



Richard O'Leary  
Executive VP & CFO

# INVESTOR DAY 2019

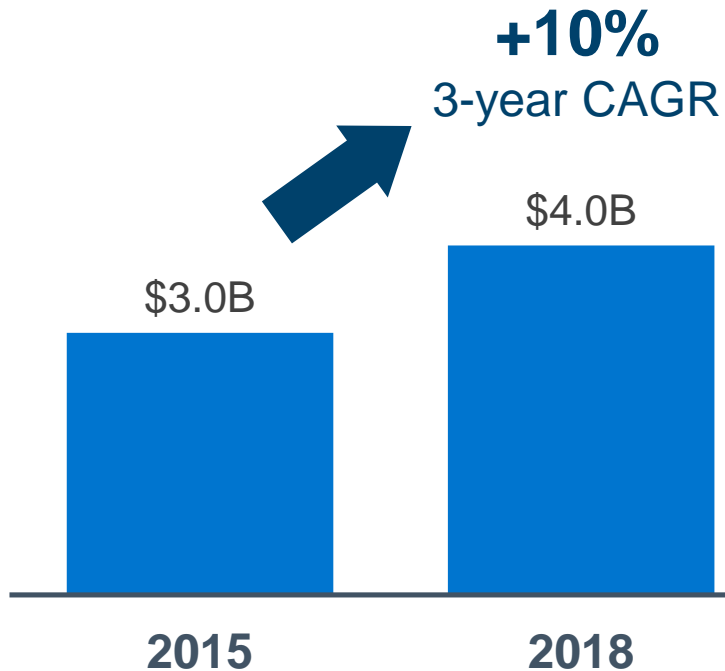
Finance Review



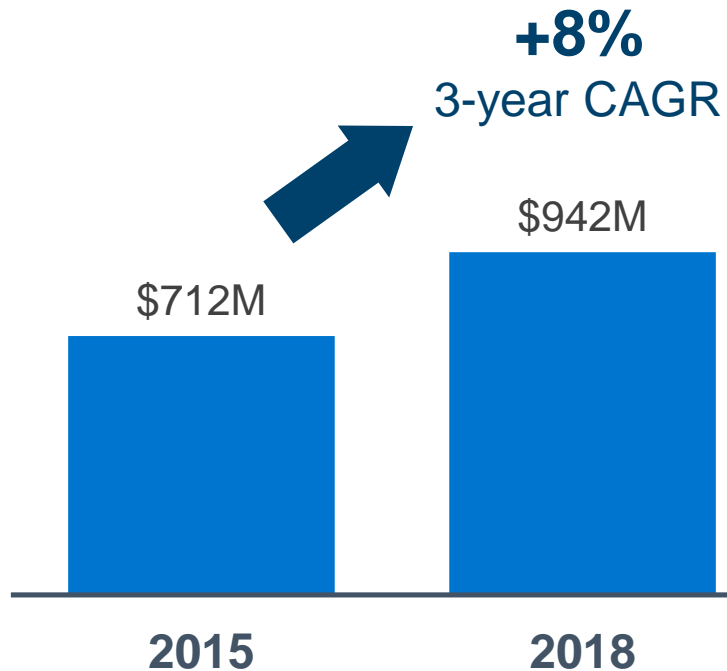
# PERFORMANCE & RESULTS

Strong track record of profitable growth

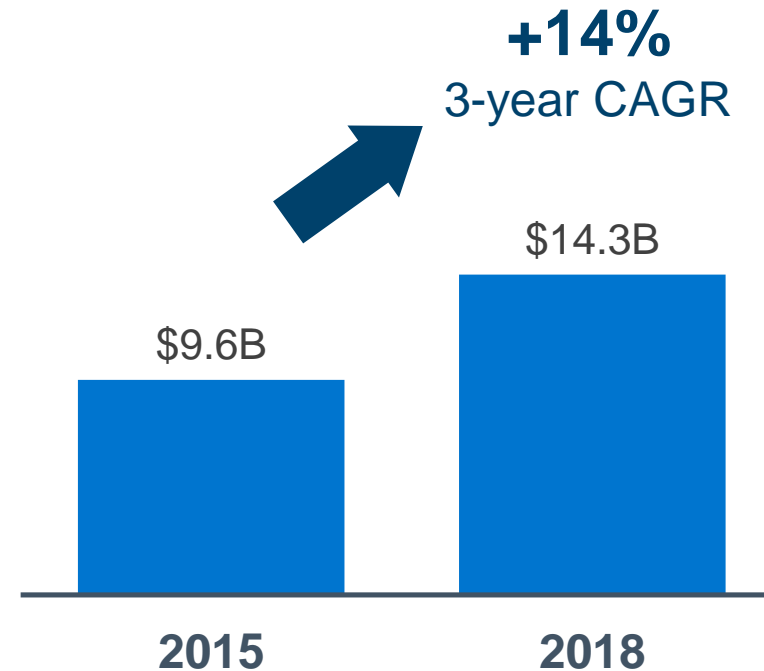
## Sales



## Adjusted EBITDA\*



## Market capitalization

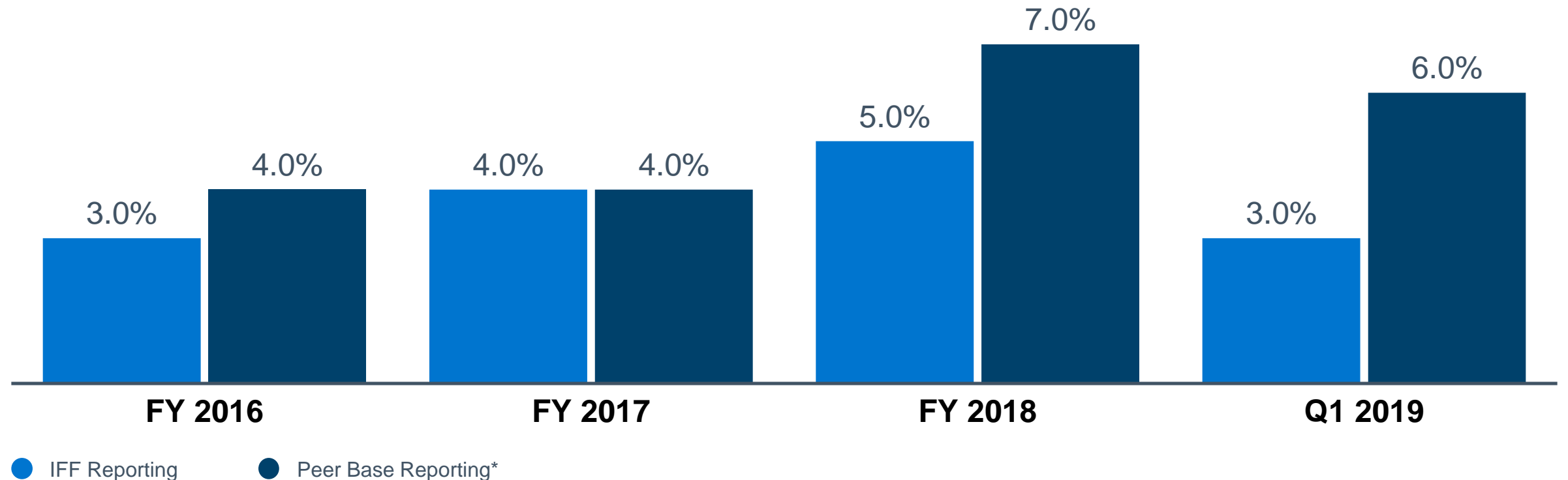


*\*Non-GAAP metrics; please see Non-GAAP disclosures at [ir.iff.com](http://ir.iff.com)  
Note: 2018 sales are on a reported basis; market capitalization as of 12 / 31 of relevant year*

# SALES GROWTH COMPARISON

Understanding the impact of emerging market pricing

Organic Currency Neutral Sales Growth\*



\*\* Non-GAAP metrics; please see Non-GAAP disclosures at [ir.iff.com](http://ir.iff.com)

# RECONFIRMING 2019 OUTLOOK

## Q2 top-line still pressured

### Strong prior year comps

- Continued good Scent growth
- Taste multinationals lagging
- Frutarom negatively impacted by PTI, CitraSource & Colors

### Favorable margin and cost discipline mitigating top-line softness; expect to deliver solid profit growth

### Continue to see stronger YoY performance in H2 vs. H1

- More favorable prior year comps
- Increased benefit from recent M&A and 53rd week
- Price realization in Scent
- Continued cost discipline and synergy benefit ramp-up

## RECONFIRMING 2019 OUTLOOK

- Sales growth\* of 5-7% (incl. M&A and 53<sup>rd</sup> week)
- Net sales of \$5.2 - \$5.3bn
- Adjusted EPS (ex-amort) of \$6.30-\$6.50
  - +8-11% growth\*

\* Currency neutral; growth is against 2018 combined results; please see Non-GAAP disclosure at [ir.iff.com](http://ir.iff.com)

# OUR 2019 TO 2021 FINANCIAL TARGETS

**5-7% SALES  
GROWTH  
CAGR\***

**10%+ EPS  
GROWTH  
CAGR\*\***

**TOP THIRD  
TSR (>12%)**

**RAPID DEBT  
PAYDOWN**

*\* Currency neutral; growth is against 2018 combined results; please see Non-GAAP disclosure at [ir.iff.com](http://ir.iff.com)*

*\*\* Currency neutral, excluding amortization*

# PORTFOLIO SEGMENTATION

## Strategic and financial levers by classification

	INVEST FOR PROFITABLE GROWTH	GROWTH AND MARGIN	RAPIDLY FIX OR DE-PRIORITIZE
	<b>GROWTH (~40%)</b>	<b>BALANCED (~50%)</b>	<b>FIX (~10%)</b>
STRATEGIC	<p>Attractive and growing market</p> <p>Right-to-win based on IFF capabilities</p>	<p>Strong competitive positioning and stable performance</p>	<p>Volatile performance</p>
FINANCIAL	<p>High growth, high margin business</p> <p>Invest excess cash flow &amp; resources for rapid expansion</p>	<p>Moderate growth, healthy margin business</p> <p>Focus on cash flow generation</p>	<p>Challenged growth and / or margin business</p> <p>Value creation through margin improvement</p>

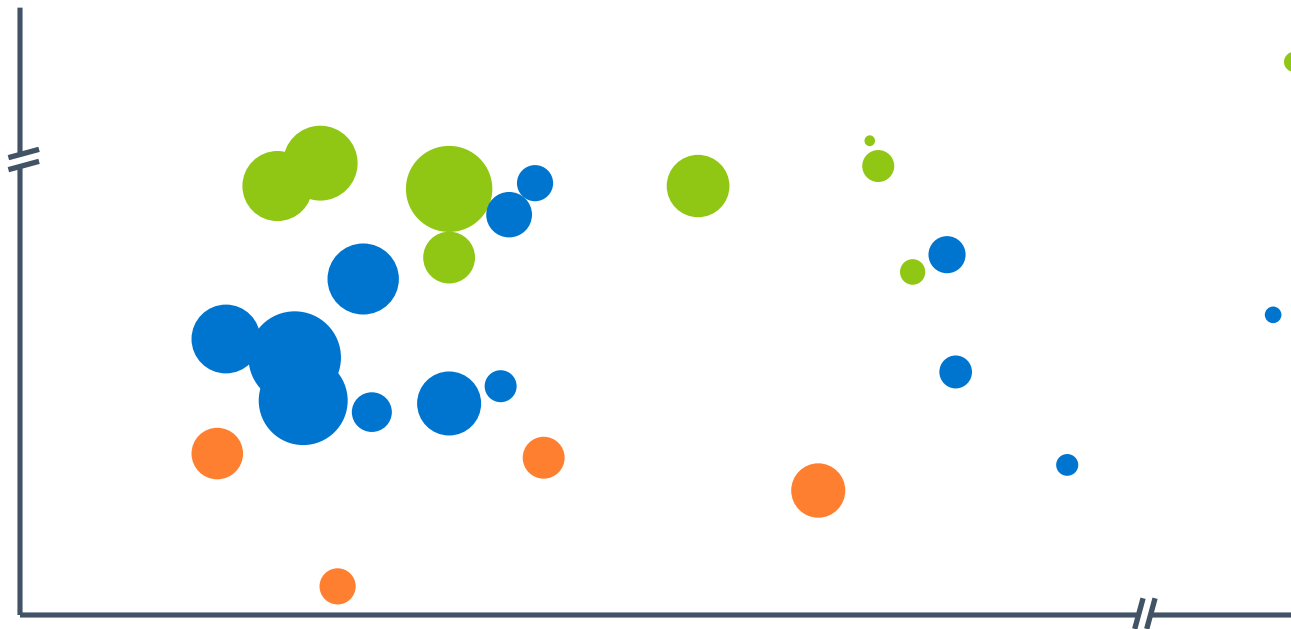
(%) Revenue share as a % of total

# PORTFOLIO DISTRIBUTION

Diverse portfolio roles that dictate resource allocation

## IFF Product Groups

Estimated EBITDA Margin (%)



● Relative Bubble Size = Estimated Annual Sales

Future growth rate

● Growth

● Balanced

● Fix

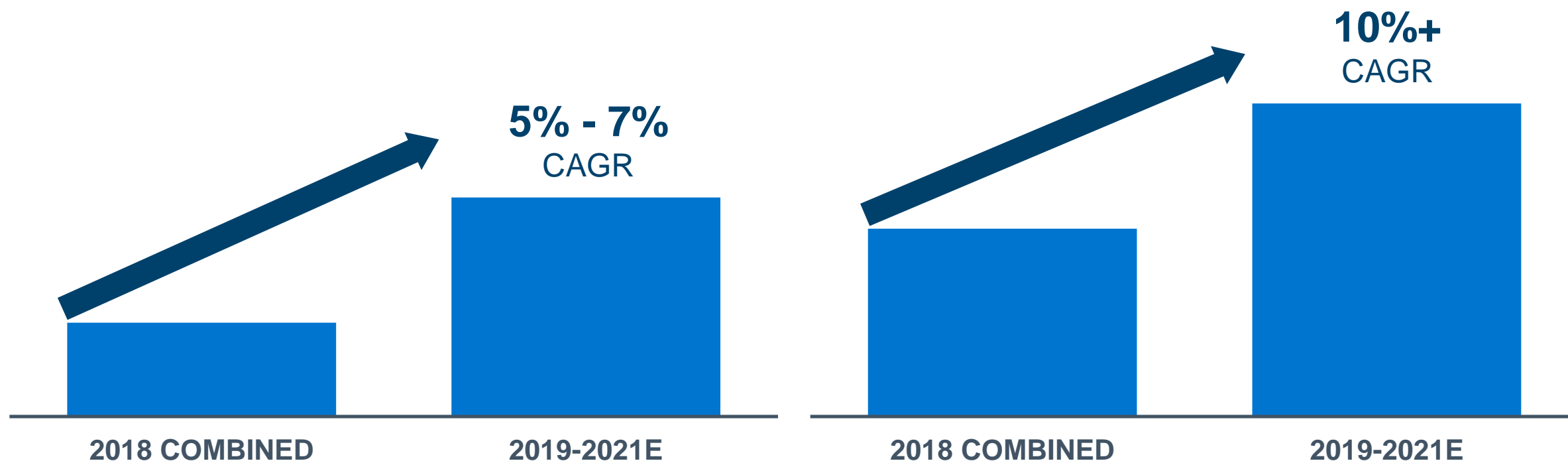
**RESOURCE  
ALLOCATED  
TO MAXIMIZE  
RETURNS  
(>12%+ TSR)**

# LONG-TERM FINANCIAL TARGETS

Average currency neutral growth targets for the 2019 to 2021 period

Sales\*

EPS ex amortization\*



\* Growth rates are currency neutral.



# GROWTH DRIVERS

Significant opportunities to accelerate performance



## Scent

Expanded market access via global core lists

Capitalized on regional and local customers trends

Invest in growth & margin accretive categories



## Taste

Integrate Frutarom Taste

Expand tastepoint® by IFF model

Target high-growth geographies

Enhance portfolio with Savory Solutions and Inclusions



## Nutrition & Ingredients

Geographic expansion

Focus on differentiating, natural and clean label technologies

Target value-enhancing acquisitions

## Cross-Selling & Integrated Solutions

## M&A

## Long-Term Growth Expectation

5 to 7%\*

~3 to 5%

~1%

~1%

\* Currency neutral

# 2019 – 2021 MARGIN IMPROVEMENT

Strong programs in place to drive best-in-class profitability

## MANAGE PORTFOLIO

- Portfolio optimization drives profitable growth; selectively prune low-margin, non-strategic sales
- Margin management, pricing, cost leverage and select pruning will drive margin expansion

## INTEGRATION SYNERGIES

- Significant procurement benefits via leverage spend, tail spend and make vs. buy initiatives
- Network optimization of ~35 sites globally by 2021 generating strong efficiencies
- Highly confident in year 1 savings goal and in \$145M savings target by 2021

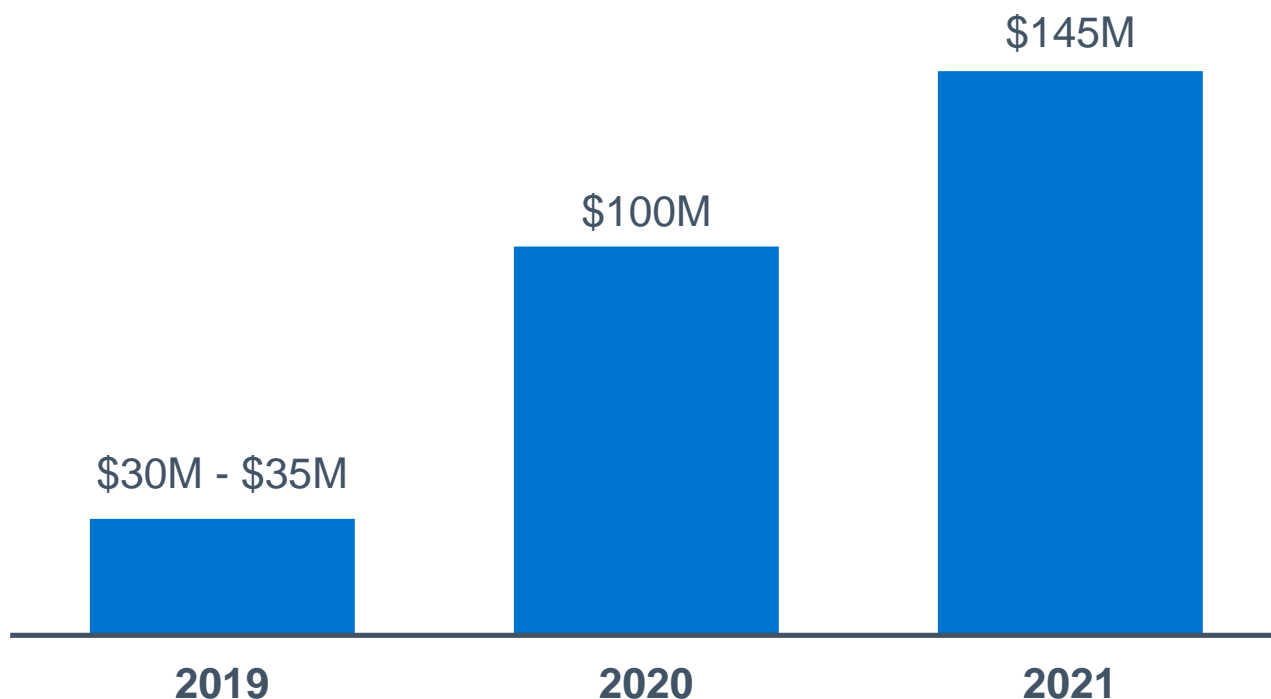
## CORE PRODUCTIVITY

- \$100M productivity – process improvement, simplification and centralization providing flexibility to drive to bottom line or re-invest in growth engines

# CONFIDENT TO DELIVER \$145M SAVINGS BY 2021

On-track to deliver high end of 2019 synergies

Synergies (\$M)

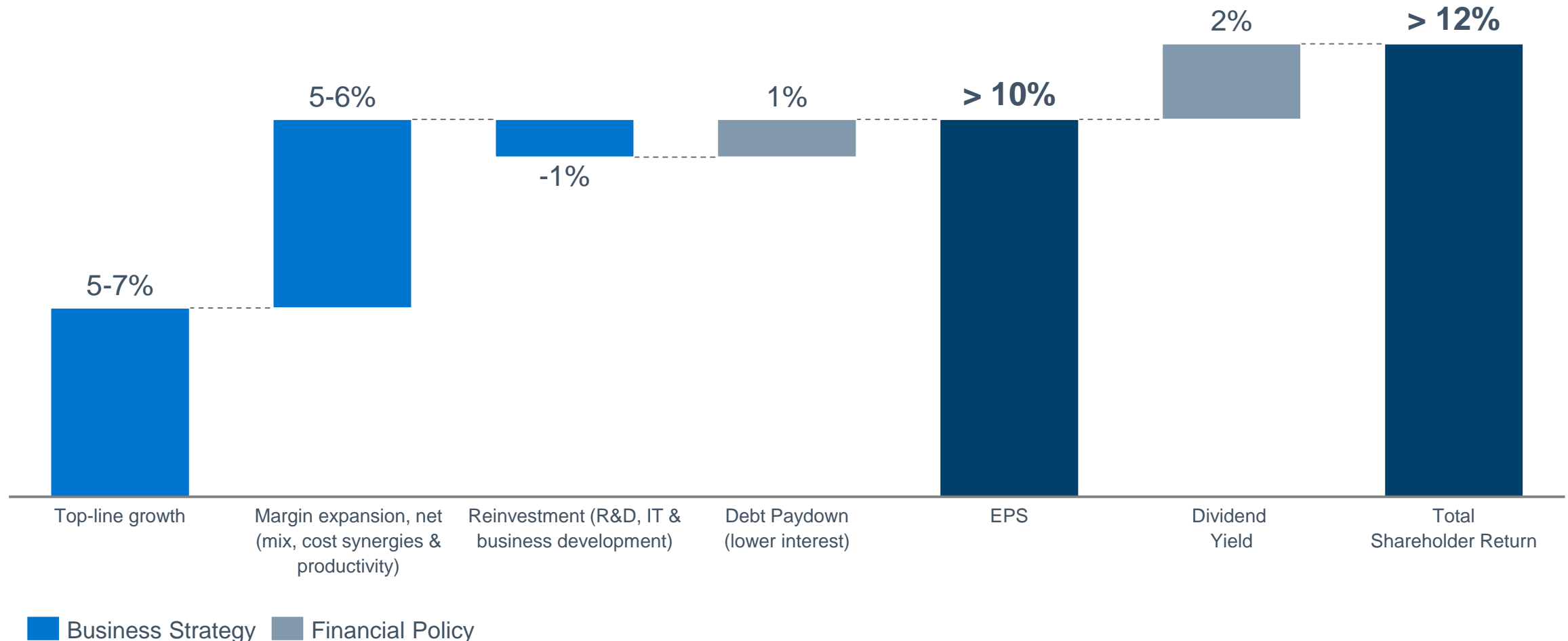


## Progress

- Key levers:  
Procurement and  
Network optimization
- Current run-rate of  
\$50M well in excess of  
2019 target

# TSR DELIVERY MODEL – 2019 TO 2021

Significant value creation from growth, business transformation & financial policy

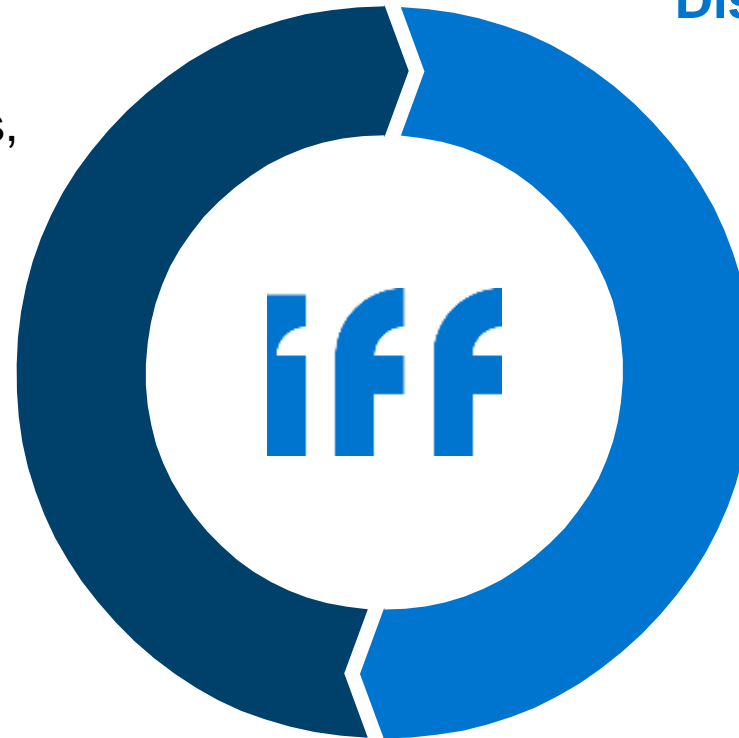


# VALUE CREATION VIA CASH FLOW GENERATION

Strong cash flow deployed through disciplined capital allocation

## Compelling, durable, and consistent cash flows

- High and improving margins, including synergies
- Above-market growth rates
- Working capital improvements
- 3-4% capital expenditures (% sales)



## Disciplined Capital Deployment

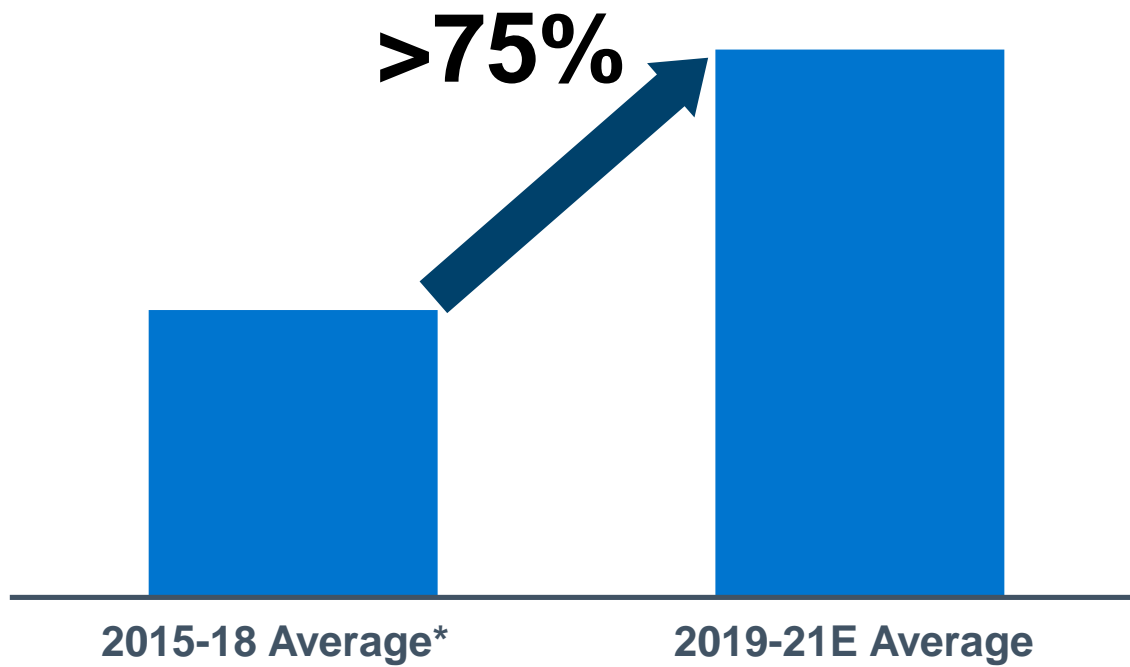
- Debt repayment
- Reinvest via capex
- Pursue value-enhancing M&A
- Maintain competitive dividend yield

Revisit priorities when leverage ratio is <math><2.5x</math>

# IMPROVING CASH FLOW FROM OPERATIONS

Significant increase driven by strong earnings & improved working capital

## Operating cash flow



\* Actuals for 2015-2018

## Drivers

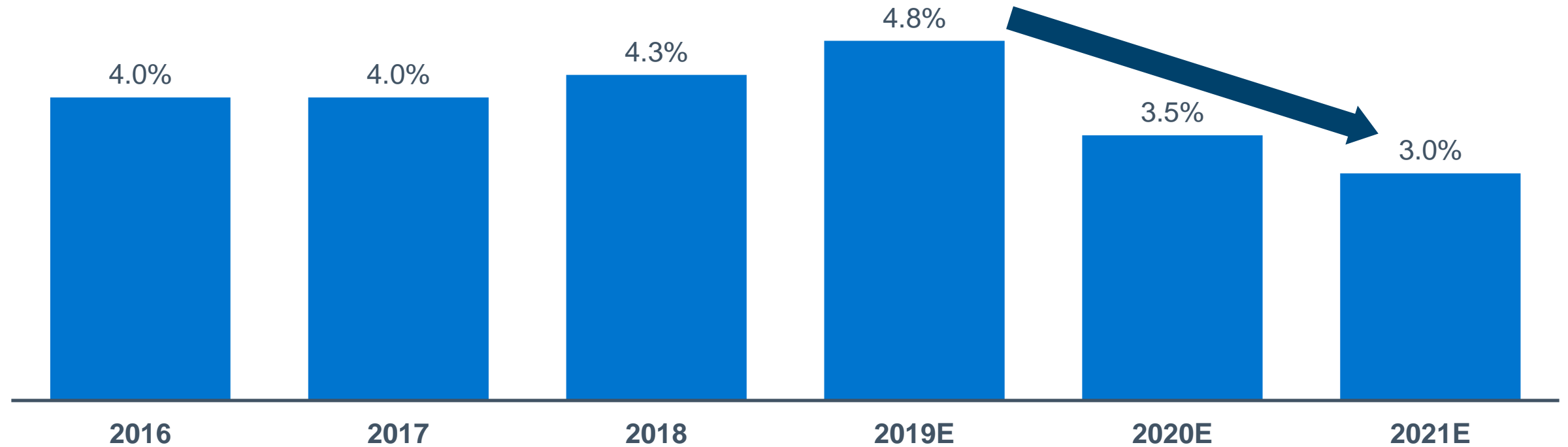
- Accelerated top-line
- Strong margin performance
- Working capital improvements
- Decreased integration requirements

# CAPITAL EXPENDITURES

Expect a lower intensity driven by completion of large projects and integration

## Capital expenditures

As a % of sales

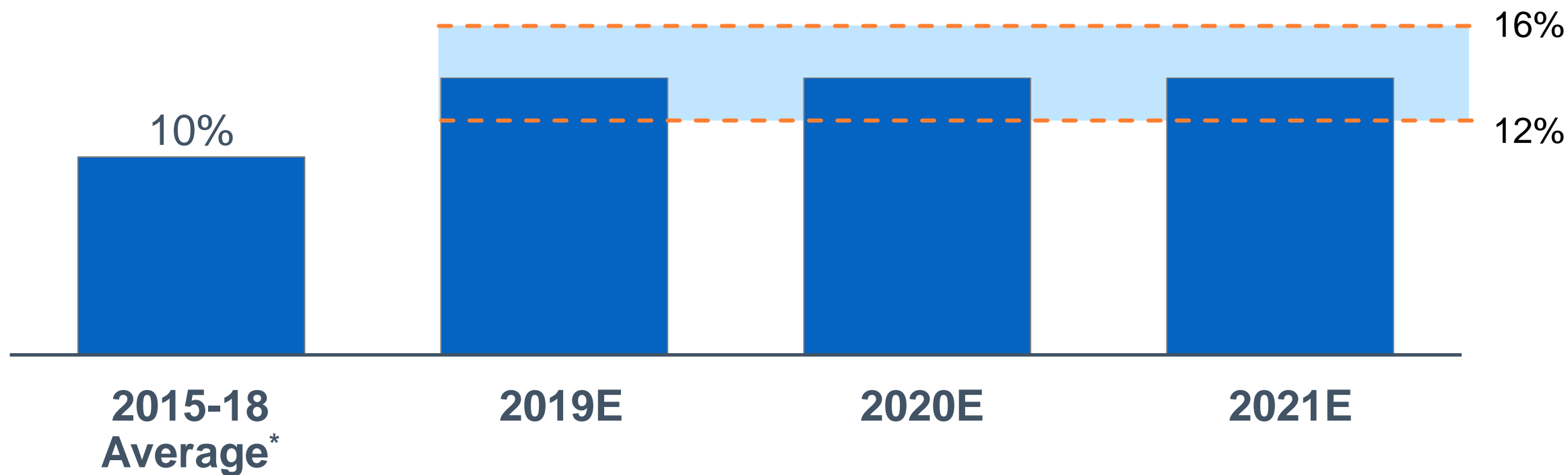


# IMPROVED FREE CASH FLOW GENERATION

Strong financial performance and decrease in capital intensity

## Free cash flow (FCF)

As a % of sales



\* Actuals for 2015-2018; Free Cash Flow, a Non-GAAP metric, is defined as Operating Cash Flow less Capex, please see Non-GAAP disclosures at [ir.iff.com](http://ir.iff.com)



# MERGERS & ACQUISITIONS

Value creation beyond the core

Regularly evaluate opportunities

Targeting technology and capabilities

Defined criteria:

- Enhance prioritized adjacencies

- Aligned with Portfolio Prioritization Matrix

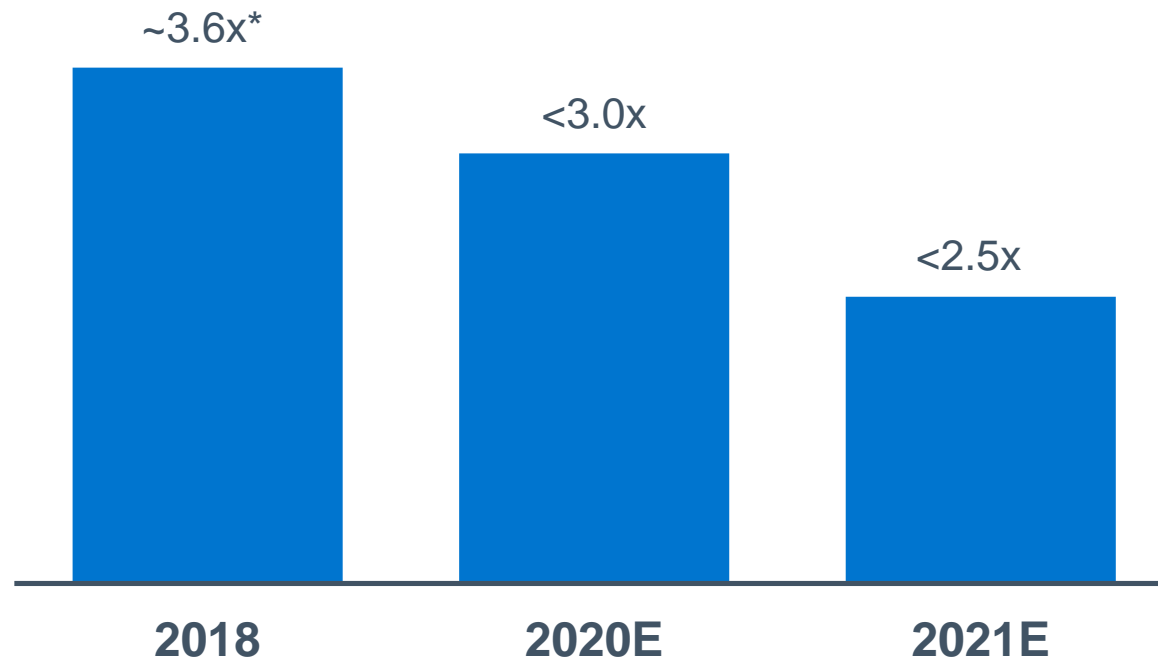
- Address gaps in market or customer access

Higher-return thresholds established

# DRIVE DEBT REPAYMENT

Strong deleveraging plan in place

## Net Debt / Adjusted EBITDA\*



## Focus

Retain investment grade rating

Committed to be <3.0x net debt to EBITDA\* between 18-24 months

Debt maturity schedule aligned with objective: ~\$1B in payments by 2021

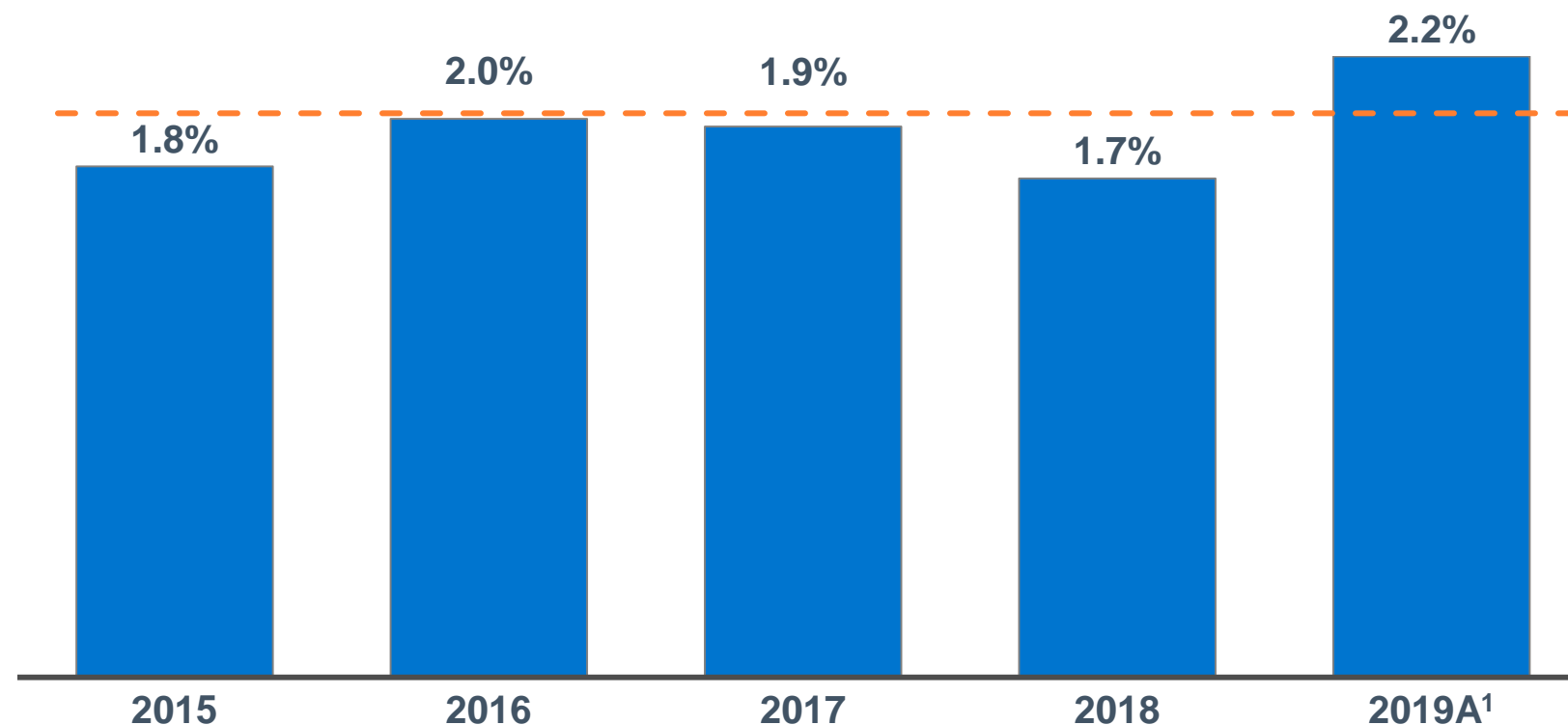
Management incentives are aligned with repayment of debt metrics

\* 2018 based on combined results; Net Debt to Adjusted EBITDA is a Non-GAAP metric, please see Non-GAAP disclosure at [ir.iff.com](http://ir.iff.com)

# CASH RETURNED TO SHAREHOLDERS

Committed to a competitive dividend yield

## Dividend yield



Committed to competitive dividend yield of ~2%

Re-visit capital allocation priorities once target leverage level achieved (<2.5x)

# FINANCE SUMMARY

## STRONG TRACK RECORD

10% revenue and 10% Adjusted EBITDA CAGR over the past three years

## FOCUSED PORTFOLIO MANAGEMENT

Unlocking portfolio potential and maximizing overall returns

## GROWTH & PROFIT ACCELERATION

Driving growth engines & profitability programs across the entire business

## DISCIPLINED CAPITAL ALLOCATION

Clear priorities to achieve business performance, reward shareholders & achieve deleverage targets

## >12% TOTAL SHAREHOLDER RETURN

Driven by 5-7% revenue growth\* and 10%+ EPS growth\*\* plus 2% target dividend yield

*\*Currency neutral*

*\*\*Currency neutral, excluding amortization*