Givaudan

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Transcript

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2025 Half Year Results

Conference call and live webcast

Company representatives

Gilles Andrier, Chief Executive Officer

Stewart Harris, Chief Financial Officer

Gilles Andrier

Dear Ladies and Gentlemen, welcome to our 2025 half-year results conference call. Stewart Harris, our CFO, is sitting next to me on this call today, and we will take you through the presentation before answering your questions at the end. All relevant documents related to the 2025 half-year results, including the slides we are presenting now, have been published this morning and are available in the results centre on our Givaudan website.

We are very pleased with our continued strong financial performance in the first half of 2025, despite an environment with ongoing geopolitical and macroeconomic challenges. Sales remain strong, with good growth across all business segments, all geographies, and customer groups, against very strong prior year comparables. These results, once again, demonstrate the value that Givaudan brings to its customers through our highly specialised products and solutions. Now, let me give you some details with the performance highlights on slide four.

In the first half of 2025, the group recorded sales of 3 billion 864 million CHF, an increase of 6.3% on a like-for-like basis. As a reminder, prior year was 12.5%, and an increase of 3.4% in Swiss francs. Like-for-like growth was mainly volume driven, with a very slight contribution of pricing.

The strong sales growth was achieved across all business segments, geographies, and customer groups, supported in particular by the continued outperformance in Fine Fragrances, the high growth markets, and the sustained strong growth with local and regional customers across the two divisions.

Our comparable EBITDA amounted to 973 million CHF, leading to a record comparable EBITDA margin in the half year of 25.2%, up from 24.8% in 2024. The net income amounted to 592 million, compared to 588 million last year. The free cash flow in the first half was slightly negative. This is due to the timing effects of capital expenditures and tax payments, but we remain very confident to achieve our mid-term target of an average free cash flow greater than 12% for the five-year strategic cycle ending this year. Now, before Stewart will share more details about the operational performance, let me give you some more details. In the first half of 2025 sales remain strong, with good growth in all business segments, geographies, and customer groups, against the very strong comparable of 2024. The group's like-for-like sales growth was 6.3%, mainly volume driven, while the contribution of pricing plus FX pricing was below 1%, a similar level in both divisions. Fragrance & Beauty sales were 1 billion 955 million, an increase of 8.6% on a like-for-like basis. As a reminder, the prior year was 15.3% and 7% in Swiss francs.

Taste & Wellbeing sales amounted to 1 billion 909 million, up 4.1% on a like-for-like basis. Prior year was almost 10%, and it was flat in Swiss francs.

While we have not yet seen performance from our peers for the first half, we have clearly outperformed them during the first quarter by showing, on average, a like-for-like growth twice as fast. And despite the fact that we have been facing a much tougher comparison base.

As you can see on slide six, high growth markets continue to outpace mature markets by a multiple of three times, leading to an almost equal absolute size in sales in the first half year of 2025. Key growth markets such as India, Brazil, the Middle East markets, and China, continue to contribute to the strong performance of the high growth markets. We also achieve the solid growth in mature markets of almost 3%, led by the continued solid performance in Europe, and a sequential improvement in North America. Let's now have a look at the regions in more granularity on the next slide.

We have seen a continued strong growth in LatAm of 9.4% on the like-for-like basis, driven by the underlying strong volume growth as the FX pricing is abating. The largest region, Europe, Africa, and the Middle East, EMEA, sustained a strong growth of 8.6%, on top of the double-digit growth recorded in the prior year. Asia Pacific grew by 5.3%

on the like-for-like basis, with strong growth in Japan and China. And finally, North America continued to be volatile, but showing a sequential improvement in the second quarter, leading to a 1.7% increase in like-for-like for the first half.

Turning on a divisional view on slide eight, starting with Fragrance & Beauty. Sales amounted to 1 billion 955 million, up 8.6% on a like-for-like basis. Again, reminding the comparable of 15.3% and 7% in Swiss francs. The strong like-for-like growth remained broad across all segments, regions and customers, with particularly strong performance in the high growth markets and with local and regional clients.

Fine Fragrances continued its strong growth momentum at an impressive 18%. And while we continuously said that we shouldn't expect fine to continue to grow double digit on top of a double digit, we like to be proven wrong again. The remarkable success in this segment is underpinned by another 12% growth CAGR since half year of 2019. In fact, we achieved almost as much sales in the first half of 2025 as we did for the entire year in 2019. In other words, we doubled our Fine Fragrance business in the last five years.

The Consumer Products business maintained a strong performance, despite the challenging comparison base of 17.3%. The 6.1% like-for-like growth aligns closely with the long-term CAGR for the segment, which is what has been around 6 to 7% from 18 to 2025.

Fragrance Ingredients and Active Beauty sales increased 5.7% on a like-for-like basis, with continued strong double-digit growth in Active Beauty, but which was offset by a softer performance in Fragrance Ingredients. This reflects an overall softer demand from the market.

Let's move now on to the Taste & Wellbeing division on slide nine. Sales for the division amounted to 1 billion 909 million, up 4.1% on the like-for-like basis, and about flat in Swiss francs. The good growth was broad based across regions and segments.

On the regional basis, particularly SAMEA, South Asia, Africa and Middle East, continued to show an impressive growth of 12.7%, on top of a similar high growth in the same period last year. Positive, as well, to mention that North America where, after a soft start in Q1, the growth momentum as sequentially picked up, leading to a 2% growth for the first half. Europe and Latin America continue to show solid growth of 4.2% and 4.1% on the like-for-like respectively.

Asia Pacific experienced a more modest growth of 2.1% like-for-like, the prior year was 9.3%. And while we have seen continued good growth in key markets such as China and Japan, this reflects the high comparison base from the previous year, particularly in the Southeast Asian markets, such as Indonesia and Thailand, which are the two largest markets in Southeast Asia.

Now, let's see from the financial highlights two key innovations which support customer needs and key consumer trends, as shown on slide ten. Innovation is core and essential to us, enabling us to create unique solutions that tackle our customers' challenges, while leading in biotechnology, sustainability, or digitalisation. Our R&D efforts equip our creation and development teams with cutting-edge technologies and distinctive ingredients, ensuring that the tailored solutions we develop resonate with both our customers and the end consumers.

Let me highlight just a few examples. Myromi is an innovative tool developed by Givaudan, leveraging advanced technology to enhance fragrance creation processes. It combines artificial intelligence with deep consumer insights to help perfumers design unique and personalised fragrances that resonate with consumer preferences.

As consumers increasingly seek natural options, particularly in the US, Everzure Galdieria stands out by offering vibrant, sustainable colour solutions derived from nature. Notably, it has received FDA approval, ensuring its safety and compliance for use in food and beverage applications. This aligns perfectly with the current regulatory changes and the growing demand for clean label products.

With the new ingredient, ChériScentz, we empower our perfumers to craft captivating scents that evoke sensuality in their creations by blending artistry with advanced technology and a commitment to sustainability, we enable them to explore new dimensions of fragrances.

And, finally, last but not least, related to our Active Beauty business, Evernityl transforms fresh algae into a high precision beauty ingredient that combats skin ageing and promotes youthful skin. This innovative formulation harnesses the power of nature, delivering exceptional benefits that enhance skin vitality and resilience. And with that, I now hand over to Stewart for more details on the operating performance.

Harris Stewart
Thank you, Gilles. I would like to add my warm welcome to all of the participants on this morning's call. On the following slides, I would like to give an overview of the group's

operating performance and that of the two divisions, as well as the financial performance of the group. Let me start with the financial highlights on slide 12.

As Gilles has already mentioned, group sales in the first six months of 2025 increased to 3 billion 864 million CHF, an increase of 6.3% on a like-for-like basis, and an increase of 3.4% in Swiss francs. The reported EBITDA increased to 945 million CHF, compared to 906 million CHF in 2024, an increase of 4.4% in Swiss francs, or 9.7% when measured in local currency. On a comparable EBITDA basis, the underlying EBITDA margin increased further to 25.2%, compared to 24.8% in the first six months of 2024. Driven by this continued excellent operating profitability, the net income increased to 592 million CHF, and the net income margin was 15.3% of sales.

The free cash flow of the group was slightly negative in the first half year of 2025, mostly due to timing effects of investments and tax payments. The net debt to EBITDA was at 2.5 times at the end of June, compared to 2.9 times at June 2024 and 2.3 times in December 2024. Please turn to slide 13, which shows the overview of the exchange rate development so far in 2025.

This slide shows the comparison of the key exchange rates in the first half of 25 versus the same period in 24. In the current year, the Swiss franc has again strengthened against all major currencies in which the group operates, with a corresponding impact on the group results in Swiss francs. However, the impact is mitigated due to our operational and geographical spread providing good natural hedges and our EBITDA margin remains well-protected against currency fluctuations. Please turn to slide 14 for an overview of the operating performance of the group.

The gross margin was stable at 44% in the first half of 2025, compared to 44.1 in the first six months of 24, with continued good operational leverage offsetting higher input costs, including those from global trade tariffs. The company is continuing to implement price increases in collaboration with its customers to offset such higher input costs, with a minimal mechanical dilution effect on the gross margin.

On the EBITDA level, the EBITDA was 945 million CHF in the first half year 2025, compared to 906 million CHF in the same period last year, an increase of 4.4% in Swiss francs, or 9.7%, when measured in local currency. The comparable EBITDA margin after adjustment for acquisition, restructuring, and project related costs of 19 million CHF, and 9 million CHF of costs related to the 2024 accident in Louisville, was 25.2%, compared to 24.8% in 2024. On the following two slides, I'll take you through the operating performance of the two divisions. And if you turn to slide 15, we'll start with Fragrance & Beauty.

Fragrance & Beauty recorded and EBITDA in the first half of 2025 of 525 million CHF, compared to 500 million CHF in 2024, an increase of 5.2%. The division incurred acquisition, restructuring, and project related costs of 15 million CHF, compared to 14 million CHF in 2024, mainly due to costs incurred in relation to the ongoing competition authorities investigations. The comparable EBITDA margin of the division was 27.6% in 2025, compared to 28.1% in 2024, a continued excellent result, despite higher input costs and growth-related investments. If you would now turn to page 16, I will take you through the operating performance of Taste & Wellbeing.

Taste & Wellbeing recorded an EBITDA of 420 million CHF, compared to 406 million CHF in the same period in 2024, an increase of 3.4%. The division recorded expenses of 9 million CHF in relation to the Louisville accident, which occurred in November 2024. Acquisition, restructuring, and project related costs amounted to 4 million CHF and were mostly related to some remaining costs for footprint optimisation, the benefits of which supported the solid improvement in the Taste & Wellbeing margin. As a result, the comparable EBITDA margin improved to 22.7%, compared to 21.7% in the first half of 2024. Please turn to slide 17 on the net income of the group.

The net income before tax was 713 million CHF in the first half, compared to 700 million CHF in the corresponding period last year. The effective tax rate was 17%, compared to 16% for the first half in 2024. The net income rose to 592 million CHF in the first six months of 25, compared to 588 million CHF in the same period in 24. The net income margin was 15.3% in 2025, compared to 15.7% in the corresponding period. Basic earnings per share was 64.18 CHF in the first half, compared to 63.76 CHF for the same period in 2024. Please move on to slide 18, which shows the free cash flow performance.

In the first half of 2025, the group generated free cash flow of minus 16 million CHF, or minus 0.4% of sales, compared to 5.3% of sales in the corresponding period in 2024, with the difference largely driven by timing effects related to investments and tax payments. The net investments were 169 million CHF in the first six months, representing 4.4% of sales, notably higher than the net investments of 3.4% of sales in the prior period. Net working capital was 27.1% of sales in the first half of 2025, compared to 29.1% in 2024, demonstrating our continued strong focus on the effective management of all aspects of working capital. Please move on to slide 19.

This slide shows that the group continues to have a well-balanced and stable debt profile, with interest rates which have been secured at attractive rates. At the end of June 2025, the net debt was 4.5 billion CHF, with a weighted average interest rate of 1.9%, compared to 1.75% in December 2024 and 1.96% in June 24. At the end of June 2025, the net debt to EBITDA ratio was 2.5 times, compared to 2.3 times in December 24 and 2.9 times in June 2024. The improvement in our leverage is a result of our sustained focus on the balance sheet, whilst continuing to invest in the growth of our business and in shareholder returns.

This concludes my section of the presentation. I would like to thank you for your attention and hand back to Gilles.

Andrier Gilles
Thank you, Stewart. Let me now come back to our 2025 strategy and the outlook on slide 21, and onwards. As we're entering the last six months of our 2025 strategic cycle, let's reflect on the remarkable transformation of Givaudan. Over the recent years, we have continued to focus on our core fragrances and flavours business, whilst expanding into adjacent spaces, namely health and wellness, establishing ourselves as the leader in naturals and enhancing our portfolio with functional food ingredients. Additionally, we have further tapped into the world of beauty, with skincare and colour cosmetics, thereby leveraging new growth spaces whilst further strengthening our natural hedges.

The strategic relevance of these decisions is reflected in our outperformance, not only in growth, but also in considerably higher operating margins and free cash flow generation compared to our peers, reinforcing our position as a market leader. Highlighting the continued execution of our strategy, we were excited about the recently announced acquisition of a majority stake in Vollmens Fragrances. This strategic move exemplifies our commitment to focussed market strategies, as it will greatly enhance our presence in Latin America and strengthen our partnerships with local and regional customers. Let's move now to slide 22 and look at our performance commitments for the 2025 strategy.

Ambitious targets are an integral part of our DNA, of our strategy. With average like-for-like sales growth of 7.2% for the period 2021 to 2024 and the continuous strong like-for-like growth in the first half of 2025 of 6.3%, Givaudan is highly likely to exceed the upper end of its average five five-year sales growth targets of 4 to 5% on a like-for-like basis for the period 2021 to 2025. We are equally on track with our free cash flow margin target and remain confident to achieve an average free cash flow greater than 12% by the end of the cycle. The group's 2030 strategy will be announced at the Summer

Investor Conference, to be held on 27 August 2025 in Zurich. Let me finish now with the 2025 outlook on the next slide.

I just said we are fully on track to deliver on our 2025 strategic commitments on both the average like-for-like sales growth and the free cash flow. Even in volatile market environments, our focus on execution, our focus on our customers and our strong natural hedges across products, markets and customers have served us well, providing us with the resilience needed to both navigate challenges and seize opportunities. We have slightly lowered our expectations for input costs increases, now anticipating around 3% for 2025. And in order to protect our business, we will implement price increases to cover increasing input costs, including tariffs, in collaboration with our customers, to fully compensate for the increase in input costs.

For 2025, we anticipate non-recurring costs of 30 million associated with acquisition, restructuring efforts, such as the optimisation of our Taste & Wellbeing footprint, which is nearing completion, and other project-related expenses. As Stewart mentioned, we have recorded non-recurring expenses of 9 million CHF in the first half related to the incident in Louisville, and we expect a similar amount to be recorded in the second half.

With that, we are at the end of the 2025 half-year results presentation, and I would like to hand back to the operator for the instructions to open the Q&A. Stewart and I look forward to taking your questions.