Givaudan

**Media Release**

Geneva, 21 July 2020

# 2020 Half year results
## Strong financial performance - 2020 guidance confirmed

- Sales of CHF 3,221 million, up 4.0% on a like-for-like[1] basis and 4.1% in Swiss francs
- Excellent performance of those parts of the portfolio which are not impacted by the COVID-19 pandemic
- Strong performance of high growth markets with like-for-like growth of 9.0%
- EBITDA[2] of CHF 734 million in 2020, an increase of 11.3% compared to 2019
- Comparable EBITDA[3] margin of 23.7% compared to 22.3% in 2019
- Net income of CHF 413 million, up by 8.8% year-on-year
- Operating cash flow after net investments of CHF 220 million, an increase of 24.3% over 2019
- Free cash flow[4] of 5.5% of sales or CHF 178 million, an increase of 20.3% compared to 2019
- Delivery of 2020 guidance is fully on track

### Business performance

Givaudan Group sales for the first six months of the year were CHF 3,221 million, an increase of 4.0% on a like-for-like basis and 4.1% in Swiss francs.

Fragrance Division sales were CHF 1,456 million, an increase of 4.5% on a like-for-like basis and 7.0% in Swiss francs.

Flavour Division sales were CHF 1,765 million, an increase of 3.6% on a like-for-like basis and 1.9% in Swiss francs.

As the COVID-19 pandemic continues to have an impact on a global level, Givaudan sustained strong business momentum whilst maintaining its operations and global supply chain with minimal disruption. The good growth was achieved across most product segments and geographies, with particularly strong performance in household, health and personal care segments within the Fragrance division, as well as in packaged foods, savoury, snacks and nutraceuticals in the Flavour division. In the product segments most affected by the COVID-19 pandemic, namely Fine Fragrance and to a lesser extent Active Beauty in the Fragrance division and Foodservice in the Flavour division, the Group experienced a significant reduction in business activity in the months from March through June, as the restrictions related to the COVID-19 pandemic restricted retail and travel retail activity as well as out-of-home food consumption.

"Our strong performance in the first half of 2020 demonstrates our market leadership and the important role that we play in sustaining the global supply chain in food and beverage as well as in household, health and personal care products," said CEO Gilles Andrier. "I am very proud of the entire Givaudan organisation for their dedication during this challenging period and for enabling us to continue to support our customers to keep critical products available to consumers throughout the COVID-19 crisis."

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In the continuing challenging environment related to the COVID-19 crisis and in line with the Company's purpose, Givaudan is strongly focused on:

- Protecting and supporting its employees. Be it those on site or those who are still working from home;
- Meeting the demands of its customers. Particularly for those products which support consumers throughout the pandemic around the world;
- Taking care of the communities in which it operates. In the early stages of the COVID-19 pandemic, the Company established the Givaudan COVID-19 Communities Fund to enable Givaudan sites to support local communities that are being affected around the world. Givaudan committed to donate at least CHF 1 million to this fund and to date, over 120 initiatives across 40 countries have been launched.

**Gross Profit**
The gross profit increased by 6.7% from CHF 1,274 million in 2019 to CHF 1,359 million in 2020. Due to continued productivity gains and cost discipline, the gross margin increased to 42.2% in 2020 compared to 41.2% in 2019.

**Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)[2]**
The EBITDA increased by 11.3% to CHF 734 million from CHF 660 million for the same period in 2019, whilst the EBITDA margin was 22.8% in 2020 compared to 21.3% in 2019. On a comparable basis, the EBITDA margin was 23.7% in 2020 compared to 22.3% in 2019.

In 2020, the Group incurred costs of CHF 4 million in relation to the implementation of the Givaudan Business Solutions organisation, compared with CHF 19 million in 2019.

| in millions of Swiss francs | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Group | Fragrance | Flavour | Group | Fragrance | Flavour |
| **EBITDA as published** | **734** | **333** | **401** | **660** | **270** | **390** |
| **EBITDA as published in %** | **22.8** | **22.9** | **22.7** | **21.3** | **19.8** | **22.5** |
| Givaudan Business Solutions (GBS) costs | -4 | -4 | | -19 | -19 | |
| Acquisition and restructuring expenses[a] | -24 | -4 | -20 | -11 | | -11 |
| **Comparable EBITDA[3]** | **762** | **341** | **421** | **690** | **289** | **401** |
| **Comparable EBITDA in %** | **23.7** | **23.4** | **23.8** | **22.3** | **21.3** | **23.1** |

a. Acquisition and restructuring expenses incurred of CHF 24 million (2019: CHF 11 million) are largely related to the acquisitions that the Group has undertaken and the ongoing optimisation of the manufacturing footprint.

**Operating Income**
The operating income increased to CHF 532 million, compared to CHF 491 million in 2019. When measured in local currency terms, the operating income increased by 18.9%. The operating margin increased to 16.5% in 2020 from 15.9% in 2019.

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**Financial Performance**
Financing costs were CHF 39 million in the first half of 2020, versus CHF 36 million for the same period in 2019, largely related to the increase in net debt of the Group in connection with the recent acquisitions. Other financial expense, net of income, was CHF 13 million in 2020 versus CHF 18 million in 2019.

The interim period income tax expense as a percentage of income before taxes was 14% in 2020, compared with 13% for the same period in 2019.

**Net Income**
The net income for the first six months of 2020 was CHF 413 million compared to CHF 380 million in 2019, an increase of 8.8%, resulting in a net profit margin of 12.8% versus 12.3% in 2019. Basic earnings per share were CHF 44.81 versus CHF 41.24 for the same period in 2019.

**Cash Flow**
Givaudan delivered an operating cash flow of CHF 359 million for the first six months of 2020, compared to CHF 271 million in 2019.

Net Working capital was 27.9% of sales compared to 27.3% in 2019, with temporarily higher accounts receivable and inventory levels related to the COVID-19 pandemic.

Total net investments in property, plant and equipment were CHF 122 million, compared to CHF 77 million in 2019, as the Group continues to invest in expanding its capabilities in high growth markets. As a reminder, 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 60 million was received in the first six months of 2019.

Intangible asset additions were CHF 17 million in 2020, compared to CHF 17 million in 2019, as the Company continues to invest in its IT platform capabilities.

Total net investments in tangible and intangible assets were 4.3% of sales, compared to 3.0% in 2019. Excluding the impact of the ZIC transaction, total net investments in tangible and intangible assets in 2019 would have been 4.6% of sales.

Operating cash flow after net investments was CHF 220 million versus CHF 177 million recorded in 2019, an increase of 24.3%. Free cash flow[4] was CHF 178 million in the first half of 2020, versus CHF 148 million for the comparable period in 2019, an increase of 20.3%. As a percentage of sales, free cash flow in the first six months of 2020 was 5.5%, compared to 4.8% in 2019.

**Financial Position**
Givaudan's financial position remained solid at the end of June 2020. Net debt at June 2020 was CHF 4,631 million, up from CHF 3,679 million at December 2019, with the increase driven by the acquisition of Ungerer in the first quarter of 2020. The leverage ratio[5] was 56% compared to 47% at the end of 2019.

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**2020 guidance: Responsible growth. Shared success.**
The Company’s 2020 ambition is to create further value through profitable, responsible growth. Building on the first four years of this strategic cycle, Givaudan’s 2020 ambition is defined around 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 sixteen acquisitions, which are fully in line with the growth pillars within the Company’s 2020 strategy.

Ambitious financial targets are a fundamental part of Givaudan’s strategy. We aim 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 six months ended 30 June**<br>in millions of Swiss francs except for earnings per share data | **2020** | **2019** |
|---|---|---|
| **Group sales** | **3,221** | **3,094** |
| - Fragrance sales | 1,456 | 1,361 |
| - Flavour sales | 1,765 | 1,733 |
| **Gross profit** | **1,359** | **1,274** |
| - as % of sales | 42.2% | 41.2% |
| **EBITDA**[2] | **734** | **660** |
| - as % of sales | 22.8% | 21.3% |
| **Operating income** | **532** | **491** |
| - as % of sales | 16.5% | 15.9% |
| **Income attributable to equity holders of the parent** | **413** | **380** |
| - as % of sales | 12.8% | 12.3% |
| **Earnings per share – basic (CHF)** | **44.81** | **41.24** |
| **Earnings per share – diluted (CHF)** | **44.48** | **40.94** |
| **Operating cash flow** | **359** | **271** |
| - as % of sales | 11.1% | 8.8% |
| **Free cash flow**[4] | **178** | **148** |
| - as % of sales | 5.5% | 4.8% |

| in millions of Swiss francs, except for employee data | **30 June 2020** | **31 December 2019** |
|---|---|---|
| - Current assets | 3,512 | 3,242 |
| - Non-current assets | 7,403 | 7,154 |
| **Total assets** | **10,915** | **10,396** |
| - Current liabilities | 2,382 | 1,830 |
| - Non-current liabilities | 5,370 | 4,907 |
| - Equity | 3,163 | 3,659 |
| **Total liabilities and equity** | **10,915** | **10,396** |
| **Number of employees** | **15,847** | **14,969** |

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## Sales Performance – January to June

| in millions of Swiss francs | 2019 Sales as reported | Like-for-like development [1] | 2020 Sales like-for-like [1] | Change % on like-for-like basis [1] | Acquisition impact (net) [a] | Currency effects | 2020 Sales as reported | Change % in Swiss francs |
|---|---|---|---|---|---|---|---|---|
| **Group** | **3,094** | **125** | **3,219** | **4.0%** | **194** | **(192)** | **3,221** | **4.1%** |
| - Fragrance | 1,361 | 62 | 1,423 | 4.5% | 127 | (94) | 1,456 | 7.0% |
| - Flavour | 1,733 | 63 | 1,796 | 3.6% | 67 | (98) | 1,765 | 1.9% |

a. **Acquisition impact (net)**

in millions of Swiss francs

| Acquired Company | Sales included from | Group | Fragrance | Flavour |
|---|---|---|---|---|
| Albert Vieille | May 2019 | 4 | 4 | |
| Golden Frog | September 2019 | 6 | | 6 |
| Drom | September 2019 | 62 | 62 | |
| Fragrance Oils | September 2019 | 31 | 31 | |
| Ungerer | February 2020 | 96 | 30 | 66 |
| Discontinued and disposed business | | (5) | | (5) |
| **Total** | | **194** | **127** | **67** |

## Sales Performance – April to June (quarter only)

| in millions of Swiss francs | 2019 Sales as reported | Like-for-like development [1] | 2020 Sales like-for-like [1] | Change % on like-for-like basis [1] | Acquisition impact (net) | Currency effects | 2020 Sales as reported | Change % in Swiss francs |
|---|---|---|---|---|---|---|---|---|
| **Group** | **1,569** | **43** | **1,612** | **2.8%** | **101** | **(111)** | **1,602** | **2.1%** |
| - Fragrance | 684 | 19 | 703 | 2.8% | 64 | (56) | 711 | 4.0% |
| - Flavour | 885 | 24 | 909 | 2.7% | 37 | (55) | 891 | 0.7% |

## Sales Evolution by Market – January to June

| in millions of Swiss francs | 2019 Sales as reported | Like-for-like development [1] | 2020 Sales like-for-like [1] | Change % on like-for-like basis [1] | Acquisition impact (net) | Currency effects | 2020 Sales as reported | Change % in Swiss francs |
|---|---|---|---|---|---|---|---|---|
| Mature markets | 1,802 | 9 | 1,811 | 0.5% | 128 | (71) | 1,868 | 3.4% |
| High growth markets | 1,292 | 116 | 1,408 | 9.0% | 66 | (121) | 1,353 | 5.1% |

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**Sales evolution by region – January to June**

| in millions of Swiss francs | 2019 Sales as reported | 2020 Sales as reported | Change % on like-for-like basis [1] | Change % in Swiss francs |
|---|---|---|---|---|
| LATAM | 346 | 338 | 15.5% | -0.6% |
| APAC | 788 | 816 | 3.9% | 3.3% |
| NA | 838 | 901 | 2.7% | 6.8% |
| EAME | 1,122 | 1,166 | 1.7% | 4.0% |

## Fragrance Division

Fragrance Division sales were CHF 1,456 million, an increase of 4.5% on a like-for-like basis and an increase of 7.0% in Swiss francs over 2019. Sales growth was driven by the particularly strong volume growth of the consumer products business unit, despite the impact on Fine Fragrances related to the COVID-19 pandemic.

Total sales for Fragrance Compounds (Fine Fragrances and Consumer Products combined) increased by 5.3% on a like-for-like basis. In Swiss francs, sales of compounds increased to CHF 1,252 million from CHF 1,171 million in 2019.

Fine Fragrance sales decreased by 16.4% on a like-for-like basis driven by a significant reduction of activity in retail stores and travel retail related to COVID-19. After a strong start to the year, driven by new wins and existing products, the months of March through June experienced a strong reduction in demand as the COVID-19 pandemic severely restricted traditional retail channels in the major Fine Fragrance markets.

Consumer Products sales increased by 11.8% on a like-for-like basis, against 8.7% for the same period in 2019, with strong demand for household, health and personal care products related to COVID-19. The excellent growth was delivered in both high growth and mature markets and was spread across all customer groups and regions.

Sales of Fragrance Ingredients and Active Beauty were almost flat with a reported reduction of 0.1% on a like-for-like basis, against a strong comparable growth of 8.2% in 2019.

The EBITDA of the Fragrance Division increased to CHF 333 million in 2020 compared to CHF 270 million for the first six months of 2019. The increase was mainly driven by higher sales, the contribution of the recent acquisitions and the result of the actions taken to contain operating expenses. The EBITDA margin increased to 22.9% in 2020 from 19.8% in 2019. On a comparable basis the EBITDA margin of the Fragrance Division was 23.4% in 2020 compared to 21.3% in 2019.

In the first six months of 2020 the division incurred costs associated with the GBS project of CHF 4 million, compared to CHF 19 million in 2019.

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The operating income increased by 23.8% to CHF 264 million in 2020, versus CHF 213 million for the same period in 2019. The operating margin increased to 18.2% in 2020 from 15.7% in 2019.

**Fine Fragrances**
Fine fragrance sales decreased by 16.4% on a like-for-like basis against a strong comparable of 8.5% growth in 2019. These results were impacted by the COVID-19 outbreak driving high levels of business erosion across all customer groups and regions due to the restricted activities in retail and travel retail channels.

On a regional basis, sales performance in Western Europe was negatively impacted by the overall slowdown in demand from customers, while sustained levels of new business wins in North America were offset by established volume decline. In the high-growth markets, double-digit sales growth in Latin America was offset by weaker performance in Asia and the Middle East.

**Consumer Products**
Consumer Products sales increased by 11.8% on a like-for-like basis with excellent growth across all customer groups and geographies, supported by increased consumption of household, health and personal care products related to COVID-19.

On a regional basis, Latin America reported double-digit growth across all customer groups and most sub-regions. Asia recorded good growth led by strong double-digit growth with local and regional customers. Europe, Africa and the Middle East delivered double-digit sales increase across all product segments led by local and regional customers, as well as strong double-digit growth in the African and Middle East sub-region. North America posted double-digit growth spread across all products segments with strong performance of international customers.

On a product segment basis, sales growth was led by double-digit growth in Home Care and Fabric Care, followed by solid performance in Personal Care.

**Fragrance Ingredients and Active Beauty**
Sales of Fragrance Ingredients and Active Beauty were almost flat with a reported decline of 0.1% on a like-for-like basis, against a strong comparable growth of 8.2% in 2019. Active Beauty performed relatively well in difficult market conditions related to COVID-19, with a minimal sales reduction thanks to its well balanced portfolio of products and customers. Fragrance Ingredients experienced a moderate single digit growth driven by Local & Regional customers.

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## Flavour Division

Flavour Division sales were CHF 1,765 million, an increase of 3.6% on a like-for-like basis and 1.9% in Swiss francs.

The sales performance was driven by both new wins and existing products with strong business momentum across all regions coming from both Global and 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.

Linked to the COVID-19 pandemic, the Flavour divisions experienced a shift in demand from Foodservice and alcoholic beverages into established products in categories such as Juice Based Beverages, Culinary Solutions, Nutritional Bars, Savoury and Snacks.

From a segment perspective Dairy, Sweet Goods, Savoury and Snacks were the main contributors to the division growth.

The EBITDA increased to CHF 401 million from CHF 390 million in 2019, an increase of 2.8%, with continuing productivity gains and cost discipline contributing to the increase. The EBITDA margin was 22.7% in 2020, up from 22.5% in 2019. On a comparable basis the EBITDA margin of the Flavour Division was 23.8% in 2020 compared to 23.1% in 2019.

The operating income decreased to CHF 268 million in 2020 from CHF 278 million in 2019, a decrease of 3.5%. The operating margin was 15.2% in 2020 compared to 16.0% in 2019.

**Asia Pacific**

Sales in Asia Pacific grew by 2.4% on a like-for-like basis, against a comparable growth of 6.2% in 2019. The high-growth markets of Thailand and China delivered strong double-digit performance, whilst India, Indonesia and Malaysia were heavily impacted by the COVID-19 crisis. In the mature markets, growth was driven by Japan, Korea and Singapore.

From a customer perspective in Asia Pacific, there was a shift towards Global and International customers, which were less impacted by the COVID-19 crisis compared to Local and Regional customers. From a segment perspective, Savoury, Snacks and Sweet Goods contributed significantly to the growth.

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**Europe, Africa and the Middle East**

Sales in Europe, Africa and the Middle East increased by 3.4% on a like-for-like basis. In the high-growth markets of Africa and the Middle East, double-digit growth was achieved in Algeria, Egypt and Cameroon followed by the Middle East with good single-digit growth. Growth in Central and Eastern Europe was led by Russia and Turkey. In the mature markets of Western Europe, we saw very good momentum driven by France, the Netherlands, Belgium and Sweden.

The growth was driven by the Dairy, Savoury and Snacks segments.

**North America**

On a like-for-like basis, sales in North America increased by 2.8% driven by the good performance of global and local and regional Customers. From a segment perspective good growth was achieved in Beverages, Snacks and Sweet Goods.

**Latin America**

Sales in Latin America increased by 10.6% on a like-for-like basis, against a strong comparable of 22.8% growth in 2019. The strong growth was achieved across all markets and in the segments of Dairy, Beverage, Savoury and Sweet Goods.

The 2020 Half Year Report can be downloaded on www.givaudan.com. A conference call will be broadcast on www.givaudan.com on Tuesday 21 July 2020 at 15:00 CET.


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**Notes**

1. Like-for-like (LFL) is defined as: (a) sales calculated using the invoicing exchange rates of the prior year, (b) excluding sales of businesses acquired from the acquisition date until the period end date, up to 12 months from the acquisition date, and (c) excluding sales of the businesses disposed of from the disposal date until the period end date of the comparable prior period.
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. 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.
4. Free Cash Flow (FCF) refers to operating cash flow after net investments, interest paid and lease payments.
5. Leverage ratio is defined as net debt divided by the sum of net debt and equity (as defined for leverage ratio).

Further information and reconciliations of the Group's Alternative Performance Measures can be found in the Appendix of the 2020 Half year report.