Givaudan

Media Release

Geneva, 24 January 2020

2019 Full Year Results

Excellent financial performance – fully on track to deliver 2020 guidance

- Sales of CHF 6.2 billion, up 5.8% on a like-for-like[1] basis and 12.2% in Swiss francs
- EBITDA[2] of CHF 1,275 million, an increase of 11.4% over 2018
- Comparable EBITDA margin of 21.5% compared to 21.0% in 2018
- Net income of CHF 702 million, an increase of 6.0% over 2018
- Operating cash flow of CHF 1,136 million, an increase of 24.0% compared to 2018
- Free cash flow[3] of 12.7% of sales or CHF 787 million, an increase of 11.9%
- Proposed dividend of CHF 62.00 per share, up 3.3% year-on-year
- Delivery of 2020 guidance is fully on track

Business Performance

Givaudan Group full year sales were CHF 6,203 million, an increase of 5.8% on a like-for-like basis and 12.2% in Swiss francs when compared to 2018.

Fragrance Division sales were CHF 2,799 million, an increase of 7.3% on a like-for-like basis and 10.9% in Swiss francs.

Flavour Division sales were CHF 3,404 million, an increase of 4.5% on a like-for-like basis and 13.4% in Swiss francs.

Givaudan completed the year with good business momentum and with the project pipeline and win rates being sustained at high levels. This excellent growth was achieved across all product segments and geographies, with the key strategic focus areas of Naturals, Health and well-being, Active Beauty, Integrated Solutions and local and regional customers delivering strong growth, complemented by the recent acquisitions.

The Company continues to implement price increases in collaboration with its customers to fully compensate for the increases in input costs.

"Our excellent performance in 2019 demonstrates the strength of our business and our ability to consistently deliver industry leading financial results, whilst also implementing our key strategic initiatives," said CEO Gilles Andrier. "I am very pleased with the results we have achieved in 2019 and feel confident that we will deliver against all of the strategic objectives that we defined under our 2020 strategy."

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Gross Margin
The gross profit increased by 8.7% from CHF 2,329 million in 2018 to CHF 2,530 million in 2019. The company maintained a strong cost discipline and continued to generate productivity gains. The gross margin declined to 40.8% in 2019 compared to 42.1% in 2018. This was due to the dilution impact created by the pricing actions to compensate for higher input costs and by Naturex's current margin level which is lower than that of Givaudan.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)
The EBITDA increased by 11.4% to CHF 1,275 million in 2019 compared to CHF 1,145 million in 2018, whilst the EBITDA margin was 20.6% in 2019, almost flat versus 2018. On a comparable basis[4], the EBITDA margin was 21.5% in 2019 compared to 21.0% in 2018.

In 2019 the Group incurred costs of CHF 31 million in relation to the implementation of the Givaudan Business Solutions organisation, compared with CHF 32 million in 2018.

	2019			2018		
	Group	Fragrance	Flavour	Group	Fragrance	Flavour
EBITDA as published[a]	**1,275**	**555**	**720**	**1,145**	**508**	**637**
EBITDA as published in %	**20.6**	**19.8**	**21.1**	**20.7**	**20.1**	**21.2**
Givaudan Business Solutions (GBS) costs	-31	-31		-32	-32	
Acquisition and restructuring expenses[b]	-25	-11	-14	-26	-3	-23
Sale of the Zurich Innovation Centre (ZIC)[c]				25		25
Insurance proceeds[d]				20	20	
Comparable EBITDA	**1,331**	**597**	**734**	**1,158**	**523**	**635**
Comparable EBITDA in %	**21.5**	**21.3**	**21.6**	**21.0**	**20.7**	**21.2**

a. The adoption of IFRS 16 Leases[5] resulted in an increase in EBITDA of CHF 34 million or 0.6% in 2019. The Group has not restated the comparable 2018 EBITDA figures, as permitted by IFRS 16.

b. Acquisition and restructuring expenses incurred of CHF 25 million (2018: CHF 26 million) are largely related to the acquisitions that the Group has undertaken and the ongoing optimisation of the manufacturing footprint.

c. In 2018, the Group completed an agreement to sell and leaseback the Zurich Innovation Centre (ZIC) for a total consideration of CHF 173 million, of which CHF 100 million was received in 2018, with the balance received in 2019. The gain on sale of CHF 25 million was net of applicable disposal costs and taxes.

d. During 2018 the Group received insurance proceeds related to historical insurance claims in the United States.

Operating Income
The operating income was CHF 920 million compared to CHF 883 million, an increase of 4.2% versus 2018. The operating margin was 14.8% in 2019 compared to 16.0% in 2018.

Financial Performance
Financing costs in 2019 were CHF 79 million versus CHF 55 million in 2018, largely related to the increase in the net debt of the Group in connection with the acquisitions that the Group has made. Other financial expense, net of income, was CHF 33 million in 2019 compared with CHF 56 million in 2018. As a reminder, in 2018 the Group incurred increased foreign exchange losses in markets where currencies could not be hedged.

The income tax expense as a percentage of income before taxes was 13%, compared to 14% in 2018.

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Net Income
The net income was CHF 702 million in 2019 compared to CHF 663 million in 2018, an increase of 6.0%. This results in a net profit margin of 11.3%, versus 12.0% in 2018. Basic earnings per share were CHF 76.17 compared to CHF 71.92 for the same period in 2018.

Cash Flow
Givaudan delivered an operating cash flow of CHF 1,136 million in 2019, compared to CHF 916 million in 2018, an increase of 24.0%.

Working capital as a percentage of sales improved to 24.0% of sales compared to 26.3% in 2018.

Total net investments in property, plant and equipment were CHF 201 million, compared to CHF 129 million in 2018. During 2019, the Group continued its investment programme to expand its capabilities in high growth markets. In 2018, the Group completed an agreement to sell and leaseback the Zurich Innovation Centre (ZIC) for a total consideration of CHF 173 million, of which CHF 100 million was received in 2018, with the balance of CHF 73 million received in 2019.

Intangible asset additions were CHF 45 million in 2019, compared to CHF 55 million in 2018 as the Company continued to invest in its IT platform capabilities, including those to support the implementation of the Givaudan Business Solutions organisation.

Total net investments in tangible and intangible assets were 4.0% of sales in 2019, compared to 3.3% in 2018. Excluding the impact of the ZIC transaction, total net investments in tangible and intangible assets would have been 5.1% of sales, compared to 4.2% in 2018.

Operating cash flow after net investments was CHF 890 million in 2019, versus the CHF 732 million recorded in 2018. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 787 million in 2019, versus CHF 703 million for the comparable period in 2018. As a percentage of sales, free cash flow in 2019 was 12.7%, compared to 12.7% in 2018.

Financial Position
Givaudan's financial position remained solid at the end of the year. Net debt at December 2019 was CHF 3,679 million, compared to CHF 2,847 million at December 2018, with the increase driven by the adoption of IFRS 16, as well as the acquisitions made by the Group. At the end of December 2019 the leverage ratio[6] was 47%, compared to 41% at the end of 2018.

Givaudan Business Solutions
The Company is now in the final phase of the implementation of Givaudan Business Solutions (GBS), a global organisation providing best-in-class processes and services.

The progressive implementation of GBS is fully in line with the plan and the new organisation continues to deliver the foreseen financial benefits. Givaudan Business Solutions has already expanded its scope of activities into additional business areas and has started to provide services and solutions to some of the acquired companies.

In 2019 the Group incurred costs of CHF 31 million in relation to the implementation of the Givaudan Business Solutions organisation, compared with CHF 32 million in 2018.

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Ungerer
On 8 November 2019 Givaudan announced that it had reached an agreement to acquire Ungerer and Company, the US based Flavour, Fragrance and Specialty Ingredients Company.

The preparations for the completion of the transaction are proceeding as planned and the transaction is expected to close in Q1 2020.

Dividend Proposal
At the Annual General Meeting on 25 March 2020, Givaudan's Board of Directors will propose a cash dividend of CHF 62.00 per share for the financial year 2019, an increase of 3.3% versus 2018. This is the nineteenth consecutive dividend increase following Givaudan's listing at the Swiss stock exchange in 2000.

2020 Guidance – Responsible growth. Shared success.
The Company's 2020 ambition is to create further value through profitable, responsible growth. As the Group enters the final year of this strategic planning cycle, Givaudan's 2020 ambition is built on the three strategic pillars of 'Growing with our customers', 'Delivering with excellence', and 'Partnering for shared success'.

As part of the Company's 2020 strategy, Givaudan also seeks to create value through targeted acquisitions, which complement existing capabilities in providing winning solutions for its customers. Since 2014, Givaudan has announced fifteen acquisitions, which are fully in line with the growth pillars of that strategy.

Ambitious financial targets are a fundamental part of Givaudan's strategy. Givaudan aims to outpace the market with 4-5% sales growth and a free cash flow of 12-17% of sales, both measured as an average over the five-year period of our strategy cycle. It is Givaudan's intention to maintain its current dividend practice as part of this ambition.

Givaudan's Purpose
The Company's purpose, 'Creating for happier, healthier lives with love for nature. Let's imagine together', is at the heart of its strategy. Under the purpose, Givaudan has defined bold and ambitious goals in four domains, namely creations, nature, people and communities. These ambitions include doubling its business through creations that contribute to happier, healthier lives by 2030, becoming climate positive before 2050, becoming a leading employer for inclusion before 2025 and sourcing all materials and services in a way that protects the environment and people by 2030.

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Key Figures

For the twelve months ended 31 December, in million CHF except per share data	2019	2018
Group Sales	**6,203**	**5,527**
Fragrance sales	2,799	2,525
Flavour sales	3,404	3,002
Gross profit	**2,530**	**2,329**
as % of sales	40.8%	42.1%
EBITDA[2]	**1,275**	**1,145**
as % of sales	20.6%	20.7%
Operating income	**920**	**883**
as % of sales	14.8%	16.0%
Income attributable to equity holders of the parent	**702**	**663**
as % of sales	11.3%	12.0%
Earnings per share – basic (CHF)	**76.17**	**71.92**
Operating cash flow	**1,136**	**916**
as % of sales	18.3%	16.6%
Free cash flow	**787**	**703**
as % of sales	12.7%	12.7%

Sales performance – January to December

in millions of Swiss francs	2018 Sales as reported	Like-for-like development[1]	2019 Sales like-for-like[1]	Change % on like-for-like basis[1]	Acquisition impact[a]	Currency effects	2019 Sales as reported	Change % in Swiss francs
Group	**5,527**	**319**	**5,846**	**5.8%**	**435**	**-78**	**6,203**	**12.2%**
- Fragrance	2,525	185	2,710	7.3%	127	-38	2,799	10.9%
- Flavour	3,002	134	3,136	4.5%	308	-40	3,404	13.4%

a. Acquisition impact
in millions of Swiss francs

Acquired company	Sales included from	Group	Fragrance	Flavour
Centroflora	May 2018	5		5
Expressions Parfumées	June 2018	39	39	
Naturex	September 2018	306	7	299
Albert Vieille	May 2019	15	15	
Golden Frog	September 2019	4		4
Drom	September 2019	44	44	
Fragrance Oils	September 2019	22	22	
Total		**435**	**127**	**308**

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Sales performance – October to December

in millions of Swiss francs	2018 Sales as reported	Like-for-like development[1]	2019 Sales like-for-like[1]	Change % on like-for-like basis[1]	Acquisition impact	Currency effects	2019 Sales as reported	Change % in Swiss francs
Group	**1,454**	**58**	**1,512**	**4.0%**	**55**	**-28**	**1,539**	**5.9%**
- Fragrance	646	25	671	3.8%	52	-13	710	10.0%
- Flavour	808	33	841	4.1%	3	-15	829	2.6%

Sales evolution by market – January to December

in millions of Swiss francs	2018 Sales as reported	Like-for-like development[1]	2019 Sales like-for-like[1]	Change % on like-for-like basis[1]	Acquisition impact	Currency effects	2019 Sales as reported	Change % in Swiss francs
Mature markets	3,176	78	3,254	2.4%	307	-17	3,544	11.6%
High growth markets	2,351	241	2,592	10.2%	128	-61	2,659	13.1%

Fragrance Division

Fragrance Division sales were CHF 2,799 million, an increase of 7.3% on a like-for-like basis and 10.9% in Swiss francs. Sales growth was driven both by the strong performance of new wins, as well as the price increases to recover the impact of higher input costs.

Total sales for Fragrance Compounds (Fine Fragrances and Consumer Products combined) increased by 7.2% on a like-for-like basis. In Swiss francs, sales of compounds increased to CHF 2,427 million from CHF 2,199 million in 2018.

Fine Fragrances sales grew by 5.0% on a like-for-like basis against a strong prior year comparable of 10.7% in 2018, with growth recorded in both mature and high growth markets.

Consumer Products sales increased by 7.8% on a like-for-like basis, with growth across all customer groups and markets, with particularly strong performance in North and Latin America.

Sales of Fragrance Ingredients and Active Beauty increased by 8.1% on a like-for-like basis, with double-digit growth in Active Beauty and good sales momentum in Fragrance Ingredients.

The EBITDA of the Fragrance Division was CHF 555 million in 2019 compared to CHF 508 million in 2018, an increase of 9.4%. The key drivers of this increase were the strong sales growth and the contribution from the acquired companies. The EBITDA margin was 19.8% in 2019 compared to 20.1% in 2018. On a comparable basis the EBITDA margin of the Fragrance Division improved to 21.3% in 2019 compared to 20.7% in 2018.

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In 2019 the division incurred costs associated with the GBS project of CHF 31 million, compared to CHF 32 million in 2018.

The operating income was CHF 433 million in 2019, versus CHF 413 million for the same period in 2018. The operating margin was 15.5% in 2019 compared to 16.4% in 2018.

Fine Fragrances
Fine Fragrances sales increased by 5.0% on a like-for-like basis against a strong 2018 comparable, with growth recorded in both mature and high growth markets. These results were driven by a high level of new business wins across all customer groups and strong market performance of recent launches.

In the mature markets, sales performance in Western Europe was driven by a strong inflow of new business while North America sustained a positive momentum with the good performance of existing business at key customers. High growth market sales were driven by high single-digit performance in the Middle East and renewed growth in Latin America in the second half of the year.

This growth was also supported by an excellent awards season in Latin America, the USA and Europe with many of our perfumers receiving recognition for their contribution to create products that consumers love.

Consumer Products
Consumer Products sales increased by 7.8% on a like-for-like basis with growth across all customer groups and markets.

On a regional basis, Latin America reported double-digit growth with all customer groups and product segments contributing to the strong growth. Asia delivered mid-single-digit growth versus a strong prior year comparable, driven by all customer groups and across all sub-regions.
In Europe, Africa and Middle East, the solid sales increase was driven by all customer groups with local and regional customers recording double-digit growth. Sales in North America grew double-digit driven by the high sales increase with international customers.

On a product segment basis, all segments contributed to the sales growth, notably double-digit growth of Home care and solid performance in Fabric care and Personal care.

Fragrance Ingredients and Active Beauty
Sales of Fragrance Ingredients and Active Beauty increased by 8.1% on a like-for-like basis. Active Beauty delivered double-digit sales growth driven by all customer groups and the strong performance of active ingredients. Fragrance Ingredients experienced good growth in 2019, against a weaker comparable in 2018.

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Flavour Division

Flavour Division sales were CHF 3,404 million, an increase of 4.5% on a like-for-like basis and 13.4% in Swiss francs.

The sales performance was driven by new wins and strong business momentum across all regions, mainly coming from local and regional customers. The key strategic focus areas of the 2020 strategy, namely Health and well-Being and Naturals grew at double-digit and single-digit levels respectively. From a segment perspective, Beverages, Savoury, Snacks and Sweet Goods were the main contributors to the division growth.

The EBITDA increased to CHF 720 million from CHF 637 million in 2018, an increase of 12.9%, with the realisation of synergies resulting from the integration of acquired companies, as well as continuing productivity gains and cost discipline contributing to the increase. The EBITDA margin was 21.1% in 2019, down from 21.2% in 2018, largely due to the impact of the lower margin on the acquired Naturex business. On a comparable basis the EBITDA margin of the Flavour Division was 21.6% in 2019 compared to 21.2% in 2018.

The operating income increased to CHF 487 million in 2019 from CHF 470 million in 2018, an increase of 3.6%. The operating margin was 14.3% in 2019 compared to 15.7% in 2018.

Asia Pacific
Sales in Asia Pacific grew by 6.4% on a like-for-like basis. In the high growth markets, Indonesia, Malaysia, Philippines, Thailand and Vietnam delivered double-digit performance, whilst China and India delivered a strong single-digit increase. In the mature markets, growth was driven by good performance in Japan and Korea.

The growth was achieved across all customer groups in the region, whilst from a segment perspective, Beverages, Savoury and Sweet Goods all contributed significantly to the growth.

Europe, Africa and Middle East
Sales in Europe, Africa and Middle East increased by 4.4% on a like-for-like basis. The high growth markets of Africa and the Middle East achieved double-digit growth driven by strong performance in Egypt, South Africa, Nigeria and Morocco. Central and Eastern Europe achieved single-digit growth led by Poland, Russia and Austria which was partially offset by the challenging market environment in Turkey.

In the mature markets of Western Europe, high single-digit growth was achieved in the Benelux, Italy and Spain. Within the segments there was good growth in Beverages, Savoury, Snacks and Sweet Goods.

North America
On a like-for-like basis, sales in North America declined 1.6% despite the good performance of local and regional customers. The performance was a result of new wins and the growth of existing business in Savoury, Snacks, Beverages and Sweet Goods, offset by weaker performance in Dairy.

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Latin America
Sales in Latin America increased by 19.2% on a like-for-like basis, with strong performance across all markets and segments in the region. There was strong double-digit volume growth led by Mexico and Colombia, in addition to a good sales momentum in Brazil and Argentina. From a segment perspective, the growth was driven by new wins in the Beverages, Snacks and Dairy.

Annual General Meeting 2020

At the Annual General Meeting on 25 March 2020, all current Board members will stand for re-election. In addition the Board of Directors will propose to the Annual General Meeting of shareholders on 25 March 2020 to elect Olivier Filliol and Sophie Gasperment as new Board members, Olivier Filliol with effect as of the date of the Annual General Meeting of shareholders and Sophie Gasperment with effect as of 1 September 2020. All Board members will be elected for a term of office ending at the Annual General Meeting 2021.

The 2019 Integrated Annual Report can be downloaded on www.givaudan.com – investors – online annual report – download centre. Further information and reconciliations of the Group's Alternative Performance Measures can be found in Appendix of the 2019 Financial Report

A conference call will be broadcasted today, 24 January 2020 at 15.00 CET on www.givaudan.com.

Notes

1. Like-for-like (LFL) is defined as: (a) sales calculated using the invoicing exchange rates of the prior year, and (b) excluding sales of businesses acquired from the acquisition date until the period end date, up to 12 months from the acquisition date.
2. EBITDA defined as Earnings before interest (and other financial income (expense), net), Tax, Depreciation and Amortisation, corresponds to operating income before depreciation, amortisation and impairment of long-lived assets.
3. Free Cash Flow (FCF) refers to operating cash flow after net investments, interest paid and lease payments.
4. Comparable EBITDA is the reported EBITDA, as adjusted for significant items of a non-recurring nature which have an impact on the understanding of the underlying normal operating activities.
5. The impact of the adoption of IFRS 16 Leases on the key figures of the Group is as follows:

	2019			
in millions of Swiss francs	**EBITDA**	**Net debt**	**Leverage ratio**	**FCF**
As reported at 31 December 2019	**1,275**	**3,679**	**47%**	**787**
As a % of sales	**20.6%**			**12.7%**
Impact of adoption of IFRS 16:				
- Increase in EBITDA	0.6%			
- Increase in net debt / leverage ratio		441	3%	
As reported pre-IFRS 16 adoption	**20.0%**	**3,238**	**44%**	**12.7%**

6. Leverage ratio is defined as net debt divided by the sum of net debt and equity (as defined for leverage ratio).

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