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Transcript

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2026 Half-year Results
Conference call and live webcast

Company representatives
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Stewart Harris, Chief Financial Officer

Christian Stammkoetter
Ladies and gentlemen, good morning and welcome to our 2026 First Half Year Results Conference Call. My first one as the CEO for Givaudan. Stewart Harris, our CFO, joins me today and all documents related to the results are available on our website. I will lead you through the business highlights before Stewart will share more details on our operating performance and we will remind 2030 strategy and outlook before we open the Q&A session. So let's get started.

Let me start a bit with my first months. Over my first 5 months as the CEO at Givaudan, I focused on listening and immersing myself with customers, employees, and investors. Discovering first-hand the strengths of the business model and the passion across the organization, while gaining a deep understanding of the business. I've been traveling to many of our sites, visiting both divisions across Europe, NOAM, LATAM, Asia, and SAMEA.

I met with many customers and also with partners to learn about the unique upstream model we have in the sourcing of unique natural ingredients. What stands out is, Givaudan's unique combination of creativity, science and operational excellence, supported by a strong customer-centric culture and long-term relationships. I've great respect for what has been achieved here and for the teams who make it happen.

As shared before, my agenda is built around three priorities: Optimise, Future-Proof and Together. Optimise means, fine-tuning the strategy where needed, while driving strong execution, productivity and disciplined capital allocation.

Future-Proof focuses on investing selectively in innovation, data, digital and AI capabilities to support long-term growth and strengthen Givaudan's unique moats. And together reflects our collaborative culture, working closely across teams, customers and partners to create value. I look very much forward to sharing more on our strategic priorities at the summer conference that we hold in Zurich at the end of August.

So in short, I've listened, I've learned, and I am obviously now in action mode, focused on aligning the organisation to amplify what already works, while addressing areas where we can accelerate. And I look forward to delivering on our 2030 ambition together with this exceptional team and to updating you as we progress.

Now let's come to the business highlights of H1. We are pleased with our sustained solid financial performance in the first half of 2026. Despite ongoing geopolitical and macroeconomic challenges, our business continued to display good growth momentum and industry-leading profitability.

Group sales for half year one were 3,799 million CHF, up 3.6% on a like-for-like basis and minus 1.7 in Swiss francs. Like-for-like growth was primarily volume-led across both divisions and we achieved balanced growth across customer groups and geographies, underscoring the natural hedges in our business and broad-based customer traction.

In half year one, we incurred 103 million CHF of non-recurring cost, mainly related to litigation settlements and provisions, with two items that are worth mentioning: a settlement agreement in Fragrance & Beauty related to the antitrust investigation and a provision related to court litigation in Taste & Wellbeing. Stewart will comment more on it in his part.

On an adjusted basis, EBITDA amounted to 923 million CHF, corresponding to a margin of 24.3% compared to a very strong 25.2% in Half Year 1 of 2025. Half year 1 reported net income was 475 million CHF compared to 592 million CHF in prior year. Excluding one-offs, adjusted EPS in Swiss francs was 60.25 CHF compared to 66.71 CHF in the prior year period.

Adjusted free cash flow was minus 119 million CHF in Half Year 1, reflecting increased investments and timing-related working capital movements, with stronger cash generation expected in the second half and we remain confident in our ability to reach about 12%

adjusted free cash flow margin over the five-year strategic cycle. Stewart will provide more details on the operational performance shortly.

So turning to Slide 6 regarding the divisional sales performance. Half year sales were encouraging with clear strength in Fragrance & Beauty and first sequential improvement in Taste & Wellbeing. Growth was predominantly volume-driven with only limiting pricing and forex impact. The modest pricing we did see largely reflects logistic and tariff pass-through.

The acquisition of Belle Aire and Vollmens in Fragrance & Beauty contributed 1.4% growth on group level. Fragrance & Beauty sales were at 2,010 million CHF, up 2.9% in Swiss francs and plus 6.5% like-for-like, driven by strong demand across both Consumer Products and Fine Fragrance.

Taste & Wellbeing recorded 1,789 million CHF, down minus 6.3% in and plus 0.5% on a like-for-like basis. Importantly, showing a first sequential step in the right direction in a continued challenging market environment in some of our regions.

So now going into more granularity by division on the next two slides. Starting with Fragrance & Beauty on Slide 7. The division delivered strong results in Fine Fragrance and Consumer Products, reflecting the portfolio's breadth and its natural hedges across categories and geographies. Fine Fragrance delivered a strong like-for-like growth of plus 7.3% on top of a very strong prior year comparable of plus 18%, underlining the continued momentum of the business, benefiting from broad geographic exposure and strong relationships with local and regional customers, as well as with global customers.

Consumer Products, the largest segment representing more than 60% of the division, posted an excellent performance, growing 9.2% like-for-like. This strength is rooted in creativity, innovation, and a well-balanced customer mix, which together drive a healthy project pipeline and high win rate.

Fragrance Ingredients and Active Beauty sales decreased by minus 4.1% like-for-like, with Active Beauty facing a very high comparison base from last year and fragrance ingredients continues to experience price competition in parts of the portfolio, which explains the softer performance.

Moving to the next slide to Taste & Wellbeing. As mentioned earlier, Taste & Wellbeing showed a clear sequential pickup in Q2, moving to plus 1.5% in quarter two from a minus 0.4% like-for-like growth in quarter one, reflecting the first positive effects of our optimisation and commercial action, although the market environment remains challenging.

You see Europe was broadly stable at plus 0.3% like-for-like. SAMEA showed a strong recovery in the second quarter with plus 8.1%, leading to plus 0.5% like-for-like for the half year on top of a double-digit comparable. And also Asia Pacific showed clear momentum driven by on-going strength in China and a continued acceleration across Southeast Asia.

The opening of a new production site in Indonesia demonstrates our confidence in the region's growth prospects. North America remains more volatile at minus 1.5% like-for-like as consumers remain selective, particularly at lower income levels, but we see encouraging areas of growth in reformulation, natural colours and GLP-1 related briefs.

And last in Latin America, temporary headwinds in specific markets, notably Mexico, continued leading to overall minus 1.5% like-for-like sales growth. However, we are beginning to see early traction from targeted action and remain confident in our market positions and ability to progressively strengthen performance over time.

So overall, Q2 marked a clear step in the right direction and supports our confidence in continued sequential improvement into Half Year 2, supported by healthy leading indicators and easing comparables.

Turning to the regional view on group level on Slide 9. We delivered balanced broad-based growth across geographies with high-growth markets up 5.2% like-for-like and mature markets up 2.0%. SAMEA maintained good momentum and contributed 3% like-for-like for the half year on top of a high comparable. North America increased plus 2.3% like-for-like, although Taste & Wellbeing, as seen before, remains more challenged in the region. This was offset by a continued strong momentum in Fragrance & Beauty across both Consumer Products and Fine Fragrance.

Asia Pacific increased by 9.2% like-for-like, reflecting continued strong growth across key markets, particularly China and India, and also strong growth especially in Indonesia. And Latin America recorded a minus 3.9% like-for-like growth in half year one 2026, influenced by temporary market conditions in Mexico in Taste & Wellbeing alongside a strong prior year comparison in Fragrance & Beauty.

So, in conclusion, our balanced exposure across mature and high-growth markets continues to provide solid, consistent growth and resilience in a complex environment.

Yet we are conscious that there are areas where we are actively working to further optimise our performance step-by-step.

So now moving to Slide number 10. This slide illustrates our 2030 strategy in action. Concrete examples of how we extend customer reach, deepen geographic presence, and innovate for differentiation and care for our people, nature, and communities. We secured the seventh consecutive CDP A for climate action and achieved the CDP A for supplier engagement, reflecting continued progress towards our net zero ambition and 2030 purpose goals.

We continue to invest in our footprint to deepen our geographical presence. We broke ground on an expanded fragrance manufacturing complex in Pedro Escobedo, Mexico, and we opened a new state-of-the-art production site in Cikarang, Indonesia, to support Taste & Wellbeing growth in Southeast Asia.

And we continue with our M&A strategy that is supporting our 2030 strategy to extend our customer reach, especially in local and regional customers. For example, through the acquisition of a strategic majority stake in Eurofragance, a highly creative, regionally rooted fine fragrance house. Together, these milestones show our 2030 strategy being put into practice, advancing sustainability, unlocking differentiated innovation, and expanding our local presence to capture growth.

On the next slide, Slide 11 shows how we turn insight and science into customer value. Practical innovations that address clear consumer trends. The examples here span taste, fragrance, and beauty and illustrate our focus on application-ready solutions and enabling technologies. Let me highlight a few for Fragrance & Beauty. In Active Beauty, we launched PrimalHyal NeuroYouth, an advanced hyaluronic acid technology supporting skin longevity, firmness, and sensory perception, opening new opportunities in skin health and beauty.

We strengthened our fragrance performance toolbox through strategic equity investment and collaboration with Microcaps AG to expand our high-precision microencapsulation capabilities, enhancing fragrance longevity and performance across fine fragrance and beauty application, including alcohol-free formats.

And let me highlight Haus of Suds, which reimagines laundry as a multisensory experience, helping customers create emotionally engaging scent concepts in differentiated product formats across generations. In Taste & Wellbeing, we focused on GLP-1 and broader wellness trends that are increasing demand for lower calorie and functional products. We combine consumer insights with taste, delivery, and masking technology to help customers reduce sugar, fat, and salt while maintaining indulgent taste, helping customers turn GLP-1 and especially briefs in functional beverage, one of the fast-growing subsegments, into winning products.

For Hot and Spicy, where our chefs' council in Mexico combined culinary expertise with sensory science to develop cutting-edge hotness technologies and practical flavour solutions that help customers win in spicy and flavour-forward segments.

In February, we opened the House of Lime in Mexico, an immersive co-creation space combining flavour expertise, sensory tools, and digital capabilities to help customers accelerate innovation and speed up brief-to-market. So, across both divisions, our focus is clear: translating science, insight, and creativity into differentiated solutions that help customers innovate faster and grow.

And with this, let me pass the word to Stewart Harris, who will go into more detail regarding our performance in half year one. Stewart, over to you.

Stewart Harris

Thank you very much, Christian. I would like to add my warm welcome to all of the participants on the call. On the following slides, I'll give you an overview of the 2026 half year operating performance of the group and that of the two divisions, as well as the financial performance of the group.

Let me start with the performance highlights on Slide 13. As Christian already noted, group sales in the first six months of 2026 were 3.8 billion CHF, an increase of 3.6% on a like-for-like basis over the same period in 2025 and a decrease of 1.7% in Swiss francs due to the continued strength of the Swiss franc.

The adjusted EBITDA was 923 million CHF compared to 973 million CHF in the first half of 2025, a decrease of 5.2% in Swiss francs, whilst when measured in local currency, the adjusted EBITDA increased by 0.8%. The adjusted EBITDA margin was 24.3% in the first half of 2026 compared to 25.2% in the same period in 2025.

Due to the non-recurring cost that Christian already touched upon and that I will expand upon in the coming slides, the net income decreased to 475 million CHF and the net income margin was 12.5% of sales. The adjusted free cash flow of the group was minus 119 million CHF in the first half of 2026, or minus 3.1% of sales, mostly due to the higher investments and temporary working capital effects.

The net debt to EBITDA ratio was at 2.8x at the end of June 2026 compared to 2.5x in June 2025 and 2.1x in December '25, with the increase in leverage driven by the impact of the aforementioned non-recurring cost in EBITDA. In order to ensure consistency and comparability over the strategic planning cycle 2026 to 2030, and ahead of the introduction of IFRS 18 in 2027, the group has updated the definitions of some of its key performance metrics, notably by replacing comparable EBITDA with adjusted EBITDA and introducing adjusted free cash flow and adjusted earnings per share.

Please turn to Slide 14, which shows the overview of the exchange rate development in the first half of 2026. This slide shows the comparison of the exchange rates in the first half of 2026 versus the same period in 2025. The Swiss franc continues to strengthen against most major currencies in which the group operates, with an impact on the group's reported results in Swiss francs.

This is particularly evident in the year-over-year comparison of absolute Swiss franc results in the first half of 2026 versus the comparable prior year period. However, as we have consistently noted, our operational and geographical spread provide good natural hedges to mitigate the currency impact and our EBITDA margin remains well protected against currency fluctuations.

Please turn to Slide 15 for an overview of the half year operating performance of the group. The gross margin slightly improved to 44.5% in the first half of 2026 compared to 44% in 2025, with the continued impact of the fragrance ingredients competitive environment evident in H1, more than offset by good operational leverage in both divisions.

On the EBITDA level, the EBITDA was 820 million CHF in the first half compared to 945 million CHF in the same period in 2025, mainly impacted by higher distribution costs, negative currency impacts, and by the non-recurring cost of 103 million CHF. The group recorded 83 million CHF of litigation settlements and provisions in the first six months of 2026, as well as 20 million CHF of acquisition, restructuring, and project-related costs compared to 19 million CHF in the prior period.

After adjustment for these non-recurring costs, the adjusted EBITDA margin continued to be strong at 24.3% compared to 25.2% in 2025. On the following two slides, I will take you through the operating performance of the two divisions. And if you turn to Slide 16, we will start with Fragrance & Beauty.

Fragrance & Beauty recorded an EBITDA in the first half of 2026 of 492 million CHF compared to 525 million CHF in 2025, with the decrease mainly driven by slightly lower gross margin, investments in growth, as well as currency impacts and non-recurring costs. In the first half of 2026, the Fragrance & Beauty division reached a settlement agreement in relation to certain civil proceedings of 30 million CHF in connection with the broader competition authorities' investigations into the fragrance industry.

And furthermore, incurred acquisition, restructuring, and project-related costs of 4 million CHF compared with 15 million CHF in the first six months of 2025. The adjusted EBITDA margin of the division was 26.2% in 2026 compared to 27.6% in 2025, continuing the excellent financial performance profile of the division. If you would like to turn to Page 17, we will look at the operating performance of the Taste & Wellbeing division.

Taste & Wellbeing recorded an EBITDA of 328 million CHF in the first six months of 2026 compared to 420 million CHF in the same period in 2025. The decrease is mainly due to negative currency impacts as well as the non-recurring cost of 69 million CHF. In the first half of 2026, the Taste & Wellbeing division recorded a provision of 53 million CHF in relation to an adverse judgment against Givaudan in the state of Missouri in the United States in connection with long-standing butter flavour litigations involving alleged pulmonary injury.

The outcome in this case is exceptional and inconsistent with the broader litigation history over the past 20 years and we are considering all available legal options in terms of possible next steps. In addition, the division recorded restructuring and project-related costs of 16 million CHF, mostly related to operational restructuring expenses compared to 4 million CHF in the prior period. After adjustments of these non-recurring items, the adjusted EBITDA margin of the division was 22.2% compared to 22.7% in the first half of 2025. Please turn now to Slide 18 where we look at the net income.

The net income before tax was 580 million CHF in the first half of 2026 compared to 713 million CHF in the same period in 2025, largely driven by the non-recurring cost of 103 million CHF, which we have already covered. The effective tax rate was 18% compared to 17% in the half year of 2025, mostly driven by the progressively increasing safe harbour rate under the OECD minimum tax initiative.

Net income after tax was 475 million CHF in the first six months of 2026 compared to 592 million CHF in the same period, with the net income margin at 12.5% in the first half year 2026. When adjusted for the non-recurring cost, including tax effects, adjusted basic earnings per share was 60.25 CHF in the first half of 2026 compared to 66.71 CHF for the same period in 2025. Please now turn to Slide 19 where we see the adjusted free cash flow performance.

In the first half of '26, the group had adjusted free cash flow of minus 119 million CHF, or minus 3.1% of sales, compared to minus 0.4% in the same period in 2025. This difference is largely driven by temporary working capital effects as well as higher investments at a group level. At this stage, the only adjustment to the prior definition of free cash flow is the 30 million CHF settlement agreement reached in the Fragrance & Beauty division as previously noted. Net investments were 207 million CHF in the first six months of the year, representing 5.4% of sales compared to 4.4% of sales in the prior year period due to the timing of key investment projects.

As a reminder, we have guided to a net investment range of 4% to 5% of sales in the strategic planning period 2026 to 2030. Net working capital was 30.8% of sales in the first half of 2026 compared to 27.1% in the first half of 2025 due to sales phasing and temporarily higher inventory effects. We continue to balance our working capital ambitions with the business needs and we expect to see a meaningful improvement in working capital by the end of the year. Please turn to Slide 20 on the debt and leverage profile.

This slide shows that the group continues to have a well-balanced and stable debt portfolio with interest rates which have been locked in at attractive rates. At the end of June 2026, the net debt was 4.6 billion CHF with the weighted average interest rate of 2.12% compared to 1.94% in December 2025 and 1.9% in June 2025. There is a relatively large portion of short-term debt within one year due to the traditionally higher short-term debt at the 0.5 year and some maturing bonds in the first half of 2027 being reclassified as short-term.

At the end of June 2026, the net debt to EBITDA ratio was 2.8x compared to 2.1x in December 2025 and 2.5x in June 2025, with the leverage being impacted by the non-recurring cost as explained previously. This concludes my section of the presentation.

I would like to thank you for your attention and hand back to Christian.

Christian Stammkoetter

Thank you, Stewart. So now let's look forward to our 2030 strategy and outlook. Our 2030 strategy is about purposeful evolution, building on the strong foundation of our proven model, combining innovation, customer partnership, and disciplined execution to deliver sustainable growth while preparing for what's next. As I mentioned earlier, my focus is centred around three priorities, optimise, future-proof, and together. Priorities that build naturally on the strength of Givaudan and the opportunities we see ahead.

Our success is rooted in close collaboration with our customers, suppliers, partners, and teams around the world, delivering differentiated solutions with excellence, agility, and care for people, nature, and communities. I look very much forward to sharing more detail on our strategic priorities and ambition at the summer investor conference in Zurich at the end of August.

So on the next slide, you know, I can share a few words on our target for the 2030 strategic cycle. So what I can confirm is that we are committed to our 2030 performance ambitions, delivering 4% to 6% like-for-like sales growth and adjusted free cash flow margin above 12% on average over the five-year period from 2026 to 2030, together with our purpose-linked targets.

As you know, we have consistently managed the business against mid-term ambitions rather than annual targets, which remains the right approach for our project-led business model, giving our teams the flexibility to focus on sustainable growth and long-term value creation. It also supports disciplined execution and agility while ensuring the right balance between delivering short-term performance and investing for the future.

So on the next slide, you know, I can share a few words on the outlook. As highlighted earlier, we delivered another solid underlying set of results in the first half of 2026 against high comparables of 2025, with continued good growth momentum and industry-leading adjusted profitability, despite an environment that remains marked by geopolitical and macroeconomic uncertainty.

We continue to see strong momentum in Fragrance & Beauty and we see the start of what we call the sequential recovery in Taste & Wellbeing in line with our expectations. Based on this and easing comparables, we are looking ahead with confidence towards H2 and overall on delivering our targets for the strategic cycle 2030.

And while we have some areas to optimise, we are convinced of the resilience of our business model, supported by our diversified portfolio across customers, geographies, and product segments, as well as a healthy project pipeline and encouraging lead indicators. At the same time, the external environment remains uncertain and we continue to closely monitor the geopolitical development and broader macroeconomic conditions.

Our input cost, you know, we now expect to be low single digit inflation in the second half of the year. As always, we're working closely with customers to appropriately manage these developments and to offset those input costs while continuing to prioritise supply reliability and service quality. On the US tariffs, the situation remains fluid.

Following the Supreme Court decision, we have started to receive partial refunds of previously paid tariffs and we expect these to be passed back accordingly to customers, broadly offsetting the inflation-related pricing impact within like-for-like growth. With that, we're at the end of our 2026 half year result presentation.

So let me hand back to the operator for the instructions to open the Q&A. Stewart and I are looking forward to taking your questions.