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# First Quarter 2024 Earnings Conference Call

May 7, 2024



# CAUTIONARY STATEMENT

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Statements in this presentation, which are not historical facts or information, are “forward-looking statements” within the meaning of The Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management’s current assumptions, estimates and expectations including those concerning expected cash flow and availability of capital resources to fund our operations and meet our debt service requirements; our ability to execute on our strategic and financial transformation, including the progress and success of our portfolio optimization strategy (including the sale process for our Pharma Solutions business), through non-core business divestitures and acquisitions, and expectations regarding the implementation of our refreshed growth-focused strategy and expectations around our business divestitures; our ability to continue to generate value for, and return cash to, our shareholders; expectations of the impact of inflationary pressures and the pricing actions to offset exposure to such impacts; the impact of high input costs, including commodities, raw materials, transportation and energy; the expected impact of global supply chain challenges; our ability to enhance our innovation efforts, drive cost efficiencies and execute on specific consumer trends and demands; the growth potential of the markets in which we operate, including the emerging markets; expectations regarding sales and profit for the fiscal year 2024, including the impact of foreign exchange, pricing actions, raw materials, energy, and sourcing, logistics and manufacturing costs; the impact of global economic uncertainty and recessionary pressures on demand for consumer products; the success of our integration efforts, following the N&B Transaction, and ability to deliver on our synergy commitments as well as future opportunities for the combined company; our strategic investments in capacity and increasing inventory to drive improved profitability; our ability to drive cost discipline measures and the ability to recover margin to pre-inflation levels; expected capital expenditures in 2024; and the expected costs and benefits of our ongoing optimization of our manufacturing operations, including the expected number of closings.

These forward-looking statements should be evaluated with consideration given to the many risks and uncertainties inherent in our business that could cause actual results and events to differ materially from those in the forward-looking statements. Certain of such forward-looking information may be identified by such terms as “expect”, “anticipate”, “believe”, “intend”, “outlook”, “may”, “estimate”, “should”, “predict” and similar terms or variations thereof. Such forward-looking statements are based on a series of expectations, assumptions, estimates and projections about the Company, are not guarantees of future results or performance, and involve significant risks, uncertainties and other factors, including assumptions and projections, for all forward periods. Our actual results may differ materially from any future results expressed or implied by such forward-looking statements.

Such risks, uncertainties and other factors include, among others, the following: (1) our substantial amount of indebtedness and its impact on our liquidity, credit ratings and ability to return capital to its shareholders; (2) our ability to successfully execute the next phase of our strategic transformation; (3) our ability to declare and pay dividends which is subject to certain considerations; (4) the impact of the outcomes of legal claims, disputes, regulatory investigations and litigation; (5) inflationary trends, including in the price of our input costs, such as raw materials, transportation and energy; (6) supply chain disruptions, geopolitical developments, including the Russia-Ukraine war, the Israel-Hamas war and wider Middle East developments (including disruptions to the Red Sea passage) or climate-change related events (including severe weather events) that may affect our suppliers or procurement of raw materials; (7) our ability to attract and retain key employees, and manage turnover of top executives; (8) our ability to successfully market to our expanded and diverse customer base; (8) our ability to effectively compete in our market and develop and introduce new products that meet customers’ needs; (9) changes in demand from large multi-national customers due to increased competition and our ability to maintain “core list” status with customers; (10) our ability to successfully develop innovative and cost-effective products that allow customers to achieve their own profitability expectations; (11) disruption in the development, manufacture, distribution or sale of our products from international conflicts (such as the Russia-Ukraine war and the Israel-Hamas war), geopolitical events, trade wars, natural disasters (such as the COVID-19 pandemic), public health crises, terrorist acts, labor strikes, political or economic crises (such as the uncertainty related to U.S. government funding negotiations), accidents and similar events; (12) the impact of a significant data breach or other disruption in our information technology systems, and our ability to comply with data protection laws in the U.S. and abroad; (13) our ability to benefit from our investments and expansion in emerging markets; (14) the impact of currency fluctuations or devaluations in the principal foreign markets in which we operate; (15) economic, regulatory and political risks associated with our international operations; (16) the impact of global economic uncertainty (including increased inflation) on demand for consumer products; (17) our ability to integrate the N&B Business and realize anticipated synergies, among other benefits; (18) our ability to react in a timely and cost-effective manner to changes in consumer preferences and demands, including increased awareness of health and wellness; (19) our ability to meet increasing customer, consumer, shareholder and regulatory focus on sustainability; (20) our ability to successfully manage our working capital and inventory balances; (21) any impairment on our tangible or intangible long-lived assets; (22) our ability to enter into or close strategic transactions or divestments, or successfully establish and manage acquisitions, collaborations, joint ventures or partnerships; (23) changes in market conditions or governmental regulations relating to our pension and postretirement obligations; (24) the impact of the phase out of the London Interbank Offered Rate (“LIBOR”) on our variable rate interest expense; (25) our ability to comply with, and the costs associated with compliance with, regulatory requirements and industry standards, including regarding product safety, quality, efficacy and environment impact; (26) defects, quality issues (including product recalls), inadequate disclosure or misuse with respect to the products and capabilities; (27) our ability to comply with, and the costs associated with compliance with, U.S. and foreign environmental protection laws; (28) the impact of our or our counterparties’ failure to comply with the U.S. Foreign Corrupt Practices Act, similar U.S. or foreign anti-bribery and anti-corruption laws and regulations, applicable sanctions laws and regulations in the jurisdictions in which we operate or ethical business practices and related laws and regulations; (29) our ability to protect our intellectual property rights; (30) the impact of changes in federal, state, local and international tax legislation or policies and adverse results of tax audits, assessments, or disputes; (31) the impact of any tax liability resulting from the N&B Transaction; and (32) our ability to comply with data protection laws in the U.S. and abroad.

The foregoing list of important factors does not include all such factors, nor necessarily present them in order of importance. In addition, you should consult other disclosures made by the Company (such as in our other filings with the SEC or in company press releases) for other factors that may cause actual results to differ materially from those projected by the Company. Please refer to Part I. Item 1A., Risk Factors, of the Company’s Annual Report on Form 10-K filed with the SEC on February 28, 2024 for additional information regarding factors that could affect our results of operations, financial condition and liquidity.

We intend our forward-looking statements to speak only as of the time of such statements and do not undertake or plan to update or revise them as more information becomes available or to reflect changes in expectations, assumptions or results. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this presentation or included in our other periodic reports filed with the SEC could materially and adversely impact our operations and our future financial results. Any public statements or disclosures made by us following this presentation that modify or impact any of the forward-looking statements contained in or accompanying this presentation will be deemed to modify or supersede such outlook or other forward-looking statements in or accompanying this presentation.



# NON-GAAP FINANCIALS

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We provide in this presentation non-GAAP financial measures, including: (i) comparable currency neutral sales; (ii) adjusted operating EBITDA and comparable adjusted operating EBITDA; (iii) adjusted operating EBITDA margin; (iv) adjusted EPS ex amortization; (v) free cash flow; and (vi) net debt to credit adjusted EBITDA.

Our non-GAAP financial measures are defined below.

Currency Neutral metrics eliminate the effects that result from translating non-U.S. currencies to U.S. dollars. We calculate currency neutral numbers by translating current year invoiced sale amounts at the exchange rates used for the corresponding prior year period. We use currency neutral results in our analysis of subsidiary or segment performance. We also use currency neutral numbers when analyzing our performance against our competitors.

Adjusted operating EBITDA and adjusted operating EBITDA margin exclude depreciation and amortization, interest expense, other expense, net, and certain non-recurring or unusual items that are not part of recurring operations such as, restructuring and other charges, acquisition, divestiture and integration related costs, entity realignment costs, strategic initiatives costs, regulatory costs and other items.

Adjusted EPS ex Amortization excludes the impact of non-operational items including, restructuring and other charges, acquisition, divestiture and integration related costs, losses (gains) on business disposals, entity realignment costs, strategic initiatives costs, regulatory costs and other items that are not a part of recurring operations.

Free Cash Flow is operating cash flow (i.e. cash flow from operations) less capital expenditures.

Net debt to credit adjusted EBITDA is the leverage ratio used in our credit agreements and defined as net debt (which is debt for borrowed money less cash and cash equivalents) divided by the trailing 12-month credit adjusted EBITDA. Credit adjusted EBITDA is defined as income (loss) before interest expense, income taxes, depreciation and amortization, specified items and non-cash items.

Comparable results for the first quarter exclude the impact of divestitures and acquisitions.

These non-GAAP measures are intended to provide additional information regarding our underlying operating results and comparable year-over-year performance. Such information is supplemental to information presented in accordance with GAAP and is not intended to represent a presentation in accordance with GAAP. In discussing our historical and expected future results and financial condition, we believe it is meaningful for investors to be made aware of and to be assisted in a better understanding of, on a period-to-period comparable basis, financial amounts both including and excluding these identified items, as well as the impact of exchange rate fluctuations. These non-GAAP measures should not be considered in isolation or as substitutes for analysis of the Company's results under GAAP and may not be comparable to other companies' calculation of such metrics.

The Company cannot reconcile its expected adjusted operating EBITDA under "Financial Guidance" without unreasonable effort because certain items that impact net income and other reconciling metrics are out of the Company's control and/or cannot be reasonably predicted at this time. These items include but are not limited to acquisition, divestiture and integration related costs, gains (losses) on business disposals, and regulatory costs.

# TODAY'S SPEAKERS

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**Erik Fyrwald**

Chief Executive Officer



**Glenn Richter**

Executive Vice President,  
Chief Financial & Business  
Transformation Officer



**Michael DeVeau**

Senior Vice President,  
Corporate Finance &  
Investor Relations

# AGENDA

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Executive Summary

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Q1 2024 Review

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2024 Outlook

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Q&A



Q1 2024

# EXECUTIVE SUMMARY

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- Started the year well, with solid results across most of our business
- Achieved mid-single digit volume growth led by Scent, Nourish and H&B; Pricing was positive due to FX-related pricing in emerging markets
- Delivered double-digit comparable adjusted operating EBITDA<sup>1</sup> growth driven by volume growth and productivity gains
- Entered definitive agreement to sell Pharma Solutions business to Roquette; Completed Cosmetic Ingredients divestiture; Proceeds strengthen capital structure
- Off to a good start to the year yet recognize that it is still early and uncertainty remains; Now expect full year 2024 results to trend towards the higher-end of our previously announced guidance ranges

<sup>1</sup> Non-GAAP metric; please see Non-GAAP disclosures at [ir.iff.com](https://ir.iff.com)



# INSIGHT INTO FIRST 90 DAYS

## OBSERVATIONS

Balance sheet needed to be addressed

Financial objectives/ commitments not be consistently achieved

Lack of clarity on strategy and business operating model

Underperforming full potential

## ACTIONS

Adjusted quarterly dividend

Announced Pharma Solutions divestiture & closed Cosmetic Ingredients divestiture

Implemented operating model change & initiated new operating philosophy

Delivering on Q1 commitments & on-track to achieve full year guidance

## FOCUS AREAS

Profitably win market share over time

Continue and progress top tier innovation for customers

Drive productivity across the entire organization

Consistently deliver financial results

Q1 2024

# CONSOLIDATED RESULTS

In millions / % of sales	2023	2024	Reported % $\Delta$	Comparable Adjusted % $\Delta^{1\ 2}$
Revenue <sup>2</sup>	\$3,027	\$2,899	(4)%	5% <sup>3</sup>
Adjusted Operating EBITDA <sup>1</sup>	\$503	\$578	15%	20%
Adjusted Operating EBITDA Margin <sup>1</sup>	16.6%	19.9%	+330 bps	+310 bps

Comparable currency neutral sales<sup>1\ 2</sup> increased 5% led by growth in Scent, H&B and Nourish

Volume performance continued to improve sequentially across nearly all businesses and grew mid-single digits

Pricing was positive inclusive of FX-related pricing

Comparable adjusted operating EBITDA<sup>1\ 2</sup> grew 20% driven primarily by volume growth & strong productivity gains

<sup>1</sup> Non-GAAP metric; please see Non-GAAP disclosures at ir.iff.com

<sup>2</sup> Comparable results for the first quarter exclude the impact of divestitures and acquisitions

<sup>3</sup> On a comparable currency neutral basis

Q1 2024

# SEGMENT PERFORMANCE

	NET SALES  (Comparable currency neutral vs. 1Q 23) <sup>1 2</sup>	ADJUSTED OPERATING EBITDA <sup>1</sup>  (Comparable adjusted vs. 1Q 23) <sup>1 2</sup>	SEGMENT HIGHLIGHTS
 <b>Nourish</b>	\$1.5 billion <b>+3%</b>	\$216 million <b>+13%</b>	<ul style="list-style-type: none"> <li>• Strong growth in Flavors offset by softness in Functional Ingredients; Volumes improved in Functional Ingredients &amp; were positive in Q1</li> <li>• Profitability improvement driven by volume growth &amp; productivity gains</li> </ul>
 <b>Health &amp; Biosciences</b>	\$531 million <b>+6%</b>	\$159 million <b>+21%</b>	<ul style="list-style-type: none"> <li>• Achieved strong growth in Cultures &amp; Food Enzymes, Grain Processing, Home &amp; Personal Care and Animal Nutrition</li> <li>• Volume growth &amp; productivity gains driving profit performance</li> </ul>
 <b>Scent</b>	\$645 million <b>+16%</b>	\$157 million <b>+55%</b>	<ul style="list-style-type: none"> <li>• Delivered double-digit growth in Consumer Fragrance &amp; Fragrance Ingredients; Fine Fragrance grew mid-single digits</li> <li>• Strong profit growth driven primarily by volume &amp; productivity gains</li> </ul>
 <b>Pharma Solutions</b>	\$227 million <b>(11)%</b>	\$46 million <b>(22)%</b>	<ul style="list-style-type: none"> <li>• Sales performance impacted by temporary customer destocking</li> <li>• Productivity gains more than offset primarily by lower volume</li> </ul>

<sup>1</sup> Non-GAAP metric; please see Non-GAAP disclosures at [ir.iff.com](http://ir.iff.com)

<sup>2</sup> Comparable results for the first quarter exclude the impact of divestitures and acquisitions

Q1 2024

# CASH FLOW & LEVERAGE

## Cash Flow

Cash flow from operations totaled \$99 million

Capex YTD was \$118 million or ~4.1% of sales

Free cash flow<sup>1</sup> of \$(19) million

Dividends paid were \$207 million

## Leverage

Cash and cash equivalents finished at \$764 million, which includes \$32 million currently in assets held for sale

Gross debt totaled \$10,324 million

Trailing 12-month credit adjusted EBITDA<sup>2</sup> totaled \$2,162 million

Net debt to credit adjusted EBITDA<sup>2</sup> was 4.4x

<sup>1</sup> Free Cash Flow is a non-GAAP metric; defined as Operating Cash Flow minus Capex

<sup>2</sup> Non-GAAP metric; please see non-GAAP disclosures at [ir.iff.com](http://ir.iff.com)

FY 2024

# CONSOLIDATED OUTLOOK

In millions or as % of sales	FY 2024 <sup>1</sup>
<b>Revenue</b>	<b>\$10.8B – \$11.1B</b>
<i>Volume Δ</i>	0% – 3%
<i>Price Δ</i>	~1%
<i>FX impact</i>	(3)% – (4)%
<b>Adjusted operating EBITDA<sup>1 2</sup></b>	<b>\$1.9B – \$2.1B</b>

Off to a good start in Q1 yet recognize it is still early and uncertainty remains; Now expect results to trend towards the higher-end of our previously announced guidance ranges

Volumes expected to be toward higher-end of range; Modified pricing contribution for FX-related pricing actions in emerging markets

Continuing to drive strong productivity while reinvesting in the business for long-term profitable growth

Adjusted the sales impact of foreign exchange to (3)% to (4)% (vs 0% to (1)% previously) to reflect emerging market currency

<sup>1</sup> Non-GAAP metric; please see Non-GAAP disclosures at ir.iff.com

<sup>2</sup> The Company cannot reconcile its expected adjusted operating EBITDA under "Financial Guidance" without unreasonable effort because certain items that impact net income and other reconciling metrics are out of the Company's control and/or cannot be reasonably predicted at this time. These items include but are not limited to acquisition, divestiture and integration related costs, gains (losses) on business disposals, and regulatory costs.

\* Based on current market foreign exchange rates

# SUMMARY

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- Delivered strong top and bottom-line results in Q1
- Taking actions to strengthen capital structure by re-sizing quarterly dividend, closing Cosmetic Ingredients divestiture and announcing divestiture of Pharma Solutions
- Committed to delivering our full year financial objectives with increased confidence due to strong start to the year
- Continuing to deliver top tier innovation to our customers to help them win in the marketplace
- Remain intently focused on driving sustainable profitable growth via customer, innovation & productivity



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