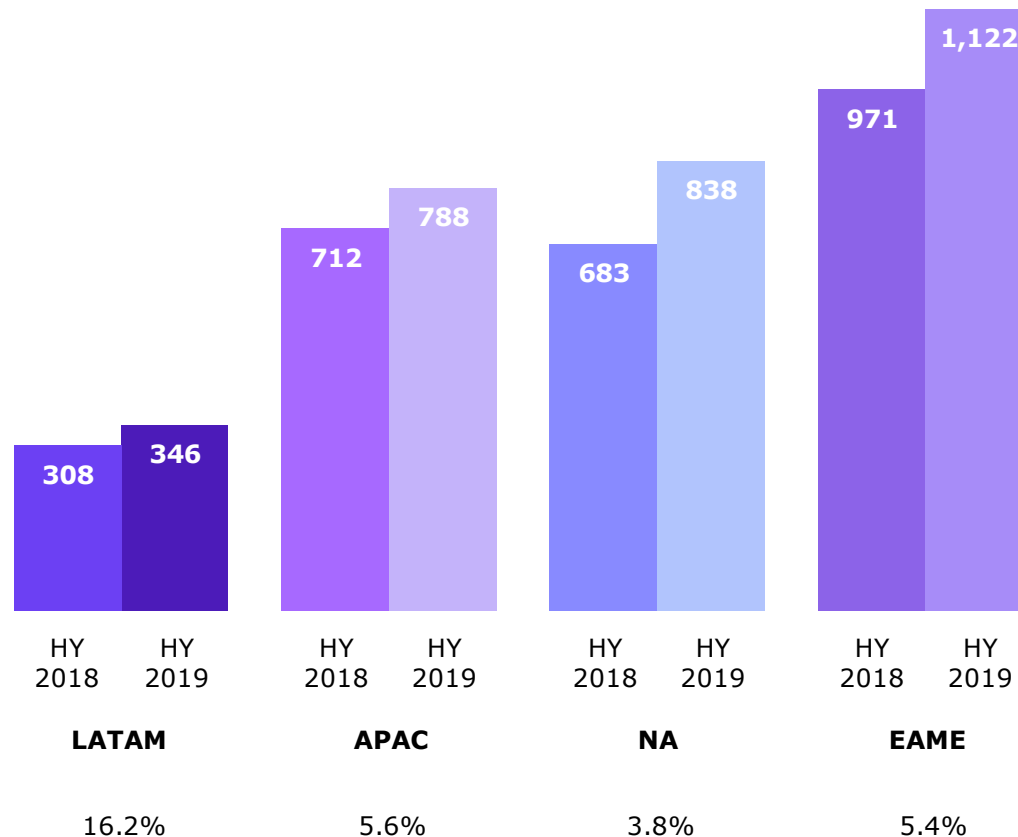


\* LFL (like-for-like) excludes the impact of currency, acquisitions and disposals

# Sales evolution by region

## Good growth achieved across all geographies

In million CHF



\* LFL (like-for-like) excludes the impact of currency, acquisitions and disposals

# Divisional sales performance

## Fragrance Division

### Fine Fragrance increased 8.5% LFL\*

- Sustaining market leadership in Fine Fragrances
- High level of new business wins across all customer groups combined with market performance of recent launches

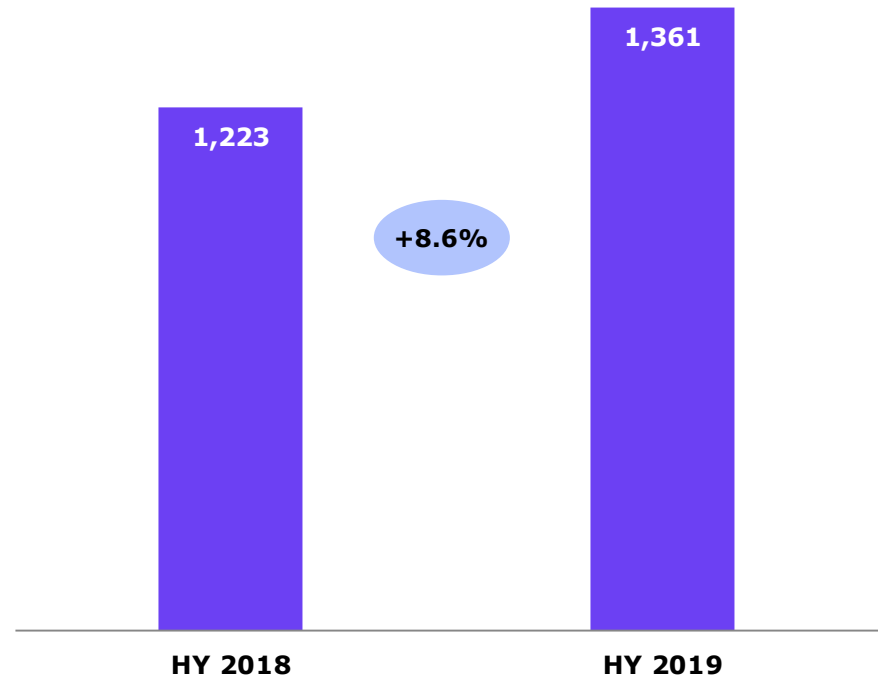
### Consumer Products grew 8.7% LFL

- Growth delivered in both high growth and mature markets and across all regions and customer groups

### Fragrance Ingredients and Active Beauty growth of 8.2% LFL

- Active Beauty double-digit sales growth driven by all customer types and active ingredients
- Good growth in Fragrance Ingredients

Fragrance Division sales  
in CHF million



\* LFL (like-for-like) excludes the impact of currency, acquisitions and disposals

# Divisional sales performance

## Flavour Division

### Asia Pacific increased 6.2% LFL\*

- Double-digit growth in high growth markets of Indonesia, Malaysia, Philippines and Vietnam
- Significant growth in Beverages and Savoury

### EAME increased 2.8% LFL

- Double-digit growth in Spain and Portugal and good single-digit growth in the UK, Italy and Switzerland
- Good growth in Beverages and Sweet goods

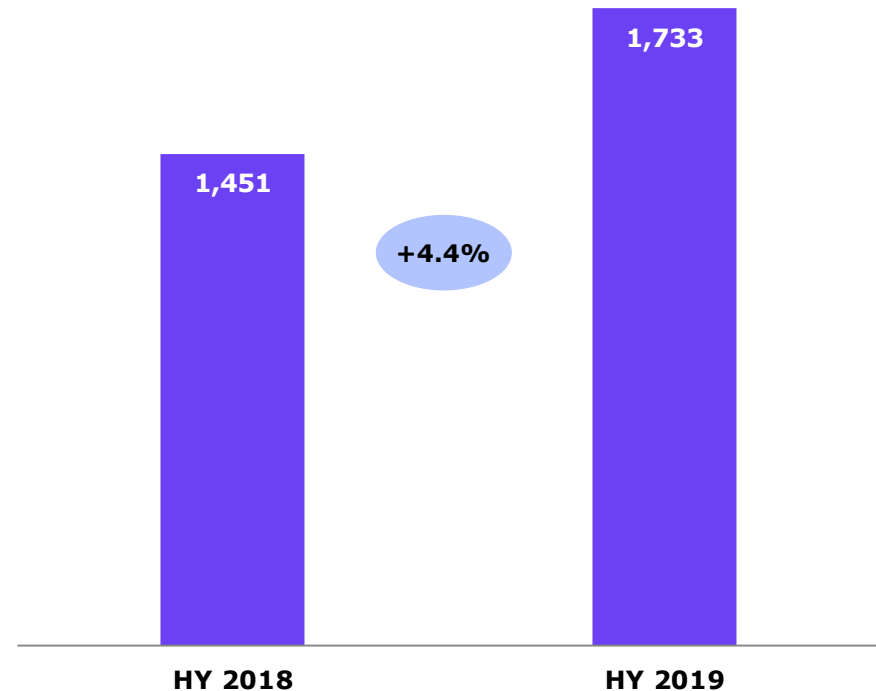
### North America decreased 1.0% LFL

- Lower sales despite good performance from local and regional customers

### Latin America increased 22.8% LFL

- Very strong growth in Brazil, Argentina, Mexico and Colombia

Flavour Division sales  
in CHF million

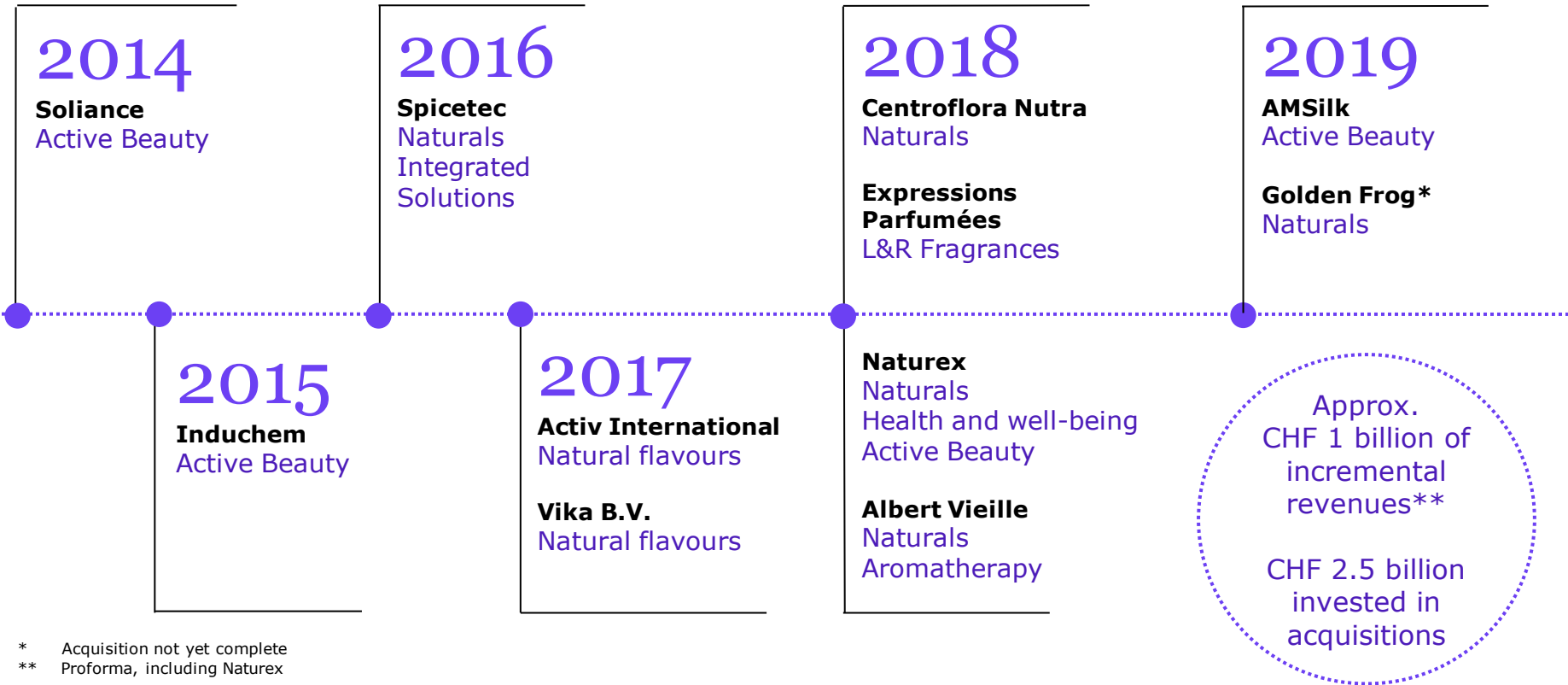


\* LFL (like-for-like) excludes the impact of currency, acquisitions and disposals



# Acquisition update

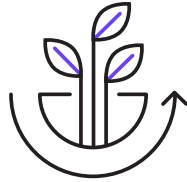
## 2020 strategy in motion



In both divisions, our acquisitions are fully aligned with our 2020 strategic priorities  
Naturals, Health and Well-being, Active Beauty, Integrated Solutions, local and regional customers

# Naturex integration

## Project fully on track – back to growth

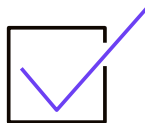


### Strategic rationale

- Fully aligned with 2020 strategy
- Expansion into new spaces beyond flavours
- Increasing consumer preference for naturals
- Complementary customer base
- Very good cultural fit

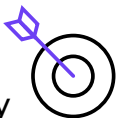
### 2018 Achievements

- Acquisition completed
- Strong positive reaction from customers
- Overall growth strategy developed
- Financial targets defined and communicated
- New organisation implemented



### HY 2019 Update

- Back to growth in H1 2019
- Delivering on the growth plan and service level improvements
- Go-forward strategies for each category are defined
- Preparations well advanced for cross selling opportunities and next steps for Integrated Solutions
- Engaged and aligned workforce
- Legal integration activities are underway



# Givaudan Business Solutions

Implementation well advanced - on track to finalise by 2020

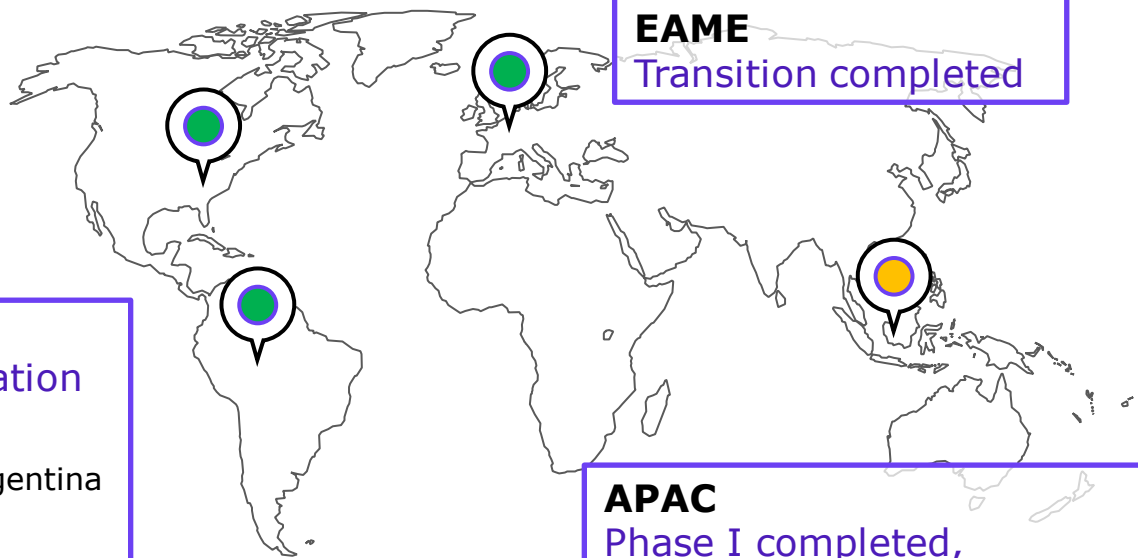
## NOAM

Transition completed

## LATAM

Transition completed, stabilisation ongoing

- GBS now fully implemented in Argentina and Chile
- Brazil in stabilisation
- Mexico and Central America went live on 1 July



## EAME

Transition completed

## APAC

Phase I completed, Phase II ongoing

Great teamwork and collaboration between transition and site teams

GBS Delivery Centres working effectively within the broader Givaudan organisation

Financial benefits being delivered in line with the plan

# Tom Hallam

## Chief Financial Officer

# 2019 Half year results

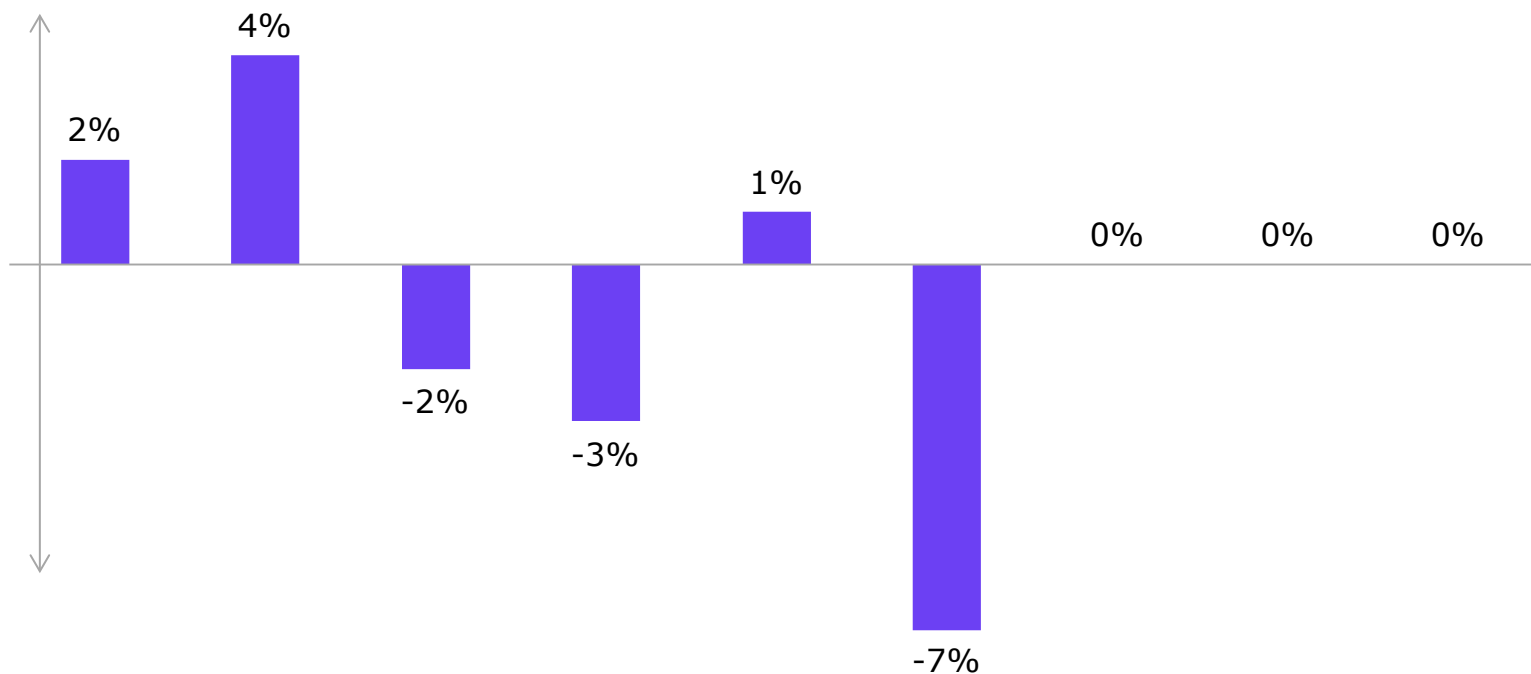
## Performance highlights

- Sales of CHF 3,094 million, up 6.3% on a like-for-like\* basis and 15.7% in Swiss francs
- EBITDA of CHF 660 million compared to CHF 601 million in 2018
- Reported EBITDA margin of 21.3% compared to 22.5% in 2018, with the underlying EBITDA remaining strong at 22.3%
- Income before tax of CHF 437 million versus CHF 431 million in 2018
- Effective Tax rate of 13% compared to 14% in 2018
- Net income of CHF 380 million, an increase of 2.3% year-on-year
- Free cash flow of CHF 148 million, 4.8% of sales compared to 4.2% in 2018

\* LFL (like-for-like) excludes the impact of currency, acquisitions and disposals

## 2019 Half year results

Exchange rate development: Operating results largely unaffected by currencies, despite the continued currency swings



	<b>JPY</b>	<b>USD</b>	<b>GBP</b>	<b>EUR</b>	<b>SGD</b>	<b>BRL</b>	<b>CNY</b>	<b>MXN</b>	<b>IDR</b>
<b>HY 2019</b>	0.91	1.00	1.29	1.13	0.74	0.26	0.15	0.05	0.70
<b>HY 2018</b>	0.89	0.96	1.32	1.17	0.73	0.28	0.15	0.05	0.70

# Operating performance

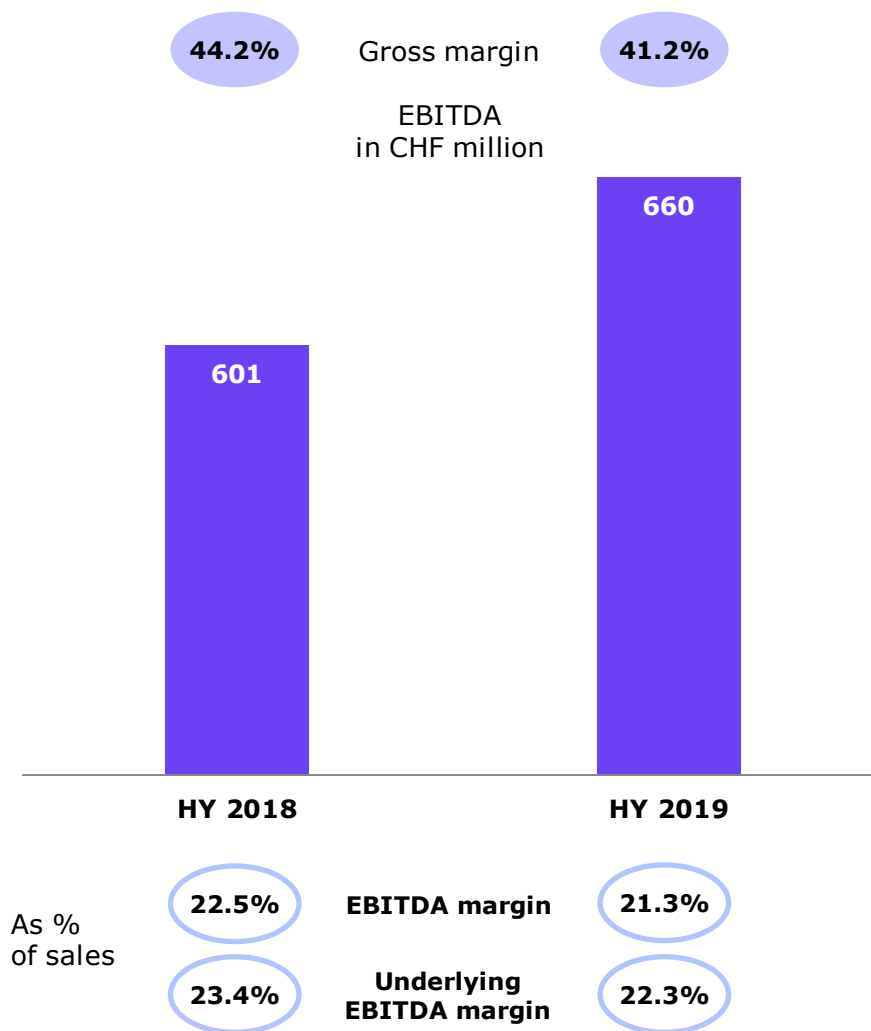
## Group: Sustained good profitability

**Sales** of CHF 3,094 million, an increase of 6.3% on a like-for-like basis and 15.7% in Swiss francs

**Gross margin** of 41.2%, compared to 44.2% in 2018, as a result of the higher input costs and margin dilution in the Fragrance Division and the lower margin in Naturex

**EBITDA** of CHF 660 million compared to CHF 601 million in 2018. Impact of costs for GBS project of CHF 19 million in 2019, compared with CHF 25 million in 2018

**EBITDA margin** of 21.3% compared to 22.5% in 2018, with the underlying margin at 22.3% versus 23.4% in 2018



# Operating performance

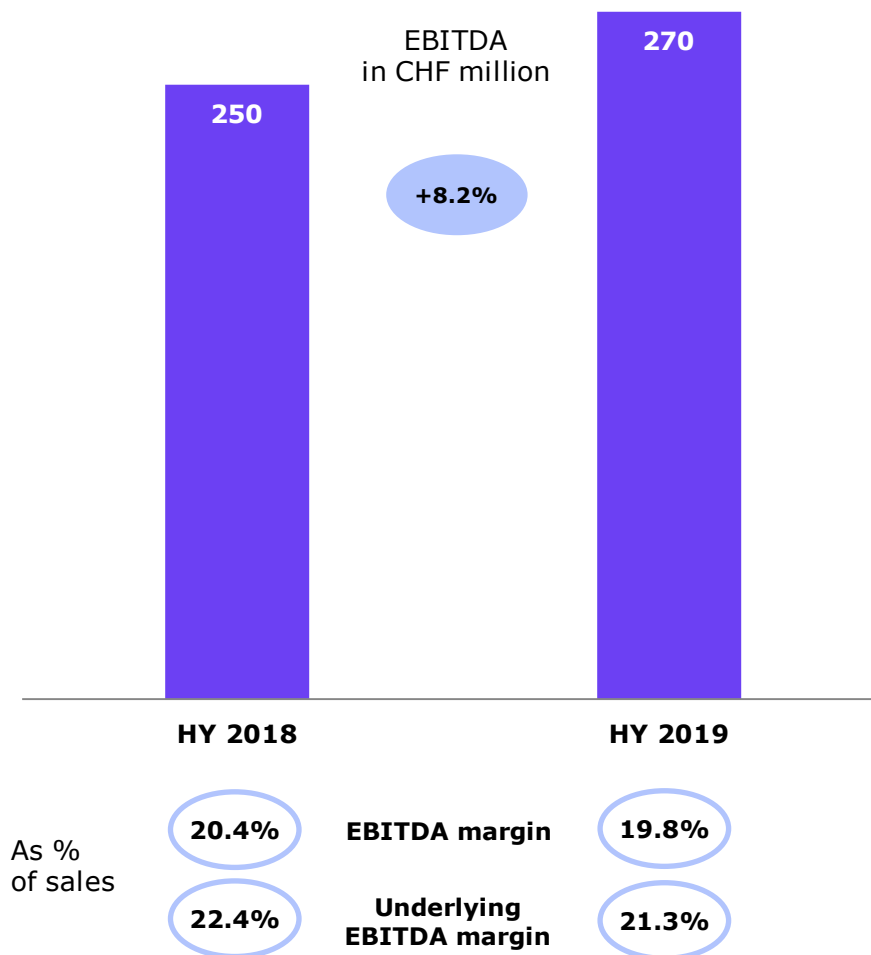
## Fragrance Division

**Sales** of CHF 1,361 million, an increase of 8.6% on a like-for-like basis and 11.3% in Swiss francs

**EBITDA** of CHF 270 million, increased from CHF 250 million in 2018

GBS costs of CHF 19 million, compared with CHF 25 million in 2018

**EBITDA margin** of 19.8% compared to 20.4% in 2018, with the underlying EBITDA margin at 21.3% versus 22.4% in 2018. The margin was impacted by higher input costs and the dilution of the pricing actions with customers





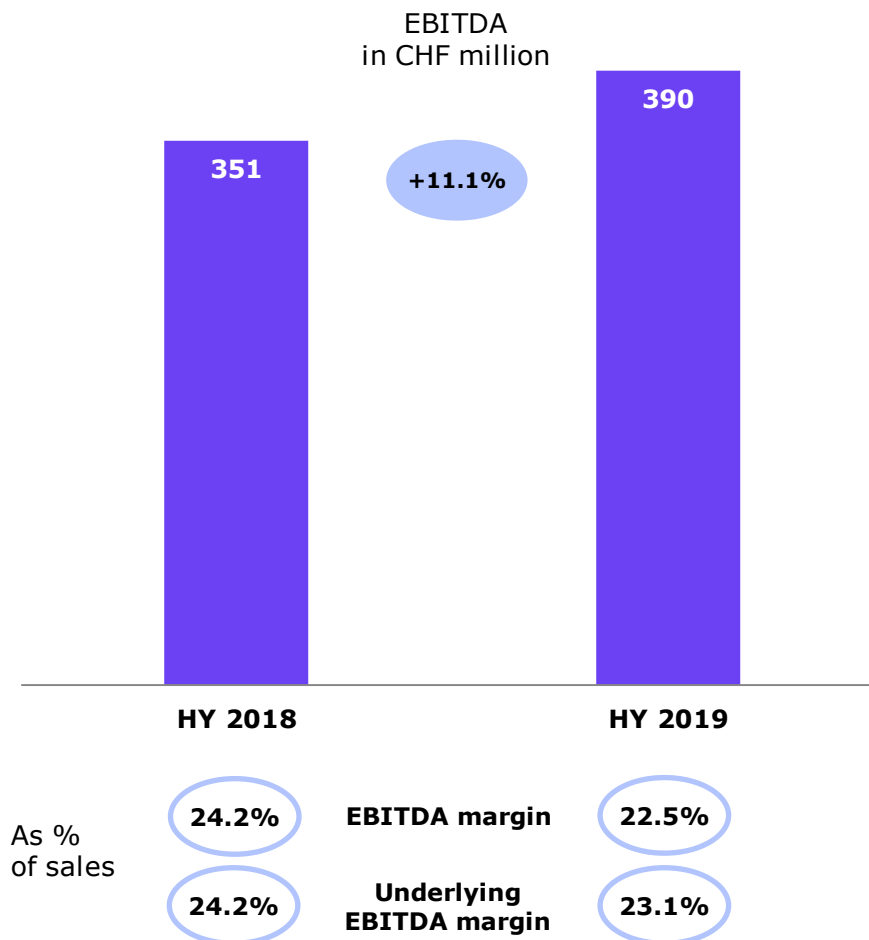
# Operating performance

## Flavour Division

**Sales** of CHF 1,733 million, an increase of 4.4% on a like-for-like basis and 19.4% in Swiss francs

**EBITDA** of CHF 390 million, an increase of 11.1%, driven by continued productivity gains and cost discipline

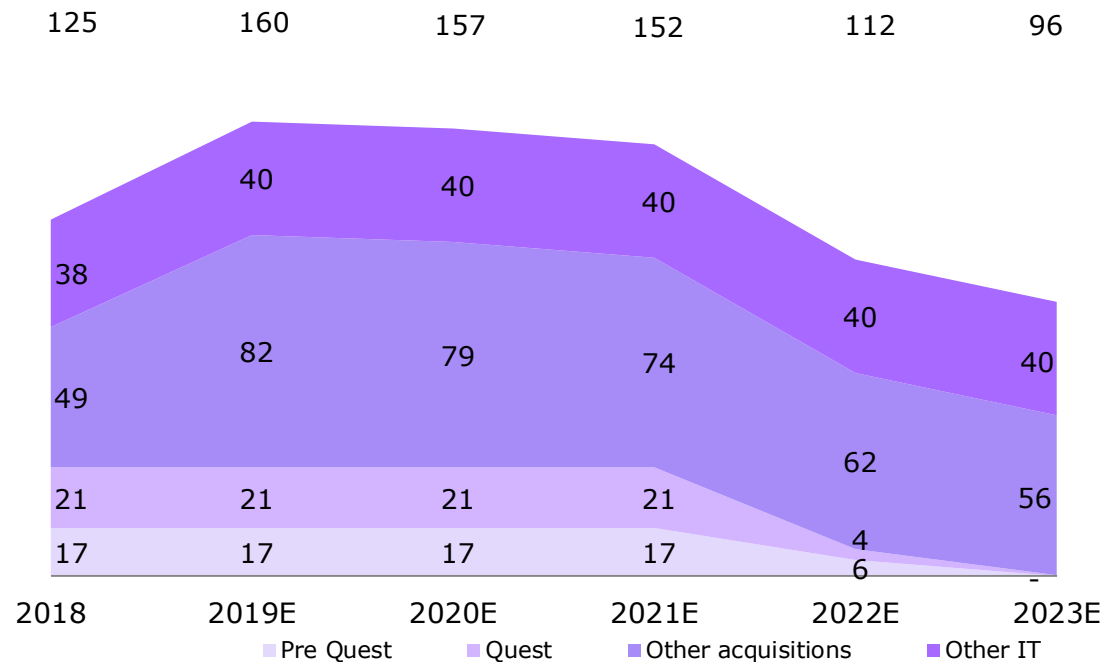
**EBITDA margin** of 22.5% compared to 24.2% in 2018, with the underlying EBITDA margin at 23.1% versus 24.2% in 2018. The margin was impacted by the lower margin of Naturex



# Amortisation of intangible assets

- Pre Quest amortisation of intangible assets of approx. CHF 17 million p.a.
- Quest (exc. Goodwill)
- Other acquisitions: Soliance, Induchem, Spicetec, Activ, Vika, Centroflora Nutra, Expressions Parfumées, Naturex, Albert Vieille and AMSilk (exc. Goodwill) mainly related to customers, name and product brands, formulae and technologies
- IT amortisation updated to reflect size and scope of projects (e.g. regulatory engine)

Total annual amortisation charge  
(in million CHF, estimated)



# Net income

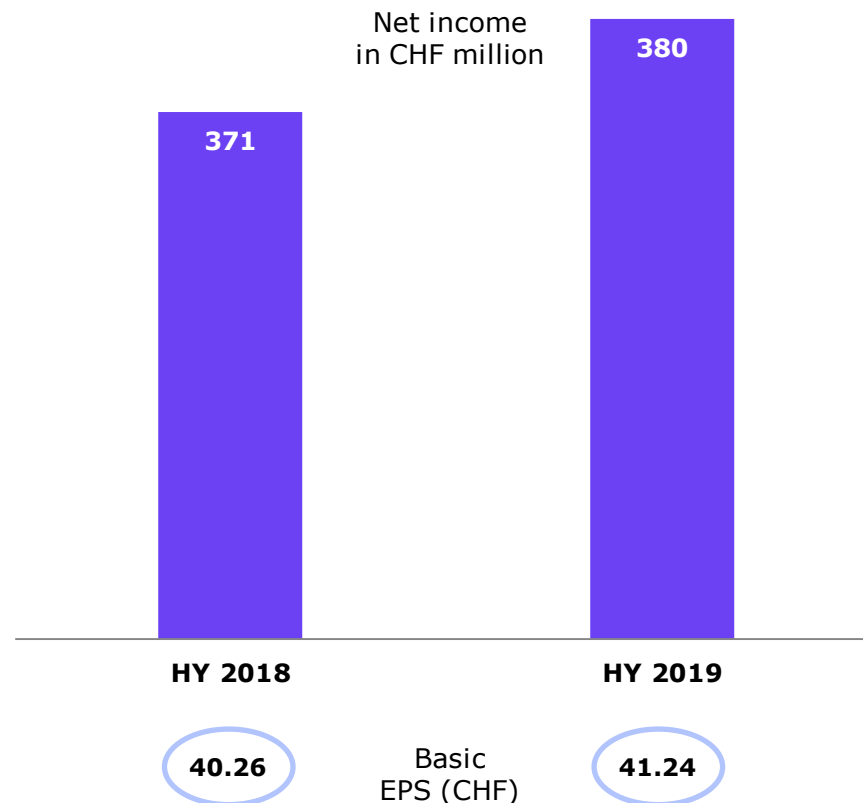
## 12.3% of sales

Income before tax of CHF 437 million compared to CHF 431 million in 2018

Net income of CHF 380 million, or 12.3% of sales, versus CHF 371 million, or 13.9% of sales in 2018

Effective tax rate of 13%, compared to 14% in 2018

Basic EPS of CHF 41.24 per share, versus CHF 40.26 in 2018



# Free cash flow

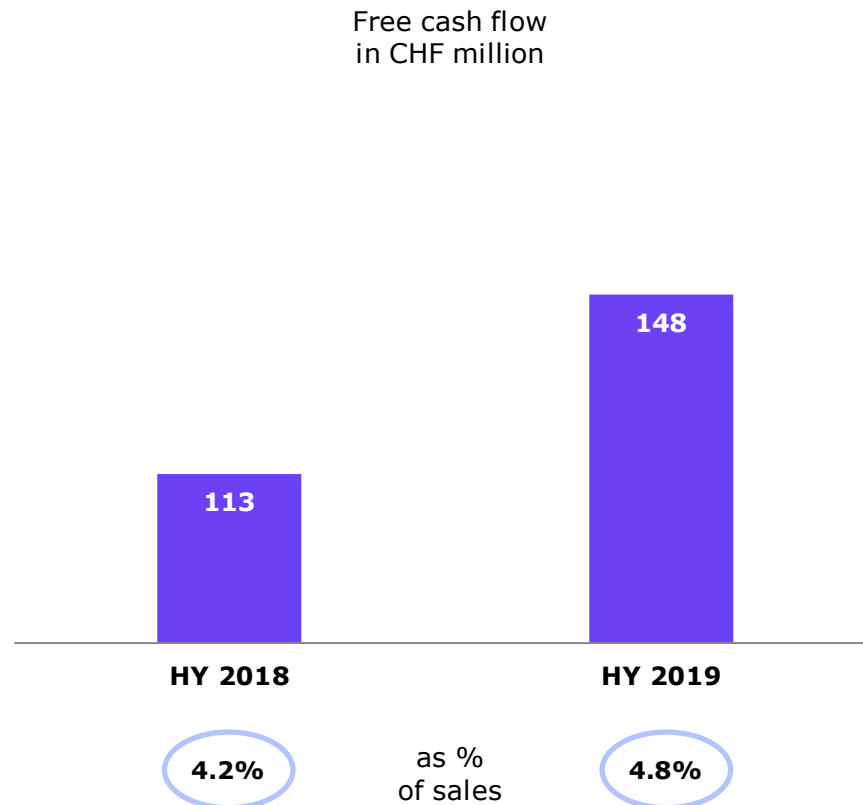
## Sustained underlying performance

Free cash flow of CHF 148 million, compared to CHF 113 million in 2018, an increase of 31%. Free cash flow is 4.8% of sales compared to 4.2% in 2018

Operating cash flow of CHF 271 million, compared to CHF 269 million in 2018

Total net investments of CHF 94 million, or 3.0% of sales, compared to 5.3% of sales in 2018, as the Group continues to invest in growth and innovation

Net Working capital of 27.3% of sales, remained relatively stable compared to 28.7% in 2018, despite the higher inventory levels of Naturex

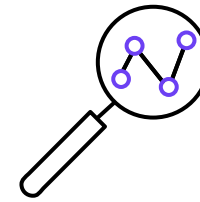
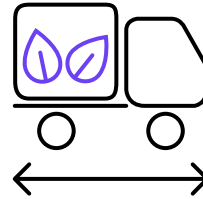


# Gilles Andrier

## Chief Executive Officer

# 2019 Outlook

## Key themes



---

### Growth outlook

---

- Continued confidence in our growth strategies
- Good momentum in high growth markets, following on from a strong 2018
- Local and regional customers, Naturals, as well as Health and Well-being are continuous drivers of growth

---

### Raw materials

---

- Raw materials increasing by 5-6% as forecast
- Continuing to implement price increases in collaboration with our customers to compensate for the increase in input costs

---

### Strategic focus areas

---

- Strong focus on Naturex – integration, growth strategies and service level
- Delivering the remainder of the GBS project
- Close the acquisition of Golden Frog in the second half of 2019

# Responsible growth. Shared success.

Growing with  
our customers

4-5%

Average organic sales  
growth\*

4.9% in 2016-18

Delivering  
with excellence

12-17%

Average free cash  
flow as % of sales\*

12.4% in 2016-18

Partnering for  
shared success

Partner  
of choice

\* Over a five-year period by 2020

Creating additional value through acquisitions

Intention to maintain current dividend practice as part  
of this ambition

# Q & A



# Disclaimer

**No warranty and no liability:** While Givaudan is making great efforts to include accurate and up-to-date information, we make no representations or warranties, expressed or implied, as to the accuracy or completeness of the information provided on this presentation/handout and disclaim any liability for the use of it.

**No offer and no solicitation:** The information provided on this handout does not constitute an offer of or solicitation for the purchase or disposal, trading or any transaction in any Givaudan securities. Investors must not rely on this information for investment decisions.

**Forward-looking information:** This handout may contain forward-looking information. Such information is subject to a variety of significant uncertainties, including scientific, business, economic and financial factors, and therefore actual results may differ significantly from those presented.

Copyright © 2019 Givaudan SA. All rights reserved.