

**IFF**  
**2018**  
**CAGNY**  
**Conference**

Andreas Fibig  
Chairman & CEO

February 22, 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).



# Agenda

1. Vision 2020
2. Strategic Progress
3. Go-Forward Priorities
4. Financial Performance
5. Q&A

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# Vision 2020 Strategy

Framework to achieve continuous growth since 2015

## Vision 2020

We are the catalyst for discoveries that spark the senses and transform the everyday

### Innovating Firsts

- Drive differentiation in key technologies
- Develop responsible products to meet the future needs of our customers & consumers

### Win Where We Compete

- Lead in key markets
- Close gaps across value enhancing categories
- Achieve #1 position with targeted customers

### Become Customers' Partner of Choice

- Actively support our customers' success
- Achieve commercial excellence & service leadership

### Strengthen & Expand the Portfolio

- Strengthen the F&F core
- Stretch into adjacencies
- Pursue partnerships & collaborations

Building Our Talent and Organization

Continuously Improving

Creating a Sustainable Future

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# Vision 2020: Strategic Accomplishments

## Delivering strong progress across all pillars

### Vision 2020

Total Shareholder Return: +59% | Market Capitalization: \$11.3B

#### Innovating Firsts



**11 New**  
Captive Fragrance  
Ingredients



**9 New**  
Natural Flavor  
Modulators

+Double-Digits  
Encapsulation

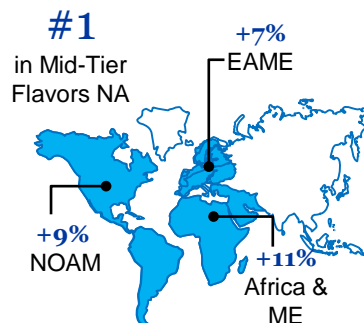
+Double-Digits  
Modulation



PureVita<sup>TM</sup>



#### Winning Where We Compete



#### Becoming Our Customers' Partner of Choice

Expansion  
Global Core  
Lists

LUCASMEYER<sup>®</sup>  
COSMETICS  
Innovation Awards

Unilever  
Vetiver Farming  
Partnership

Commercial  
Excellence  
Program

MARS  
WRIGLEY  
Mint Farming  
Partnership

#### Strengthening & Expanding the Portfolio

LUCASMEYER<sup>®</sup>  
COSMETICS Move into attractive  
cosmetic ingredients

FRAGRANCE  
RESOURCES Penetrate regional,  
specialty Fine customers

POWDER<sup>PURE</sup> Fortify naturals &  
clean label platform

tastepoint  
by IFF

Building Our Talent and Organization: IFF University | Diversity & Inclusion | Employee Culture Survey



Continuously Improving: Productivity Programs | Implementation of Zero-Based Budgeting | Acquisition Synergies



Creating a Sustainable Future:



**100/ "A"**  
(3<sup>rd</sup> Year in a row)



Industry 1<sup>st</sup>  
Wind Turbines

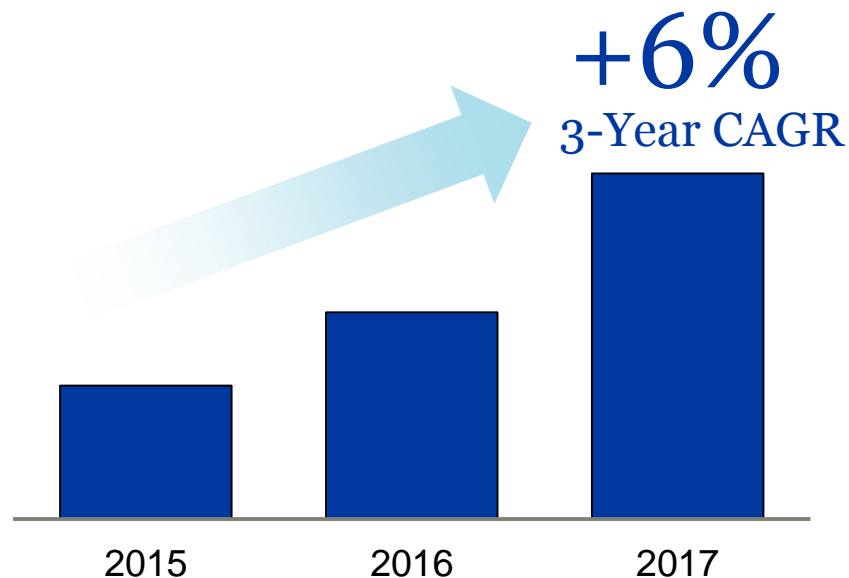


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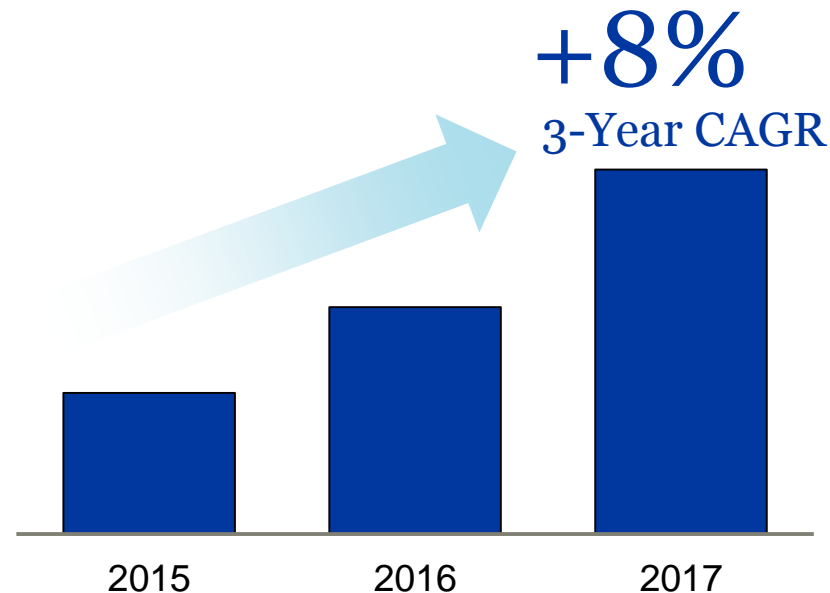
# Vision 2020: Financial Highlights

Driving top and bottom-line results

## Currency Neutral Sales\*



## Currency Neutral Adjusted EPS\*

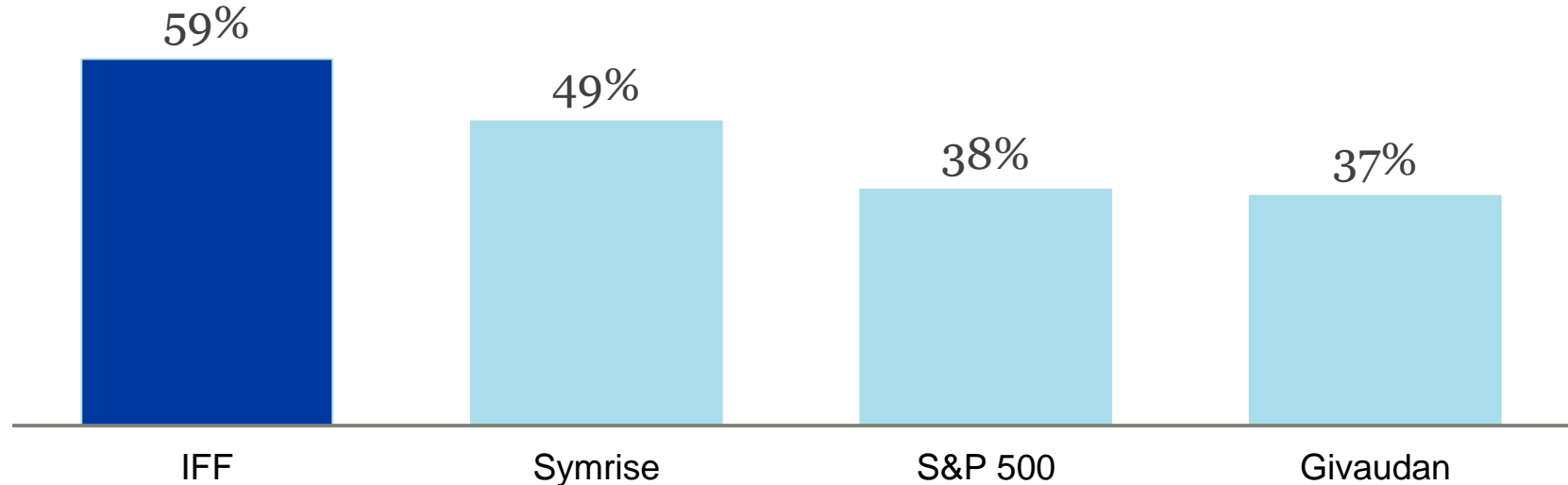




# Total Shareholder Return

Exceeded peers and S&P 500 since launch of Vision 2020

Total Shareholder Return: 2015 to 2017



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# Delivering Long-Term Value Creation

Implementing 4 refreshed priorities to drive continued success



Drive  
Differentiation

- Drive enhancements in key R&D platforms: naturals, modulation, delivery, ingredients, active cosmetics and health & nutrition
- 



Balance  
Customers

- Accelerate growth with regional & local customers, while strengthening IFF's position with key large multinationals
- 



Maximize  
Portfolio

- Execute superior management of category mix to support margin expansion
- 



Generate  
Return

- Pursue continuous improvement, with a focus on cost productivity & reallocation of resources to efforts that drive greatest returns

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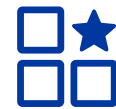
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# Drive Differentiation

Prioritizing R&D investment & talent behind 6 key platforms

## Platforms

Delivery  
Systems

Modulation

Ingredients

Naturals &  
Beyond

Active  
Cosmetics

Health &  
Nutrition

## Enabling Capabilities

Sensory

Data &  
Analytics

Processing

Analytical

Biosciences

Solutions  
& Bundling

Chemistry



# Fragrance Ingredients

## Strongest molecule pipeline in history

- 3 Fragrance Ingredients launched in 2017:
  - Spice molecule: Veraspice™
  - Malodor molecule: Anomix™
  - Specialty green molecule: Vertonic™
- Holistic ingredient strategy for both synthetic & natural ingredients
- Strongest molecule pipeline in IFF history;  
Expect to launch 8 to 12 molecules by 2021





# POWDERPURE

## Expanding clean label solutions

- Clean Label ingredients market expected to reach \$44B by 2021: CAGR of 6.7%\*
- POWDERPURE offers clean label solutions that deliver the taste, nutrition and color of real food
- Infidri™, creates all-natural food ingredients, leaving the taste, nutrition and color matrix intact
- Benefits include:
  - Clean label, real food, non GMO, nutrient rich, fresh flavor & authenticity
- Ability to repurpose waste streams



# Greyverse™

## Breakthrough hair care innovation

- Total gray coverage market valued at \$8.7B in 2016; 8% CAGR growth from 2016 to 2021\*
- IFF | LMC's Greyverse™ contains the first anti-grey hair biomimetic peptide on the market
- Clinically effective, it helps men and women suffering from greying hair look naturally younger by reversing the hair aging process
- Proven to decrease the overall whiteness of hair and to darken grey hair after 3 months of treatment: 30% reduction in grey hair density





# OiLESS'city™

## Growing premium skin care leadership

- Average millennial spends about an hour a week taking up to 25,700 selfies in their lifetime\*
- Global skincare market expected to reach \$9B by 2027: CAGR of 6.4%\*\*
- IFF | LMC's OiLESS'city™ is extracted from the Australian lemon myrtle & acts on 4 biological targets to reduce shiny appearance and bring back a more natural look to be selfie-ready
- Plan to donate \$2 to the organization of Friends of the koalas in Australia for every purchase



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# Balance Customer Base

Adapting to capture growth potential of mid-tier customers

## Targeting Local & Regional (L&R) Customers

## Platform

### Customer Requests

- Customized service levels
- Increased speed
- Improved agility

### Go-To-Market Strategy

- Global customers covered by legacy IFF
- Dedicated organization for L&R customers

### Benefit / Reward

- Acceleration of growth
- Increased market share

**tastepoint**  
by **IFF**

**R** FRAGRANCE  
RESOURCES

# Tastepoint<sup>SM</sup> by IFF

The perfect blend of heart & science

- Designed to service the **dynamic middle-market customer** in North America
- Born out of the combination of:

*Ottens  
Flavors*

DAVID MICHAEL

- “**Can-do**” **approach** of a smaller company backed by **expertise** traditionally reserved for companies with more global reach
- **#1 leader** in mid-tier customers in NOAM

**IFF**



# Tastepoint Video





# Strengthening Our Operations

Recent investments to support future growth potential

## Cairo



- Middle East & Africa: \$1.5B market potential\*: +7% per year between 2017 & 2022
- Creative & application lab
- Strengthen our presence in Egypt as well as Africa & the Middle East

## Sri City



- India: \$1.3B market potential\*: +13% per year between 2017 & 2022
- Combined manufacturing facility
- Largest flavor & fragrance facility in India; Largest IFF plant in Greater Asia region

## Jiande



- China: \$3.9B market potential\*: +6% per year between 2017 & 2022
- Consolidation of Fragrance Ingredients plants
- Building on largest portfolio of Fragrance Ingredients in industry



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# Maximize Portfolio

Drive growth & profitability by investing in advantaged categories



Category	Go-Forward Strategic Focus
Cosmetic Ingredients	<ul style="list-style-type: none"><li>• Drive innovation &amp; technical sustentation of product performance claim within active ingredients &amp; botanicals</li></ul>
Fine Fragrance	<ul style="list-style-type: none"><li>• Prioritize resources towards faster growing segments: premium &amp; specialty</li></ul>
Beverage	<ul style="list-style-type: none"><li>• Discover &amp; commercialize natural taste modulators to accelerate growth</li></ul>
Value Added Seasoning	<ul style="list-style-type: none"><li>• Expand market coverage, strengthen innovation and maximize efficiencies</li></ul>



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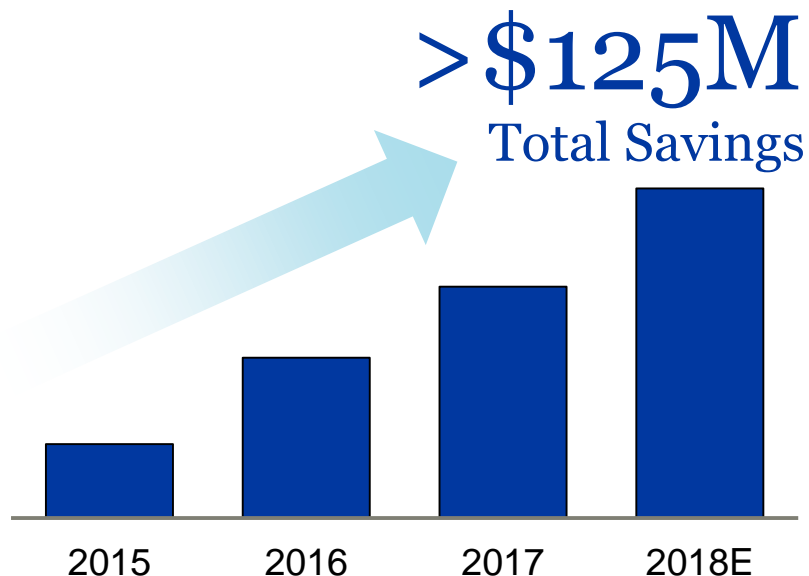
- Pursue continuous improvement, with a focus on cost productivity & reallocation of resources to efforts that drive greatest returns



# Generate Return

Continuous focus on cost & productivity initiatives

## Cost Savings (\$M)



## Performance Drivers

- Manufacturing consolidation
- Procurement & formula optimization
- Acquisition integration synergies
- Zero-based budgeting
- Productivity improvement program

# Vision 2020 Alignment

Priorities well-positioned within existing strategic pillars

## Vision 2020

We are the catalyst for discoveries that spark the senses and transform the everyday

### Innovating Firsts

- Drive differentiation in key technologies
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 **Drive Differentiation**

### Win Where We Compete

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 **Balance Customers**

 **Maximize Portfolio**

### Become Customers' Partner of Choice


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### Strengthen & Expand the Portfolio

- Strengthen the F&F core
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 **Maximize Portfolio**

**Building Our Talent and Organization**

 **Generate Return**

**Continuously Improving**

**Creating a Sustainable Future**

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Rich O'Leary  
EVP & CFO

February 22, 2018

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# 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%



# Capital Allocation

Deploying capital to support total shareholder return

Uses of Cash	Capital Deployment
Capex	<ul style="list-style-type: none"><li>• Invested ~4% of sales in capital expenditures in 2017</li><li>• Strategic investments in operations and creative &amp; application</li></ul>
Acquisitions	<ul style="list-style-type: none"><li>• Invested \$205M of capital for two strategic acquisitions</li><li>• Added ~\$90M of expected annual revenue: Fragrance Resources &amp; POWDERPURE</li></ul>
Dividends/ Repurchase	<ul style="list-style-type: none"><li>• Returned \$206M in dividends &amp; \$58M in share repurchases in 2017</li><li>• Total payout ratio at 56% of adjusted net income* – consistent with 50-60% goal</li></ul>



# 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%



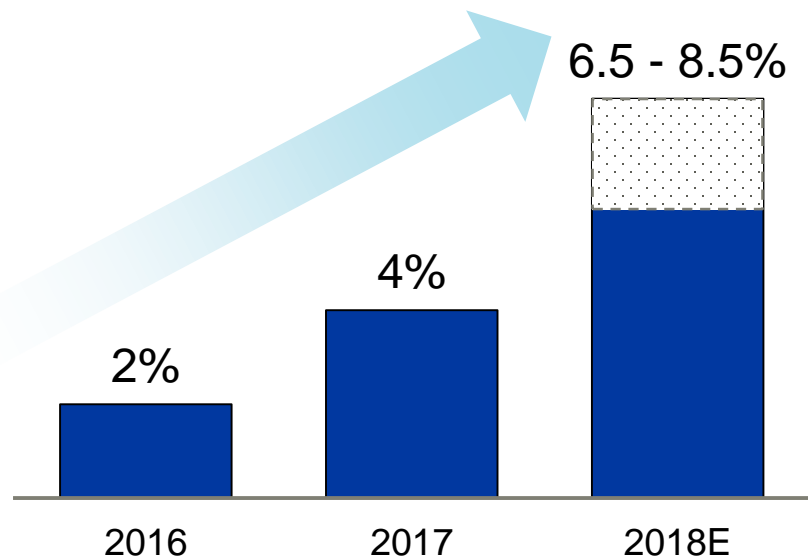


# Accelerating Profitability Performance

Focusing on improving bottom-line results in 2018

## Adjusted Operating Profit\*

## 2018 Actions



- Targeting improvements in profitability
- Performance driven by:
  - Sales growth
  - Savings initiatives: ZBB, restructuring & on-going productivity program
- FX providing 1.5 ppts benefit



# Focused On Cash flow Improvements

Reducing working capital requirements in 2018

## Accounts Payable

- Increasing payables by extending & standardizing terms
- 

## Accounts Receivable

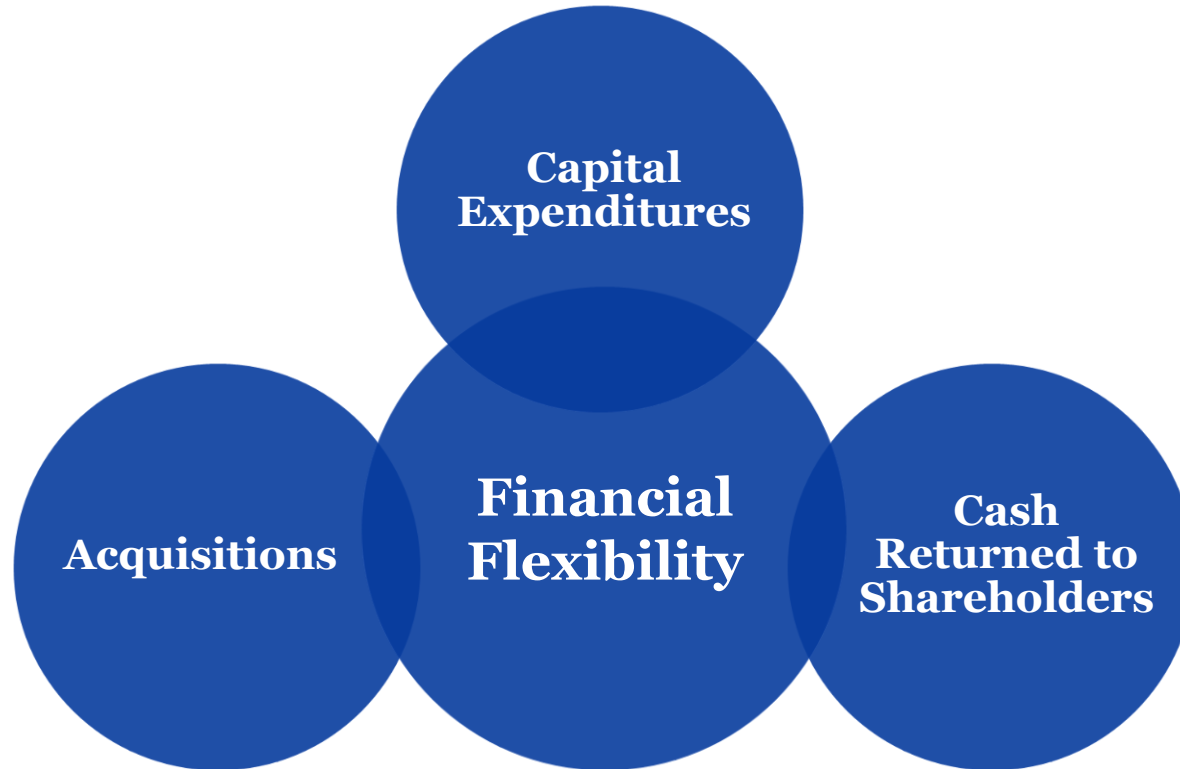
- Focus on improving past due collections
- 

## Inventory

- Inventory to improve driven by further enhancements in planning; offset by pressure related to BASF

# Capital Allocation

Strategically leveraging capital to drive long-term value creation

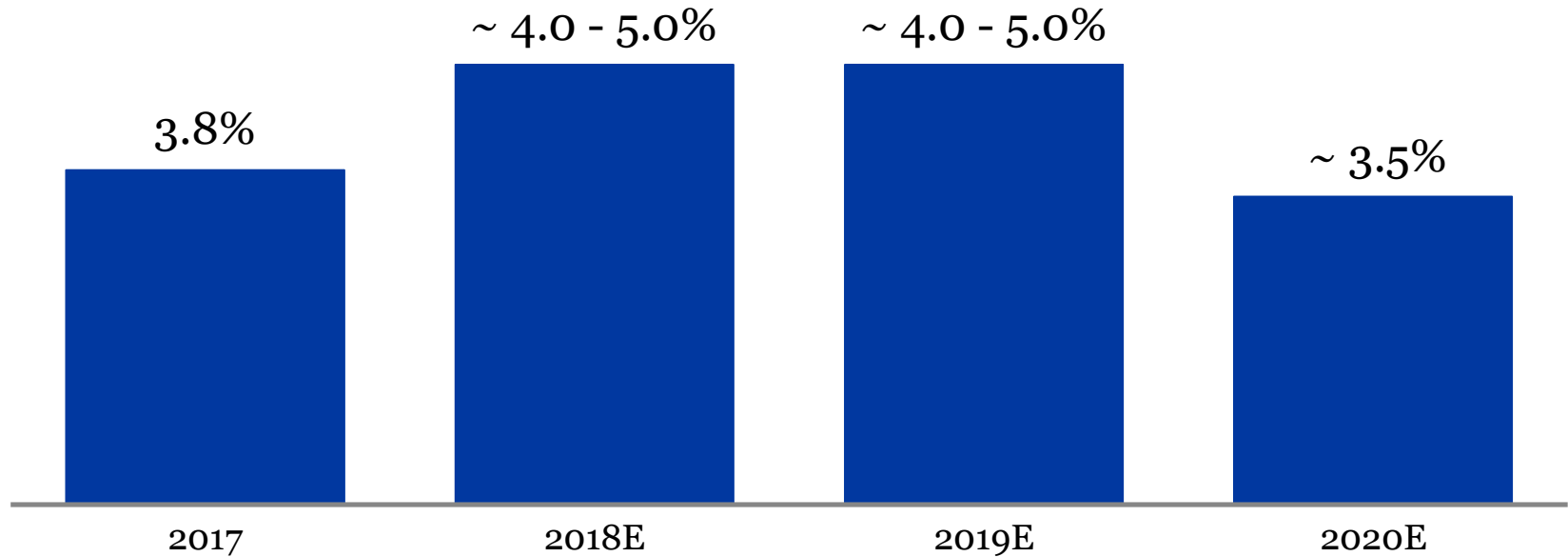


# Capital Expenditures

Investing in technology, infrastructure and creative & application centers

## Capital Expenditures

As a % of Sales

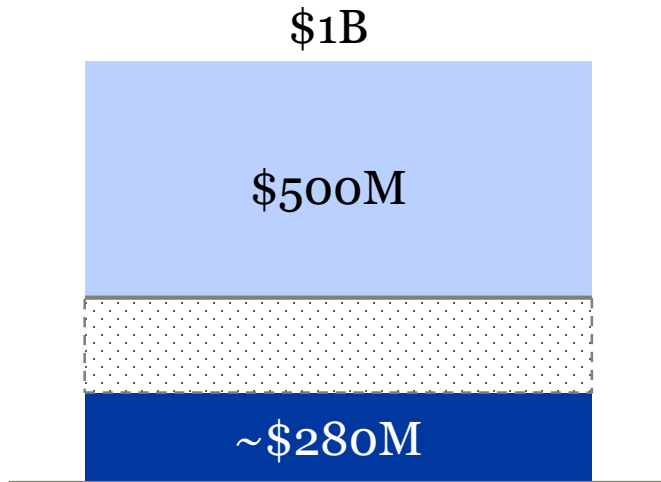


# Acquisitions

On-track to achieve V2020 M&A ambition

**Added ~\$280M of Annualized Sales**

**Annual Sales Contribution**



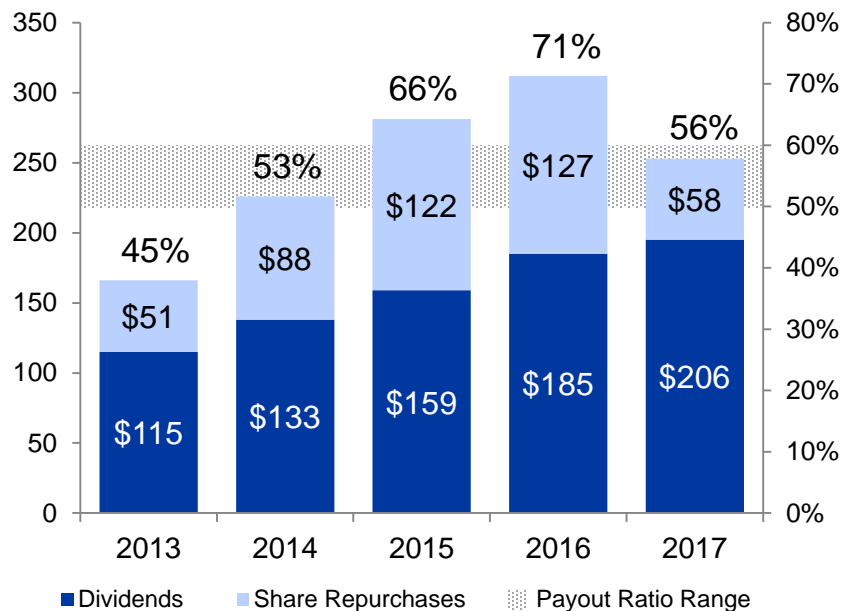
**M&A Criteria**

- Routinely evaluate M&A opportunities
- Value Creation Drivers
  - Differentiated technology
  - Access to markets or customers
  - Potential adjacencies
- Evaluate consistent with principles of Economic Profit

# Cash Returned To Shareholders

Delivering on return commitment

## Cash Returned to Shareholders



## 2017 Actions

### Dividends

- +8% dividend increase, in line with EPS growth

### Share Repurchases

- Extended share repurchase authorization through 2022 with a total value of \$300 million

### Total Payout Ratio

- Dividend & share repurchases combined for a total of 56%, in line with range of 50% to 60%



# Key Takeaways

Driving long-term value creation for shareholders

## Strong Vision

- Long-term strategic vision focused on profitable growth

## Robust Progress

- Made significant progress against Vision 2020 goals

## Focused Priorities

- Strongest innovation pipeline in history; growing in advantaged categories; focus on fastest growing customers & generating sustainable cost reduction

## Financial Improvement

- Taking action to improve operating profit & working capital performance
- Continued focus on driving long-term returns for shareholders

# Q&A