

**IFF** International Flavors & Fragrances Inc.

# First Quarter 2015 Earnings Conference Call

May 12, 2015



Statements made in this presentation that relate to our future performance or future financial results or other future events (identified by such terms as “expect”, “anticipate”, “believe”, “outlook”, “guidance”, “may” or similar terms and variations thereof) are forward-looking statements, which involve uncertainties that could cause actual performance or results to materially differ. We undertake no obligation to update any of these statements. These statements are qualified by the cautionary language and risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2014 and in our other periodic reports filed with the SEC as well as the press release that we filed this morning, all of which are available on our website under Investor Relations, at [www.iff.com](http://www.iff.com).

We have disclosed certain non-GAAP financial measures within this presentation. Please see reconciliations to their respective GAAP measures in our press release and on our website at [www.iff.com](http://www.iff.com) under Investor Relations.

Andreas Fibig

Chairman & CEO



Rich O'Leary

Interim CFO



# AGENDA

**Executive Overview**

**Financial Review**

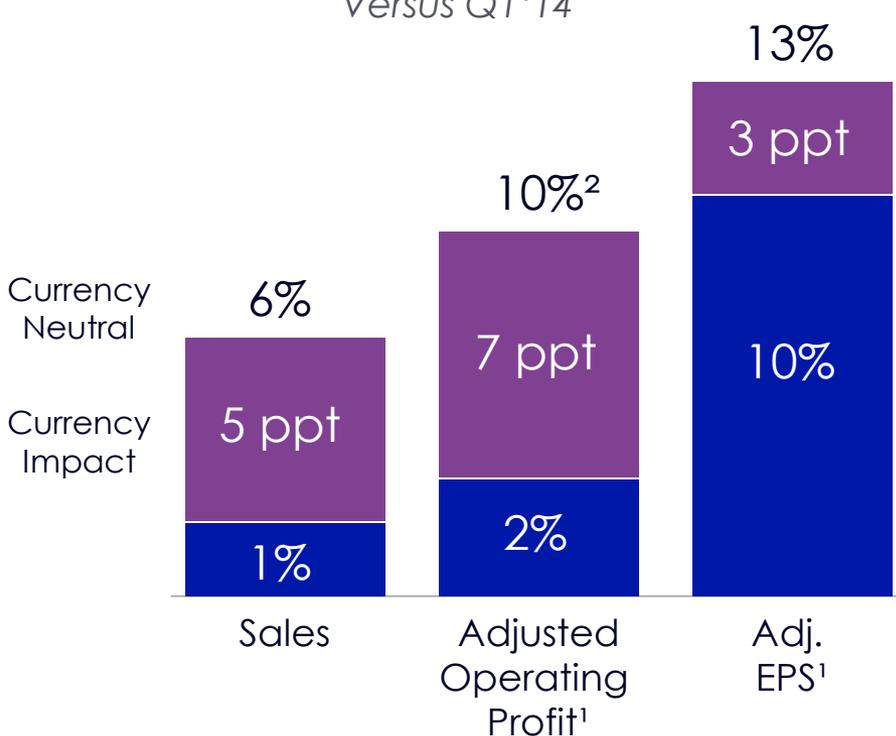
**Outlook**

**Q&A**



## Growth Rates

Versus Q1'14



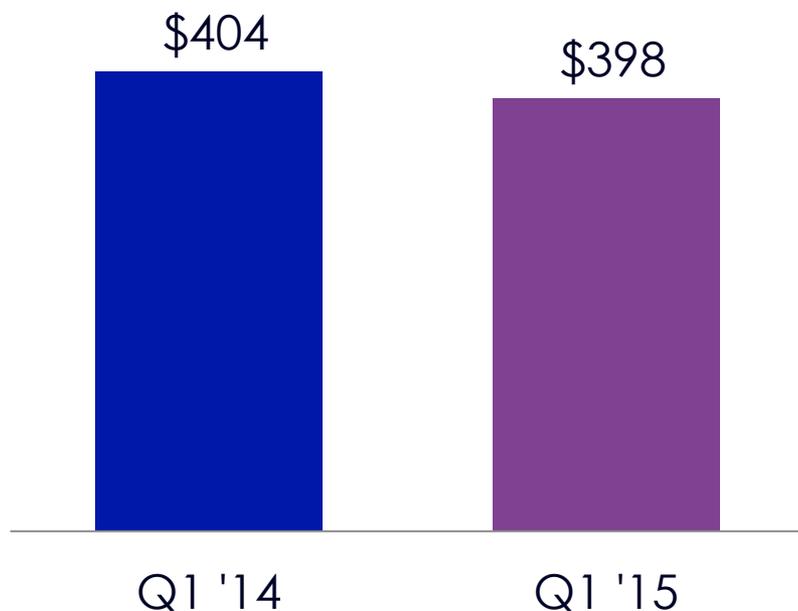
- Currency neutral sales driven by broad-based growth
- Currency neutral adjusted operating profit<sup>1</sup> improved as a result of topline growth, plus manufacturing and RSA leverage
- Lower tax rate, interest expense & shares outstanding drove adjusted EPS<sup>1</sup> to \$1.45

<sup>1</sup> Currency Neutral Sales (CN), Adjusted Operating Profit, and Adjusted Diluted EPS are Non-GAAP metrics, please see our GAAP to Non-GAAP Reconciliation at IFF.com.

<sup>2</sup> The sum of these items do not foot due to rounding.

## Q1 Reported Sales

*In Millions*



## Segment Profit Margin

**21.6%**

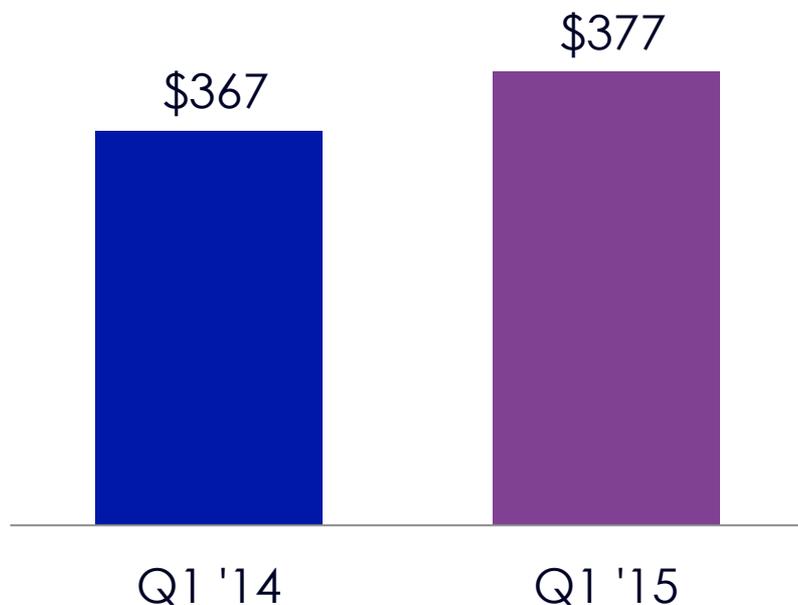
**20.5%**

- Currency neutral<sup>1</sup> sales +5%
  - Most regions grew mid-to high single-digits
- Consumer Fragrances again posted strong growth of +9%, while Fine & Ingredients were soft
- Segment profit (6)%; segment profit margin (110)bps
  - Cost control discipline unable to offset an unfavorable net impact of price to input costs & currency

<sup>1</sup> Currency Neutral Sales is Non-GAAP metric, please see our GAAP to Non-GAAP Reconciliation at IFF.com.

## Q1 Reported Sales

*In Millions*



## Segment Profit Margin

**24.0%**

**24.6%**

- Currency neutral<sup>1</sup> sales +9%
  - Double-digit growth in EM vs. high single-digit in DM
  - Beverage grew double-digit
- Broad-based growth across all regions, with LATAM posting the fastest at +21%
- Segment profit +5%; segment profit margin +60bps
  - Top-line growth & cost control/ productivity initiatives offset currency headwinds to drive improvement

<sup>1</sup> Currency Neutral Sales is Non-GAAP metric, please see our GAAP to Non-GAAP Reconciliation at IFF.com.

# Acquisition of Ottens Flavors



- Ottens is a Leading US Flavor company
  - Diverse flavor technologies
  - Strong talent base
  - High-quality customer service
  - About 170 employees
  - Approximately \$60 million in annual sales
- Complementary Customer Portfolio, R&D and C&A Capabilities
- Leverage Differentiated Service Model
- Combining Two Winning Cultures



# Q1 '15 Financial Results



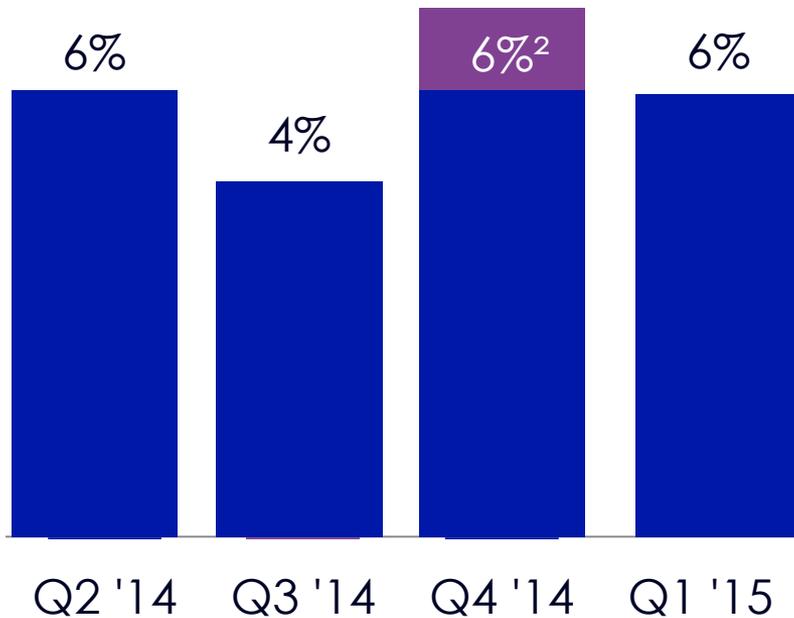
(\$ million, except per share and margin)

	First Quarter	% Change
Net Sales	\$775	1% 6% CN <sup>1</sup>
Adj Gross Profit Margin <sup>1</sup>	44.7%	0 bps
Adj Operating Profit <sup>1</sup>	\$163	2% 10% CN <sup>1</sup>
Adj Operating Profit Margin <sup>1</sup>	21.0%	+40 bps
Adj Diluted EPS <sup>1</sup>	\$1.45	10% 13% CN <sup>1</sup>

<sup>1</sup> Currency Neutral Sales (CN), Adjusted Gross Profit Margin, Adjusted Operating Profit, Adjusted Operating Profit Margin and Adjusted Diluted EPS are Non-GAAP metrics, please see our GAAP to Non-GAAP Reconciliation at IFF.com.

## 2-Year Average Growth

*Currency Neutral*



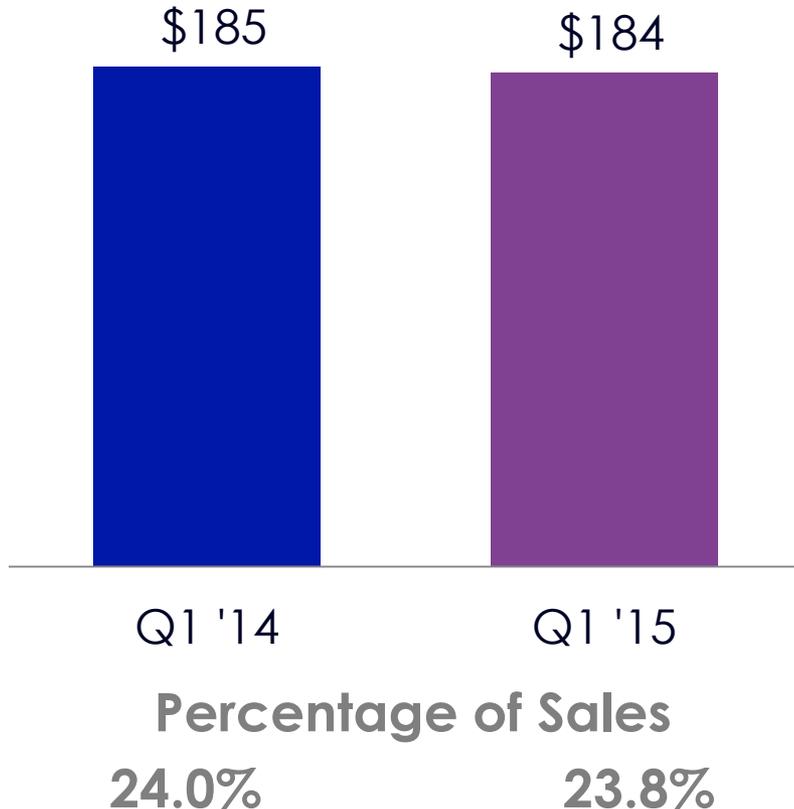
- 2-year average growth rate remained strong in Q1
- At the high end of our long-term targets
- Relative strength in Flavors continued in Q1

<sup>1</sup> Currency Neutral Sales (CN) is a Non-GAAP metric, please see our GAAP to Non-GAAP Reconciliation at IFF.com.

<sup>2</sup> Excludes 2 percentage points related to the 53rd week.

## Adjusted RSA Expense<sup>1</sup>

*In Millions*



- Adjusted RSA<sup>1</sup> as % of sales (20) bps
  - Disciplined cost control
  - Benefited from currency
- R&D spend was 8.2%, as we continue to invest in our business
- Focused on maintaining cost discipline, while investing in R&D & strategic growth opportunities

<sup>1</sup> Adjusted RSA is a Non-GAAP metric, please see our GAAP to Non-GAAP Reconciliation at IFF.com.

# Q1 '15 Currency Impact



	Sales	Operating Profit	EPS
Reported (GAAP)	1%	4%	21%
Items Impacting Comparability	0%	-2%	-11%
Adjusted (Non-GAAP) <sup>1</sup>	1%	2%	10%
Currency Impact	5ppt	7ppt	3ppt
Currency Neutral Adjusted <sup>1</sup>	6%	10% <sup>2</sup>	13%

- Strengthening of USD vs. most currencies impacted results
- EURO to USD was most challenging headwind in Q1
- Remain ~70% hedged on FY15 EURO exposure at prior year rates
- Hedging benefit lowest of 2015... should increase throughout year
- With EURO to USD at 1.08 going forward, expect ~5 ppt adverse impact on FY15 profit

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# Cash Flow Review



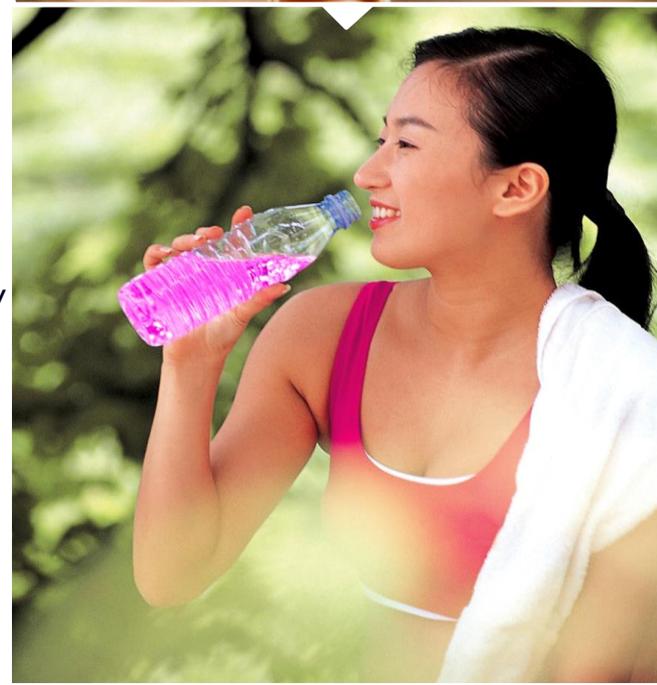
Q1 '14    Q1 '15

Net Income	\$107	\$128
Core Working Capital*	(54)	(53)
D&A	23	20
Pension	(5)	(54)
Other	(36)	(10)
Operating Cash Flow	35	31
Capital Expenditures	(34)	(19)
Dividends	(32)	(38)
Share Buybacks	(20)	(11)

- Operating cash flow decreased \$3.5 million to \$31.5 million
  - Improvements in net income, inventory & a lower incentive comp payment was more than offset by a pension contribution
- Core working capital<sup>1</sup> continued to be a source of cash
  - Based on 5-qtr average, working capital was 29.1%
- Committed to investing in our business & returning excess cash to our shareholders

<sup>1</sup> Core Working Capital Includes Accounts Receivables, Inventories and Accounts Payables

- Expect currency neutral sales, adjusted operating profit and adjusted EPS to be in line with long-term targets
- Including the impact of currency, adjusted operating profit & adjusted EPS are expected to grow low to mid-single digits
- Expect Q2 2015 currency neutral sales to remain within our long-term range, with relative strength in Flavors & Fragrance Compounds
  - Profitability is expected to be pressured by currency



# Key Takeaways



- Strong operational performance in Q1 2015
- All financial metrics met or exceeded our long-term targets on a currency neutral basis
- Continued to invest in business via Ottens, Chicago & South Africa... as well as R&D
- On track to deliver financial goals for FY 2015 on a currency neutral basis



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# QUESTIONS

