

Firmenich Half Year 2021 Earnings Call

Presentation

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Head of Investor Relations

Good morning everyone and welcome to the Firmenich Half Year 2021 Earnings Call for the six-month period ended 31 December 2020. With us today are Firmenich's CEO, Gilbert Ghostine, and CFO, Benoit Fouilland. During this call, management will make forward-looking statements. Such forward-looking statements reflect Firmenich's judgement and analysis only as of today.

These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties, and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this presentation. This serves as a caution not to put undue reliance on forward-looking statements. Information disclosed on this call may be subject to updating, for admission, verification and amendment, and such information may change materially.

We do not undertake any obligation to update information including any forward-looking statements discussed on the call today. Our results are reported under IFRS and today's presentations may also include reference to certain non-IFRS measures. These measures are used internally by management to assess the performance of our business, make decisions on the allocation of our resources, and assess operational management. We draw your attention to the definitions page in the appendix of today's presentation. The results discussed today have not been subject to audit.

Finally, unless otherwise stated, growth comparisons made during this call are all against the same period in the prior year. With that, it's my pleasure to hand it over to Gilbert.

Gilbert Ghostine
Chief Executive Officer

Thank you, Diego. Good morning everyone. I hope you are keeping healthy and safe. Let me begin by thanking you for your interest in Firmenich. We are pleased to present to you the results for the first half of our fiscal year 2021. In today's presentation we will cover the following topics. First, I will review the key achievements and challenges of the past six months. Benoit will then provide an overview of our financial performance, and finally we will open the lines for questions.

Let me turn first to the review of the past six months. At this time, the pandemic is still affecting the global economy and our industry. In this context we have continued to deliver sustained organic revenue and operating growth and improved our cash generation. Driven by our focus on profitable key markets and segments we delivered 2.3% organic revenue growth at constant currency. We achieved double digit growth in key geographies and segments. We maintained constant adjusted EBITDA margin on an organic basis at constant currency, and we delivered free cash flow of CHF182 million up 21% versus the prior year. This translates to a cash conversion ratio of over 50%.

In addition to this solid performance, we are in the process of integration DRT, our largest acquisition ever. This transformational deal enabled us to build the world's leading innovation platform for renewable, biodegradable, and sustainable ingredients. DRT has a unique access to renewable ingredients allowing us to offer superior security of our supply to our customers. While we are in the process of integrating DRT the pandemic has had a material impact on revenues and profits in the first half of the year. However, we have confirmed the quality of the asset and are firmly convinced in the strategic rationale of this acquisition.

Finally, we have been preparing for the rebound and to seize the opportunities that will arise from the crisis. We have demonstrated our resilience, we keep investing for the future in natural and sustainable ingredients, in innovation, and by reinforcing our team and organisation. We cultivate our responsible business leadership with new achievements and ambitious goals and finally we have clear strategic priorities that will enable us to exit the crisis stronger than we entered it.

Let me delve into our performance highlights for the last six months. We achieved solid organic growth across our business. In Taste & Beyond we grew at 4% organically at constant currency. This was driven by growth in beverages and sweet goods. In perfumery and ingredients we achieved organic growth of 2%. This was driven by 5% growth in consumer fragrance with solid performance across Body, Home, and Air Care.

We delivered double digit growth in our key geographies of China, India, and North America. This demonstrates our strong execution, and we are encouraged to see such rapid rebounds in markets where lockdowns have eased. We also delivered double digit organic growth in some of our key strategic initiatives. This includes sugar reduction which grew by 20%, our mid-market perfumery platform in North America which grew by 45%, and our e-commerce channel which delivered growth of 67%.

We are still facing a challenging environment particularly in fine fragrance which continued to be impacted by retail closures and travel restrictions in many geographies, especially in Europe. However, in fine fragrance we are seeing encouraging improvement with a return to growth in December.

Last fiscal year we completed the transformational acquisition of DRT, a leader in naturally derived renewable ingredients. This platform will be critical to our success in the coming years as customers increasingly move away from petrochemical based ingredients. We are in the process of integrating DRT with a new senior leadership team, a new growth strategy, and good progress in over 70 integration workstreams.

The pandemic materially impacted revenue and profit in the first half of the year as a result of lower volume and demand in the DRT industrial end markets, as well as in the fine fragrance market. Despite the soft start we remain entirely confident in the strategic fit of this acquisition as well as in the quality of the asset and the team. Feedback from our customers is that they value our unique access to renewable ingredients. This confirms our confidence that DRT gives us a long-term competitive advantage.

Over the past six months we have continued to invest for the future, positioning ourselves to capture the growth opportunities that will arise after the crisis. I would like to cover three axes of investments. The first axis is leadership in naturals, sustainable, and renewable ingredients that our customers require. Three examples of our progress in this area. First, our naturals platform in Taste & Beyond which provides innovative offering in 10 core tonalities, as well as clean label and organic solutions and guarantees sustainable sourcing to our customers.

Over the past 12 months we have added over 100 natural ingredients to our palette and increased our technological lead in extraction techniques. Second, an inclusive partnership with SCA3P, the world's leading producer of lavandin guaranteeing world class supply to our customers and a responsible business model for the farmers and distillers in the iconic area of Provence. Third, our partnership with Authentic Products in Madagascar, deepening our commitment to the most sustainable, ethical, and traceable value chain in vanilla.

The second axis is innovation. We are an innovation led company, dedicating more resources to R&D as a percentage of revenue than our competitors. This half year we have continued to drive breakthrough innovation with the launch of the world's first molecule created with artificial intelligence in perfumery and in Taste & Beyond. We also strengthened our position in high growth segments where our innovation unlocks opportunities for our clients.

For example, in sugar reduction we launched our new TasteGem SWL in partnership with Novozymes enabling us to 50% sugar reduction in dairy products without sweeteners while a natural sweet taste. In meat and dairy analogues we offer complete solutions which makes it easier for our customers to delight consumers. We have broadened and diversified our customer base in mature and emerging markets with core lists in all major players, and significant wins with rapidly growing smaller players.

The third axis is our senior leadership team whose strength and agility is the cornerstone of our performance and our ability to weather the crisis. This half year we have announced a new perfumery leadership organisation centred around two

priorities. Firstly, to continue to improve the strength of our creation by reinventing the métier of perfumer through digitalisation, a focus on sustainability and renewability, and benefit driven fragrances.

Secondly, to remain one step ahead in marketing and innovation delivering compelling solutions and undeniable value for our customers. Also across the Group we have announced several senior hires and we continue to upgrade our organisation. Responsible business is the core part of our culture and is consistent with our values and purpose. We are proud of our ESG credentials that recognise our commitment to climate change and social causes. I would like to highlight two major achievements this half year.

Firstly, a CDP Triple A rating. Firmenich is one of only two companies worldwide across multiple industries to receive such a recognition three years in a row. This demonstrates our commitment to tackling climate change via our supply chain practices. Secondly, I am extremely pleased to announce that we have just achieved for the first time a rating of 8.6 from Sustainalytics. This rating not only places us as ESG leaders among our direct competitors but also as leaders in the chemicals and specialty chemical sector, and in the top 1% of over 13,000 companies rated by Sustainalytics worldwide.

As proud as we are of our achievements in responsible business, we want to lead the industry further. A few days ago, we announced our ESG ambitions for 2025 and beyond. Our ambition is to be the number one in our industry in renewable ingredients, conscious perfumery, and diet transformation. To act on climate change we will achieve among other goals carbon and water neutrality and zero waste to landfill.

Embracing nature we commit among other objectives to 70% renewable ingredients and 100% biodegradable perfumes. Finally, as a Company that cares about people, we are committed to no gender or ethnic pay gap ensuring 100% living wage everywhere we operate. We will continue to communicate transparently on our progress and these KPIs through our sustainability report.

Looking to the future, I am convinced that our clear strategy priorities will enable us to exit the crisis stronger than we entered it. Let me discuss four priorities. First priority area, we will maintain a sharp focus on maximising organic growth. We will achieve this by aligning our organisation to win with high growth geographies such as China, India, North America, and emerging markets, as well as in high growth segments including the perfumery and mid-market sugar and salt reduction and protein alternatives.

We will continue identifying and leveraging the changing consumer preferences that will drive growth in some segments. For example, healthier and more sustainable eating, flexitarian diets, the rebound of fine fragrance, or a continued drive towards hygiene and cleaning in consumer fragrances. We will continue to invest in a resilient and agile supply chain. As we have seen in this crisis this will key to seizing these opportunities.

The second priority area, we will continue delivering breakthrough innovation by continuing to invest strongly in our innovation programmes, informed by robust consumer insights. We will leverage and scale up the biorefinery capabilities of DRT

to become the green chemistry leader in the industry. Also we will continue our digital transformation to augment sales creation and operations.

The third priority area, consolidating our leadership in natural, sustainable, renewable, and biodegradable products. We will drive the innovation in sustainability and naturals that consumers demand through our natural platform. We will leverage the potential for vertical integration that DRT offers across our business, for example, in key raw materials for perfumery, Taste & Beyond, and agriculture.

Finally, the integration execution and delivery of our acquisition cases for DRT and Gülçiçek is a top priority for Firmenich. Now I would like to hand it over to Benoit for the financial review of the past six months. Benoit over to you.

Benoit Fouillard

Chief Financial Officer

Thank you, Gilbert, and good morning everyone. I am very pleased to have the opportunity to speak to you for the first time as CFO of Firmenich. This half year we have delivered sustained top line growth despite the crisis. Total revenue increased 14% year-over-year at constant currency to CHF1.997 billion. This benefited from a material contribution of our acquisitions. On an organic basis, total revenue increased 2.3% year-over-year at constant currency. Foreign exchange in comparison to prior year rates had an unfavourable impact of minus CHF172 million on total revenue or minus 9 percentage point of growth.

This was due to the strong appreciation of the Swiss Franc mainly versus the US dollar, Brazilian Real, Mexican Peso, Indian Rupee, and Indonesia Rupiah. We do expect the foreign exchange negative trend to continue into the second half of the fiscal year. Our geographic diversification is one of our strengths. We have seen rapid and strong rebounds in geographies where lockdowns have eased.

On an organic basis at constant currency in North America we grew by 13%. In North and East Asia we achieved over 11% growth driven by China. We grew 9% in Latin America. In India, another one of our key geographies, we grew by over 11% and in the broader India, Middle East, and Africa region we achieved 4% growth. The pandemic continues to impact regions with varying degrees of intensity leading in some places to new lockdowns or travel restriction. As a result during this half year Europe and South East Asia saw a contraction in revenue on an organic basis at constant currency.

This half year in a particularly challenging context we maintained stable profitability on an organic basis at constant currency at both gross profit and adjusted EBITDA levels. Gross profit reached CHF812 million, an increase of 5% year-over-year at constant currency. Gross margin as a percentage of revenue increased by 50 basis points on an organic basis at constant currency. On a reported basis gross margin decreased by 470 basis points. Acquisition accounted for 340 basis points of this contraction.

The impact from acquisition was compounded by the effect of COVID on the DRT business. Foreign exchange had a negative impact of 140 basis points. Adjusted EBITDA reached CHF367 million, an increase of 5% year-over-year at constant currency. On a reported basis adjusted EBITDA decreased 12%. On an organic basis at constant currency adjusted EBITDA margin stayed stable compared to the prior year. On a reported basis adjusted EBITDA margin was 18.4%, a decrease of 360 basis points in comparison to the prior year. Approximately half of this decrease is due to foreign exchange, and the remaining half is due to the impact of our acquisitions.

Our perfumery ingredient business has shown resilience despite the challenging period for buying fragrance. Revenue reached CHF1.342 billion, an increase of 20% year-over-year at constant currency. Acquisition contributed 18 percentage points to this growth. On an organic basis revenue increased 1.6% at constant currency driven by consumer fragrance on ingredients. We have also seen an encouraging sequential improvement in fine fragrance in the last quarter with a return to growth in December. Foreign exchange in comparison to prior year rates had an unfavourable impact of minus CHF118 million on revenue.

Adjusted EBITDA reached CHF251 million, an increase of 13% year-on-year at constant currency. On a reported basis adjusted EBITDA decreased by 6.9%. On an organic basis at constant currency adjusted EBITDA margin increased by 130 basis points in comparison to prior year. On a reported basis adjusted EBITDA margin was 18.7%, an increase of 340 basis points. Out of this, 210 basis points were due to the impact of foreign exchange and the remainder was linked to acquisitions.

Turning now to Taste & Beyond. Revenue increased by almost 4% at constant currency. This was driven by beverages, sweet goods, and sugar reduction, more than offsetting the negative impact of the crisis on food service on savoury goods. Performance was particularly strong with double digit growth in the key markets of China and North America. Foreign exchange in comparison to prior year rates had an unfavourable impact of minus CHF56 million on revenue, or 8 percentage points of growth.

Adjusted EBITDA reached CHF116 million, a decrease of 10% year-on-year at constant currency and 22% on a reported basis. This was due to exceptional costs to avoid supply chain disruption in the crisis. In addition, we saw an impact of a price drop on vanilla, and pressure on mix due to temporary changes in consumption patterns during the pandemic. Adjusted EBITDA margin was 17.8%, a decrease of 400 basis points in comparison to the prior year. Out of this, 110 basis points is explained by the negative foreign exchange impact.

Moving to free cash flow. Free cash flow increased 21% year-over-year to CHF182 million, as a result of tight working capital management. This solid result underscores our prudent execution during the crisis, as well as our commitment to strong investment grade credit rating supported by healthy cash generation. Our free cash flow also benefitted from lower income tax paid. Net CapEx cash outflow increased by CHF31 million year-over-year, primarily in relation to our acquisition of DRT on [MG 26:35]. Our conversion ratio of adjusted EBITDA to free cash flow reached 50%, an increase of 13 percentage points in comparison to the prior year.

To conclude this financial review let me give you another view of our leverage on financial policy. Adjusted net debt to proforma EBITDA increased to a ratio of 3.5x. This compares to a ratio of 3.1x at the end of June 2020. The increase is due to the following factors. Firstly, a slight increase in the Swiss Franc translation value of our Euro denominated bonds due to foreign exchange fluctuations. Second, a decrease of CHF67 million of cash on hand linked to acquisition on payment of dividends, partly offset by higher free cash flow generation for the period.

Finally, a decrease of CHF87 million in proforma adjusted EBITDA. This is principally linked to DRT, which as we discussed experienced a soft start to the year, in addition to a tough comparison to pre-COVID results which were reflected in our proforma adjusted EBITDA for the period ended June 30, 2020. As we stated during our financial year 2020 presentation, we are fully committed to retaining a strong investment grade credit rating. This valuation in our leverage ratio does not negatively impact this commitment.

Before we open for Q&A, I would like to leave you with the following key messages. First, we feel good about the performance of the first half of the year. We delivered solid revenue on free cash flow growth and demonstrated the resilience of our profitability. Second, we are in the process of integrating DRT. Despite the current challenges of the pandemic we remain fully confident in the strategy rationale for the acquisition on the high quality of the asset.

Third, we are well positioned to capture the growth opportunities in the post-COVID world thanks to our continued reinvestment in our business and our clear strategic priorities. So thank you again for your interest in Firmenich. Gilbert and I will be very happy to take your questions.

Q&A Session

Jean-Philippe Bertschy - (Vontobel)

Good morning gentleman, I would have two questions. The first one on ESG and I think your results are quite impressive. I'd like to know if it's possible to share with us how much costs are related to your effort in ESG, and if you are seeing some sales coming through if your customers are following you in that regard.

The second one is related to the sales collapse in fine fragrances in Europe especially when compared to some of your competitors which already published. What is the main issue here especially in Europe where you have a sales decrease of 10%, if you lost some contracts or some briefs if you can shed some light on that please, thank you?

Gilbert Ghostine

Thank you very much Jean-Philippe for these questions. I will deal with them. Let me start with the fine fragrance. As you know, Firmenich is the leading company in our industry in fine fragrance and when I look at the business, we have won more briefs during the COVID crisis or let's say over the last six months and these will be

launched as soon as the new launches will be going out. So we have a very high [vitality 32:22] rate.

You know where this business is challenged is the following. We are – our leadership in the prestige end of fine fragrance, that is the high end of fine fragrance, is higher than our key competitors. So that's why we are more impacted by the decline of the prestige part of fine fragrance. As you know, when airports are closed, when people are not travelling, when the stores are closed, they can't have access to this prestige fine fragrance.

So that's mainly where we have an issue on fine fragrance. Fine fragrance represents 10% of our net revenue. We saw a good uptick in December. We will start [lapping soft comps 33:12] as of March and we expect to close the fiscal year positive on fine fragrance. The other dimension that you need to take into consideration is that when you compare fine fragrance that we report versus our key competitors there is one nuance and one difference.

Our key competitors use and add air care in fine fragrance while we have air care in our consumer fragrance and our air care business grew double digit. So if you compare like for like our air care business is excluded from our fine fragrance business while some of our key competitors add it to fine fragrance which might distort the comparison. So that's mainly on fine fragrance.

Let me move to ESG. We are very proud of our ESG rating and we are delighted that now with Sustainalytics and our 8.6 rating we have something that you could compare with our other players in the industry. It's important to highlight that we are number one in the chemical industry and 445 companies are assessed by Sustainalytics, and we are number one on the 123 companies that are also assessed in specialty chemicals. When we compare to our competitors, we are well ahead of them in the rating.

We don't disclose how much money we pay on ESG because we consider them as core of the part of us doing business. You know one element, for example, that I can give you on biodegradable ingredients that we create. You know we have been doing this for the last 20 years. When we started developing biodegradable ingredients everyone thought that it's completely irrelevant but now it's spot-on trend because this is what our customers and their consumers want.

So this is one win for us to have a significant competitive advantage to be a responsible company and at the same time it enables us to attract great talent because the most upcoming high potential talent in these days in the 21st Century want to join responsible companies.

Ileana van Hagen – (APG Asset Management)

Could you please give us an idea of the magnitude of decline in the DRT business? What was the last 12 months EBITDA and how has it performed so far in 2021?

Gilbert Ghostine

Benoit can you handle this question please?

Benoit Fouillard

Yes, absolutely thank you. So as we said during the prepared remarks, the performance of DRT has been particularly impacted by the COVID specifically in the industrial markets which represent approximately 40% of the activity of DRT as well to a lesser extent, in the area of fine fragrance given the lower demand. So that impact was material on the top line and translated obviously because of lower volume on the change in mixed to the bottom line [of the business 37:04].

But I want to reiterate that we feel extremely confident for the strategic rationale of this acquisition. We have invested in DRT for the long term. The feedback that we are receiving from our clients is that DRT provide us a unique advantage with respect to vertical integration, renewable ingredients, which is highly valued by our clients.

Gilbert Ghostine

Thank you, Benoit, for your comment on this one. The other element that I would add on DRT, we were [lapping tough comps 37:43] for our first half of fiscal year and when I look at the rebound that I can see in the DRT business in the second half, I look at my January business, we are up 12% versus the January of the previous year and February looks also in double digit growth. So I'm looking far more positively on the second half for DRT.

But as Benoit has said, this is an asset that gives us significant competitive advantage because we see all our strategic customers moving away from petrochemical derivatives into natural and renewable ingredients, and this is where DRT is the best-in-class asset in the segment, as it has been reinforced to me in all the top-to-top conversations that I had with my key strategic customers over the last few weeks.

Ileana van Hagen – (APG Asset Management)

So another question on DRT, when will the DRT integration be completed and do you have any update on potential synergies?

Gilbert Ghostine

It's a very good question. I will leave it to Benoit to comment on where we stand on the integration. On synergies, let me tell you where we stand. First, you know we don't communicate on the synergies, but we have identified more synergies that we had initially anticipated so this is the good news. Benoit on the integration progress.

Benoit Fouillard

The integration is progressing well. We've got an entire integration team with 70 individual workstreams. Obviously, it is multi-year process, but we are progressing well in this integration. On what we've discovered during this first six months of integration has made us very comfortable about the quality of both the assets as well as the quality of the team. But obviously the full integration is going to last beyond the current fiscal year.

[Unidentified 40:12] – (Union Investments)

What is the forecast FX impact for the next six months? Second question, what is the leverage target in terms of net debt to EBITDA?

Gilbert Ghostine

Thank you very much for this question and I will hand it over to Benoit so he could provide you with his answer. Benoit, over to you.

Benoit Fouilland

So as we have pointed out the impact of foreign exchanged on both revenues as well as on profit for the Company has been sizeable in the first six months of the year, and that was primarily linked to the dollar situation that has weakened towards to the Swiss Franc as well as the weakening of a series of other currencies such as the Brazilian Real. It's always difficult to make a prediction around foreign exchange but our anticipation that we highlighted in the prepared remarks is that we would see these trends of foreign exchange unfavourable impact continuing most probably over the second part of the year. But not necessarily to the same full extent than in the first part of the year but it should continue for the second part of the year.

With respect to the leverage, we have made some comments in the prepared remark on our current level of leverage, which is at 3.5x according to the Standard & Poor definition and approach. That is a slight increase compared to the 3.1x that we had at the end of June, primarily due to FX on the one hand on the Euro denominated part of our debt, as well as a slight decrease in net cash during the period, as a result of the acquisition in particular, and payment of dividend, and an impact on our proforma adjusted EBITDA that we discussed previously.

Gianmarco Migliavacca – (Neuberger Berman)

Do you have any further M&A opportunity and if so, how would you fund it and what is your expectation of full year EBITDA and net leverage for the [full present 42:38] year?

Gilbert Ghostine

Good question and thank you Gianmarco, Benoit do you want to take this one too?

Benoit Fouilland

Maybe I will let you talk about the M&A piece and I will talk about the leverage.

Gilbert Ghostine

Yes, of course. Look on M&A, first we are committed to remain strong investment grade, so this is something that we have already set, and we will not change. We will keep looking at M&A opportunities. You know so far, we don't have anything that is tangible in the short horizon, but we will keep looking at opportunities taking in mind that we want to remain strong investment grade.

Benoit Fouilland

From a leverage standpoint and given that we are very healthy you know cash generation, if you look at the current level of cash generation on the level of payment of dividends that we have historically experienced, it would take approximately 24 months for us to get to a leverage of approximately 2.5x, and that is obviously without the impact of any acquisition.

Vera Bonte – (Generalie)

You cited new partnerships. Are these an alternative to M&A especially in light of restricted access to capital in the private company and having exhausted hybrid head room?

Gilbert Ghostine

Thank you very much Vera for your question. Look, I will say we are always – our approach on M&A and partnerships has never been a one size fits all. We have always looked at these, looking at hybrid solutions, partnership solutions in areas where we don't have the full expertise. I can mention several of them over the last four or five years. So we always look at different scenarios. We don't rule out M&A, but we want to remain committed to a strong investment grade.

Ileana van Hagen - (APG Asset Management)

Could you please quantify the decline versus the €99 million EBITDA that DRT generated in FY19? Are there any potential divestitures in the industrial side of the business to speed up the deleveraging of 2.5x?

Gilbert Ghostine

I will let Benoit comment on the financial question. On divestments from DRT, you know we will be looking into this. This is part of our integration process and looking at what is core for us and what is not core, and we will have more clarity on this one as soon as we will progress further on the integration of DRT - Benoit.

Benoit Fouilland

Yes, so first I want to [précis 46:00] the fact that we are not planning to disclose separately the DRT figures. But now I understand the need to give an order of magnitude of the impact of DRT. So if you look at the first half, the impact of DRT on our overall EBITDA margin was a negative impact of 170 basis points on the overall margin for the Group, which gives you a sense of the magnitude. But we need to put in perspective this first half.

This first half was significantly impacted as we said by the COVID situation on the industry and the market in particular as well as fine fragrance. When we look at the second half, as Gilbert has alluded before, we feel good about saying volume going back to a level, a historical level that we have seen at DRT, and that makes us confident on recovering the margin of EBITDA in the second part of the year which will be much more in line with what DRT has historically experienced.

Gilbert Ghostine

Thank you, Benoit.

Bartek Pastwa – (Schroders)

Good morning gentleman. You have answered most of it but on DRT if I may, what challenges have you found in integrating the business, or the business of sales, negative surprises, things you didn't expect, if you can comment on that?

Gilbert Ghostine

Thank you very much for asking this question. When we look at DRT the strategic rationale for this acquisition remains extremely compelling for us. We have been positively surprised by the quality of the talent that exists in DRT, the proprietary capabilities that they have in biorefinery, and at the same time the overwhelmingly positive reaction from our customers about the need to shift to renewable ingredients. We didn't find any negative surprises in DRT that made us reconsider the asset. On the contrary, we were positively surprised in the quality of the talent, the capabilities, the proprietary knowledge, and at the same time the long-term opportunity that this asset provides.

Bartek Pastwa – (Schroders)

Can I ask you to clarify your previous answers to the previous question there? So on the volumes for DRT what did you say about when they will recover to pre-COVID levels, I think you commented on that.

Gilbert Ghostine

Look, for example, what you need to understand on DRT is the following. When we talk about DRT, and this is why Benoit said we will not be planning to disclose separate numbers on DRT, because we were a customer for DRT, a major customer of DRT. Some of the business that we buy from them will become internal sales. Now looking at external sales, and this is what is an important indicator. When I looked at my business in January, in January external sales for DRT is up 12%, and in February it looks to be up double digit too.

So we see that we are picking up volume again in DRT and we expect the mix also to improve as the industrial parts of the business will be picking up steam again. But we will be able to comment more on this one when we will have six months under our belt again and by the end of this fiscal year.

Bartek Pastwa – (Schroders)

When exactly did the acquisition close on DRT?

Gilbert Ghostine

End of May last year.

Bartek Pastwa – (Schroders)

Okay, fair enough, so you've had six months already.

Diego Chantrain

If I can interrupt you there because we do have a few more questions on the line so I'd like to take the next investor if you don't mind.

[Sanjay Amani 51:17] - (Deutsche Bank)

Does the leverage ratio include [full amount of hybrid as debt 51:20] or do you allocate some amount for equity credit?

Gilbert Ghostine

Thank you, Sanjay for your question. Benoit would you pick up this one please?

Benoit Fouilland

Yes absolutely. I mean the leverage that we report is in accordance with the Standard & Poor's methodology that incorporates half of the hybrid into the leverage ratio.

Jean-Philippe Bertschy – (Vontobel)

Thanks a lot for taking my follow up question. This one would be on the raw materials. You were mentioning some headwinds in H1. Maybe in which raw materials you saw some inflation and maybe if you can share with us your guidance or your outlook what you see in the markets for the coming 12 months, thanks.

Gilbert Ghostine

Where we saw on the raw material headwinds is mainly around naturals and all the stuff that we source from Asia because also the impact of logistic costs increased that is already in the open domain. We hope to see this one softening over the next few months, but we will take this every quarter at a time.

Diego Chantrain

Thank you. That was our last question for today so I would like to thank you in the name of Firmenich for your interest in our Company and for your time this morning. If you have any follow up questions you are free to reach out to the investor relations team who will be happy to help you.

Gilbert Ghostine

Thank you very much, stay safe, stay well and thanks a lot for your interest in Firmenich. Take care.

Benoit Fouilland

Thank you, thank you very much.

[End]