

# Investor presentation

## Responsible growth. Shared success.

August-October 2019



# Givaudan

engage your senses



Givaudan products  
drive millions of consumer decisions every day!



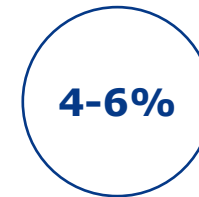
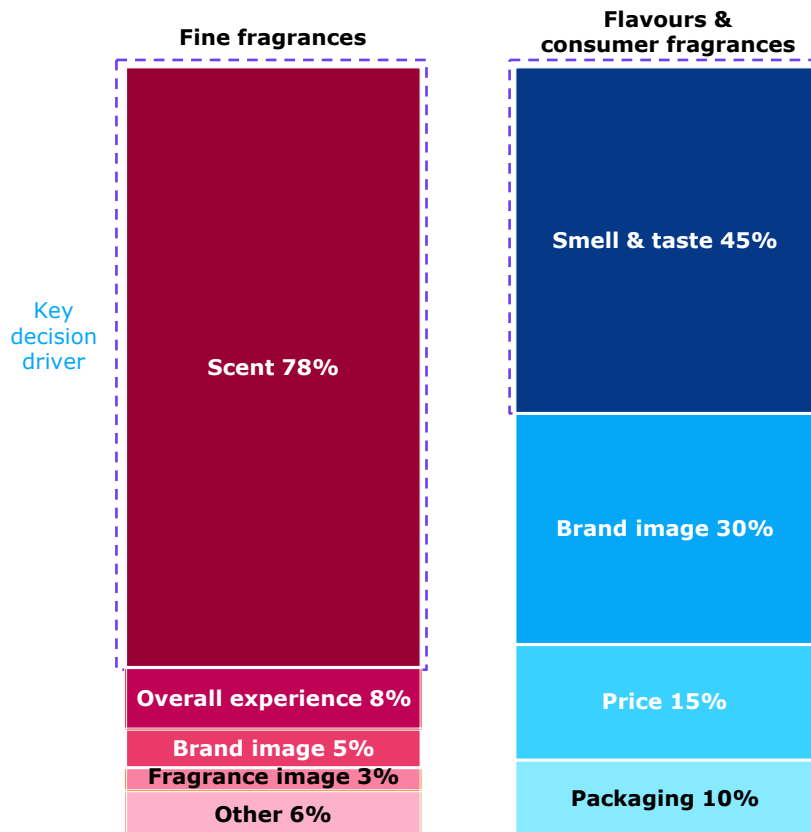
# F&F: the key driver of consumer repurchase decisions

## Critical contribution towards customer decision making despite being a low cost component

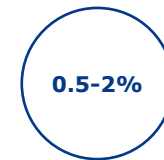
### Scent & taste determine customer decisions ...

### ... and represent only a minor fraction of costs

### Share of F&F ingredients in customer's COGS



Fine fragrances



Flavours & consumer fragrances

- F&F ingredients usually represent a **very minor portion of the end product costs** while having **significant influence on the repurchase decisions of the consumer**
- Consumer goods producers have **no incentive to compromise on the quality of F&F ingredients** as they are **key drivers of market success**
- Consequently, F&F ingredients are a **key ingredient to consumer goods producers**

Sources: AC Nielsen (European) study, company information..

# The fragrance and flavour industry





# The fragrance and flavour industry

## End consumer markets

### Our customers

Multi-national | Regional | Local | Foodservice | Private label

The cost of flavours and fragrances to our customers is typically between 0.5 – 6% of their product cost



Food



Beverages



Fine Fragrances



Household



Personal care

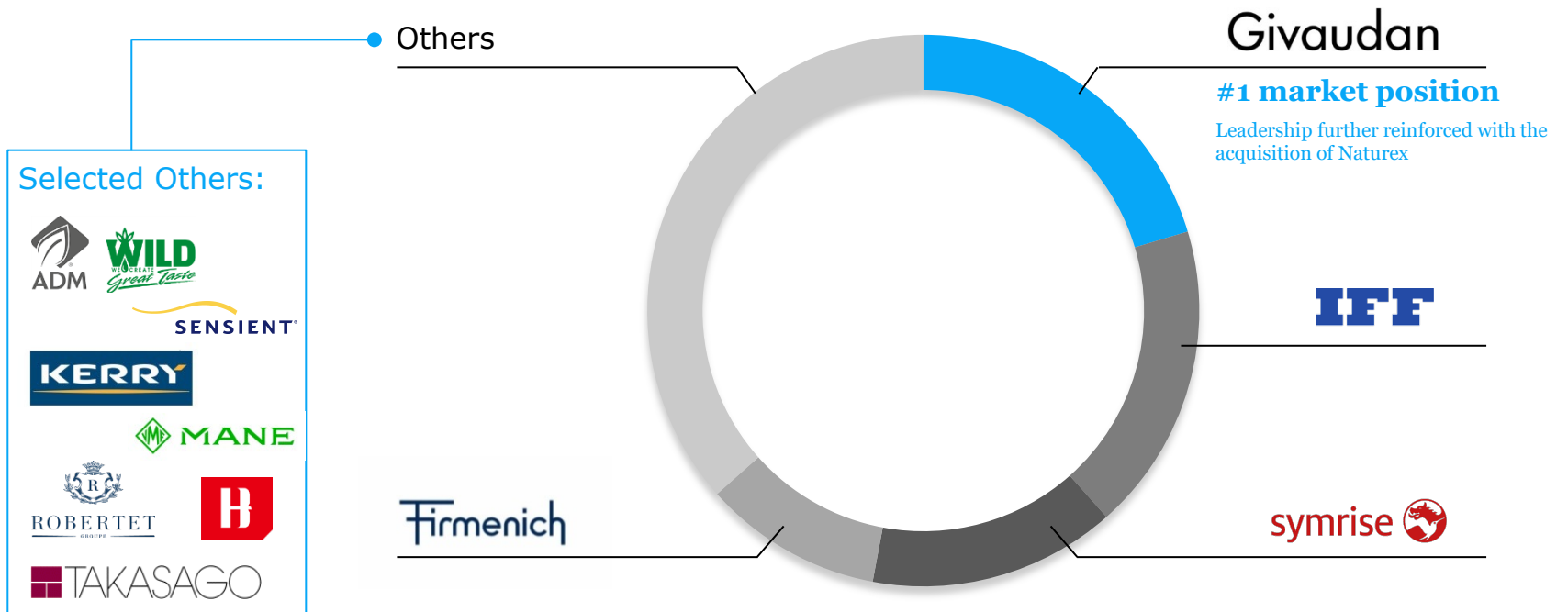


Cosmetics

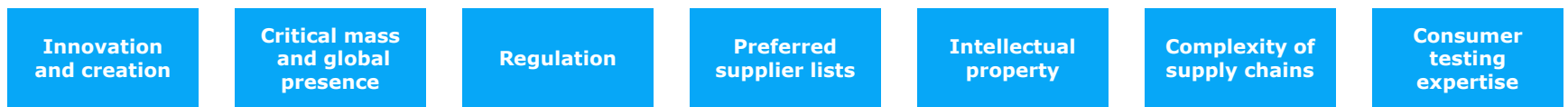
# Market leader in a scale-oriented, consolidated industry...

## The total flavours & fragrances market size is c. USD 26 billion

### Leading market share...



### ...supported by substantial barriers to entry that continue to protect incumbents



Sources: IHS, Leffingwell

# How to win business in a competitive environment

## Being the partner of choice is the key priority

### Key factors to become the partner of choice



### Supplier selection process

#### 1. Core supplier list

- (more or less formalised with local and regional customers)
- Large customers only work with a limited number of suppliers and send product briefs only to them
  - Likelihood of future contracts is significantly reduced after removal from the core supplier list

#### 2. Submission of briefs

- Clearly defines the requirements on sensory characteristics of the product
- Sets cost-in-use target and brand related requirements

#### 3. Development of F&F

- Dissection of brief, analysis of market intelligence, development of sample formulae, conduction of initial internal tests

#### 4. Evaluation & validation

- Test formulae are evaluated against customer specifications; further consumer / panel testing is conducted before final product submission

#### 5. Submission & selection by customer

- Based on price, compliance with specifications of the brief, timely delivery, quality control, regulatory compliance, product consistency
- Good previous experience with supplier might influence but not guarantee selection

#### 6. Win of brief & start of production

- Once chosen by the customer and after passing regulatory approval, the flavour or fragrance is ready for production



Once selected, **high switching costs**

Our actual performance





# 2018 Full year results

## Performance highlights

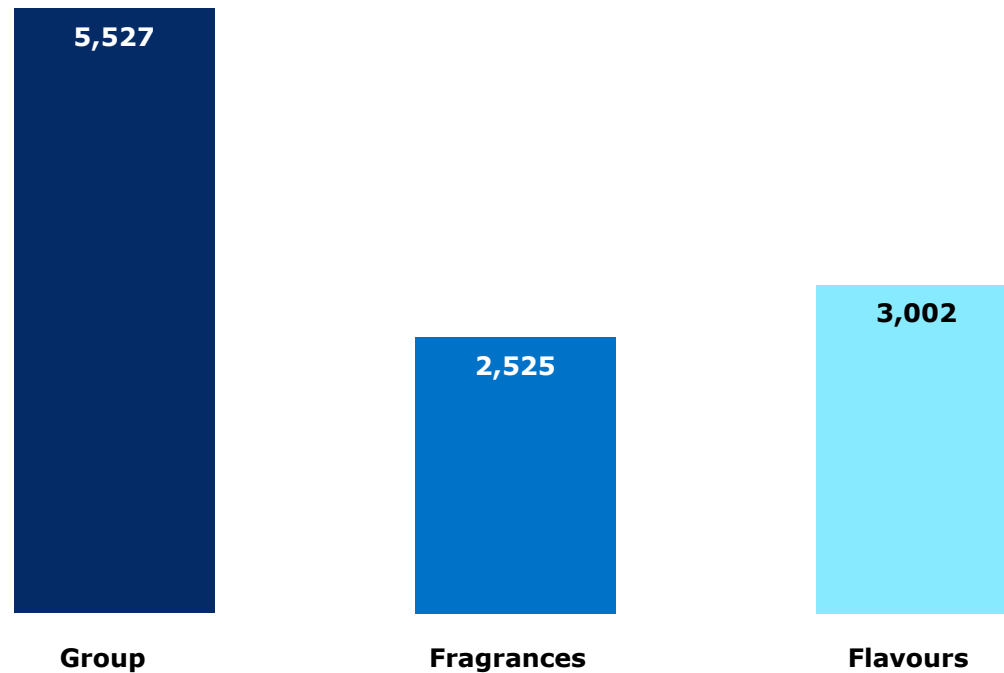
<b>Group sales</b>	CHF 5,527 million - up 5.6% LFL*
<b>EBITDA</b>	CHF 1,145 million
<b>EBITDA margin</b>	21%
<b>Net income</b>	CHF 663 million
<b>Free cash flow</b>	CHF 703 million – 12.7% of sales

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

# 2018 Full year sales performance

## Strong growth in both divisions

in million CHF



% 2018 growth on LFL\* basis

5.6%

6.6%

4.6%

% 2018 growth in CHF

9.4%

7.8%

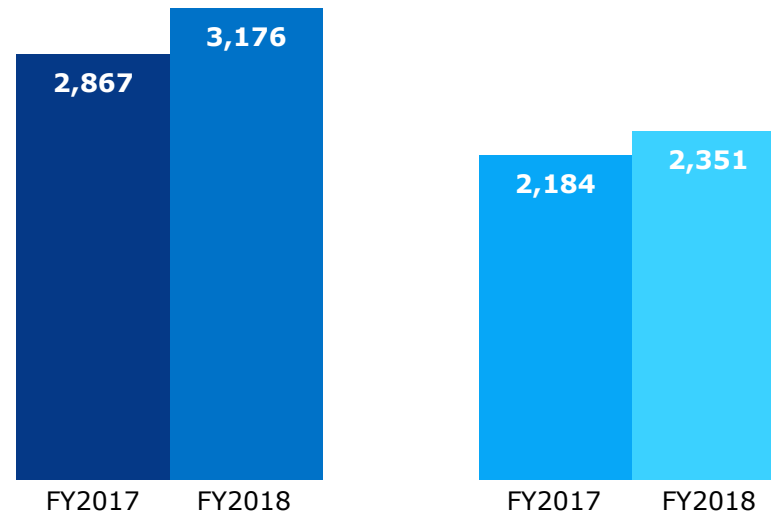
10.8%

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

# 2018 Full year results - Sales evolution by market

## Strong recovery in high growth markets

in million CHF



% of total sales

**Mature**  
57%      57%

**High growth**  
43%      43%

% 2018 growth on LFL\* basis

3.6%

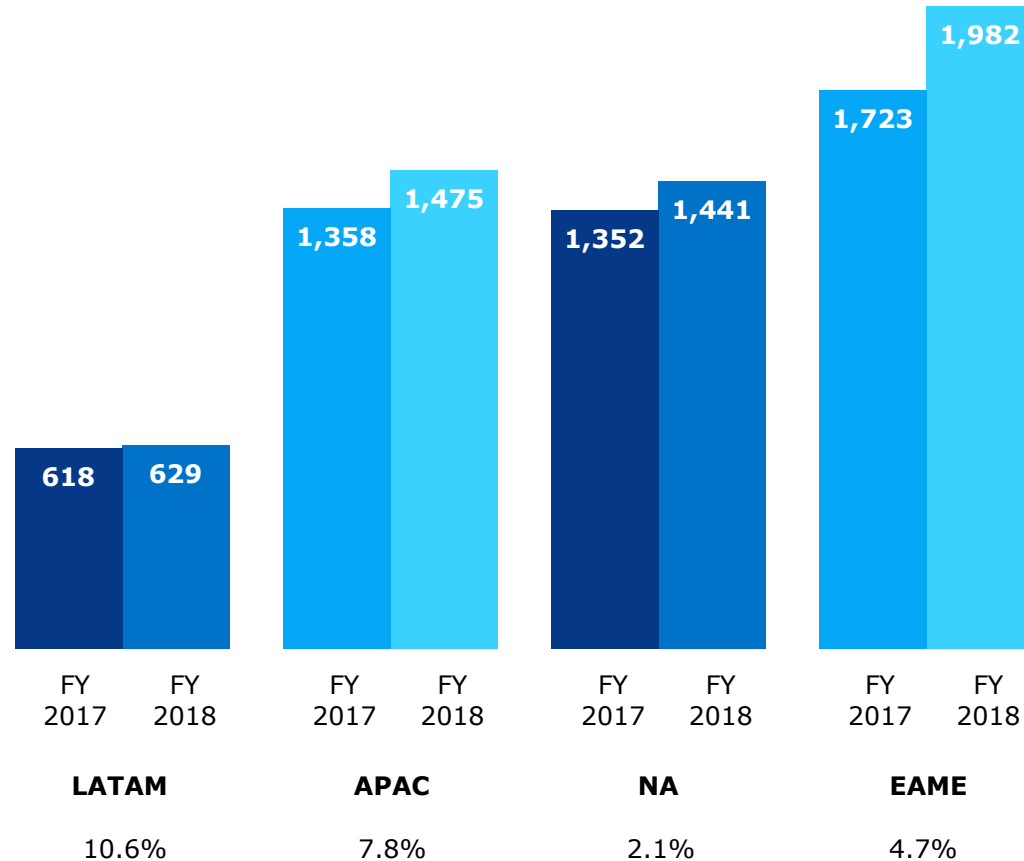
8.2%

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

# 2018 Full year results - Sales evolution by region

## Strong growth led by Asia Pacific & Latin America

in million CHF



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

# 2019 Half year results

## Performance highlights

**Group sales** CHF 3,094 million : up 6.3% LFL\*

**EBITDA** CHF 660 million

**EBITDA margin** 21.3%

**Free cash flow** CHF 148 million : 4.8% of sales

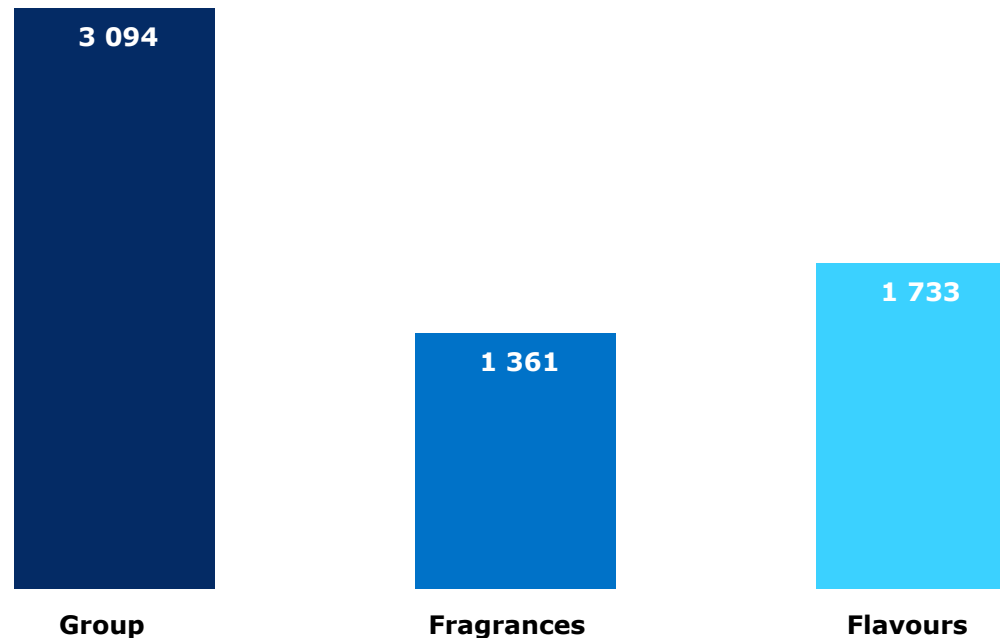
\* LFL (like-for-like) excludes the impact of currency, acquisitions and disposals



# 2019 Half year 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%

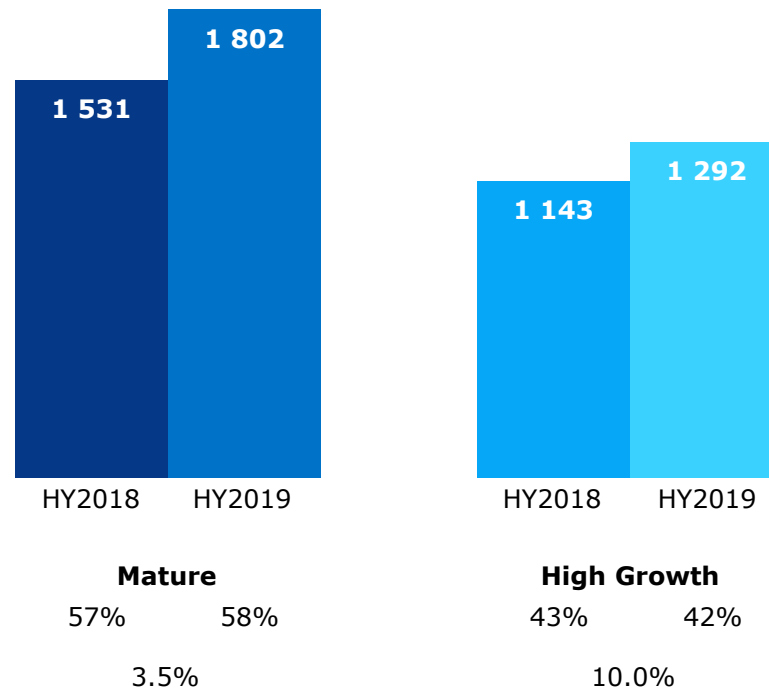
19.4%

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

# 2019 Half year results - Sales evolution by market

## Strong contribution from high growth markets

In million CHF



% of total sales

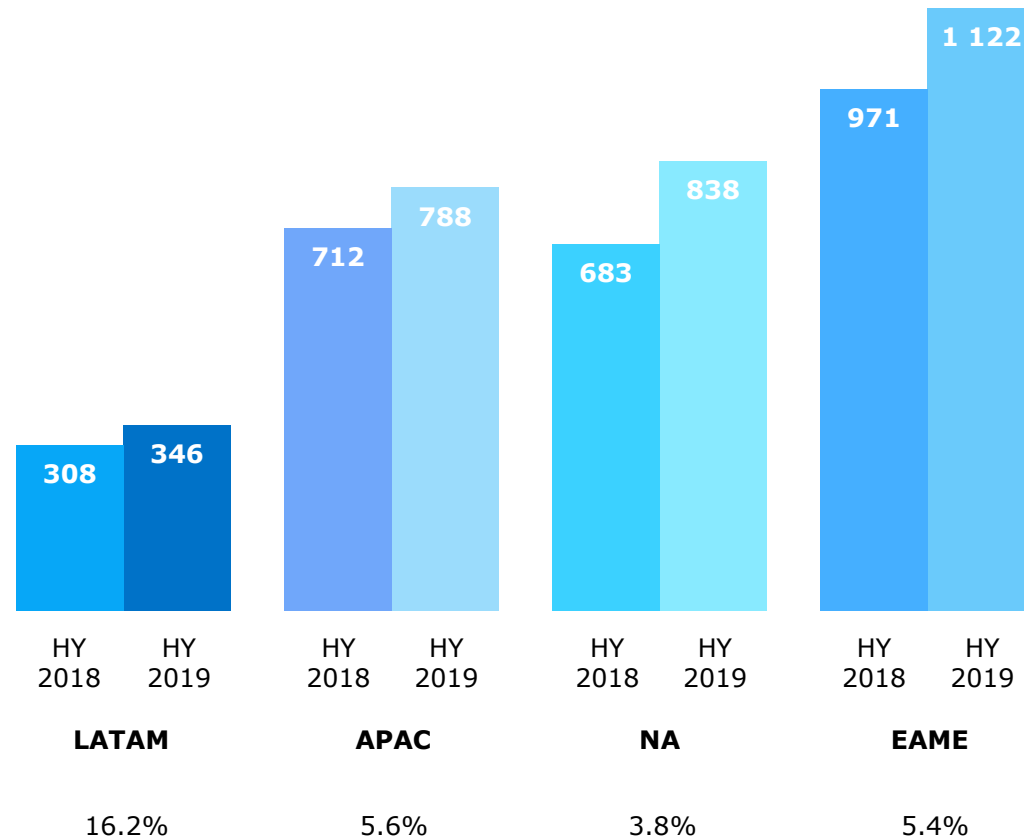
% 2019 growth on LFL\* basis

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

# 2019 Half year results - 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

# The value proposition for investors



# Givaudan at a glance as of end 2018

## The global leader in the flavour and fragrance industry

5.5

Sales in CHF billion

148

Locations

64

Production sites

13,598

Full time employees

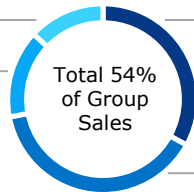
### Flavour Division

12%

Sweet goods

15%

Dairy



34%

Beverages

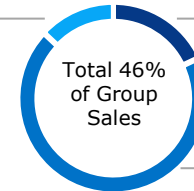
39%

Savoury

### Fragrance Division

13%

Fragrance Ingredients and Active Beauty



19%

Fine Fragrances

68%

Consumer Products

#### Sales in North America

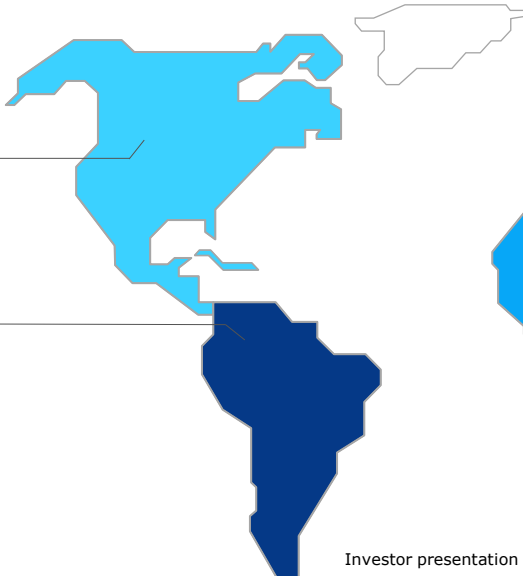
CHF 1,441 million

Production sites

13

Employees

2,518



#### Sales in Europe, Africa and Middle East

CHF 1,982 million

Production sites

28

Employees

6,363

#### Sales in Latin America

CHF 629 million

Production sites

9

Employees

1,840

#### Sales in Asia Pacific

CHF 1,475 million

Production sites

14

Employees

2,877



# Our unique positioning

Givaudan well positioned to benefit from multiple growth opportunities

We have diversified and grown Givaudan to meet the constant changes in the market

## 1. Geographic expansion into high growth markets

- 1990s: expansion from mature to high-growth markets, matching the growth of our multinational customers
- Entry into India and China in 1993-94, Middle East in 1999

## 2. Customer diversification

- Early 2000s: Diversifying into the local and regional customer base (e.g. Private Labels in Europe, Natura Boticario in Latam)
- This continues today, and GBS will further enhance our flexibility in serving L&R customers

## 3. Quest: scaling up

- 2007: F&F market leadership secured
- Further growth on geographic and customer axes
- Expansion across applications e.g. oral care, fine fragrances, snacks

## 4. Expanding beyond Flavours & Fragrances

- Moving into Active Beauty, naturals extracts and integrated solutions
- Executing our focused M&A strategy in adjacent areas
- Acquisition of Naturex strengthens our presence in Natural Ingredients and positions us as the #1 in Naturals with our customers

...whilst enhancing our operational capabilities through business optimisation and excellence

**SAP implementation**

Managing the business more consistently

**Givaudan Business Solutions (GBS)**

Enhance margins by streamlining operations and customer service

# Combining business areas

## Rising barriers to entry

### One solution to one customer and one product

#### Flavours & Fragrances

Consumer understanding

Trend research

Selection of unique and commodity ingredients

Creativity

Technology  
(encapsulation)

#### Integrated solutions

Major contribution to development of end product:

Technological combination of smell & taste with unique ingredients to get lion share of COGS

### One unique ingredient to many

#### Unique ingredients

Active cosmetic ingredients  
Nutritional ingredients  
Functional ingredients

Sourcing know-how

- sustainable
- competitive price
- ethic

Science & Technology

- extraction know how
- biotechnology

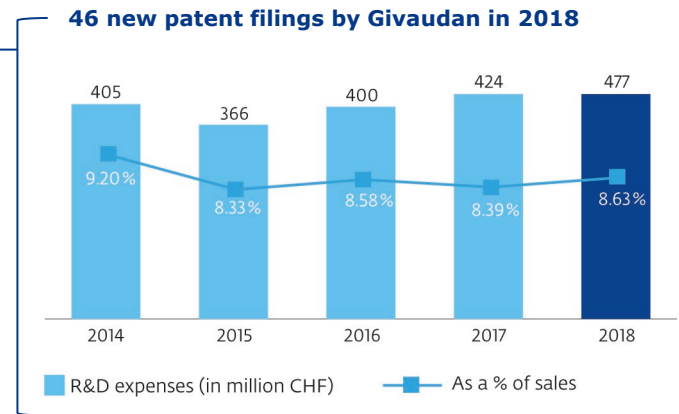
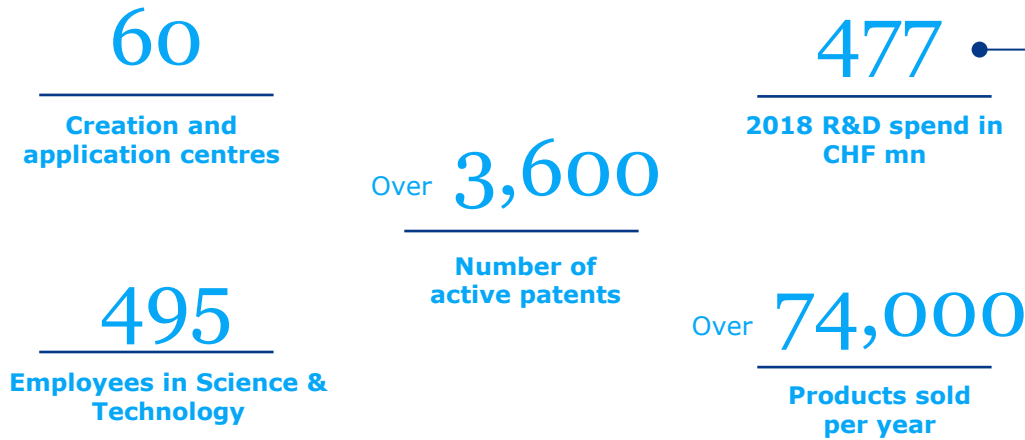
Production

- novel biotechnological approaches

Creating additional value by combining and cross selling solutions from complementary business areas

# Broad and differentiated portfolio

## Supported by unrivalled capabilities and innovation



Continued development focus by Givaudan over last few decades, resulting in leadership position

### Selected innovation initiatives

<p><b>Consumer Sensory Insights</b></p>	<ul style="list-style-type: none"> <li>• Consumer insights throughout the creation cycle</li> <li>• Consumer testing network- survey, panels, big data, etc</li> <li>• Givaudan Chef's Council &amp; TasteTrek®</li> </ul>	<p><b>Innovators and partnerships</b></p>	<ul style="list-style-type: none"> <li>• Extended innovation ecosystem globally</li> <li>• Selected partnership with innovators, accelerators and with academia</li> <li>• Plugged into disruptive and digital trends</li> </ul>
<p><b>Innovation Centres</b></p>	<ul style="list-style-type: none"> <li>• From molecular research to application expertise</li> <li>• New technologies in delivery systems (eg. encapsulation)</li> <li>• Market specific capabilities around the globe</li> </ul>	<p><b>Supplier Enabled Innovation</b></p>	<ul style="list-style-type: none"> <li>• Strategic partnerships with key suppliers</li> <li>• Focus on bio-technology / bio-transformation</li> <li>• Sustainable sourcing philosophy</li> </ul>

# Value creation at the heart of our procurement strategy

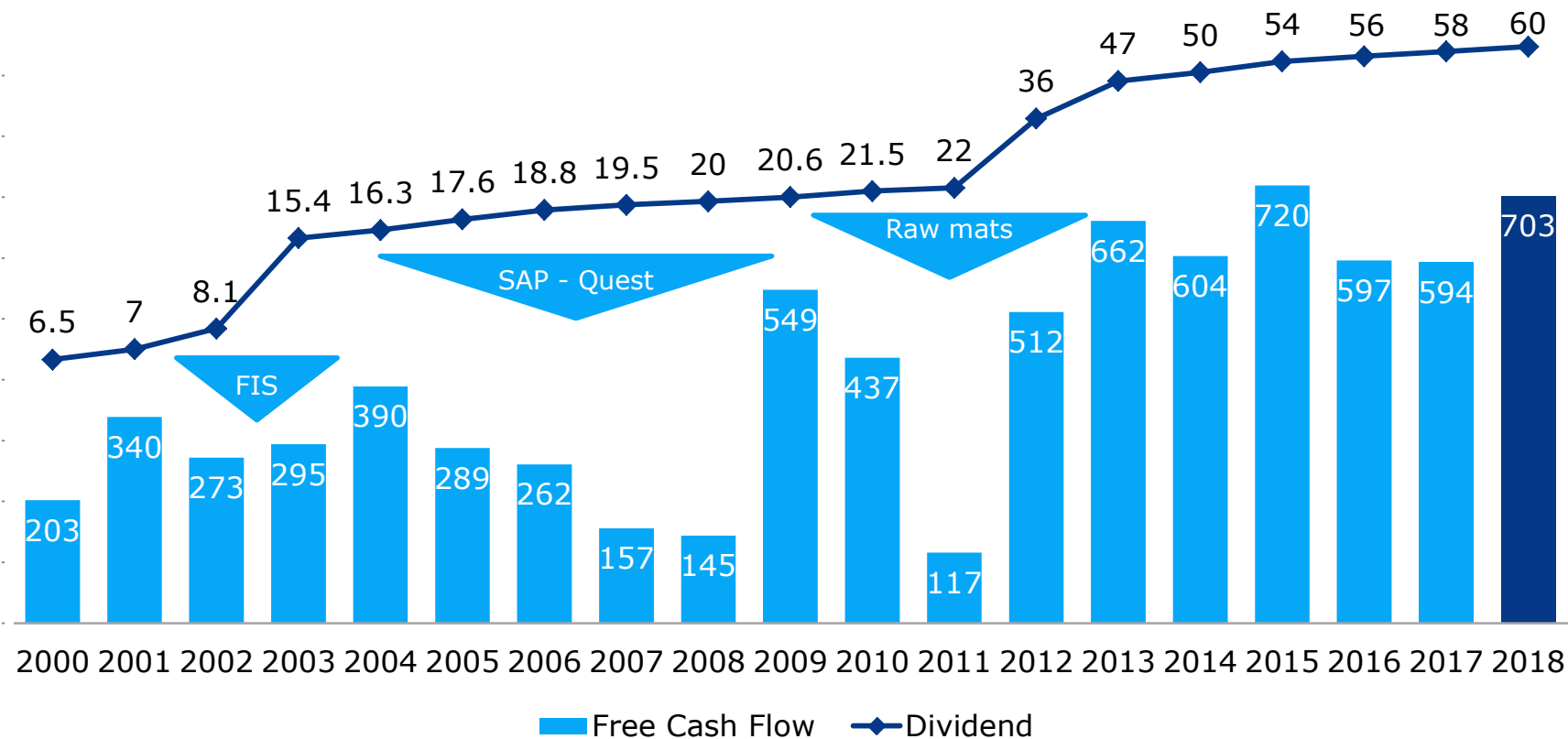
- Leadership through cost advantage
- Mitigate supply and price volatility
- Maximise supplier contribution to novel solutions
- Responsibility over the complete supply chain
- Increased sourcing of natural raw materials to satisfy demand
  - Today 60% of raw materials bought for flavours are natural
  - 20% of all raw materials bought for fragrances are natural
  - 60% of active beauty ingredients are natural



# Dividend per share

## Increasing 3.4% YoY

Free cash flow of CHF 7.8 billion generated over the past 19 years  
 CHF 4,218 million of cash flow returned to shareholders as dividends\*  
 and CHF 504 million (net) through share buy-backs





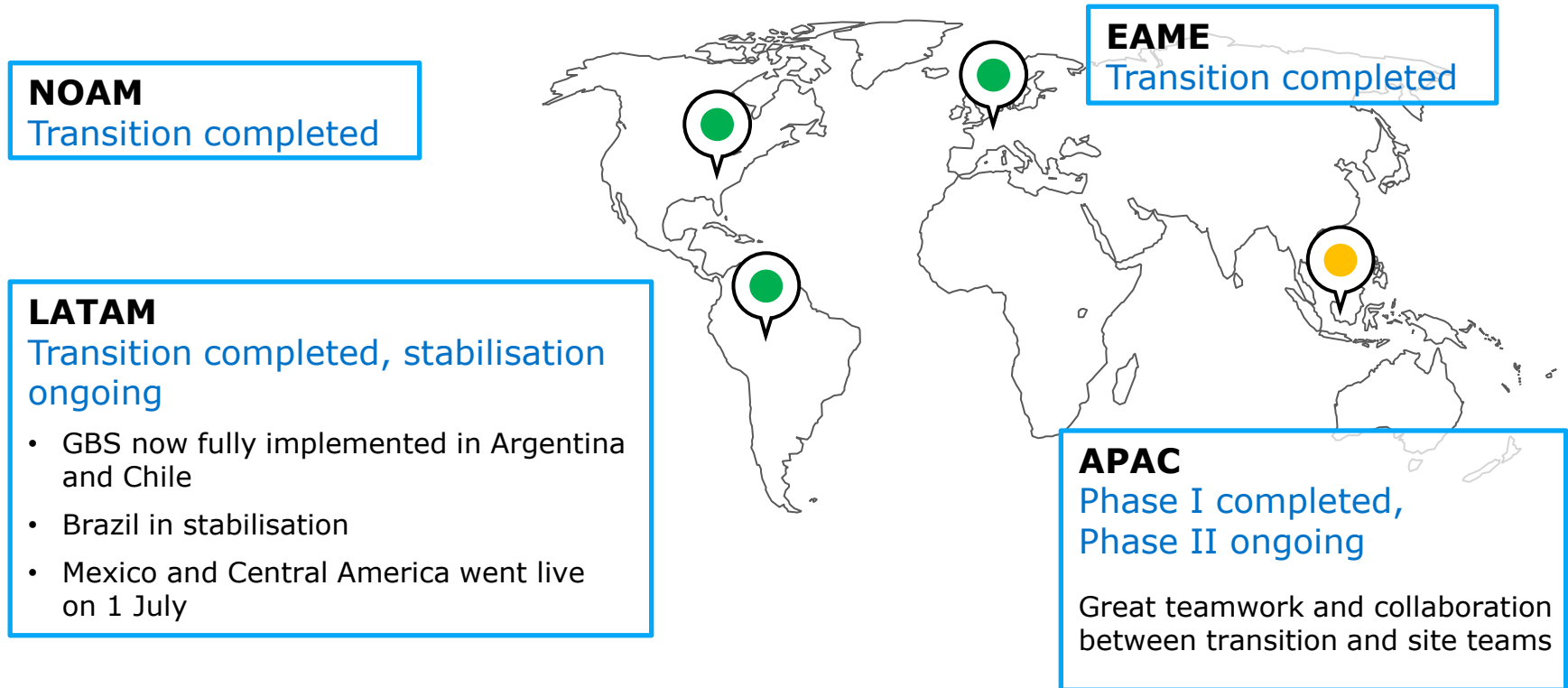
2020 strategy

Responsible growth. Shared success.



# Givaudan Business Solutions

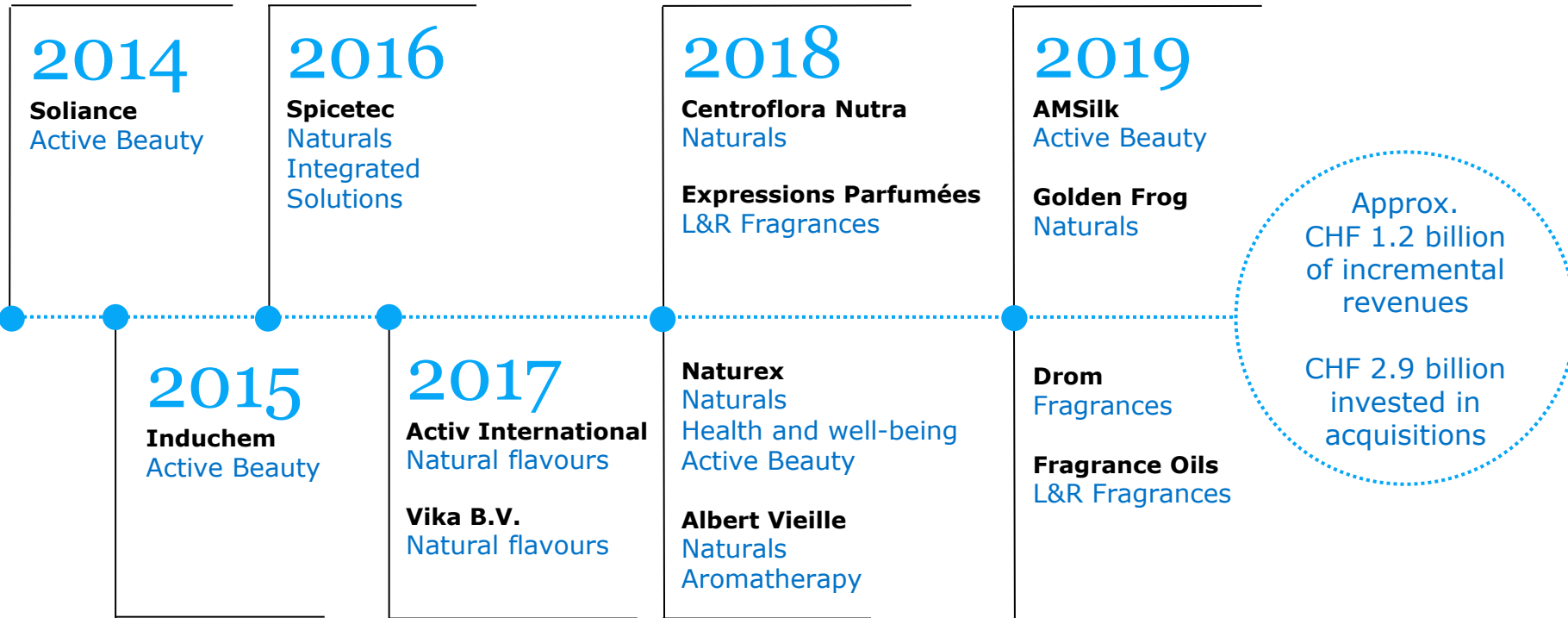
Implementation well advanced - on track to finalise by 2020



GBS Delivery Centres working effectively within the broader Givaudan organisation  
Financial benefits being delivered in line with the plan

# 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

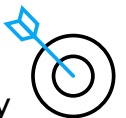
### 2018 Achievements

- 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



# Naturex acquisition in 2018

Combine differentiated natural ingredients with Givaudan's portfolio to create added value for our customers



**01 Natural preservatives**  
e.g. rosemary

**02 Natural taste**  
e.g. acerola cherry



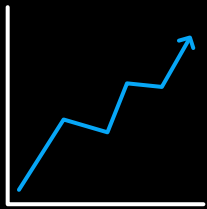
**03 Natural colours**  
e.g. spirulina

**04 Phytoactives**  
e.g. cranberries

Very positive feedback from customers

# Responsible growth. Shared success.

## Growing with our customers



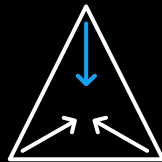
High growth  
markets



Health and  
well-being

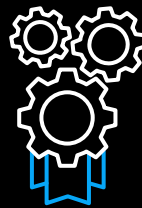


Consumer  
preferred products



Integrated  
solutions

## Delivering with excellence

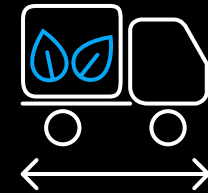


Excellence in  
execution

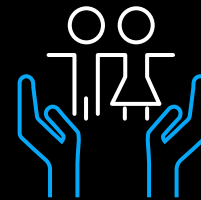
## Partnering for shared success



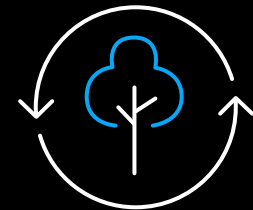
Innovators



Suppliers



People



Communities

# 2020 Financial objectives

## On track

Growing with  
our customers

4-5%

Average organic sales  
growth<sup>1</sup>

4.9% in 2016-18

Delivering  
with excellence

12-17%

Average free  
cash flow as  
% of sales<sup>1</sup>

12.4% in 2016-18

Partnering for  
shared success

Partner  
of choice

New partnerships with innovators,  
employees, suppliers and communities  
in which we operate

Continued leading-industry investment  
in innovation and increase our network  
of strategic partners

Further enhancing our responsible  
sourcing, while managing our supply  
risk and cost

Creating additional value through acquisitions

CHF 1bn annualised revenue contribution from companies acquired since 2014

Note: 1. Over a five-year period by 2020



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