



## Media Release

Geneva, 25 January 2019

## 2018 Full Year Results

### Strong business momentum – investing for the future

- Sales of CHF 5.5 billion, up 5.6% on a like-for-like basis and 9.4% in Swiss francs
- EBITDA of CHF 1,145 million, an increase of 5.2% over 2017
- EBITDA margin of 20.7%, with solid underlying business performance
- Net income of CHF 663 million
- Free cash flow of 12.7% of sales
- Proposed dividend of CHF 60.00 per share, up 3.4% year-on-year
- Givaudan Business Solutions fully delivering against targets
- Naturex integration is well underway

### Business Performance

Givaudan Group full year sales were CHF 5,527 million, an increase of 5.6% on a like-for-like basis and 9.4% in Swiss francs when compared to 2017.

Fragrance Division sales were CHF 2,525 million, an increase of 6.6% on a like-for-like basis and 7.8% in Swiss francs.

Flavour Division sales were CHF 3,002 million, an increase of 4.6% on a like-for-like basis and 10.8% in Swiss francs.

Givaudan completed the year with good business momentum and with the project pipeline and win rates being sustained at high levels. This good growth was achieved across all product segments and geographies, with our key strategic focus areas of Naturals, Health and well-being, Active Beauty, Integrated solutions and local and regional customers delivering strong growth, complemented by the recent acquisitions.

The Company continues to implement price increases in collaboration with its customers to fully compensate for the increase in input costs.

"Our strong performance in 2018 demonstrates our continued ability to deliver on our short term objectives, whilst at the same time investing for the long term future success of our business," said CEO Gilles Andrier. "I am very pleased with the results we have achieved in 2018 and with the significant progress that we have made towards our strategic objectives under the 2020 strategy."





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### Gross Margin

The gross profit increased by 3.5% from CHF 2,250 million in 2017 to CHF 2,329 million in 2018. Despite continued productivity gains and cost discipline, the gross margin declined to 42.1% in 2018 compared to 44.5% in 2017, as a result of the lower gross margin in the Fragrance Division, which was impacted by a sharp and broad based increase in raw material costs.

### Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

The EBITDA was CHF 1,145 million in 2018 compared to CHF 1,089 million in 2017, an increase of 5.2% in Swiss francs and 4.3% in local currency. The EBITDA margin was 20.7% in 2018 compared to 21.6% in 2017. On a comparable basis, the EBITDA margin was 21.0% in 2018 compared to 23.3% in 2017.

	2018			2017		
	Group	Fragrance	Flavour	Group	Fragrance	Flavour
<b>EBITDA as published</b>	<b>1,145</b>	<b>508</b>	<b>637</b>	<b>1,089</b>	<b>486</b>	<b>603</b>
<b>EBITDA as published in %</b>	<b>20.7</b>	<b>20.1</b>	<b>21.2</b>	<b>21.6</b>	<b>20.7</b>	<b>22.3</b>
Pension plan changes				20	18	2
Givaudan Business Solutions (GBS) costs	-32	-32		-107	-107	
Sale of the Zurich Innovation Centre (ZIC) <sup>1</sup>	25		25			
Insurance proceeds <sup>2</sup>	20	20				
Acquisition and restructuring expenses <sup>3</sup>	-26	-3	-23			
<b>Comparable EBITDA</b>	<b>1,158</b>	<b>523</b>	<b>635</b>	<b>1,176</b>	<b>575</b>	<b>601</b>
<b>Comparable EBITDA in %</b>	<b>21.0</b>	<b>20.7</b>	<b>21.2</b>	<b>23.3</b>	<b>24.5</b>	<b>22.2</b>

1. The Group completed an agreement to sell and leaseback the Zurich Innovation Centre (ZIC) for a total consideration of CHF 173 million, of which CHF 100 million has been received in 2018, with the balance to be received in 2019. The gain on sale of CHF 25 million is net of applicable disposal costs and taxes.
2. During the year the Group received insurance proceeds related to historical insurance claims in the United States.
3. Acquisition and restructuring expenses incurred of CHF 26 million are largely related to the acquisition of Naturex and the ongoing optimisation of the manufacturing footprint.

### Operating Income

The operating income was CHF 883 million compared to CHF 869 million, an increase of 1.7% versus 2017. When measured in local currency terms, the operating income increased by 0.1%. The operating margin was 16.0% in 2018 compared to 17.2% in 2017.



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## **Financial Performance**

Financing costs in 2018 were CHF 55 million versus CHF 42 million in 2017, largely related to the increase in the net debt of the Group in connection with the Naturex acquisition. Other financial expense, net of income, was CHF 56 million in 2018 compared with CHF 32 million in 2017, mainly as a result of increased foreign currency losses in markets where currencies could not be hedged, most notably in Argentina.

The income tax expense as a percentage of income before taxes was 14%, compared to 9% in 2017, which was impacted by lower tax expenses in the United States. Excluding items of a non-recurring nature, the income tax expense as a percentage of income before taxes for 2017 was 15%.

## **Net Income**

The net income decreased to CHF 663 million in 2018 from CHF 720 million in 2017. This results in a net profit margin of 12.0%, versus 14.2% in 2017. Basic earnings per share were CHF 71.92 compared to CHF 78.18 for the same period in 2017.

## **Cash Flow**

Givaudan delivered an operating cash flow of CHF 916 million in 2018, compared to CHF 861 million in 2017.

Working capital was 26.3% of sales compared to 24.5% in 2017, mainly as a result of the higher inventory levels in Naturex.

Total net investments in property, plant and equipment were CHF 129 million, compared to CHF 189 million in 2017. During 2018, the Group continued its investment programme to support growth in high growth markets, most notably with investments in India, Singapore and China. The Group completed an agreement to sell and leaseback the Zurich Innovation Centre for a total consideration of CHF 173 million, of which CHF 100 million has been received in 2018, with the balance to be received in 2019.

Intangible asset additions were CHF 55 million in 2018, compared to CHF 53 million in 2017 as the Company continued to invest in its IT platform capabilities, including those to support the introduction of the Givaudan Business Solutions organisation.

Total net investments in tangible and intangible assets were 3.3% of sales in 2018, compared to 4.8% in 2017. Excluding the impact of the ZIC transaction, total net investments in tangible and intangible assets would have been 4.2% of sales.

Operating cash flow after net investments was CHF 732 million in 2018, versus the CHF 619 million recorded in 2017. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 703 million in 2018, versus CHF 594 million for the comparable period in 2017. As a percentage of sales, free cash flow in 2018 was 12.7%, compared to 11.8% in 2017.



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## **Financial Position**

Givaudan's financial position remained solid at the end of the year. Net debt at December 2018 was CHF 2,847 million, compared to CHF 1,074 million at December 2017, with the increase driven by the Group's acquisitions and investment programme, including Naturex. At the end of December 2018 the leverage ratio was 41%, compared to 21% at the end of 2017.

During 2018, Givaudan received strong investment grade credit ratings from S&P Global Ratings (A- with stable outlook) and from Moody's Investors Service (Baa1 with stable outlook).

## **Givaudan Business Solutions**

The Company is now in the implementation phase of Givaudan Business Solutions (GBS), a global organisation providing best-in-class processes and services.

The progressive implementation of Givaudan Business Solutions is fully in line with the plan and has delivered the first financial benefits of CHF 20 million in 2018.

In 2018, the Group incurred costs of CHF 32 million (Cash impact: CHF 64 million) in relation to the implementation of the Givaudan Business Solutions organisation, compared with CHF 107 million in 2017 (Cash impact: CHF 47 million).

## **Naturex**

Givaudan completed the acquisition of Naturex in September 2018 and has consolidated the financial results of Naturex from 1 September 2018. Naturex is an international leader in plant extraction and the development of natural ingredients and solutions for the food, health and beauty sectors.

In 2018, Naturex contributed CHF 150 million of sales, CHF 146 million in the Flavour Division and CHF 4 million in the Fragrance Division. Givaudan aims to achieve sales growth of the Naturex portfolio of 10% per annum from 2021 and at the same time return the profitability and other key financial indicators of the combined business to pre-acquisition levels by 2021 for the Flavour Division.

## **Dividend Proposal**

At the Annual General Meeting on 28 March 2019, Givaudan's Board of Directors will propose a cash dividend of CHF 60.00 per share for the financial year 2018, an increase of 3.4% versus 2017. This is the eighteenth consecutive dividend increase following Givaudan's listing at the Swiss stock exchange in 2000.



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**2020 Guidance – Responsible growth. Shared success.**

The Company's 2020 ambition is to create further value through profitable, responsible growth. Building on the first two years of this strategic cycle in 2016 and 2017, Givaudan's 2020 ambition is built on the three strategic pillars of 'growing with our customers', 'delivering with excellence', and 'partnering for shared success'.

As part of the Company's 2020 strategy, Givaudan also seeks to create value through targeted acquisitions, which complement existing capabilities in providing winning solutions for its customers. Since 2014, Givaudan has announced nine acquisitions, which are fully in line with the growth pillars within the Company's 2020 strategy.

Ambitious financial targets are a fundamental part of Givaudan's strategy. We aim to outpace the market with 4-5% sales growth and a free cash flow of 12-17% of sales, both measured as an average over the five-year period of our strategy cycle. It is Givaudan's intention to maintain its current dividend practice as part of this ambition.



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## Key Figures

For the twelve months ended 31 December, In million CHF except per share data		2018	2017
<b>Group Sales</b>		<b>5,527</b>	<b>5,051</b>
Fragrance sales		2,525	2,343
Flavour sales		3,002	2,708
<b>Gross profit</b>		<b>2,329</b>	<b>2,250</b>
as % of sales		42.1%	44.5%
<b>EBITDA<sup>1</sup></b>		<b>1,145</b>	<b>1,089</b>
as % of sales		20.7%	21.6%
<b>Operating income</b>		<b>883</b>	<b>869</b>
as % of sales		16.0%	17.2%
<b>Income attributable to equity holders of the parent</b>		<b>663</b>	<b>720</b>
as % of sales		12.0%	14.2%
<b>Earnings per share – basic (CHF)</b>		<b>71.92</b>	<b>78.18</b>
<b>Operating cash flow</b>		<b>916</b>	<b>861</b>
as % of sales		16.6%	17.0%
<b>Free cash flow</b>		<b>703</b>	<b>594</b>
as % of sales		12.7%	11.8%

1. EBITDA: Earnings Before Interest (and other financial income (expense), net), Tax, Depreciation and Amortisation. This corresponds to operating income before depreciation, amortisation and impairment of long-lived assets.

## Sales January to December 2018

in millions of Swiss francs	2017 Sales	LFL*	Acquisition impact	Currency	2018 Sales	Change %	
						LFL*	In CHF
<b>Group</b>	<b>5,051</b>	<b>280</b>	<b>249</b>	<b>-53</b>	<b>5,527</b>	<b>5.6%</b>	<b>9.4%</b>
Fragrance	2,343	155	50	-23	2,525	6.6%	7.8%
Flavour	2,708	125	199	-30	3,002	4.6%	10.8%

## Sales October to December 2018

in millions of Swiss francs	2017 Sales	LFL*	Acquisition impact	Currency	2018 Sales	Change %	
						LFL*	In CHF
<b>Group</b>	<b>1,294</b>	<b>68</b>	<b>136</b>	<b>-44</b>	<b>1,454</b>	<b>5.3%</b>	<b>12.4%</b>
Fragrance	603	40	22	-19	646	6.7%	7.3%
Flavour	691	28	114	-25	808	4.0%	16.8%

## Sales evolution by market

Sales January to December 2018 in millions of Swiss francs	2018	2017	Change % LFL*	In CHF
Mature markets	3,176	2,867	3.6%	10.9%
High growth markets	2,351	2,184	8.2%	7.4%

\* LFL = Like-for-like, which excludes the impact of currency, acquisitions and disposals.



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## Fragrance Division

Fragrance Division sales were CHF 2,525 million, an increase of 6.6% on a like-for-like basis and 7.8% in Swiss francs. The sales of the Fragrance Division include CHF 46 million from Expressions Parfumées, acquired in June 2018 and CHF 4 million from Naturex, acquired in September 2018.

Total sales for Fragrance Compounds (Fine Fragrances and Consumer Products combined) increased by 7.0% on a like-for-like basis. In Swiss francs, sales of compounds increased to CHF 2,199 million from CHF 2,036 million in 2017.

Fine Fragrances sales grew by 10.7% on a like-for-like basis against a strong prior year comparable of 7.2% in 2017, with growth achieved across all geographies and customer groups.

Consumer Products sales increased by 6.1% on a like-for-like basis, with good growth across all customer groups and geographies, with particularly strong performance in Asia and the Middle East.

Sales of Fragrance Ingredients and Active Beauty increased by 4.0% on a like-for-like basis, with high single-digit growth in Active Beauty, against a high comparable from 2017 and positive growth in Fragrance Ingredients, supported by price increases.

The EBITDA of the Fragrance Division was CHF 508 million in 2018 compared to CHF 486 million in 2017. Key drivers of this increase are the reduction of the costs of the Givaudan Business Solutions (GBS) programme which were CHF 32 million in 2018 versus CHF 107 million in 2017, as well as insurance proceeds of CHF 20 million in relation to environmental expenses. These positive impacts more than compensated the impact of a single significant supply disruption of a major supplier of fragrance ingredients, which has impacted the fragrance industry during the year as well as a sharp and broad based increase in raw material costs.

As a result, the EBITDA margin was 20.1% in 2018 compared to 20.7% in 2017. On a comparable basis the EBITDA margin of the Fragrance Division was 20.7% in 2018 compared to 24.5% in 2017, driven by the elements mentioned above.

The operating income was CHF 413 million in 2018, versus CHF 396 million for the same period in 2017. The operating margin was 16.4% in 2018 compared to 16.9% in 2017.

As part of the Group's 2020 strategy to expand the capabilities of its fragrance business, Givaudan completed the acquisition of Expressions Parfumées, a French fragrance creation house, in June 2018 and announced in December 2018 that it has entered into exclusive negotiations to acquire Albert Vieille SAS, a French natural ingredients company specialised in natural ingredients used in the fragrance and aromatherapy markets.



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## **Fine Fragrances**

Fine Fragrances sales grew 10.7% on a like-for-like basis against a strong prior year comparable of 7.2%, with growth achieved across all geographies and customer groups. These results were driven by sustained high levels of new business wins, market performance of recent launches and volume growth on established business at key customers.

Based on strong market share gains over the past three years, acquisitions and continued growth in high growth markets, Givaudan is now the global market leader in the Fine Fragrance segment.

Givaudan's perfumes continued to be recognised at major award ceremonies in Latin America, the USA and Europe across men and women's categories, recognising the excellence of our teams in crafting products that consumers love.

## **Consumer Products**

Consumer Products sales increased by 6.1% on a like-for-like basis with growth across all customer groups and geographies.

In Latin America all customer groups contributed to the growth against a strong prior year comparable, with local and regional customers recording double-digit growth. Asia recorded a strong increase with balanced growth across all customer groups and double-digit growth in the South Asia sub-region.

In Europe, Africa and Middle East, the sales increase was spread across all customer groups and sub-regions, with strong double-digit growth achieved in the African and Middle East sub-region. Sales in North America increased slightly, against a strong prior year comparable as a result of the performance of local and regional customers.

On a product segment basis, all segments contributed to the sales growth, led by Home Care, Oral Care, Personal Care and Fabric Care.

## **Fragrance Ingredients and Active Beauty**

Sales of Fragrance Ingredients and Active Beauty increased by 4.0% on a like-for-like basis. Sales of Active Beauty increased at high single-digit levels, against a strong double-digit comparable, driven by local and regional customers and Active Ingredient products. Sales of Fragrance Ingredients recorded positive growth in 2018, supported by price increases.





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## Flavour Division

Flavour Division sales were CHF 3,002 million, an increase of 4.6% on a like-for-like basis and 10.8% in Swiss francs. The sales of the Flavour Division include CHF 9 million from Centroflora Nutra, acquired in May 2018, and CHF 146 million from Naturex, acquired in September 2018.

The sales performance was driven by new wins and strong business momentum across all regions. The key strategic focus areas of the 2020 strategy, namely Health and Well-Being and Naturals grew at double-digit and high single-digit levels respectively.

From a segment perspective, Beverages, Dairy, Sweet Goods and Snacks were the main contributors to the division growth.

The EBITDA increased to CHF 637 million from CHF 603 million in 2017, an increase of 5.7%, with continuing productivity gains and cost discipline contributing to the increase. The EBITDA margin was 21.2% in 2018, down from 22.3% in 2017, largely due to the impact of the lower margin on the acquired Naturex business. On a comparable basis the EBITDA margin of the Flavour Division was 21.2% in 2018 compared to 22.2% in 2017.

The operating income decreased to CHF 470 million in 2018 from CHF 473 million in 2017, a decrease of 0.6%. The operating margin was 15.7% in 2018 compared to 17.5% in 2017.

## Asia Pacific

Sales in Asia Pacific grew by 6.2% on a like-for-like basis. In the high growth markets, India delivered double-digit performance, whilst China, Indonesia and Thailand delivered a strong single-digit increase.

In the mature markets, growth was driven by strong double-digit growth in Singapore and positive momentum in Japan.

Local and regional customers continued to grow strongly across the region, whilst from a segment perspective, Beverages, Dairy, Snacks and Sweet Goods all contributed significantly to the growth.

## Europe, Africa and Middle East

Sales in Europe, Africa and Middle East increased by 3.0% on a like-for-like basis. In the high-growth markets of Africa and the Middle East, strong double-digit growth was achieved in Egypt and South Africa, which was offset by the challenging market conditions in Central & Eastern Africa, Maghreb and the Middle East. Growth in Central and Eastern Europe was led by double-digit growth in the Ukraine and high single-digit performance in Turkey and Russia.

In the mature markets of Western Europe, double-digit growth was achieved in Sweden and high single-digit growth performance in the UK and Spain. Within the segments there was good growth in Beverages, Snacks, Dairy and Sweet Goods.



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## **North America**

On a like-for-like basis, sales in North America grew by 1.8% against a strong comparable growth of 8.5% in 2017. The performance was a result of new wins and growth of existing business in the area of Beverages and Sweet Goods.

## **Latin America**

Sales in Latin America increased by 14.7% on a like-for-like basis across all markets and segments in the region. There was strong double-digit growth led by Brazil and Colombia supported by the improved economic situation, as well as continued good sales momentum in Argentina.

## **Annual General Meeting 2018**

At the Annual General Meeting on 28 March 2019, all Board members will stand for re-election.

**Note:** Like-for-like excludes the impact of currency, acquisitions and disposals

The 2018 Annual Report can be downloaded on [www.givaudan.com](http://www.givaudan.com)

A conference call will be broadcasted on 25 January 2019 at 15.00 CET on [www.givaudan.com](http://www.givaudan.com).

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