

**IFF  
Q4 & FY 2017  
Earnings  
Conference  
Call**

February 15, 2018

# Cautionary Statement

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”, “should”, “target” or similar terms and variations thereof) are forward-looking statements, including the Company’s expectations regarding macroeconomic and industry trends in 2018, the Company’s 2018 guidance, expected revenues from acquired companies, the impact in 2018 of new tax legislation on the Company’s effective tax rate, the impact in 2018 of changes in accounting for pension obligations and the impact of the disruption in the supply of citral. These statements are based on our current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may materially differ from those set forth in the forward-looking statements. Factors that could cause IFF’s actual results to differ materially include (1) the Company’s ability to effectively compete in its market, and to successfully develop innovative, cost-effective products that appeal to its customers and consumers; (2) the impact of disruption in the Company’s manufacturing operations, its supply chain or its relationship with its suppliers, including the disruption in the supply of citral; (3) the Company’s ability to successfully identify and complete acquisitions in line with its Vision 2020 strategy and to realize the anticipated benefits of those acquisitions; (4) the Company’s ability to market to an expanding, decentralized Flavors customer base; (5) the Company’s ability to effectively compete in its market, and to successfully develop new and competitive products that appeal to its customers and consumers; (6) changes in consumer preferences and demand for the Company’s products or a decline in consumer confidence and spending; (7) the Company’s ability to benefit from its investments and expansion in emerging markets; (8) the impact of currency fluctuations or devaluations in the principal foreign markets in which the Company operates; (9) economic, regulatory and political risks associated with the Company’s international operations, including challenging economic conditions in China and Latin America; (10) volatility and increases in the price of raw materials, energy and transportation; (11) price realization in a rising input cost environment; (12) fluctuations in the quality and availability of raw materials; (13) the Company’s ability to realize the benefits of its productivity initiatives and other optimization activities; (14) adverse changes in federal, state, local and international tax legislation or policies, including with respect to transfer pricing and state aid, and adverse results of tax audits, assessments or other disputes; (15) the impact of new U.S. tax legislation on the Company’s 2018 effective tax rate and beyond; (16) the Company’s ability to comply with, and the costs associated with compliance, with U.S. and foreign environmental protection laws; and (17) any adverse impact on the availability, effectiveness and cost of the Company’s hedging and risk management strategies as well as those risks described in the Risk Factors and Forward-Looking Statements sections of our Annual Report on Form 10-K for the year ended December 31, 2016 and in our other periodic reports filed with the SEC, all of which are available on our website at [ir.iff.com](http://ir.iff.com). We do not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements. We have disclosed certain non-GAAP measures within this presentation. Please see reconciliations to their respective measures prescribed by accounting principles generally accepted in the U.S., all of which are available on our IR website at [ir.iff.com](http://ir.iff.com).

# Conference Call Participants



**Andreas Fibig**  
*Chairman & CEO*



**Rich O'Leary**  
*EVP & CFO*

# Agenda

1. Executive Overview
2. Strategic Highlights
3. Financial Review
4. Outlook
5. Q&A

# Financial Performance

Achieved growth across all key financial metrics

	Q4 2017	FY 2017
Currency neutral sales growth*	+10%	+9%
Currency neutral adjusted operating profit growth*	+4%	+5%
Currency neutral adjusted EPS growth*	+16%	+9%



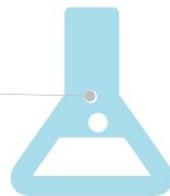
\* Currency Neutral Sales, Currency Neutral Adjusted Operating Profit and Currency Neutral Adjusted EPS are Non-GAAP metrics, please see our GAAP to Non-GAAP Reconciliation at [ir.iff.com](http://ir.iff.com)

# Strategic Highlights

Strong progress towards Vision 2020 ambition



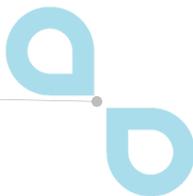
Sweetness and savory modulation portfolio sales improved strong double-digits



Encapsulation related sales continued to grow, led by Fabric Care and Personal Wash



Middle East & Africa improved mid-single-digits, with growth in both flavors and fragrances



Launched Tastepoint<sup>SM</sup> to serve dynamic mid-tier customers; grew strong double-digits



Cosmetic Active Ingredients continued to grow double-digits



Reaffirmed sustainability leadership with CDP “A” Rating & Ecovadis “Gold” Status

# Capital Allocation

Strategically leveraged capital to drive value creation

## Use of Cash

## Capital Deployment

### Capex

- Invested ~4% of sales in capital expenditures in 2017
- Strategic investments in operations and creative & application

### Acquisitions

- Invested \$205M of capital for two strategic acquisitions
- Added approximately \$90M of expected annual revenue - Fragrance Resources: specialty fine fragrances & market position with regional customers; PowderPure: clean label solutions in Flavors

### Dividends/ Repurchase

- Returned \$206M in dividends & \$58M in share repurchases in 2017
- Total payout ratio at 56% of adjusted net income\* – consistent with 50-60% goal

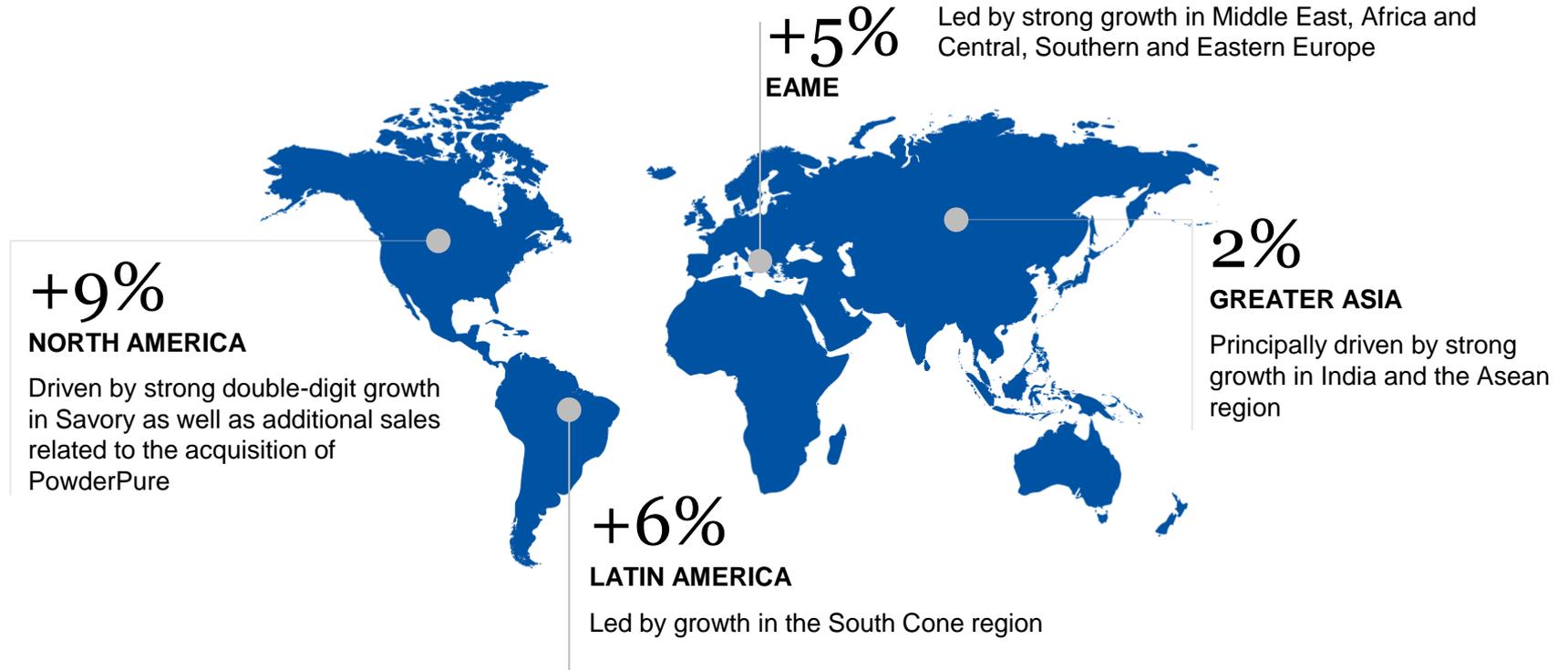


\* Adjusted Net Income is a Non-GAAP metrics, please see our GAAP to Non-GAAP Reconciliation at [ir.iff.com](http://ir.iff.com)

# Flavors Review

## Q4 2017 currency neutral sales performance

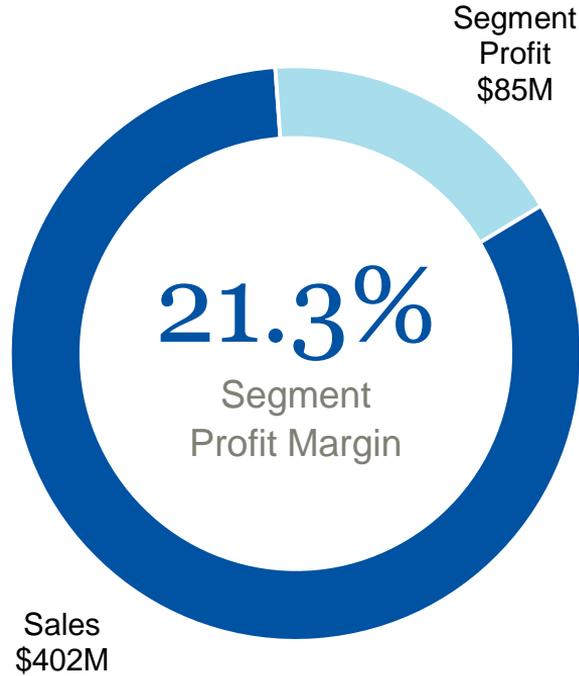
**+5%**  
TOTAL SALES



\* Currency Neutral Sales is a Non-GAAP metric please see our GAAP to Non-GAAP Reconciliation at [ir.iff.com](http://ir.iff.com)

# Flavors Review

## Q4 2017 segment profit performance



### Currency Neutral Segment Profit: +10%\*

- Driven by volume growth & the benefits from productivity initiatives

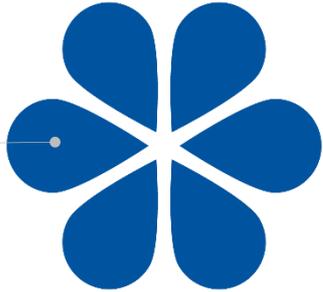
### Currency Neutral Segment Profit Margin:

- Achieved margin expansion year-over-year principally driven by volume growth & productivity initiatives

# Fragrances Review

Q4 2017 currency neutral sales performance

**+15%**  
TOTAL SALES



**+12%**

## CONSUMER FRAGRANCE

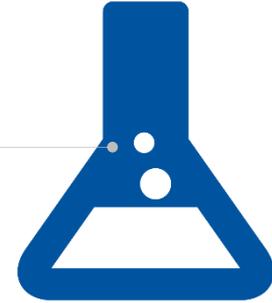
Inclusive of additional sales related to Fragrance Resources. Driven by strong growth in Personal Wash, Home Care and Toiletries



**+27%**

## FINE FRAGRANCE

Inclusive of additional sales related to Fragrance Resources. All regions achieved strong double-digit growth



**+14%**

## FRAGRANCE INGREDIENTS

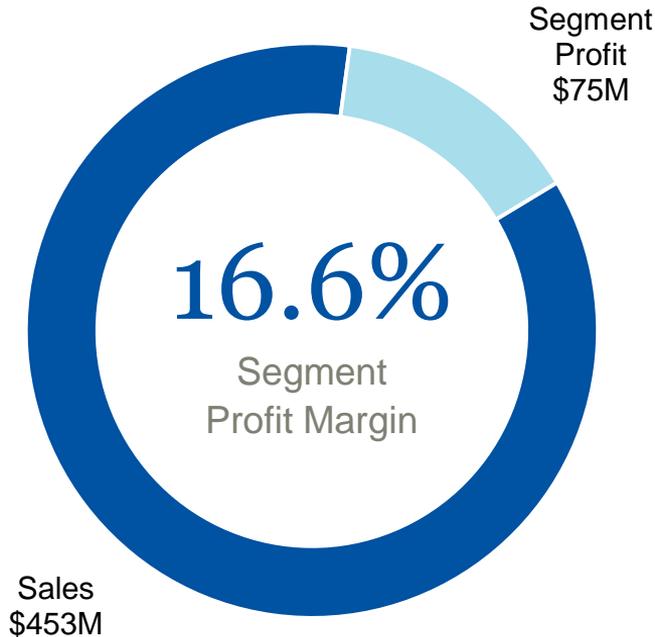
Primarily driven by double-digit growth in Latin America, North America and Greater Asia; Cosmetic Active Ingredients grew double-digits



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# Fragrances Review

## Q4 2017 segment profit performance



### Currency Neutral Segment Profit: +0%\*

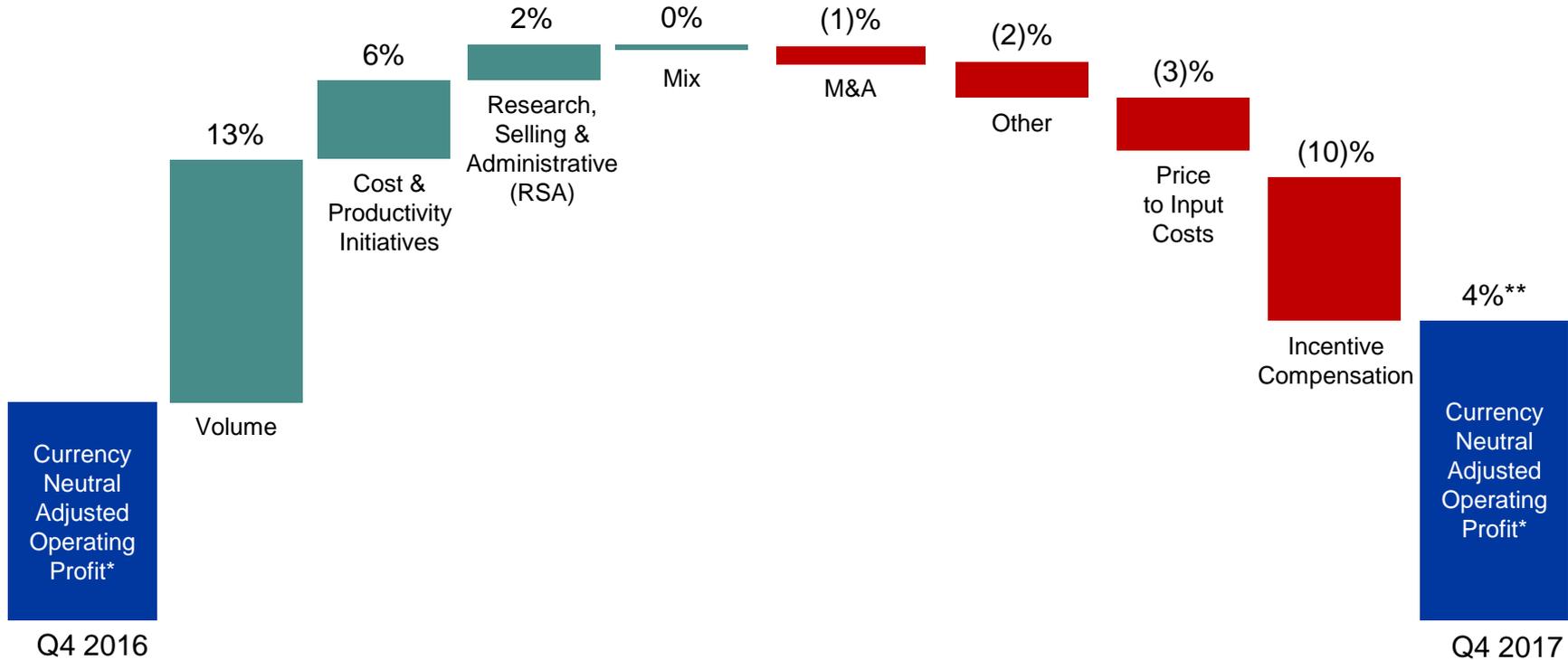
- Volume growth, productivity benefits and M&A contributions were offset by unfavorable price to input costs and increased RSA, including higher incentive compensation expense and increased amortization cost

### Currency Neutral Segment Profit Margin:

- Pressured year-over-year primarily due to unfavorable price to input costs and increased RSA, including higher incentive compensation expense and increased amortization cost

# Reconciliation Of Growth Drivers

## Q4 2017 currency neutral operating profit



\* Currency Neutral Adjusted Operating Profit is a Non-GAAP metric, please see our GAAP to Non-GAAP Reconciliation at [ir.iff.com](http://ir.iff.com)

\*\* Does not foot due to rounding

# Cash Flow Analysis

## Operating cash flow results & uses of cash

	2016	2017
Net Income	\$405	\$296
Core Working Capital*	(14)	(59)
D&A	102	118
Pension	(46)	(39)
Other	103	75
<b>Operating Cash Flow</b>	<b>\$550</b>	<b>\$391</b>
Capital Expenditures	(126)	(129)
Dividends	(185)	(206)
Share Buybacks	(127)	(58)

### Operating cash flow

- Operating cash flow primarily impacted by ZoomEssense litigation settlement, higher working capital requirements, acquisition related activities & restructuring
- Working capital improved significantly in Q4 mainly due to improved accounts payable

### Continued to invest in the business via Capex

- Capex as a percentage of sales ~4% driven by new plant and capacity investments

### Return of Cash to Shareholders

- Delivered total payout ratio of 56%, consistent with our 50-60% of adjusted net income target

# Assessing External Environment

## Implications on our industry and business for 2018

### Key Themes

### Data Points

#### 1 Customer

- Global consumer staples volumes stabilizing or showing signs of improvement; Focus remains on margin improvements

Average of volume growth for CPG companies:<sup>1</sup>  
3-Year Avg: ~**0.4%** | 2018E: ~**2.0%**

#### 2 Economic

- GDP growth – on global basis & in emerging markets – improving modestly

Emerging market GDP growth:<sup>2</sup>  
3-Year Avg: ~**4.4%** | 2018E: ~**4.9%**

#### 3 Currency

- USD fluctuation versus world currencies continues; EUR strengthening relative to USD

EUR to USD in 2017:<sup>3</sup>  
Low: **1.04**; High: **1.20**;  
Current Spot: **1.23**

#### 4 Raw Materials

- Natural prices – vanilla & citrus – remain above historical levels; synthetics experiencing inflationary pressure

Brent Crude in 2017:<sup>4</sup>  
Low: **\$44.82**; High: **\$67.02**;  
Current Spot: **\$62.82**



<sup>1</sup> Average of consumer staples companies that report volume (includes: UN, PG, PEP, MDLZ & CL)

<sup>2</sup> IMF data - WEO Update, January 2018

<sup>3</sup> Bloomberg

<sup>4</sup> Internal company data

# 2018 Considerations

## Notable items impacting financial results

### BASF

- BASF had a fire that impacted production of citral & isoprenol-based aroma ingredients
- Common component of flavor and fragrance supply chain
- Force majeure declared by BASF in Q4 2017, impacting supply & cost
- BASF expects to recommission production in March 2018; Supply chain expected to normalize in 2H 2018

### U.S. Tax Reform

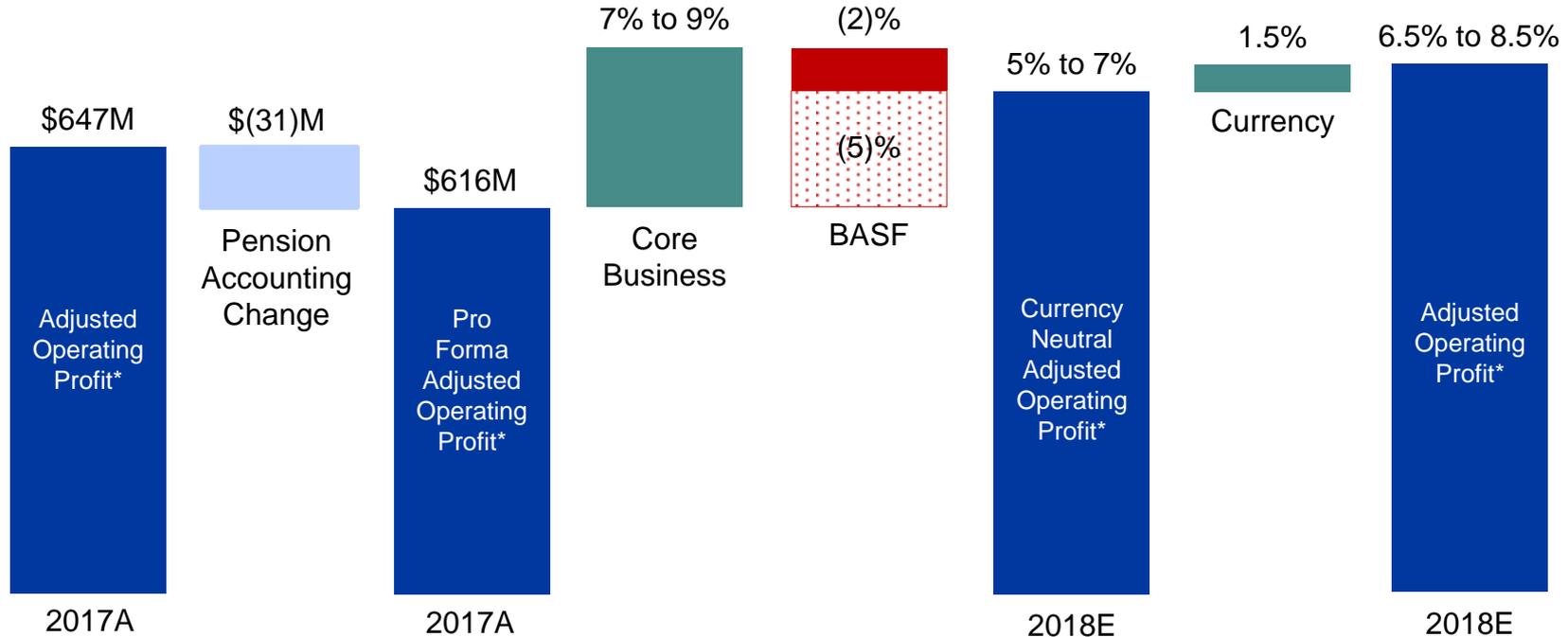
- In Q4 2017, the U.S. government enacted comprehensive tax reform
- Changes potentially impacting IFF:
  - Base Erosion Anti-Abuse Tax
  - Executive comp deduction limits
  - Elimination of special deductions
- Expect 2018 Effective Tax Rate to be ~21%

### Pension Accounting

- In March 2017, FASB issued amendment to the Compensation – Retirement Benefits guidance
- Effective 2018, interest cost, asset returns & amortized gains/losses will now be recorded in OIE vs. operating profit previously
- The change does not impact Net Income or EPS in any period

# 2018 Operating Profit Reconciliation

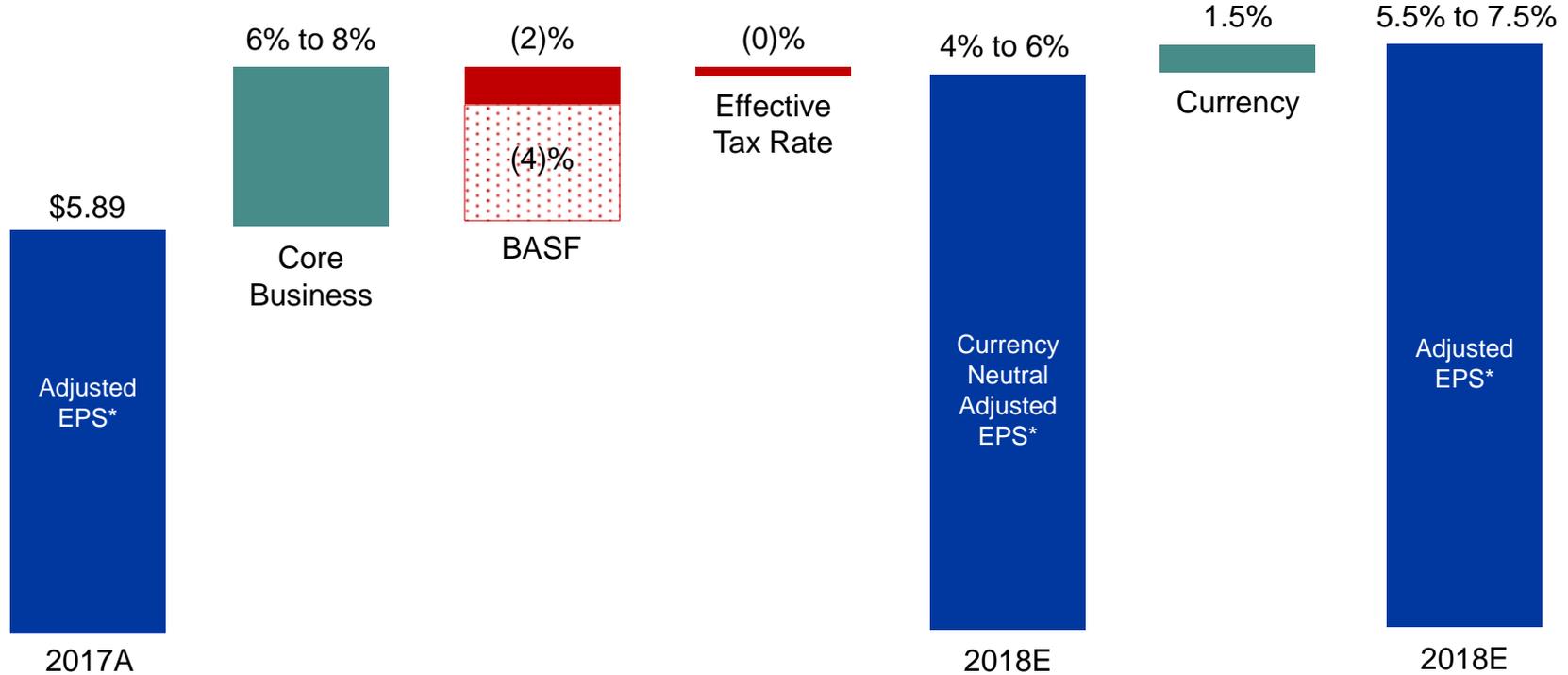
Core business growth rate accelerating; Force majeure impacting results



\* Currency Neutral Adjusted Operating Profit is a Non-GAAP metric, please see our GAAP to Non-GAAP Reconciliation at [ir.iff.com](http://ir.iff.com)

# 2018 EPS Reconciliation

Core business strong; Force majeure impacting results



\* Currency Neutral Adjusted EPS is a Non-GAAP metric, please see our GAAP to Non-GAAP Reconciliation at [ir.iff.com](http://ir.iff.com)

# 2018 Financial Outlook

Cautiously optimistic in ability to navigate volatile operating environment

	Adjusted* Currency Neutral	Impact of Currency	Adjusted*
Sales	3.0% - 5.0%	~3.0 ppt	6.0% - 8.0%
Operating Profit	5.0% - 7.0%	~1.5 ppt	6.5% - 8.5%
EPS	4.0% - 6.0%	~1.5 ppt	5.5% - 7.5%



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## Summary

**Achieved Growth Across Key Financial Metrics**

**Optimistic to Deliver Financial Objectives in 2018**

**Focused on Long-Term Value Creation**

# Q&A