Transcript

23 July 2026

2026 Half-year Results

Questions and answers conference call and live webcast

Company representatives
Christian Stammkoetter, Chief Executive Officer
Stewart Harris, Chief Financial Officer

Operator
Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two.

Questioners on the phone are requested to disable the loudspeaker mode and eventually turn off the volume from the webcast while asking a question. Anyone who has a question may press star and 1 at this time. The first question comes from Alex Sloane from Barclays. Please go ahead.

Alex Sloane
Yeah, hi, morning all. Thanks for taking the questions. Two from me, please. The first one on cash flow and working capital. Obviously free cash flow was weaker than expected and you highlighted, you know, a quite significant working capital build in the half. Presumably part of that build is maybe Givaudan carrying higher inventories amid supply chain disruption concerns or raw material availability concerns.

And if that's the case, do you think some of your customers may have also behaved similarly in any regions or segments? I'm thinking, you know, could any of the very strong consumer products performance in fragrance, particularly in Asia, have benefited from the same dynamics? And if so, is there any kind of unwind risk to think about there in the second half or into next year if relevant? That's the first one.

Second one would be on Taste & Wellbeing. I mean, good to see the sequential improvement and that you're confident in that continuing in the second half. If I could maybe just ask specifically on North America, which remains I guess one of the weak spots in the quarter. Is this just, you know, weak end markets or is there any market share loss challenges for Givaudan, do you think, perhaps associated with the litigation provision that you've disclosed today?

And I think, last year at the Investor Day, you had talked about, you know, efforts to accelerate growth in North America Taste & Wellbeing through expansion into food service and going after private label. So maybe you could give a bit of an update in terms of where we are on those initiatives. Thank you.

Christian Stammkoetter
Okay, thank you, Alex. Maybe I ask Stewart to take the first question and then I will take the second one on Taste & Wellbeing.

Stewart Harris
Yeah, Alex, good morning. Thanks for the question. So yeah, I think on the cash flow you've seen as you called out and if you look at the constituent parts of cash flow, you will see, you know, in receivables we're up and in inventory we're up. So I think those are temporary effects we would expect, as I said in my speaker notes, to have a meaningful improvement in working capital on the second half of the year.

To specifically address your questions and where it may translate into customer order activity, you know, we said in Q1 that we didn't see any evidence of pre-buying or stocking on the customer side. You know, we saw the evidence of that coming through in the second quarter and we have the same position today, actually. We don't see across the business, we don't see anything other than strong recurring demand and no evidence of any stocking that we would expect to unwind in the second half.

Christian Stammkoetter
Okay, and then on Taste & Wellbeing, particularly on North America. Yeah, I think, we see obviously a continued difficult market environment in North America, you know, on

the end consumer side when it comes to demand. But that is probably not all behind the performance. We also know that there is some shifts that we see, for example, when it comes to subsegments.

So when you look in, for example, within beverage, you still see the fast growth in functional beverage even fueled by GLP-1. You would see that still the high protein market is growing very fast. And I think for us what will be important and what we're really working on is to ensure that we're capturing the right growth in the right subsegment. So de-averaging even more on our strategy in North America. And that's, you know, what gives me confidence is that I see the pipeline inflow.

We see a good pipeline inflow, of course, also in natural colours. That is obviously, you know, kind of the shift with the MAHA movement towards natural colours. So the pipeline is strengthening. The area also where we are weaker and that's something which we're looking at and working on is, you know, we also having natural ingredients that we sell where for sure, we're not so happy with the performance.

So it will take a bit more time on our side as well to really capture the shifts in the subsegments because you know that we're a project-based business that transforming pipeline into kind of actual revenue is always with a bit of a time lag. But really looking at the pipeline, I'm very confident that, NOAM on our side will turn around also sequentially, you know.

Also the shift, we talked last time about private label. For example, you mentioned again food service. So all this, unfortunately, as we're not selling final products but we're basically selling, you know, we're into projects, we're into briefs, we need a bit of time to convert pipeline into revenue.

Alex Sloane
Thank you.

Operator
The next question comes from Nicola Tang from BNP Paribas. Please go ahead.

Nicola Tang
Hi, everyone, and thanks for taking the question. First, I wanted to ask about input inflation. So thank you for quantifying the low single digits in the second half for the year, but percentage in the second half of the year. Can you share more detail on what you're seeing in terms of naturals versus synthetics and also how it impacts the two divisions, if there are different view on inputs for the two divisions?

And linked to this, at Q1 you gave this helpful sensitivity, this, you know, 100 – sorry, $10 move in oil price roughly having a 1% impact on synthetic raw materials. I was wondering if you could help us understand the what oil price assumption is baked into this input guidance that you've given. I appreciate it's pretty complicated and you're not buying oil, but there's clearly a lot of volatility in oil price.

So I was wondering if the oil price stays where it is now, which is higher than it was earlier in the quarter? Should we assume that that means higher synthetics, say, in another six months' time? And then maybe just on the natural side, I think previously you've talked a bit about potentially higher costs with fertilizers or with weather impacts like El Nino. So again, if you could share what's baked or what you're seeing and what's baked into the guidance. Thanks.

Stewart Harris
Okay, Nicola thanks, a lot of different elements there. And so let me try to unpack them and keep it as simple as possible. So I think if one looks at naturals versus synthetics, I think historically, as you know, we've seen naturals more or less progressively increasing consistently over time.

A little bit more volatility in synthetics. But I think if we look to the second half, we see a fairly balanced picture at those levels across synthetic and natural input costs, so no major, you know, weighting towards one division or the other.

In terms of the oil price assumption, it's relatively easy for that one in so far as we basically are looking now at contracted raw material prices for the second half. So we don't anymore have an underlying oil assumption based in. Those are now based on firm contractual commitments that we have. So that gives us a good level of confidence about the indication we've provided.

More broadly, you touched on El Niño effects and although I think it's fair to say that we don't expect those effects to be evident in 2026. We expect those more to be evident in 2027, and we would update that more, of course, in the normal rhythm in January of 2027.

So I think for second half 2026, in summary, evenly split between the divisions and confidence in the contractual basis that we have – we have a good visibility on that for the rest of the year.

Operator
The next question comes from Matthew Yates from Bank of America. Please go ahead.

Matthew Yates

Yeah. Good morning everyone. I think I'd just like to follow up on a couple of things, I think as Alex mentioned. Stewart, just going back on receivables. If my math is right, I think that was up 13% on what is effectively a slight sales decline for the group. So is that telling us something about the strength of your June activity? Or is there any issue here around sort of overdues? If you just elaborate a little bit more on the receivable element.

And then maybe for Christian, following up on the U.S. discussion. You mentioned there's a variety of opportunities around GLP-1s, but presumably, there's also some risks in terms of calorie destruction. So when you take those 2 things together, net-net, do you come to the conclusion that this is an overall a negative, neutral or positive dynamic for Givaudan looking forward? Thank you.

Stewart Harris

Okay, Matthew, I'll kick off. So you've been busy doing your calculations in the first part of the morning. So I can confirm there's no challenge related to overdues or that. It's more relation to phasing of sales.

Christian Stammkoetter

Okay. And then on the GLP-1. You know, net-net for Givaudan, I see GLP-1 as a significant opportunity. And let me explain a bit why I see that. I think if you look at the strengths that we have, for example, in sweet modulation, the strengths that we have in protein masking, all those are basically segments that are winning.

And of course, whenever you go beyond flavour into taste solution, where protein masking is part of it, where sweet modulation is part of it. That is something that is positive for us, because we are increasing the share in the final customer product.

So, all these reformulations that come are something that I see as positive, because they come with a higher share on kind of what we can provide to the customers. And there, we have some unique capabilities, bioscience solutions that we can apply. So for me, GLP-1 is positive.

The same, by the way, on the discussions that you have on kind of sugar reduction, on salt reduction, on kind of fat reduction, because also here, we are very well set with our technologies. Let me give you an example of something that gains popularity not just in the U.S., everywhere, which is air fry, because air fry is seen as a healthier form of preparing your food.

Still the consumer wants the same kind of tastiness that you are used from normally fried products. And I think that is taste solutions that we provide, so that in the end, when you use air fry, kind of the taste that you want this richness that also comes from frying in fat is maintained.

So, those trends that we see are positive for the solutions, so that in the end, when we look at the net-net, we believe that those movement is positive for us. We lead to more briefs, we'll lead to more innovation and that we can leverage this going forward.

Matthew Yates
Thank you, guys.

Operator
The next question comes from Celine Pannuti from JPMorgan. Please go ahead.

Celine Pannuti
Thank you. My first question is on Fragrance & Beauty. In fact, I have 2 focus here. One, on Fine Fragrance. We continue to see a positive development. But as well, we see that some of the end market seems to be slowing and some of the customers have even declined or nothing decline in Europe.

So can you talk about your outlook for this division. What do you see in terms of maybe regional or customer mix and whether you continue to expect Fine Fragrance to remain positive as a subcategory? And likewise, on consumer products, which did very well, could you flesh out in the second quarter. You said there's been no prebuying. What regions or categories drove that performance?

And maybe my second question is going to be shorter. Given what you said on tariffs being given back to your customers as well as some pricing to offset cost inflation. It seems there probably will be not much pricing in the second half. Is it fair to expect that the volume robustness that we've seen in Q2 should recur in the second half of the year?

And do you don't give guidance on yearly, even less on the quarterly, but whether the 4% to 6% range is something you can continue to achieve now that you have recovered that level in Q2? Thank you.

Christian Stammkoetter
Okay. So thank you for the question. So, when you look at the Fine Fragrance performance that we see, you see that we've been growing 7.3% over outstandingly high comparables of plus 18% in S1. And even if you would look at quarter 2, and you know

that normally, we don't like so much to look at quarters as a project-based business. But even if I look at quarter 2, we had comparables of 19%. So quarter 2 was a very, very strong quarter last year.

So overall, we see the trend strong because, of course, we are serving kind of multiple price segments, brands, global customers as well as local and regional customers. And that's also why we continue to see kind of the positive momentum in Fine Fragrance really across the kind of the world, right?

So, that's why we continue to be very positive on the momentum and the momentum that you see today also in half year 1. Even when we look at our pipeline, the pipeline remains really good. On Consumer Products, we're not giving details, but we really see broad-based growth in Consumer Products. I mean, you saw we had a very strong quarter 1. We had a strong quarter 2.

It's also interesting when you look into the customer groups. We always talk about the natural hedges, but we also seen consumer products. We see strong performance in local regions, but we also see strong performance in our global customers.

We see in segments, when you look at Fabric Care, for example, we see continued strong momentum there. I think, right now, just that we see that consumer love fragrance in also the consumer product path and that our customers are reflecting it in with their investment into fragrance into their formulas or into their products. And that is a trend that we see also, again, looking at pipeline broad-based going to continue.

So that's why, obviously, it's very strong growth, but I think the general growth momentum is strong. So as Maurizio Volpi was presiding the category, would always said, I think it's probably no better time to be in fragrance than today because really consumer love fragrance. And then maybe for pricing, trade, et cetera, Stewart, do you want to take that?

Stewart Harris

Yes. Celine, thanks for the question. So indeed, I think as we mentioned, we have started to receive refunds of tariffs. We have not – none of that is reflected in the half year results, but we expect to give that back to clients in the second half, which, as you say, will be the offset to the price pass-through on the low single-digit second half input costs.

So I think your assumption is a correct one, that on a net basis we shouldn't expect to see any meaningful contribution of pricing in the second half. In respect to the overall posture in relation to the second half, I think you've heard us, we go into the second half with a lot of optimism. I think the lead indicators are positive.

We expect to see continued good momentum in Fragrance & Beauty and as Christian has mentioned, sequential improvement in Taste & Wellbeing. So whilst as, you know, we don't guide on a full year basis, I think we have given you, you know, the overall elements which lead us to be optimistic about the second half and ultimately for the full year.

Celine Pannuti
Thank you.

Operator
The next question comes from Lisa De Neve from Morgan Stanley. Please go ahead.

Lisa De Neve
Hi. Thank you for taking my questions. My first one is a follow-up on Taste & Wellbeing. You've talked during the presentation a lot about improvement in this market and the initiatives you're taking. I mean, can you just detail to us a little bit of the initiatives you've taken across the different regions and also in terms of the timeline of momentum, I mean, when you expect to see the fruits from those initiatives? That's really my first question.

Then secondly, would you mind taking us through the key bridge items for EBITDA in the second half or for the full year that we should take into consideration given the pricing, input, and tariff refund effects next to your easier comps? That would be very helpful. And the last question I had is a bit of a different one on natural colours. I can see that in the US there's a lot of traction on natural colours, but there's a lot of recent research that points to actually an increased association of risk for diabetes and cancer both in artificial colours and natural colours.

So my question to you is, do your customers really look at implementing natural colours because of a regulatory shift in that environment or do they think broader and actually want to completely de-risk themselves from the potential negative association of consuming any type of colour in their products? Any thoughts on that would be great. Thank you.

Christian Stammkoetter
Okay, so I take the first and the third question and then Stewart will take the second question, I suggest. So on Taste & Wellbeing, obviously as we said, right, I mean, we are in a more difficult environment on – overall on the food and beverage categories, in particular in some regions like Latin America and North America that is more visible because the consumer today really is constrained also in North America coming out of inflations in '22, '23, the high inflation period, but now coming again out of some of the price hikes that you see linked to petroleum prices, you know, when they have to fill their tank, etcetera.

So that's why you see shifts into, for example, private label. We have to be, you know, kind of and that's -- what we're working on and that's also what we're going to share more of end of August in the way, you know, we're going to leverage the opportunities better. And for this, I think you have to be even more de-averaging, you know, between what we call segments or categories, subcategories to ensure that we're focusing and doubling down on the areas of growth, right? I was talking about, for example, high protein and our capabilities in protein masking.

Functional beverage that is growing very fast and here when you look at, you know, our ability in flavour, in masking, you know, because many of those functional ingredients they come with not a nice taste, in natural colour, all that is elements where, you know, in this very big segment, you know, we should be increasing our market share faster. So we're de-averaging more into segments -- sub-segments also by region. We talked about food service.

And I think we have started that and we already see some of that come through. The pipeline is really strengthening. So I think the pipeline inflow is very strong, but as I mentioned before, you need to give a, you know, we need to give a bit of time to turn pipeline then into revenue. And that's why we've always been talked about sequential recovery and is not like, you know, going from one quarter to the next where you would see this resolved. A great example I could give is even when last year we talked about an issue on Indonesia, it took some time, but today Indonesia is, for example, in a very strong performance and again strongly contributing.

So that's on Taste & Wellbeing, but again, we will share more end of August, but doesn't mean we're waiting, I mean, we're already in -- kind of working in execution mode. On the natural colours, I take the third question before I pass to Stewart. So we see today a big, you know, demand from the consumer, you know, to move out of artificial colour into natural colour.

The concerns that you share we don't really see them because what we see with the vast majority of consumers, the consumers love food also when it is having colours, when it is bright, when you look into beverages, when because that is part of the overall taste and sensory experience of food, right? So you would not imagine, you know, many of the products that they would go well in a completely uncoloured or the way they would otherwise look.

So we believe that and we see the pipeline also on projects. It will take some time, right, because it's significant reformulation projects because there's a, you know, you have to get the right colour, you have to get the right masking of the natural colour, etcetera. So it is taking time, but the pipeline is very strong and from the consumer research we do, we really see their demand to move out of artificial colour into natural colours and keeping natural colours. So here we are very confident on that particular trend. And then maybe Stewart you take the question on EBITDA.

Stewart Harris
Lisa, good morning. Thanks for your question. So I'm going to maybe focus a little bit on the, I got you the distillation of your question around maybe phasing of the margin. So if we look, I think, 24.3 adjusted EBITDA in H1. So we're really happy with that, particularly when you look at the improvement versus the second half of last year when we had, for example, the onset of tariffs and the more competitive environment and Fragrance & Beauty, fragrance ingredients, for example.

So I think that's very positive. If we look to the second half and the full year, we don't expect there to be the same level of half year to full year contraction as we saw in 2025, but more similar to '23 or '24, which in short brings us to, based on everything we know today at least, brings us into the range of plus-minus 24% on a full year basis for the EBITDA outlook.

Lisa De Neve
Thank you.

Operator
The next question comes from Ranulf Orr from Citi. Please go ahead.

Ranulf Orr
Hi all. Just two on cash flow from me, just to wrap that up, please. The first one is just, on your confidence in the working capital normalization, is it something – are you comfortable that you can sufficiently deliver that to get towards your kind of long-run 12%

of sales free cash flow target this year? I appreciate it's not meant as an annual target, but curious on that.

And then secondly, just on the new definition of adjusted free cash flow. I'm just kind of curious to understand whether that gives you more flexibility to achieve that long-run 12% of sales target. Thank you very much.

Stewart Harris
Good morning. Thanks for the question. I think on working capital, we've traditionally seen it higher at the half year. I think we are always looking at the business requirements first. I think we have consistently demonstrated that we're able to manage working capital very effectively. We've been in the 23%, 24% of sales and we know the levers and we have the discipline in the organization to be able to implement that impact.

As you rightly said, we're not providing annual guidance. We remain as we've said consistently confident in the overall free cash flow guidance over the strategic planning period. When one looks at the adjusted definition, and I think that's why I was keen to be clear on the only item we've adjusted from the historical definition of free cash flow. So the only item we've adjusted is the settlement in relation to the Fragrance & Beauty division item we covered during the presentation.

So in simple terms, no, it doesn't give us additional flexibility. We will continue to be very strict around any adjustments which we make to free cash flow and our commitment is to ensure that the underlying business performance delivers in line with our free cash flow targets.

Ranulf Orr
Thank you.

Operator
The next question comes from Eric Wilmer from Kempen. Please go ahead.

Eric Wilmer
Hi, good morning, everyone. Thanks for taking my question. I was wondering if you could say a few words on the recent botanical extracts and natural colorants disposal by one of your key peers. I realize there's probably a bunch of other things in there as well. However, the asset also includes two of your mentioned – two of the mentioned segments, so botanical extracts and natural colorants that you also seem to quite strongly believe in. So, I was wondering what's the asset not as complementary to your business? Thank you.

Christian Stammkoetter
Okay, so thank you for the question. I think first, I don't think we comment on disposals of assets from kind of our competitors, because I don't think it's right and I think it's basically on their business decisions. What I said before is, I think we strongly believe in the opportunity in natural colours and we believe that the opportunity in natural colours, of course is accelerating also with the MAHA movement because it brings together what is really close to our heart, right?

It brings together the creation because it's a creative on technology and science-based process, but it also leverages our flavour knowledge on masking those natural colours because they come with a taste versus synthetic colours that don't come with a taste. So we believe that natural colours is a very strong area to be in.

And then what I also mentioned is that, botanical extracts, there's many. You have to, you know, you would have to de-average. We see in some areas, we see good growth, but I was also mentioning before, particularly also in North America, that there is other areas which are more kind of challenging, which are more commoditized and which are also today compared to our core business in flavour and taste solution underperforming, right?

So that is what is kind of a segment. So natural colours obviously is absolutely critical and we also have work to do on some of the botanical extracts and that's what we're actively working on. So that's where I can leave it.

Eric Wilmer
Very helpful. Thank you.

Operator
Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Christian Stammkoetter for any closing remarks.

Christian Stammkoetter
Okay, good. So thank you all for your questions and for the strong interest shown today. And before we close the call, let me briefly highlight a couple of upcoming events. So first of all, we're very much looking forward to welcoming you either in person or via webcast to our summer investor conference on August 27, 2026 in Zurich.

I also want to remind that we're planning an investor field trip at the end of September, which will take us this year to Naarden in the Netherlands, where we will visit one of our key European sites for the Taste & Wellbeing business and where we have time also to go into the discussion on Taste & Wellbeing. And we look forward, of course, to continue the dialogue with many of you over the coming months. A big thank you and I wish you all a very nice summer. Thank you very much.