Menu

2014 Full Year Results - Solid performance in a challenging environment

29 Jan 2015

- Sales of CHF 4.4 billion, up 3.7% on a like-for-like basis
- Developing markets grew 7.0%, and mature markets grew 1.1%, both on a like-for-like basis
- EBITDA increased by 8.5% to CHF 1,053 million
- EBITDA margin improved to 23.9% from 22.2% in 2013
- Net income of CHF 563 million, up 14.9% year on year
- Free cash flow of 13.7% of sales, compared to 15.2% in 2013
- Proposed dividend of CHF 50.00 per share, up 6.4% year on year

Givaudan Group full year sales were CHF 4,404 million, an increase of 3.7% on a like-for-like basis and 0.8% in Swiss francs when compared to 2013.

Fragrance Division sales were CHF 2,108 million, an increase of 3.6% on a like-for-like basis and 1.2% in Swiss francs.

Flavour Division sales were CHF 2,296 million, an increase of 3.7% on a like-for-like basis and 0.4% in Swiss francs.

Gross Margin

The gross margin increased to 46.0% from 44.7%, driven by the positive leverage effect from the volume gains and lower operational costs following the closure of the Flavours facilities in Bromborough, UK, and Kemptthal, Switzerland. In addition, the Company continued to benefit from supply chain efficiencies.

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

The EBITDA increased by 8.5% to CHF 1,053 million from CHF 970 million. An improved gross profit was the main driver behind the increased EBITDA. The Group recognised a one-off gain of CHF 42 million in the Flavour Division on the disposal of land at its Dübendorf location in Switzerland. When measured in local currency terms, the EBITDA increased by 11.6%. The EBITDA margin increased to 23.9% in 2014 from 22.2% in 2013.

Operating Income

The operating income increased by 9.6% to CHF 760 million from CHF 693 million for the same period in 2013. When measured in local currency terms, the operating income increased by 13.5%. The operating margin increased to 17.3% in 2014 from 15.9% in 2013.

Financial Performance

Financing costs in 2014 were CHF 63 million, versus CHF 85 million for the same period in 2013. In 2014 the Group continued to refinance at lower interest rates. Other financial expense, net of income, was CHF 20 million in 2014, down versus the CHF 28 million reported in 2013, despite the currency volatility in certain markets.

In 2014 the Group's income taxes as a percentage of income before taxes were 17% versus 16% in 2013.

Net Income

The net income increased to CHF 563 million in 2014 from CHF 490 million in 2013, an increase of 14.9%, driven by an improved operating performance and stable financial expenses. This results in a net profit margin of 12.8%, versus 11.2% in 2013. Basic earnings per share increased to CHF 61.18 versus CHF 53.43 for the same period in 2013.

Cash Flow

Givaudan delivered an operating cash flow of CHF 806 million in 2014, compared to CHF 888 million in 2013, driven by a higher EBITDA offset by short term working capital requirements. As a percentage of sales, working capital increased, as customer accounts receivables were exceptionally high at the end of the year.

Total net investments in property, plant and equipment were CHF 110 million, down from CHF 123 million incurred in 2013. During 2014 the Group continued its investments to support growth in developing markets, most notably a new flavours savoury facility in Nantong, China and a fragrance creative centre and compounding facility in Singapore. In addition, the Group received cash of CHF 58 million as a result of the sale of land at its Dübendorf location in Switzerland.

Intangible asset additions were CHF 46 million in 2014 compared to CHF 51 million in 2013 as the Company continued to invest in its IT platform. Total net investments in tangible and intangible assets were 3.6% of sales, compared to 4.0% in 2013.

Operating cash flow after net investments was CHF 650 million in 2014, versus the CHF 714 million recorded in 2013. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 604 million in 2014, versus CHF 662 million for the comparable period in 2013, mainly driven by a higher EBITDA, lower investments, offset by higher working capital requirements. As a percentage of sales, free cash flow in 2014 was 13.7%, compared to 15.2% in 2013.

Financial Position

Givaudan's financial position remained solid at the end of the year. Net debt at December 2014 was CHF 795 million, down from CHF 816 million at December 2013. At the end of December 2014 the leverage ratio was 17%, compared to 18% at the end of 2013.

Dividend Proposal

At the Annual General Meeting on 19 March 2015, Givaudan's Board of Directors will propose a cash dividend of CHF 50.00 per share for the financial year 2014, an increase of 6.4% versus 2013. This is the fourteenth consecutive dividend increase following Givaudan's listing at the Swiss stock exchange in 2000. The total amount of this distribution will be made out of reserves for additional paid-in capital which Givaudan shows in equity as at the end of 2014.

Mid-term Guidance

Mid-term, the overall objective is to grow organically between 4.5% and 5.5% per annum, assuming a market growth of 2-3%, and to continue on the path of market share gains. By delivering on the

Company's five-pillar growth strategy – developing markets, Health and Wellness, market share gains with targeted customers and segments, research and sustainable sourcing – Givaudan expects to outgrow the underlying market and to continue to achieve its industry-leading EBITDA margin while targeting an annual free cash flow of between 14% and 16% of sales in 2015. Givaudan confirms its intention to return above 60% of the Company's free cash flow to shareholders while maintaining a medium term leverage ratio target below 25%.

Key Figures	For the twelve months ended 31 December, in million CHF **except per share data**	
	2014	**2013**
Group sales	**4,404**	**4,369**
Fragrance sales	2,108	2,083
Flavour sales	2,296	2,286
Gross profit	**2,027**	**1,954**
as % of sales	46.0%	44.7%
EBITDA [1]	**1,053**	**970**
as % of sales	23.9%	22.2%
Operating income	**760**	**693**
as % of sales	17.3%	15.9%
Income attributable to equity holders of the parent	**563**	**490**
as % of sales	12.8%	11.2%
Earnings per share – basic (CHF)	**61.18**	**53.43**
Earnings per share – diluted (CHF)	**60.35**	**52.83**
Operating cash flow	**806**	**888**
as % of sales	18.3%	20.3%
Free cash flow	**604**	**662**
as % of sales	13.7%	15.2%

in million CHF except for employee data	**31 December 2014**	**31 December 2013**
Current assets	2,357	2,301
Non-current assets	4,115	3,901
Total assets	**6,472**	**6,202**
Current liabilities	921	1,290
Non-current liabilities	2,138	1,489

Equity	3,413	3,423
Total liabilities and equity	**6,472**	**6,202**
Number of Employees	**9,704**	**9,331**

[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.

Fragrance Division

Fragrance Division sales were CHF 2,108 million, an increase of 3.6% on a like-for-like basis and 1.2% in Swiss francs. The sales of Soliance were CHF 14 million, following the acquisition on the 2nd June 2014.

Total sales for Fragrance compounds (Fine Fragrances and Consumer Products combined) increased by 3.2% on a like-for-like basis. In Swiss francs, sales of compounds decreased to CHF 1,844 million from CHF 1,847 million.

Fine Fragrances sales grew 2.5% on a like-for-like basis. The growth was mainly driven by strong growth in developing markets.

Consumer Products sales increased by 3.3% on a like-for-like basis, driven by a good performance in developing markets and a moderate growth in the mature markets.

Sales of Fragrance and Cosmetic Ingredients increased by 7.4% on a like-for-like basis, driven by good growth of all product groups, led by double-digit growth of Specialities.

EBITDA increased by 0.2% to CHF 505 million from CHF 503 million in 2013. The EBITDA margin decreased to 23.9% in 2014, from 24.2% in 2013.

The operating income decreased by 2.8% to CHF 370 million in 2014, versus CHF 380 million for the same period in 2013. The operating margin decreased to 17.5% in 2014 from 18.3% in 2013.

Fine Fragrances

Fine Fragrances sales grew 2.5% on a like-for-like basis with strong growth in developing markets more than offsetting lower sales in mature markets.

In developing markets, growth was driven by significant new wins in both Latin America and the Middle East. In Latin America the increase in new business was with established key accounts while in the Middle East the Company made strong gains with a number of new customers. In mature markets growth in North America was not able to compensate for lower business in other regions.

At the major award ceremonies in Europe and the USA, Givaudan delivered another strong showing led by: Tom Ford’s Plum Japonais, Tobacco Oud and Rive D’Ambre, Bottega Veneta pour Homme, James Bond Quantum, Ralph Lauren Polo Red, Le Male by Jean Paul Gaultier, Narciso Rodriguez for her, One Million Intense, Black for Comme des Garçons, Victoria by Victoria's Secret and Playing with the Devil by Kilian.

Consumer Products

The Consumer Products Business Unit sales grew by 3.3% on a like-for-like basis against strong prior year comparables. Sales in developing countries were the main driver of the growth, while sales performance in mature markets was moderate.

Sales in Latin America grew double-digit for the third consecutive year, driven by international customers, across the fabric care and the personal care segments. Sales in Asia increased with all customer types against high comparables, led by a strong growth with local and regional customers. The performance was also sustained by a double-digit increase on the personal wash, deodorant and conditioning categories. In Europe, Africa and the Middle East, the good sales growth was supported by all sub-regions and customer types, spread across all product segments. In Africa and the Middle East the business delivered double-digit growth. Sales in North America declined against last year, due to international customers, whereas local and regional customers posted growth against the prior year's double-digit increase.

On a product segment basis, sales growth was sustained by the strong increase on the fabric care and personal care segments, followed by household.

Fragrance and Cosmetic Ingredients

Sales of Fragrance and Cosmetic Ingredients grew by 7.4% on a like-for-like basis. The growth was mainly driven by the good results achieved in North America, Asia and Europe. Each product category finished well above last year's results, particularly the Specialities category which demonstrated double-digit growth.

During the year Givaudan announced the signing of a joint venture with Zhejiang Xinhua Chemical Co., Ltd for the production of fragrance ingredients in China. This is an additional step in Givaudan's strategy to reinforce its position in developing markets to meet the growing demand in the region and improve its competitive position on a selected portfolio of products. As part of this strategy, the Company also continued to invest in its Mexican ingredient manufacturing plant.

Flavour Division

Flavour Division sales were CHF 2,296 million in 2014, an increase of 3.7% on a like-for-like basis and 0.4% in Swiss francs.

All major business segments grew favourably with Beverages, Dairy and Snacks leading the way. The strategic growth pillars of Health and Wellness, Developing Markets and Targeted Customers contributed to the overall performance. Strong double-digit growth in Latin America was driven by improved taste solutions involving sweetness, salt and masking capabilities.

EBITDA increased by 17.4% to CHF 548 million from CHF 467 million in 2013. The EBITDA margin was 23.9% in 2014, up from 20.4% in 2013. The Group recognised a one-off gain of CHF 42 million in the Flavour Division on the disposal of land at its Dübendorf location in Switzerland.

The operating income increased by 24.8% to CHF 390 million in 2014 from CHF 313 million for the same period in 2013. The operating margin increased to 17.0% in 2014 from 13.7% in 2013.

Asia Pacific

Sales in Asia Pacific grew 3.9% on a like-for-like basis. The developing markets achieved mid-single-digit growth, led by China, India, and the Philippines. The mature markets increased slightly reflecting growth in Oceania and Korea offset by slow economic conditions in Japan.

New wins and growth of existing business fuelled the expansion across all segments with gains coming from Beverages, Dairy, and Snacks. The region delivered growth in the divisional strategic growth pillars, with strong emphasis on Health and Wellness sales.

Europe, Africa and Middle East

Sales increased 2.3% on a like-for-like basis driven mainly by growth in the developing markets of Africa, Middle East and Poland. The mature markets were flat with gains in Benelux, Northern Europe and Italy offset by declines in UK, Ireland and Germany.

Snacks, Beverages and Dairy provided good year-over-year growth whilst sales for Confectionary and Savoury were flat. The strategic pillars experienced good growth with strong influence coming from developing markets, Food Service and the Health and Wellness areas.

North America

Sales increased 2.3% on a like-for-like basis. Growth in Beverage, Dairy and Snacks was driven by new wins and volume increase from existing business. The strategic pillars growth was favourably influenced by increases in targeted customers and Health and Wellness solutions.

Latin America

Sales improved 10.7% on a like-for-like basis with strong growth coming from Argentina and Brazil. New win revenue and expansion of existing business contributed to the growth. All major business segments improved with solid growth in Beverages, Dairy and Savoury.

Growth in the region was led by market share gains with targeted customers as well as delivery of improved taste solutions in the Health and Wellness platform.

Annual General Meeting 2015

The Board of Directors will propose to elect the following candidates as new Board members for a term of one year each:

• Mr Michael Carlos, former President of the Fragrance Division, Givaudan
• Ms Ingrid Deltenre, Director General of the European Broadcasting Union

All other Board members, except Dr Nabil Sakkab, stand for re-election.

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

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Interview with CNBC

Gilles Andrier talks about Givaudan's performance
> Watch here

A webcast of the conference call for investors and analysts took place at 15:00 CET.

> Access replay

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