

**IFF**  
**Q2 2017**  
**Earnings**  
**Conference**  
**Call**

August 9, 2017

# 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 the business environment in 2017, the Company’s 2017 guidance, expected revenues from acquired companies and the expected benefits and savings from the Company’s planned productivity initiatives. 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) macroeconomic trends affecting the emerging markets; (2) the Company’s ability to implement and adapt its Vision 2020 strategy; (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 realize the benefits of its productivity initiatives and other optimization activities; (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, including the devaluation of the Euro; (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) the impact of customer claims or product recalls; (13) fluctuations in the quality and availability of raw materials; (14) the impact of a disruption in the Company’s supply chain or its relationship with its suppliers; (15) the Company’s ability to comply with, and the costs associated with compliance, with U.S. and foreign environmental protection laws; and (16) 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*

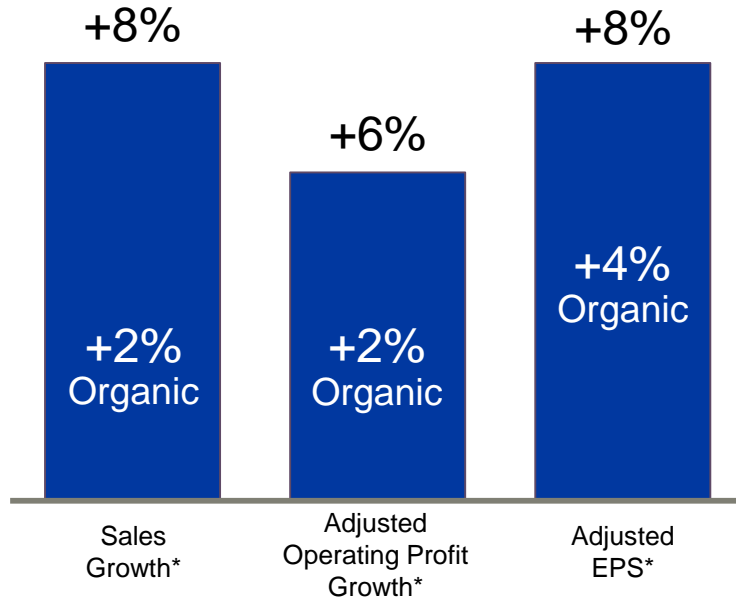
# Agenda

1. Executive Overview
2. Vision 2020 Progress
3. Financial Review
4. Outlook
5. Q&A

# Q2 2017 Executive Overview

## Achieved growth across all financial metrics

### Currency Neutral Performance



#### Currency Neutral Sales Growth\*

- Broad-based growth driven by the contribution of our acquisitions as well as a solid performance in Flavors

#### Currency Neutral Adjusted Operating Profit\*

- Principally driven by acquisitions, volume growth, and cost savings and productivity initiatives

#### Currency Neutral Adjusted EPS\*

- Benefited from year-over-year reduced shares outstanding and favorable other operating income and expense



\* 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)

# Vision 2020 Execution

## Innovating Firsts

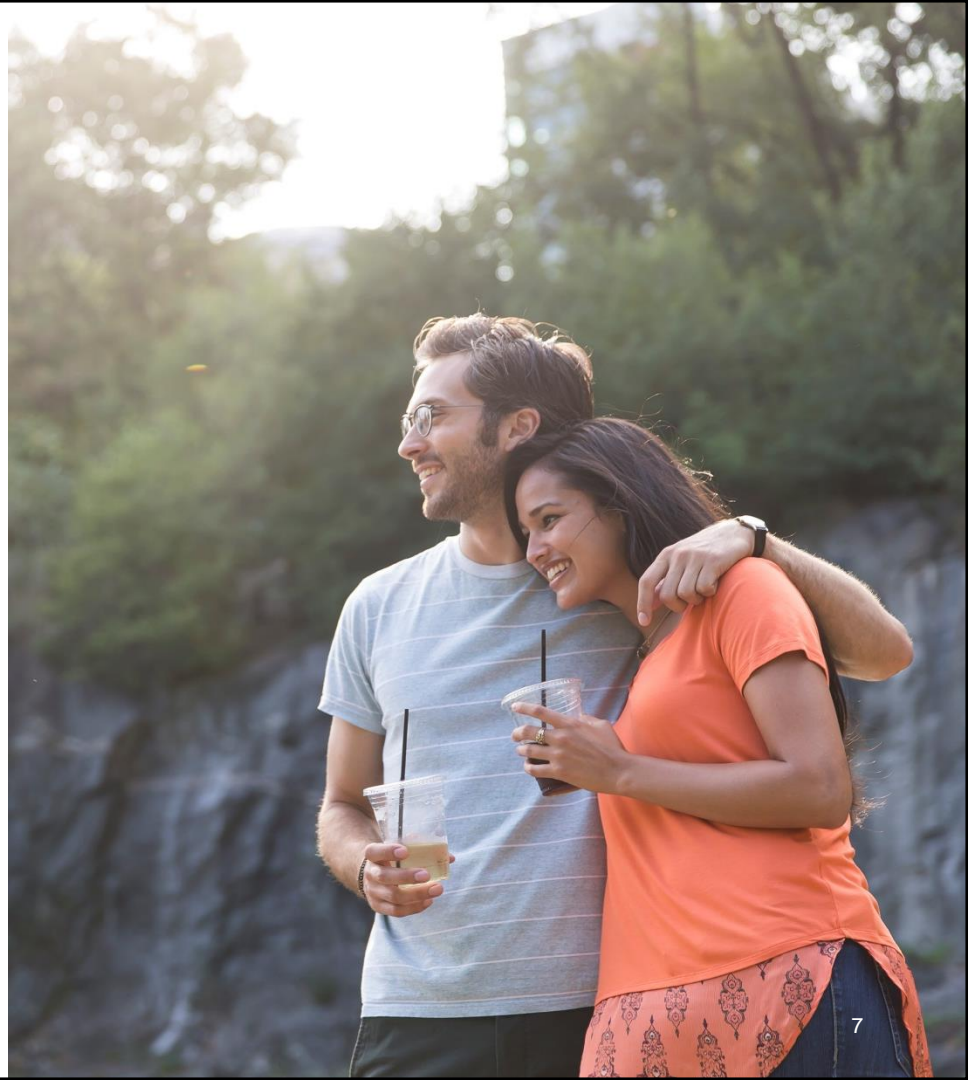
- Sweetness & savory modulation portfolio sales improved strong double-digits
- Flavors Latin America grew double-digits led by our proprietary delivery system
- Rolled out a new flavor modulator for our flavorists' to use in formulation development
- Launched a new fragrance ingredient, Veraspice™, to further drive differentiation
- IFF | Lucas Meyer Cosmetics won Bronze at In-Cosmetics Global 2017 for Siligel™



# Vision 2020 Execution

## Win Where We Compete

- North America sales +19%, inclusive of David Michael, Fragrance Resources & PowderPure acquisitions
- Middle East & Africa up strong double-digits led by growth in both Flavors and Fragrances



# Vision 2020 Execution

## Customers' Partner of Choice

- Launched Tastepoint<sup>SM</sup> by IFF to serve dynamic mid-tier customers
- First and only F&F house to sign the World Business Council for Sustainable Development's new publication, The CEO Guide to the Circular Economy





# Vision 2020 Execution

## Strengthen & Expand Portfolio

- David Michael, Fragrance Resources and PowderPure acquisitions contributed approximately 6 ppts of sales growth and 4 ppts of operating profit growth in Q2 2017
- Cosmetic Active Ingredients grew strong double-digits in Q2 2017
- Joined MIT Media Lab to Accelerate Sensorial Open Innovation



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

## The perfect blend of heart & science

- A new company designed to service the dynamic middle-market customer in North America
- Born out of the combination of David Michael and Ottens Flavors
- Focused on servicing customers with the “can-do” approach of a smaller company, and backed by expertise traditionally reserved for companies with more global reach



# Q2 2017 & 1H 2017 Financial Performance

Solid Operational Performance

	Q2 2017	1H 2017
Currency neutral sales growth*	+8%	+7%
Currency neutral adjusted operating profit growth*	+6%	+5%
Currency neutral adjusted EPS growth*	+8%	+9%

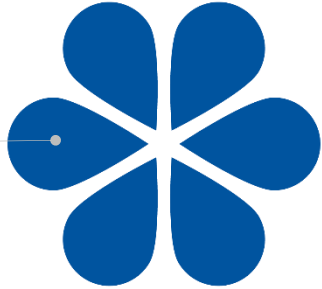


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# Fragrances Review

Q2 2017 currency neutral sales performance

+5%  
TOTAL SALES



+1%

## CONSUMER FRAGRANCE

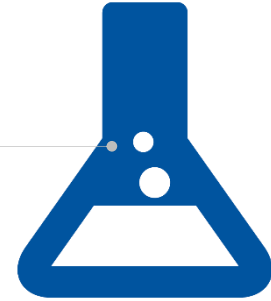
Inclusive of additional sales related to the acquisition of Fragrance Resources and low-single-digit improvements in Fabric Care and Home Care



+11%

## FINE FRAGRANCE

Inclusive of additional sales related to the acquisition of Fragrance Resources; growth led by double-digit growth in EAME



+9%

## FRAGRANCE INGREDIENTS

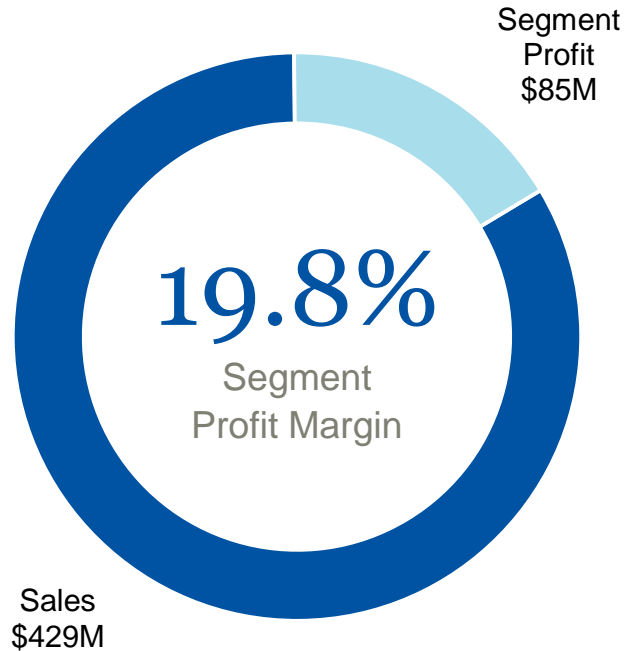
Primarily driven by double-digit growth in EAME and Latin America; IFF | Lucas Meyer Cosmetics grew double-digits



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

# Fragrances Review

## Q2 2017 segment profit performance



### Currency Neutral Segment Profit: (3)%\*

- Benefited from volume growth and cost & productivity initiatives
- Unfavorable price to input costs as well as weaker sales mix

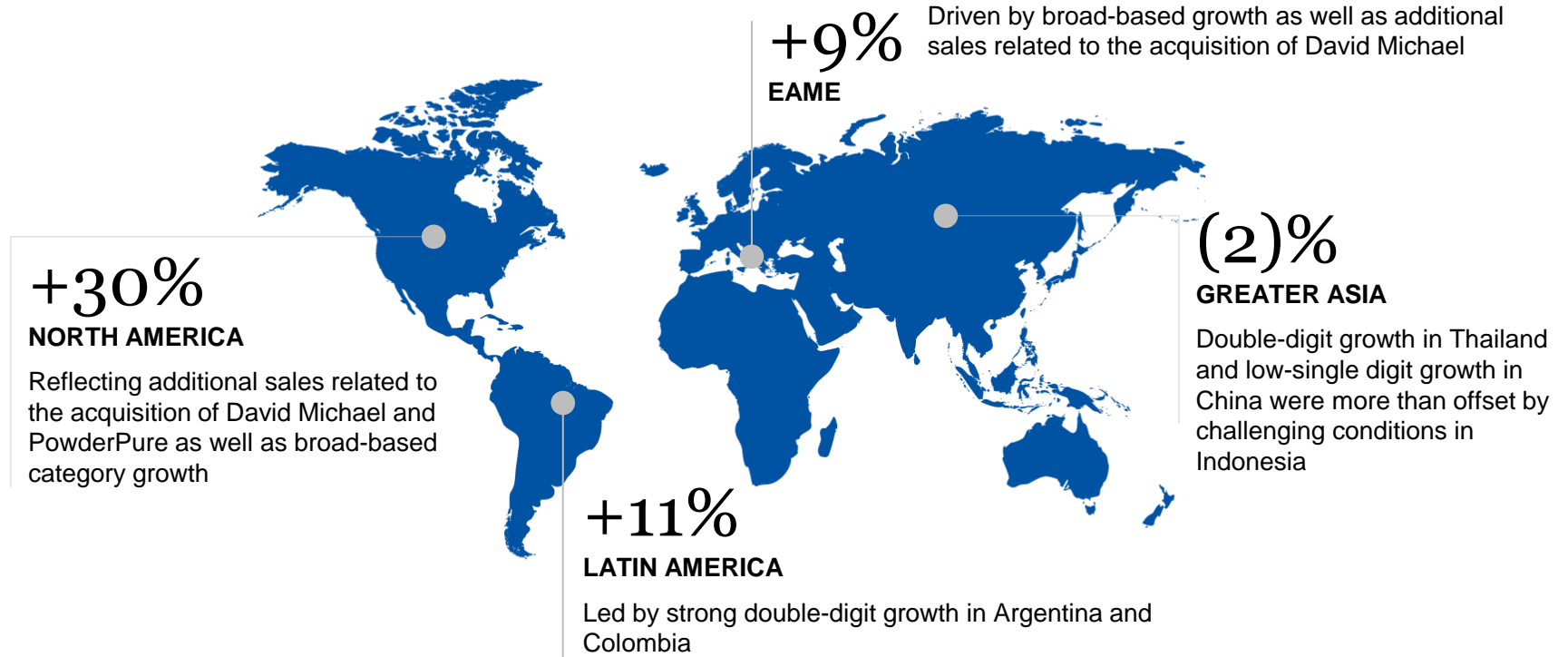
### Currency Neutral Segment Profit Margin:

- Strong margin profile; pressured year-over-year driven by the above noted items plus the Fragrance Resources acquisition

# Flavors Review

Q2 2017 currency neutral sales performance

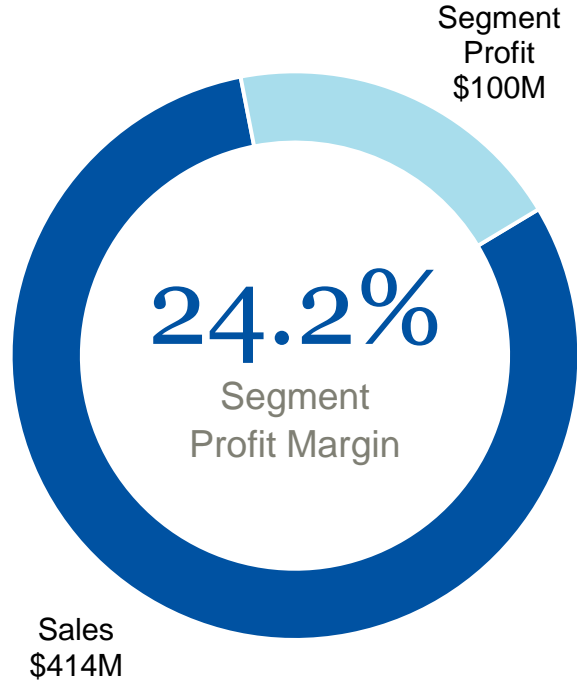
**+11%**  
TOTAL SALES



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# Flavors Review

## Q2 2017 segment profit performance



### Currency Neutral Segment Profit: +14%\*

- Continued strong growth performance
- Driven by volume growth, the benefits of acquisitions & productivity initiatives

### Currency Neutral Segment Profit Margin:

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

# Cash Flow Analysis

## 1H 2017 operating cash flow results & uses of cash

	1H '16	1H '17
Net Income	\$235	\$226
Core Working Capital*	(107)	(105)
D&A	50	56
Pension	(40)	(32)
Other	34	(87)
<b>Operating Cash Flow</b>	<b>\$172</b>	<b>\$58</b>
Capital Expenditures	(43)	(46)
Dividends	(89)	(101)
Share Buybacks	(72)	(53)

### Operating cash flow

- Lower operating cash flow primarily impacted by previously announced ZoomEssense litigation settlement (\$56M)
- Core working capital slightly improved due primarily to improved accounts payables

### Continued to invest in the business via Capex

- Capex as a percentage of sales ~3% driven by new plant and capacity investments

### Return of Cash to Shareholders

- On track to deliver or exceed total payout ratio of 50-60% of adjusted net income



# 2017 Currency Neutral Outlook

Reconfirm previously stated guidance

Currency neutral  
sales growth\*

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7.5 - 8.5%

Currency neutral adjusted  
operating profit growth\*

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5.5 - 6.5%

Currency neutral  
adjusted EPS growth\*

6.5 - 7.5%



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# Expected Currency Impact In 2017

Currency has improved; Favorable impact on previous guidance

	Adjusted* Currency Neutral	Impact of Currency	Adjusted*
Sales	7.5% - 8.5%	~(1.0)ppt	6.5% - 7.5%
Operating Profit	5.5% - 6.5%	~(1.5)ppt	4.0% - 5.0%
EPS	6.5% - 7.5%	~(2.5)ppt	4.0% - 5.0%



\* Currency Neutral Sales, Currency Neutral Adjusted Operating Profit and Currency Neutral Adjusted EPS are Non-GAAP metrics

## Summary

**Growth Across All Metrics In Q2 2017**

**Continued Execution of Vision 2020 Strategy**

**On-Track to Deliver 2017 Financial Goals**

# Q&A