

An aerial photograph of a lavender field. The field is divided into long, straight rows of purple lavender plants. In the upper right portion of the image, a red tractor is pulling a blue piece of agricultural machinery, likely a harrow or similar, across the field. The ground between the rows is a mix of brown soil and green grass.

# Q2 2020 EARNINGS CONFERENCE CALL

**iff**

August 11, 2020



# CAUTIONARY STATEMENT

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements regarding IFF's expected future financial position, results of operations, cash flows, financing plans, business strategy, budgets, capital expenditures, competitive positions, growth opportunities, plans and objectives of management and statements containing the words such as "anticipate," "approximate," "believe," "plan," "estimate," "expect," "project," "could," "should," "will," "intend," "may" and other similar expressions, are forward-looking statements. Statements in this presentation concerning IFF's outlook for the third quarter and full year 2020 and beyond and future economic performance, the impact of COVID-19 pandemic on its business, anticipated profitability, revenues, expenses, specific product categories or other financial items, the expectation of a positive impact on cash flows from targeted reductions in operating and capital expenditures, the expected impact of the Frutarom integration, including anticipated synergies and cost savings, the expected timetable for completing the proposed transaction with N&B, the benefits and synergies of the proposed transaction with N&B, future opportunities for the combined company and products and any other statements regarding IFF's and N&B's future operations, together with other statements that are not historical facts, are forward-looking statements that are estimates reflecting management's best judgment based upon currently available information.

Factors that could cause IFF's actual results to differ materially include, but are not limited to: (1) the effect of economic conditions in the industries and markets in which IFF operates in the U.S. and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand, the impact of weather conditions, natural disasters, public health issues, epidemics and pandemics, including the novel coronavirus (COVID-19), or the fear of such events, and the financial condition of IFF's customers and suppliers; (2) the risks to the Company's business from the COVID-19 pandemic, including operational risks, supply chain risks, and customer related-risks; (3) risks related to the integration of the Frutarom business, including whether we will realize the benefits anticipated from the acquisition in the expected time frame; (4) unanticipated costs, liabilities, charges or expenses resulting from the Frutarom acquisition, (5) the impact of the outcome of legal claims, regulatory investigations and litigation, (6) the increase in the Company's leverage resulting from the additional debt incurred to pay a portion of the consideration for Frutarom and its impact on the Company's liquidity and ability to return capital to its shareholders, (7) the Company's ability to successfully market to its expanded and decentralized Taste and Frutarom customer base, (8) the Company's ability to effectively compete in its market and develop and introduce new products that meet customers' needs, (9) the Company's ability to successfully develop innovative and cost-effective products that allow customers to achieve their own profitability expectations, (10) the impact of the disruption in the Company's manufacturing operations, (11) the impact of a disruption in the Company's supply chain, including the inability to obtain ingredients and raw materials from third parties, (12) volatility and increases in the price of raw materials, energy and transportation, (13) the Company's ability to comply with, and the costs associated with compliance with, regulatory requirements and industry standards, including regarding product safety, quality, efficacy and environmental impact, (14) the impact of any failure or interruption of the Company's key information technology systems or a breach of information security, (15) the Company's ability to react in a timely and cost-effective manner to changes in consumer preferences and demands, (16) the Company's ability to establish and manage collaborations, joint ventures or partnership that lead to development or commercialization of products, (17) the Company's ability to benefit from its investments and expansion in emerging markets; (18) the impact of currency fluctuations or devaluations in the principal foreign markets in which it operates; (19) economic, regulatory and political risks associated with the Company's international operations, (20) the impact of global economic uncertainty on demand for consumer products, (21) the inability to retain key personnel; (22) the Company's ability to comply with, and the costs associated with compliance with, U.S. and foreign environmental protection laws, (23) the Company's ability to realize the benefits of its cost and productivity initiatives, (24) the Company's ability to successfully manage its working capital and inventory balances, (25) the impact of the failure to comply with U.S. or foreign anti-corruption and anti-bribery laws and regulations, including the U.S. Foreign Corrupt Practices Act, (26) the Company's ability to protect its intellectual property rights, (27) the impact of the outcome of legal claims, regulatory investigations and litigation, (28) changes in market conditions or governmental regulations relating to our pension and postretirement obligations, (29) the impact of future impairment of our tangible or intangible long-lived assets, (30) the impact of changes in federal, state, local and international tax legislation or policies, including the Tax Cuts and Jobs Act, with respect to transfer pricing and state aid, and adverse results of tax audits, assessments, or disputes, (31) the effect of potential government regulation on certain product development initiatives, and restrictions or costs that may be imposed on the Company or its operations as a result, and (32) the impact of the United Kingdom's expected departure from the European Union. New risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risks on the Company's business. Accordingly, the Company undertakes no obligation to publicly revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

In addition to the factors set forth above, other factors that may affect IFF's plans, results or stock price are set forth in IFF's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Many of these factors are beyond IFF's control and IFF cautions investors that any forward-looking statements made by IFF are not guarantees of future performance. IFF disclaims any obligation to update any such factors or to announce publicly the results of any revisions to any of the forward-looking statements to reflect future events or developments.

# CAUTIONARY STATEMENT

## Use of Non-GAAP Financial Measures

We provide in this presentation non-GAAP financial measures, including: (i) currency neutral sales; (ii) adjusted operating profit ex amortization; (iii) currency neutral adjusted operating profit ex amortization; (iv) adjusted operating profit margin ex amortization; (v) adjusted EPS ex amortization; (vi) currency neutral adjusted EPS ex amortization; (vii) free cash flow; (viii) core working capital and (ix) net debt to adjusted EBITDA. Our non-GAAP financial measures are defined below. A reconciliation of these non-GAAP financial measures to their respective GAAP measures is available on our website.

Currency Neutral metrics eliminate the effects that result from translating international currency to U.S. dollars. We calculate currency neutral numbers by comparing current year results to the prior year results restated at exchange rates in effect for the current year based on the currency of the underlying transaction. Sales by end-market are only available on a Currency Neutral basis, as we currently are not able to translate sales from international currency to U.S. dollars on a basis of such end-markets without reasonable effort due to the current structure of our reporting systems.

Adjusted operating profit/profit margin ex amortization excludes the impact of non-operational items including operational improvement initiatives, integration related costs, restructuring and other charges, net, Frutarom acquisition related costs, compliance review and defense costs, N&B transaction related costs and non-cash items, including gains/losses on sale of assets and the amortization of acquisition related intangible assets.

Adjusted EPS ex Amortization excludes the impact of non-operational items including operational improvement initiatives, integration related costs, restructuring and other charges net, compliance review and defense costs, N&B transaction related costs, non-cash items including gains on sale of assets, redemption value adjustment to EPS and the amortization of acquisition related intangible assets.

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

Core Working Capital includes Accounts Receivables, Inventories and Accounts Payables

Net Debt to Adjusted EBITDA is the leverage ratio used in our credit agreement and defined as Net Debt (which is long-term debt less cash and cash equivalents) divided by Adjusted EBITDA. However, as Adjusted EBITDA for these purposes were calculated in accordance with the provisions of the credit agreement, it may differ from the calculation used for other purposes.

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.



**Andreas Fibig**

Chairman and  
Chief Executive Officer



**Rustom Jilla**

Executive Vice  
President, Chief  
Financial Officer



**Michael DeVeau**

Vice President,  
Investor Relations  
& Communications

# TODAY'S SPEAKERS

# AGENDA

1. Executive Highlights
2. COVID-19 Status
3. Financial Review
4. IFF & Dupont N&B Update
5. Q&A

# EXECUTIVE HIGHLIGHTS

## 1H 2020 key accomplishments

- Business resilient through first half of 2020 amid COVID-19
  - ~15%\* of portfolio (Fine Fragrance & Food Service): **(22)%\*\***
  - ~85%\* of portfolio (Food, Beverage, Hygiene & Disinfection): **+5%\*\***
- Frutarom integration progressing – achieved solid cost synergies
- Advanced Nutrition & Biosciences integration planning, filed definitive proxy and set date for shareholder vote for August 27, 2020
- Extremely proud to acknowledge that our employees have continued to serve the needs of our customers and our communities around the world
- Cautiously optimistic in outlook ahead, yet recognize that the environment is volatile, and much uncertainty remains about the duration and implication of the COVID-19 pandemic

6 \* Based on 2019 consolidated revenue

\*\* Currency Neutral sales is a Non-GAAP metric; please see Non-GAAP disclosures at [ir.iff.com](http://ir.iff.com)





# 1H 2020 FINANCIAL SUMMARY

Business resilient amid COVID-19

**\$2.5B**

SALES

**\$478M**

ADJ. OPERATING PROFIT EX AMORT\*

**\$2.99**

ADJ. EPS EX AMORT\*

- Currency neutral sales\* grew 1% led by strong growth in Consumer Fragrances & Savory Solutions
- Adjusted operating profit ex amortization and adjusted EPS ex amortization – both on a currency neutral basis\* – pressured by lower sales volume, unfavorable mix & higher COVID-19 related cost
- Improved core working capital & prioritized capex led to strong free cash flow\*\*



# COVID-19: IMPACT ASSESSMENT

Continuing to successfully navigate and operate in the “new normal”

- 1 Health & Safety**
  - Closely monitoring evolving global and local regulatory policies
  - Ensuring our employees’ safety and well-being #1 priority
- 2 Procurement**
  - Cost continue to be higher due to availability of supply
  - Proactively addressing raw material challenges
- 3 Logistics**
  - Continue to navigate logistics based on local policies
  - Minimal incremental expenses incurred
- 4 Manufacturing**
  - All manufacturing sites are open and operating fully
  - Most sites remain limited to “essential” employees
- 5 Creative & Application**
  - Continue to support customers in-person & remotely
  - Project pipeline improving as restrictions are minimized



# Q2 2020 FINANCIAL PERFORMANCE

Results impacted during peak COVID-19 environment

## Q2 RESULTS

**\$1.2B**  
SALES

**\$207M**  
ADJ. OPERATING PROFIT EX AMORTIZATION\*

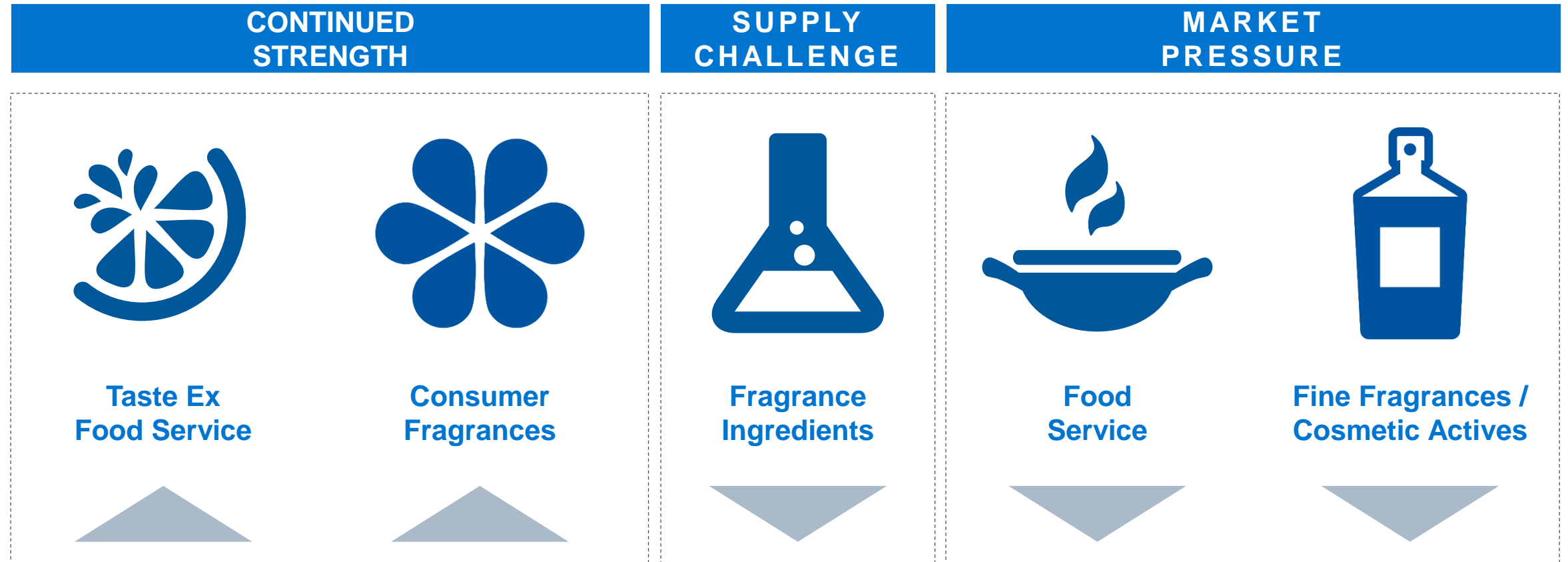
**\$1.36**  
ADJ. EPS EX AMORTIZATION\*

## COMMENTARY

- Currency neutral sales\* decline 4% in Q2
- Fine Fragrance & Food Service combined declined 38% on a currency neutral basis\*
- Remainder of portfolio including food, beverage, hygiene & disinfection products collectively grew 2% on a currency neutral basis\*
- Adjusted operating profit ex amort down 19% on a currency neutral basis\* as cost savings were offset by lower volume, weaker mix & unfavorable pricing
- Adjusted EPS ex amort declined 19% on a currency neutral basis\* driven by weaker adjusted operating profit performance

# Q2 2020 SALES DYNAMICS

Insight into the drivers of year-over-year change

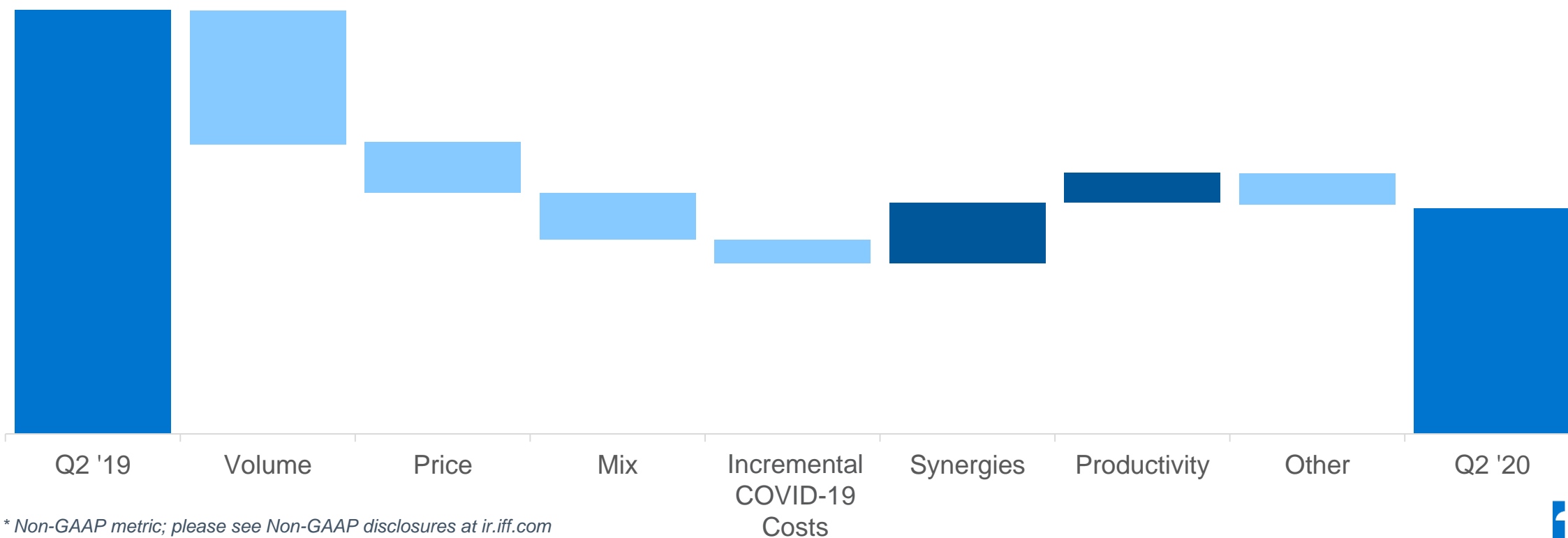




# Q2 2020 PROFITABILITY DYNAMICS

Synergies & productivity offset primarily by lower sales volume, pricing & mix

Currency Neutral Adjusted Operating Profit Ex Amortization\*



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



# SCENT RESULTS

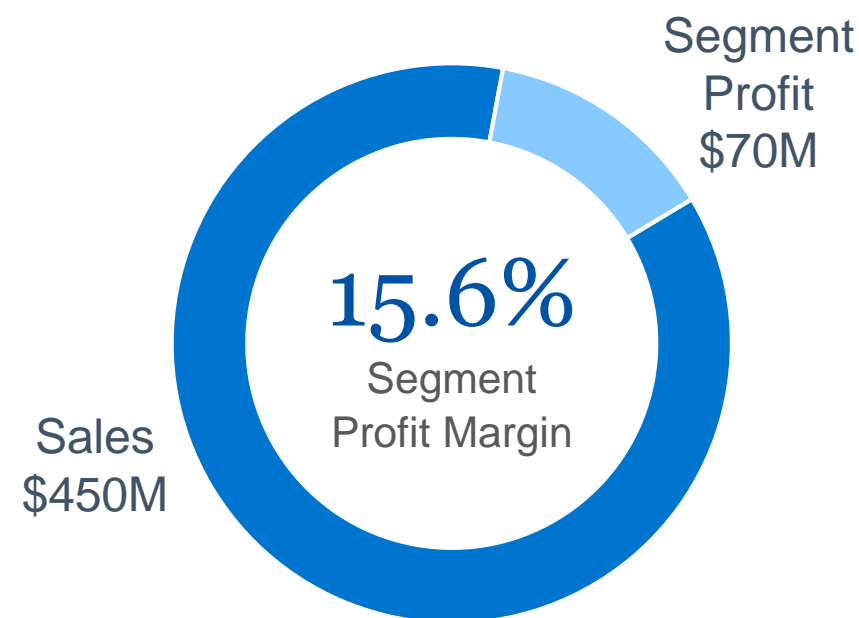
## Q2 2020 performance review

### CURRENCY NEUTRAL SALES GROWTH\*

Q2 2020: (4)%

- Double-digit performance in Consumer Fragrance led by robust growth in Fabric, Home, Hair Care & Personal Wash
- Fine Fragrance down 40% primarily due to temporary disruptions of consumer access to retail markets
- Fragrance Ingredients was lower due to the internal prioritization of ingredients to support Fragrance Compounds in light of COVID-19

### SEGMENT PROFIT



- Productivity offset by lower sales volume, weaker mix & unfavorable price to raw material cost



# TASTE RESULTS

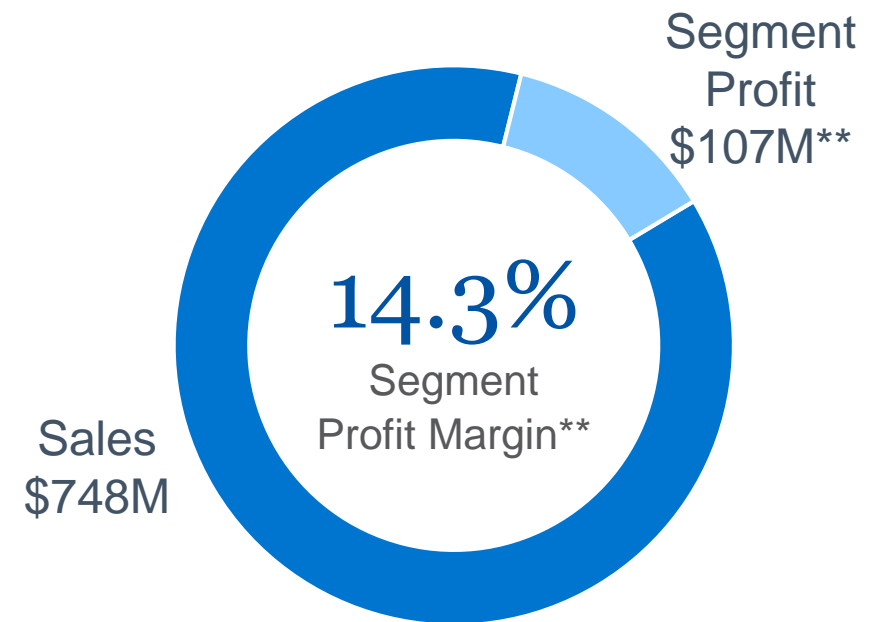
## Q2 2020 performance review

### CURRENCY NEUTRAL SALES GROWTH\*

Q2 2020: (5)%

- Food Service experienced significant pressure declining 36% due to the impact of COVID-19
- North America showed resiliency, but the emerging markets, especially India and several Latin American countries, were impacted by COVID-19 and strong regulatory restrictions put in place to protect communities

### SEGMENT PROFIT



- Acquisition-related synergies offset by lower sales volume & unfavorable price to raw material cost

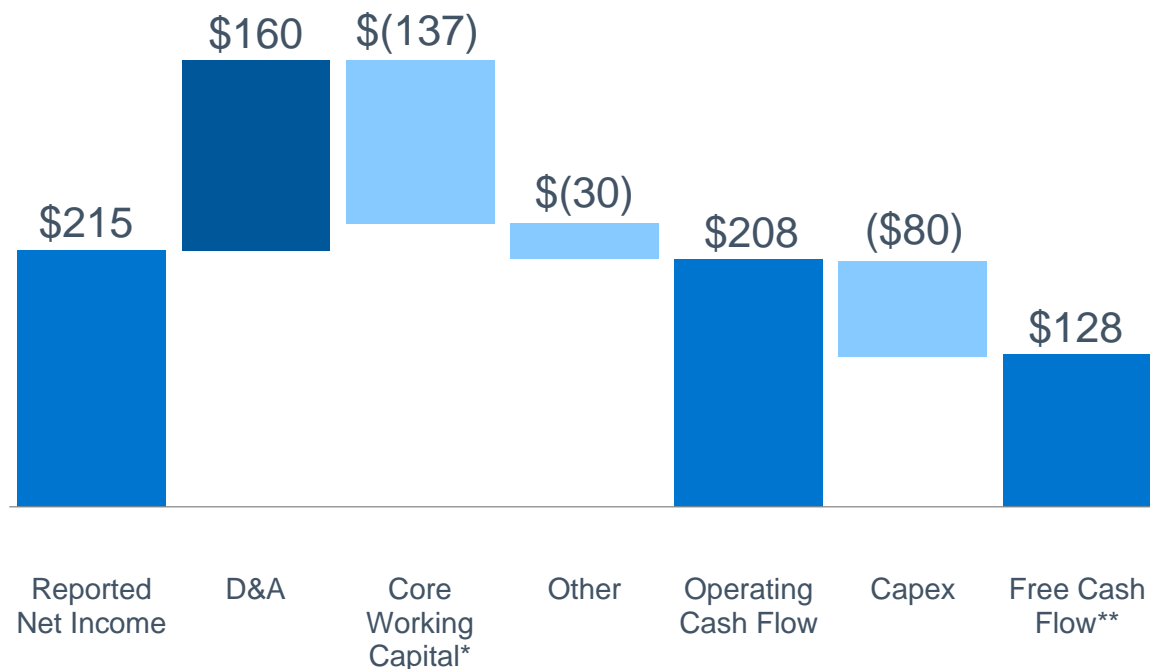
13 \* Non-GAAP metric; please see Non-GAAP disclosures at [ir.iff.com](http://ir.iff.com)

\*\* Includes approximately \$42M of amortization of intangible assets

# CASH FLOW DYNAMICS

Strong double-digit improvement in operating cash flow & free cash flow

## 1H 2020 CASH FLOW



	1H '19	1H '20
Reported Net Income	\$250	\$215
D&A	\$155	\$160
Core Working Capital*	\$(166)	\$(137)
Other	\$(54)	\$(30)
Operating Cash Flow	\$185	\$208
Capex	\$119	\$(80)
Free Cash Flow**	\$66	\$128

14 \* Core Working Capital includes Accounts Receivables, Inventories and Accounts Payables

\*\* Non-GAAP metric; Free cash flow defined as operating cash flow less capex

## COMMENTARY

### Operating Cash Flow

- Operating cash flow +12% led by core working capital
- Core working capital improvement driven by Days Payable Outstanding & Days Sales Outstanding

### Capital Expenditures

- Capex was ~3.1% of sales vs. 4.6% in prior year

### Free Cash Flow

- Improved core working capital & prioritized capex led to strong 94% increase in free cash flow\*\*

### Dividend

- Raised dividend 3% or \$0.02 to \$0.77 per share

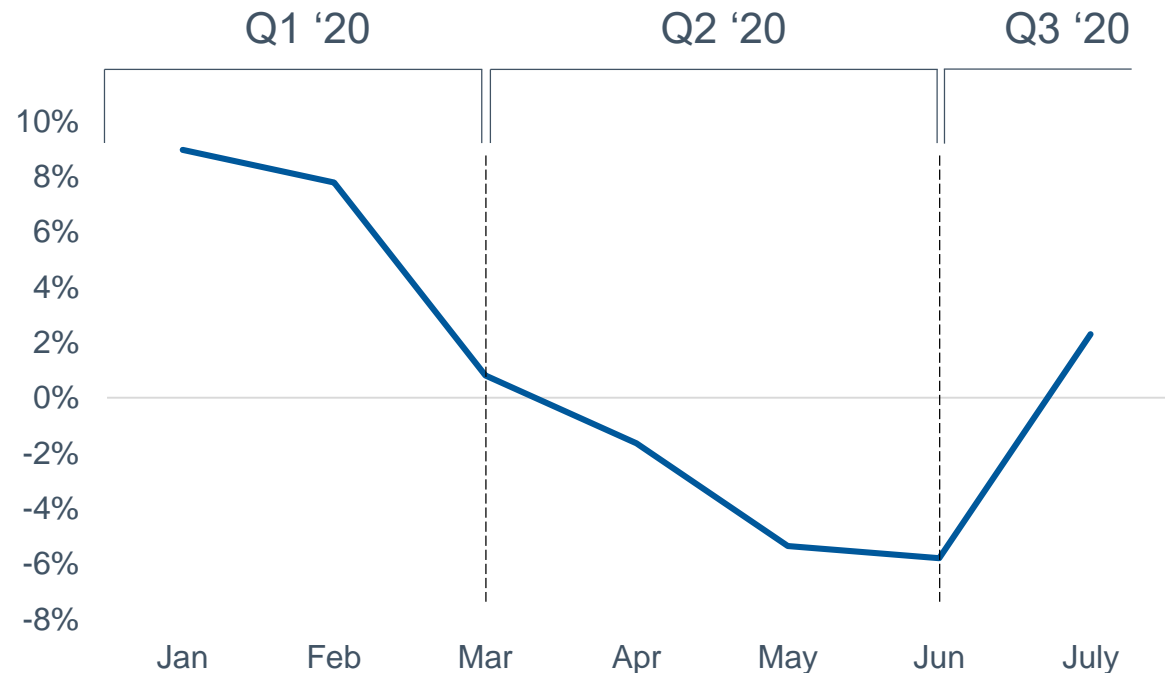




# Q3 SALES DYNAMICS

Marked improvement since pandemic began with July sales positive

## YEAR-OVER-YEAR MONTHLY PERFORMANCE\*



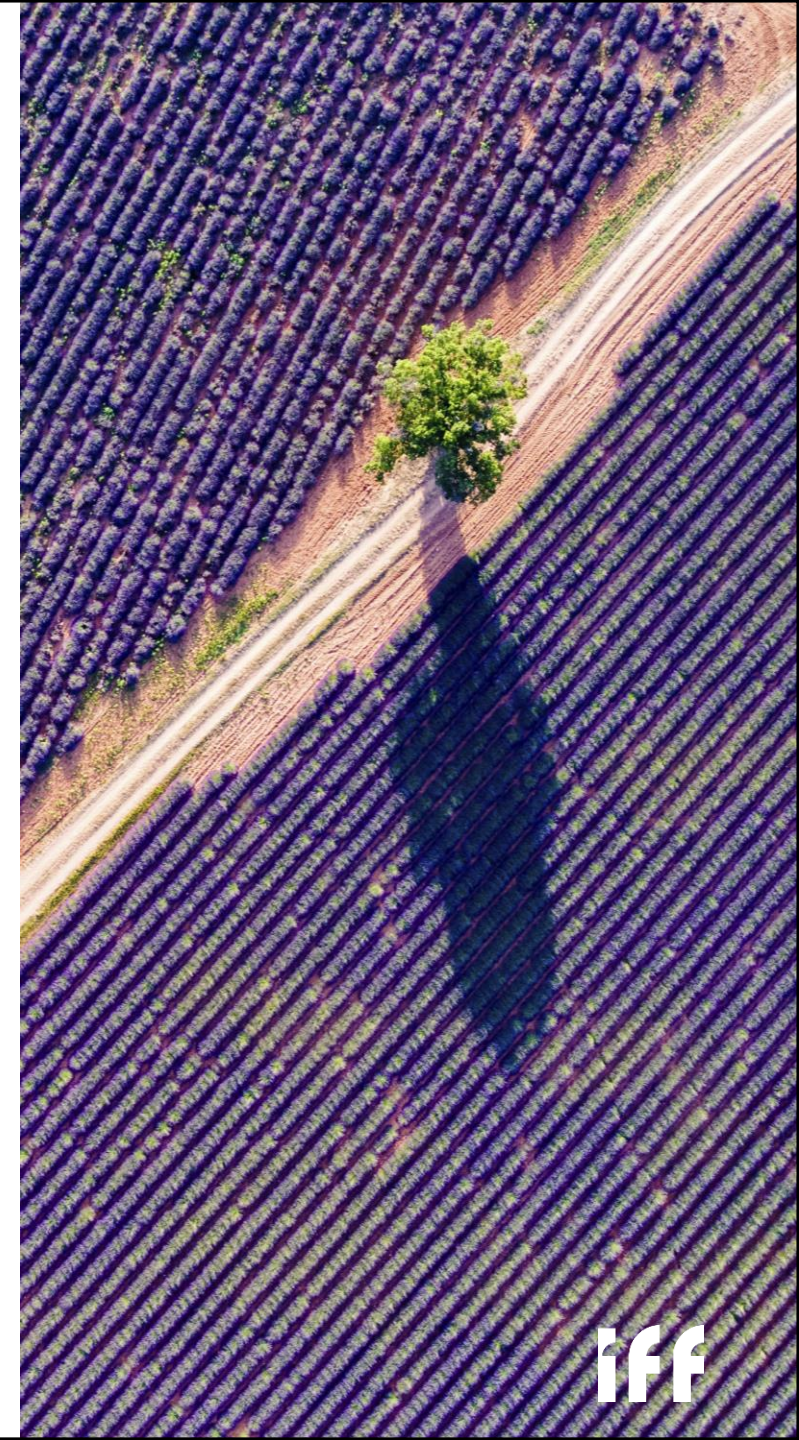
## COMMENTARY

- Strong start to the year with mid-single digit currency neutral sales growth
- Emergence of COVID-19 impacted sales; Peak disruption to date occurred in Q2
- As restrictions & closures eased and mobility improved, performance improving
- Categories and markets significantly impacted in Q2 showing signs of improvement – yet remain negative
- Balance of portfolio continues to be solid

# LOOKING AHEAD

## Global conditions remain volatile & unpredictable

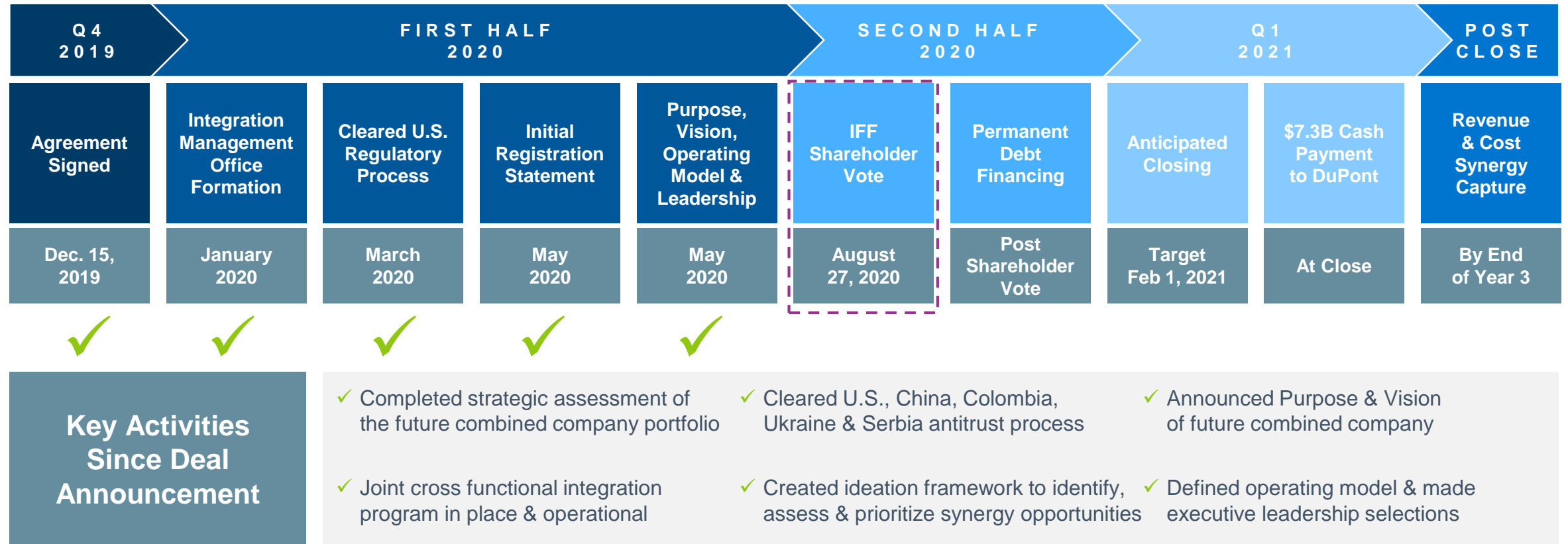
- Remain fortunate that majority of portfolio is essential for Food, Beverage, Hygiene & Disinfection products
- Expect Fragrance Ingredients and Cosmetic Actives to improve going forward; Fine Fragrance & Food Service will remain under pressure
- Believe we will see a continuation of strong cash flow as we target reductions in operational and capital expenses
- Remain cautiously optimistic we will see a sequential improvement in Q3
- Given the uncertainty, FY 2020 financial guidance remains suspended





# N&B INTEGRATION PLANNING

Shareholder meeting announced; On-track with execution timeline



**Integration Activities On-Track for Q1 2021 Close**

# SUMMARY

- Business resilient through first half of 2020 amid COVID-19
- Frutarom integration progressing well, with solid revenue and cost synergies achieved to date
- Made significant advancements in N&B planning & announced the date for shareholder vote for August 27, 2020
- Proud of our employees who have continued to serve the needs of our customers and our communities around the world
- As restrictions and closures ease we have seen an improvement in our performance in July. Remain cautiously optimistic as we recognize that the environment is volatile & unpredictable

**iff**

