

**IFF**  
**Q1 2017**  
**Earnings**  
**Conference**  
**Call**

May 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, 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) changes in consumer preferences and demand in the Company’s products or a decline in consumer confidence and spending; (16) the Company’s ability to comply with, and the costs associated with compliance, with U.S. and foreign environmental protection laws; (17) any adverse impact on the availability, effectiveness and cost of the Company’s hedging and risk management strategies; and (18) the Company’s ability to successfully develop new and competitive products and technology that appeal to its customers and consumers 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

# Q1 2017 Executive Overview

Achieved growth across all financial metrics

Currency neutral  
sales growth\*

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+7%

Currency neutral  
adjusted operating profit growth\*

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+3%

Currency neutral  
adjusted EPS growth\*

+9%



\* Currency Neutral Sales, Currency Neutral 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
- Encapsulation-related sales continued strong growth in Personal Wash
- Launched & commercialized 2 new flavor molecules



# Vision 2020 Execution

## Win Where We Compete

- North America sales +14%, inclusive of David Michael & Fragrance Resources acquisitions
- Growth achieved across both global and regional accounts, with regionals outpacing
- IFF | Lucas Meyer Cosmetics won three beauty industry awards from CosmeticsDesign



# Vision 2020 Execution

## Customers' Partner of Choice

- Extended business access through core list status with multinational Flavors customer
- Received an innovation award from a top Flavors customer
- Launched 2016 Sustainability Report “Circular by Design”
- IFF-LMR Naturals achieved 9th for Life Certification: Burgundy Blackcurrant Bud



# Vision 2020 Execution

## Strengthen & Expand Portfolio

- David Michael & Fragrance Resources (closed January 17, 2017) acquisitions contributed ~5 pts of sales growth and ~3 pts of operating profit growth in Q1 2017
- Purchased PowderPure in April 2017 to further expand expertise, capabilities & offerings for clean label solutions



# PowderPure

## Further expands clean label solutions

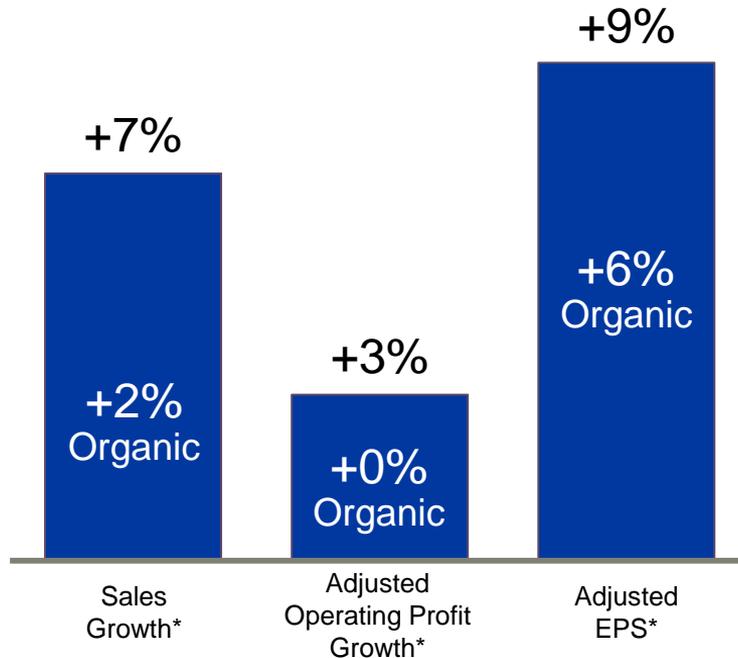
- U.S based organization, employing ~85 people
- Fortifies industry-leading naturals platform to meet consumers' growing demand for natural and clean label products
- Patented drying technology - Infidri™ - to create all-natural food ingredients by eliminating water while leaving the taste, nutrition and color matrix intact
- Ability to repurpose valuable materials from waste streams, turning them into useful and nutritious products



# Q1 2017 Financial Results

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 strong performance in Flavors

### Currency Neutral Adjusted Operating Profit\*

- Acquisitions, volume growth & productivity initiatives more than offset unfavorable price to input costs as well as several unplanned expenses

### Currency Neutral Adjusted EPS\*

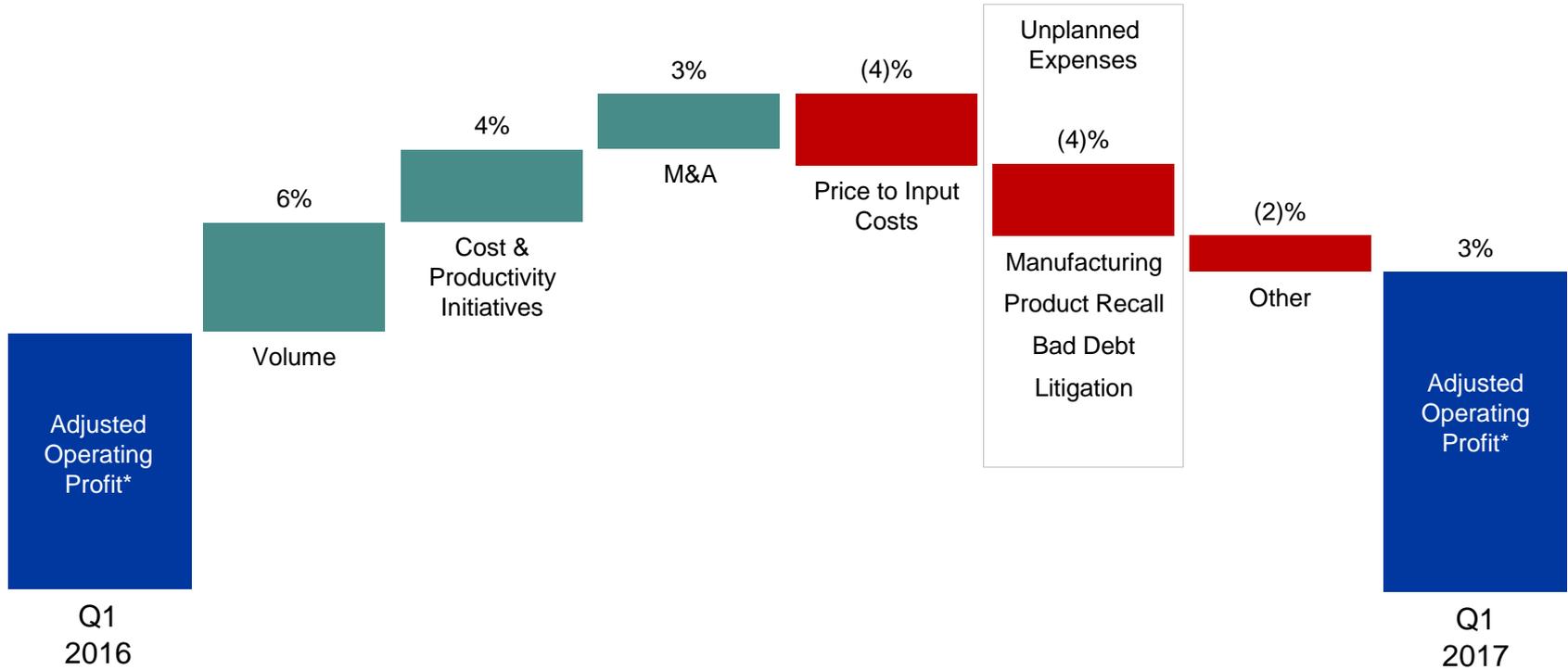
- Benefited from a more favorable year-over-year effective tax rate & lower year-over-year shares outstanding



\* 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)

# Reconciliation Of Growth Drivers

Q1 2017 currency neutral operating profit

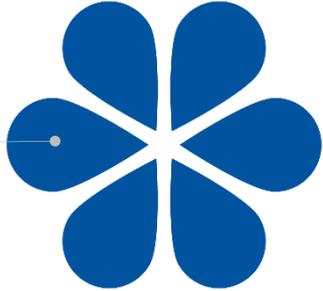


\* Currency Neutral Adjusted Operating Profit is a Non-GAAP metric, please see our GAAP to Non-GAAP Reconciliation at [ir.iff.com](http://ir.iff.com)

# Fragrances Review

Q1 2017 currency neutral sales performance

+3%  
TOTAL SALES



+2%

## CONSUMER FRAGRANCE

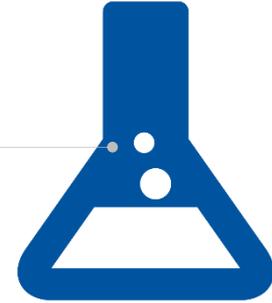
Principally driven by the additional sales related to the acquisition of Fragrance Resources and improvements in Fabric Care



+10%

## FINE FRAGRANCE

Inclusive of additional sales related to the acquisition of Fragrance Resources; 3 of the 4 regions achieved strong growth



+2%

## FRAGRANCE INGREDIENTS

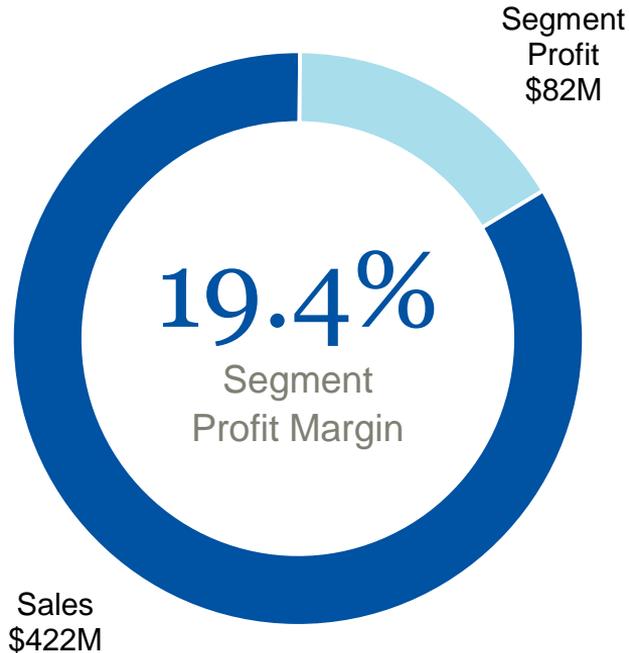
Achieved double-digit growth in EAME and LATAM that was partially offset by softness in North America and Greater Asia



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

# Fragrances Review

## Q1 2017 segment profit performance



### Currency Neutral Segment Profit: (6)%\*

- Benefited from strong volume growth and cost & productivity initiatives
- Unfavorable price to input costs as well as several unplanned expenses

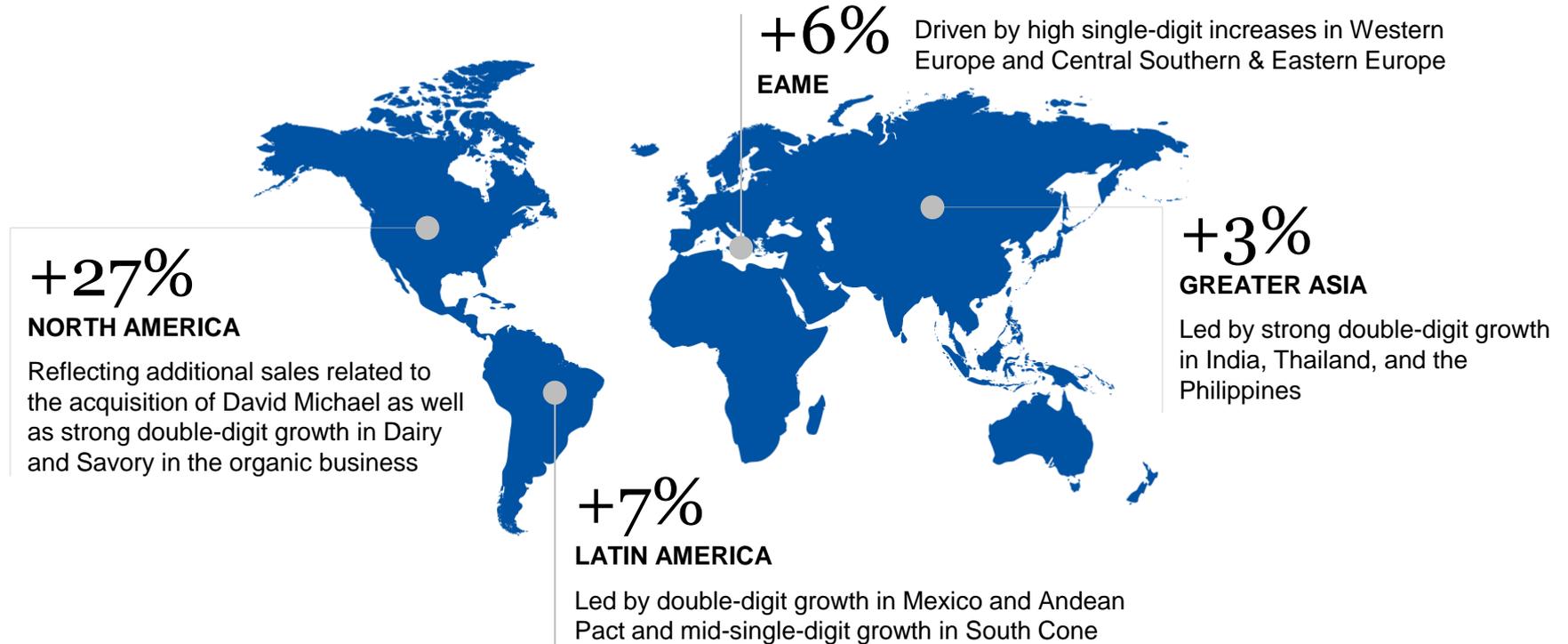
### Currency Neutral Segment Profit Margin:

- Profile remains strong, yet pressured year-over-year driven by the above noted items plus the Fragrance Resource acquisition

# Flavors Review

Q1 2017 currency neutral sales performance

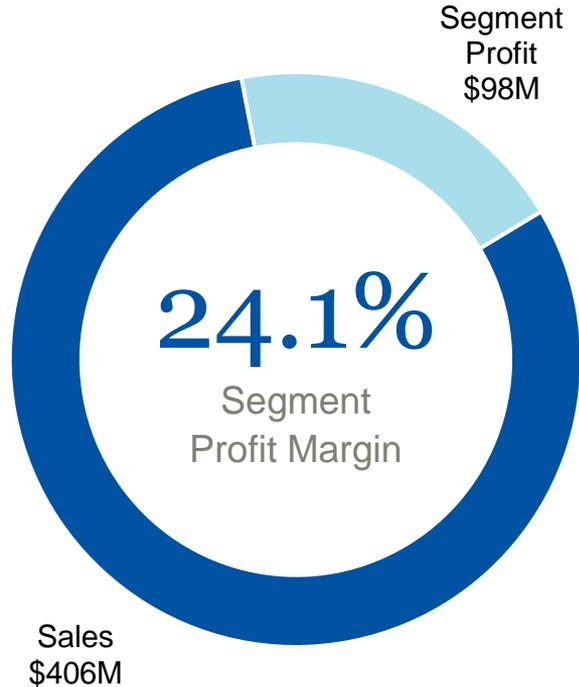
**+10%**  
TOTAL SALES



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# Flavors Review

## Q1 2017 segment profit performance



### Currency Neutral Segment Profit: +12%\*

- Absolute growth performance was strong
- Drove strong contributions from 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

## Steady operating cash flow

|                       | Q1 '16 | Q1 '17 |
|-----------------------|--------|--------|
| Net Income            | \$119  | \$116  |
| Core Working Capital* | (87)   | (63)   |
| D&A                   | 27     | 27     |
| Pension               | (7)    | (25)   |
| Other                 | (12)   | (33)   |
| Operating Cash Flow   | \$40   | \$22   |
| Capital Expenditures  | (23)   | (27)   |
| Dividends             | (45)   | (51)   |
| Share Buybacks        | (40)   | (38)   |

### Operating cash flow seasonably lowest in Q1

- Core working capital improved driven by the timing of payables
- Higher pension expense – which will normalize throughout the year – as well as higher incentive compensation payments pressured operating cash flow

### Continued to invest in the business via Capex

- Capex as a percentage of sales at 3.2% 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



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

# 2017 Currency Neutral Outlook

Reconfirming previously stated financial guidance range

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

Reflective of US Dollar movement versus other world currencies

|                     | Adjusted*<br>Currency Neutral | Impact of<br>Currency | Adjusted*   |
|---------------------|-------------------------------|-----------------------|-------------|
| Sales               | 7.5% - 8.5%                   | ~(1.5)ppt             | 6.0% - 7.0% |
| Operating<br>Profit | 5.5% - 6.5%                   | ~(2.5)ppt             | 3.0% - 4.0% |
| EPS                 | 6.5% - 7.5%                   | ~(3.0)ppt             | 3.5% - 4.5% |



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

# Summary

**Growth Across All Metrics In Q1 2017**

**Continued Execution of Vision 2020 Strategy**

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

# Q&A