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Ingredients | Europe

Changing tastes

Givaudan now offers superior 2023 LFL, profit and FCF prospects to closest peer Symrise, combined with upside to consensus and relatively lower de-rating risk. We are now Relative Overweight GIV and Underweight SYM.

Overweight Givaudan vs Underweight Symrise. As we move through peak raw material inflation and into a softer economic climate (with risk for a de-stock) we prefer Givaudan over Symrise as: (1) GIV enjoys a stickier pricing model given its larger proportion of patented ingredients/solutions vs SYM's higher share of single-ingredient sales (thanks to its higher degree of backward integration), (2) more compelling earnings and FCF outlook (GIV FY23 EBITDA margins +100bps to 22.2% vs SYM modest at +10bps to 20.8% YoY), (3) GIV offers upside to FY23 cons (we are +80bps LFL, +7% EBITDA, +7% EPS) while on the contrary we see moderate downside to cons for SYM (-228bps LFL, -2% EBITDA, -6% EPS) and, (4) GIV holds relatively lower de-rating risk in an ongoing rising rates environment.

Relative Opportunity. GIV shares have suffered disproportionately to closest peer SYM YTD, mainly due to pricing power concerns (lack of/lag in passing on input inflation via higher prices) with its shares -39% (vs SYM -23%) and de-rating -17x to 30x PER YTD (vs SYM -13x to 29x). Looking ahead, pricing worries appear largely done, and we prefer GIV given more compelling operational prospects while for SYM we see few positive catalysts with earnings skewed to the downside. Cognizant of rates risk, we position this as a relative opportunity. Our GIV CHF3400 and SYM €91 PTs reflect our estimate changes and incorporate our rate changes (risk-free rate 5%) and long term growth rate (3%). At our PTs GIV and SYM trade at 29.5x and 27.0x 1YR FWD PER with the spread reflecting operational differences.

Ingredients Order of Preference: IFF > Kerry > Givaudan > DSM > Symrise. We see IFF as a long-term (portfolio) transformation story, yet near-term we seek clarity on new management strategic targets (December 2022 CMD) and its portfolio may be relatively more elastic in a downturn. Kerry offers the best underlying volume prospects which together with self-help underpin margin and FCF expansion yet the risk for negative YoY pricing in 2023 (given its inflation price pass through mechanism) may hold back some investors from stepping in (although we see lower price risk vs history). While DSM has derated materially, volume and price risks in Animal Nutrition and risks from a weakening consumer leave the stock absent of +ve catalysts in the near-term.

Where could we be wrong? Our relative Givaudan OW could fail to play out in the event of significantly higher than expected rate increases, sizeable M&A (with limited synergies), and/or the company delivers mid-term volume growth below peers and its strategic targets. Our relative UW Symrise could fail to play out if growth and earnings are significantly better than our forecasts/consensus, as well as in the event of renewed market focus on industry consolidation.

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Chemicals

Europe	
IndustryView	**In-Line**

WHAT'S CHANGED?	FROM:	TO:
Givaudan SA (GIVN.S)		
Rating	Equal-weight	**Overweight**
Price Target	SFr 3,150.00	**SFr 3,400.00**
Symrise AG (SY1G.DE)		
Rating	Equal-weight	**Underweight**
Price Target	€111.00	**€91.00**

Turning the tables - Givaudan OW and Symrise UW

Relative opportunity - Givaudan Overweight versus Symrise Underweight

Givaudan's share price has suffered more than peers this year, as some ingredient players offered superior FY22 top-line prospects, but mostly because Givaudan lagged in passing on inflation via higher prices, we think. Givaudan's share price fell -39%, de-rated ~10x and 17x on a EBITDA and PER basis to ~19x and ~30x times (vs Symrise -23% and ~6x and ~13x times); Exhibit 8. Looking into 2023, we are of the view that Givaudan should be relatively better positioned, especially versus closest peer Symrise on the back of: (1) better 2023 top-line and LFL prospects, (2) superior profit margin expansion, and hence (3) more attractive FCF generation, as well as (4) lower multiple compression risk from ongoing rates rises, and (5) upside to consensus.

- **Superior 2023 LFL and profit margin prospects.** Given the softer economic backdrop, 2023 is unlikely to be a stellar year for Ingredients industry growth, yet we forecast Givaudan to outpace its close ingredient peers in 2023 mostly driven by: (1) ongoing positive pricing in 1Q/2Q23, (2) stickier pricing power, and (3) portfolio exposure towards categories that hold higher resilience and still benefit from an ongoing rebound including food & beverage solutions and fine fragrances. On the other side, we see pricing risk for Symrise, IFF and Kerry given their portfolios contain a relatively higher portion of commodity-like ingredients (especially IFF and Symrise but to some extent also Kerry, although the latter less than history) and/or have a different price architecture (especially Kerry). This offsets some of the volume growth prospects and slows profit and FCF potential. Better pricing and volume prospects as well as favourable FX (this compares to €-denominated players Kerry and Symrise having enjoyed meaningful FX benefit this 2022 which dissipates post 1Q23), mix and unwind of exceptional expenses are to result in a meaningful profit margin rebound for Givaudan YoY (+100bps to 22.2%). Whereas IFF and Kerry's profitability are supported by meaningful self-help programmes, Symrise 2023 margin progression is more moderate (+15bps to 20.8% YoY) given modest volume (mostly a function of pet plant ramp-ups) price vs inflation and FX positives. See Exhibit 1to Exhibit 4.

- **More compelling FCF prospects**. We foresee Givaudan FCF to rebound on the back of a meaningful margin recovery and net working capital unwind to 16.1% of sales in FY23 (15.1% FY23-25e average) or +370bps above Symrise at 11.7% (11.1% FY23-25e average); this compares to the Company's target of >12% on average on a 5-year basis and 5-year historical average of 12.0% and 8.9% for GIV and SYM, respectively. See Exhibit 5.

- **Upside to GIV consensus vs moderate Downside to SYM consensus.** Whereas we see +7% upside to Givaudan FY23-24 EBITDA driven by our higher LFL prospects (+80bps to cons at 4.3%) and profitability (FY23e EBITDA margin of 22.2% vs consensus 21.4%), we see modest downside to Symrise underlying growth (-228bps vs cons) and modest margin progression (+18bps YoY vs peers ranging between +70 and +100bps; for IFF and Kerry this is also supported by self-help) with 6% downside to EPS cons. See Exhibit 6.

- **Ongoing de-rating risk, although relatively lower for Givaudan**. Our MS European rates team forecast the European Central Bank to continue with incremental rate hikes (+50bps in October, +25bps in December/February/March). As a result there is further upward risk to bond yields, and thus ongoing multiple compression risk for Ingredient players, particularly Givaudan and Symrise which have historically held a strong inverse correlation to the Swiss Bond/German Bund Yield (~46% and ~65% respectively on a 10-year historical basis). That said, Symrise has lagged the de-rating vs the German Bund Yield relatively more versus Givaudan leaving its multiple relatively more exposed. See Exhibit 1 and Exhibit 2.

- **How we have derived our Givaudan and Symrise Price Target**. Our Givaudan price target (Overweight CHF3400/share) reflects our increased estimates (FY23-24 EPS +10%) partially offset by higher discount rates, whereas our Symrise price target (Underweight, €91/share) reflects our slightly lower estimates (FY23-24 EPS -2%) combined with our higher discount rates. For both players, we have applied the same rates: (1) 5.0% risk-free rate (vs 4.0% previously), (2) 2.5% equity risk-free premium, and (3) 3.0% long-term growth rate (vs 2.75% and 2.85% previously). The difference between our 7.0% WACC for Symrise and 6.7% WACC for Givaudan is explained by the different in leverage profiles, with Givaudan relatively more levered (1.5x vs 2.6x by FY23 end, respectively). Our GIV CHF3400/share and SYM €91/share PTs reflect our estimate changes and incorporates the same risk-free rate (5.0%) and long-term growth rate (3.0%). At our PTs GIV and SYM trades at 29.5x and 27.0x 1YR FWD PER reflecting operational differences.

- **Deja Vu - Givaudan share price to close trough levels?** Givaudan's year-to-date share price decline is not too far from the deepest decline seen over the last 15 years. The Company's share price fell by about -47% between 1st January 2008 and March 2009, despite 2008 and 2009 LFL sales only falling by -1.1% and -3.1% respectively. However, note that some of the sharp share price fall may have been attributed to Givaudan and the Flavour & Fragrance space still being benchmarked to Specialty Chemical companies (which are weighted towards industrial end markets). Yet on the other side, we believe this was also due to raw material inflation, with investors concerned that Flavour & Fragrances companies might have been unable to sufficiently price through higher costs, a fear that was present this year as well we think and now consider overdone. At the same time, we recognize the current market context is different given the ongoing risk for incremental rate increases, which may weigh on the share price. see Exhibit 9.

- **Ingredients order of preference: IFF> Kerry > Givaudan > DSM > Symrise**. We see IFF as a long-term (portfolio) transformation story, yet near-term we seek clarity on new management strategic targets (from the December 2022 CMD) and volume growth may be slower than peers given its relatively more elastic portfolio (especially in Health & Biosciences). We believe underlying volume growth holds more currency than pricing; hence we continue to like Kerry (and more so than Givaudan and DSM) given its compelling volume prospects (near- and mid-term growth prospects in food waste, reducing back-of-house complexity and driving personnel efficiency via its (integrated) food technology solutions portfolio). While DSM has derated materially, volume and price risks in Animal Nutrition and risks from a weakening consumer leave the stock absent of +ve catalysts in the near-term.

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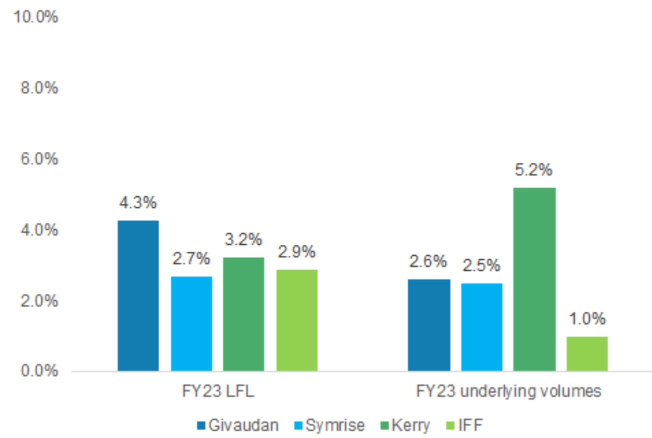
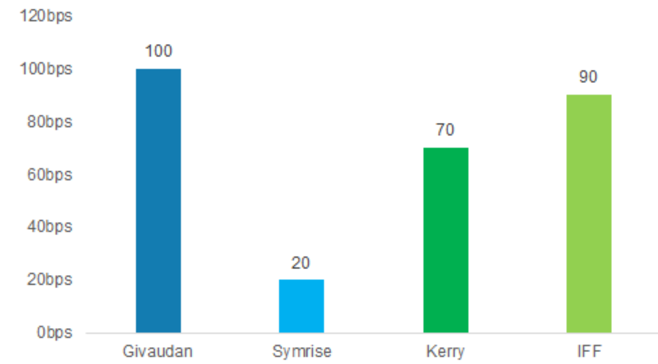
Exhibit 1: Ingredient 2023 LFL growth %



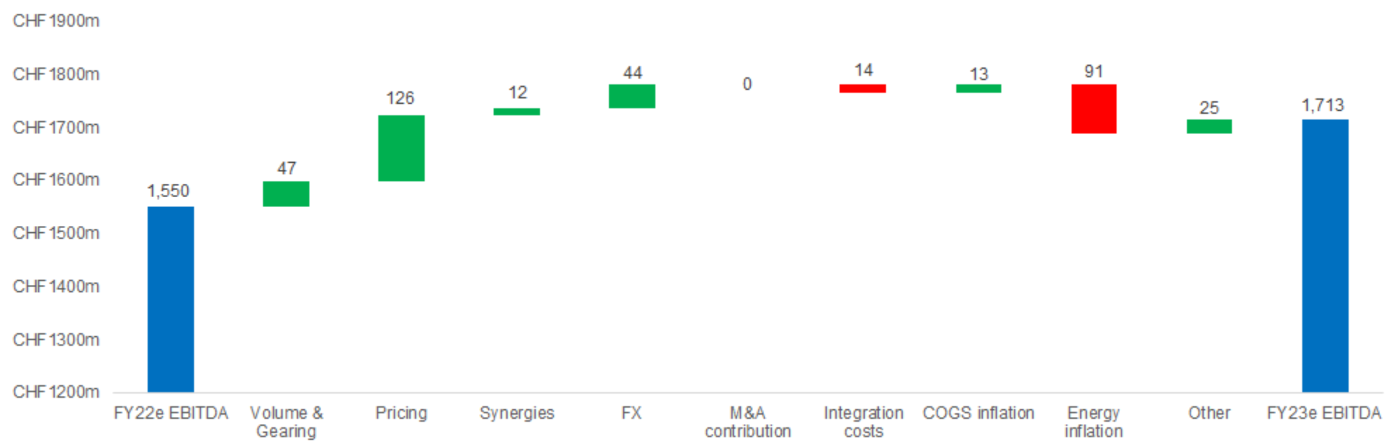
Source: Morgan Stanley Research estimates

Exhibit 2: Ingredient 2023 EBITDA margin expansion YoY (bps, rounded)



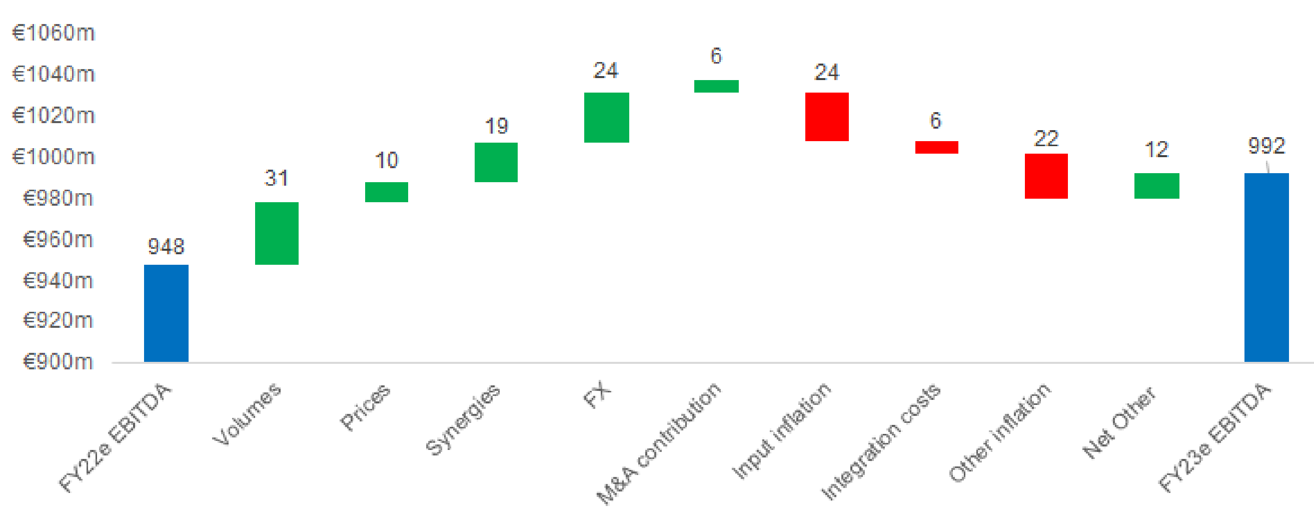
Source: Morgan Stanley Research estimates

Exhibit 3: Givaudan FY23 EBITDA margin Bridge (CHFm)



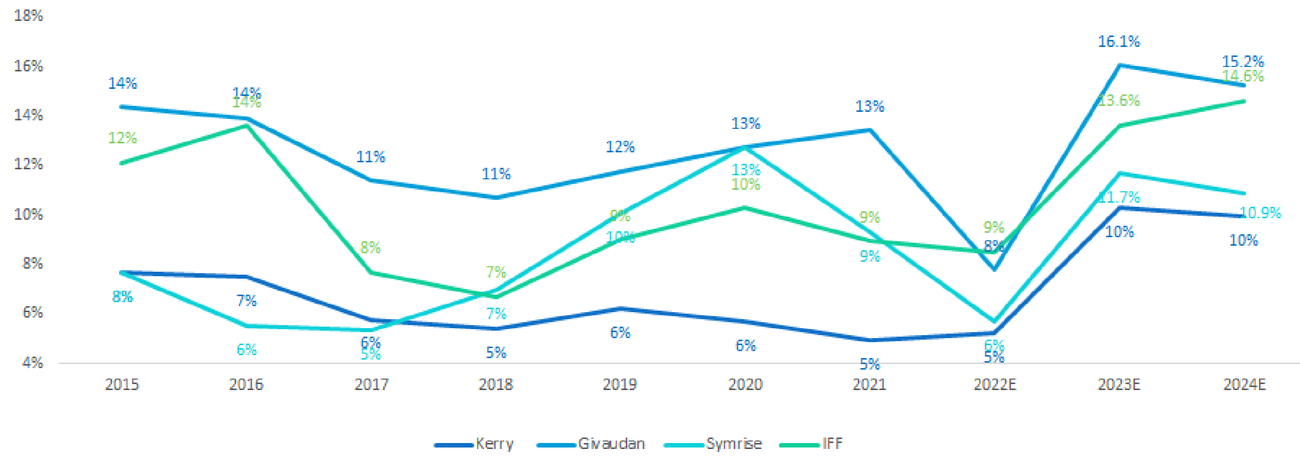
Source: Morgan Stanley Research estimates

Exhibit 4: Symrise FY23e EBITDA Bridge (€m)



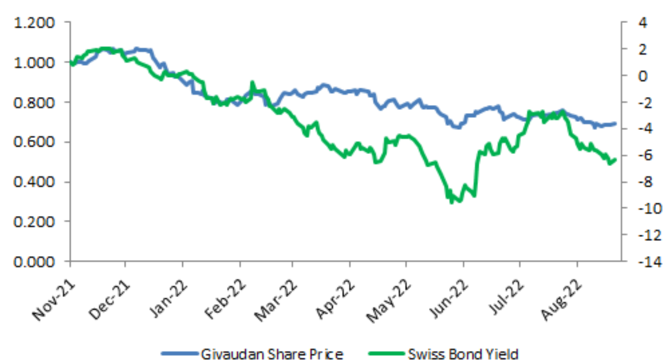
Source: Morgan Stanley Research estimates

Exhibit 5: Ingredient FCF to Sales (%)



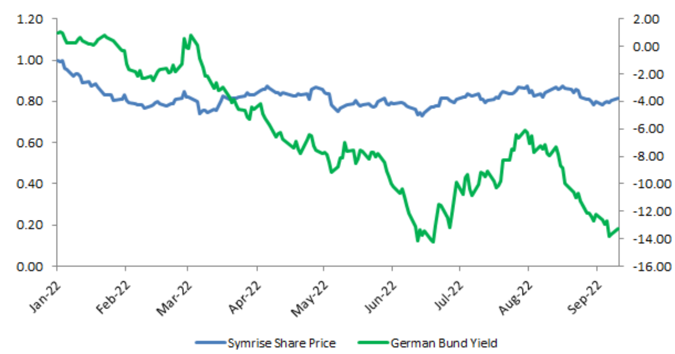
Source: Company data, Morgan Stanley Research estimates (E)

Exhibit 6: Givaudan share price has ~ de-rated in line with Swiss Bond Yields (indexed)



Source: Reuters, Morgan Stanley Research; Swiss bond yield inversed

Exhibit 7: Symrise share price does not reflect its German Bund Yield Dynamics (indexed)

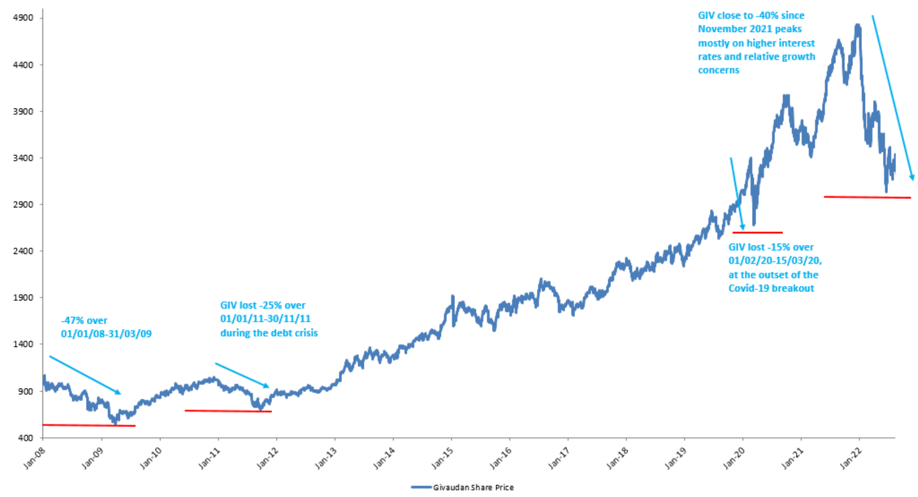


Source: Reuters, Morgan Stanley Research; German bund yield inversed

Exhibit 8: GIV has de-rated versus SYM (x)

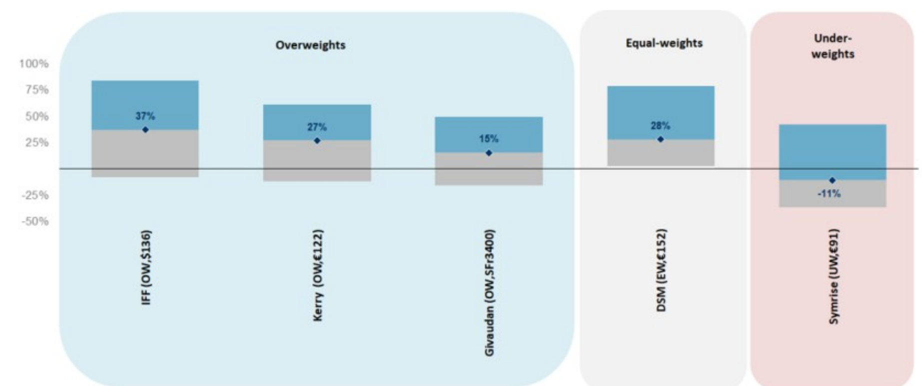
Source: Reuters, Morgan Stanley Research

Exhibit 9: Givaudan historical share price performance noted it's sharpest decline in 2009



Source: Reuters, Morgan Stanley Research

Exhibit 10: Ingredients Order of Preference



Source: Morgan Stanley Research

Exhibit 11: MS vs Consensus

	MS			Consensus			Difference		
Givaudan	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**
LFL	*6.7%*	*4.3%*	*5.8%*	6.4%	3.5%	4.7%	40	78	109
EBITDA	1,550	1,713	1,845	1517	1599	1720	2.2%	7.1%	7.3%
% margin	21.2%	22.2%	22.6%	21.1%	21.4%	21.9%	10	74	67
FCF	680	1238	1246	750	1126	1141	-9.3%	10.0%	9.2%
% sales	9.3%	16.0%	15.3%	10.4%	15.1%	14.5%	-113	95	71
Net Income	846	1,065	1,187	841	1002	1095	0.6%	6.3%	8.4%
Symrise	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**
LFL	10.1%	2.7%	5.1%	9.67%	5.0%	6.0%	38	-228	-91
EBITDA	948	992	1071	941	1008	1095	0.6%	-1.5%	-2.1%
% margin	20.7%	20.8%	21.4%	21.0%	21.0%	21.6%	-32	-20	-15
FCF	261	557	544	298	560	596	-12.5%	-0.5%	-8.6%
% sales	5.7%	11.7%	10.9%	6.6%	11.7%	11.7%	-95	0	-86
EPS	3.20	3.37	3.76	3.24	3.57	3.94	-1.3%	-5.5%	-4.6%

Source: Morgan Stanley Research estimates, Visible Alpha September 21th, 2022.

Volume Outlook: What Market & FMCG data reveals

Softening volume trends yet selective categories are holding up. Nielsen displays slowing volume growth and rising downtrading trends across almost all key categories except for Beverages and Cosmetics, both categories are likely also helped by the ongoing rebound post Covid-19; Exhibit 1. Similarly Ocado notes a decrease in average basket sizes and increase in consumers look for value options. On the other side, Open Table and Mastercard data reveal dining out trends are still holding up, although slowing, likely partially due to comparables getting tougher; Exhibit 24and Exhibit 25. Similarly, Google Trends for fragrances continue to trend well-above both 2021 and 2019 levels with search terms 'perfume' and 'parfum' running +30% and +18% above last years levels respectively with particularly strong interest from consumers in the Middle East, South Asia and South America; Fragrance & Beauty player Coty states it is not seeing any signs of slower fragrance sales, nor of trading down, and actually sees the contrary where consumers are moving upmarket towards more concentrated versions of desirable scents; Exhibit 6 and Exhibit 7.

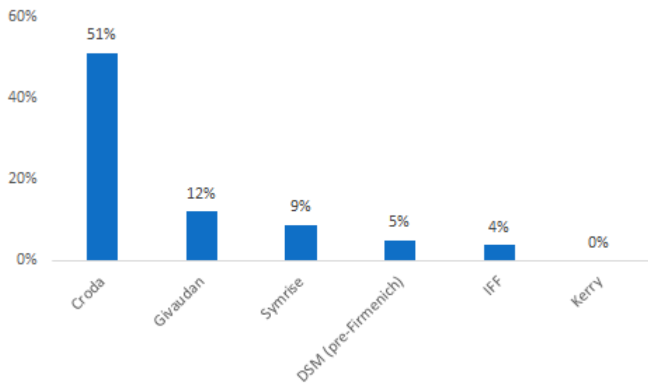
De-stocking in the making? Over the last two weeks various Industrial Chemical companies have reset quarterly (3Q/4Q22) or FY22 expectations in the absence of a pick-up in activity during September, post a (typical) summer lull, amongst other reasons. When we take a look at fast moving consumer goods (FMCG) comparable sales growth versus change in inventory levels, we can see that over the quarters 4Q21 to 2Q22 the change in inventory levels has been on average ~2.2x comparable sales levels; Exhibit 15and Exhibit 16 and Exhibit 17. Given the majority of FMCGs have been indicating input inflation in the order of single-digit % to low-double-digit levels (mostly in the teens %), we believe the higher rate of inventory growth vs comparable growth may be indicative of FMCG (safety) stock building). As demand in certain consumer categories starts to wane, FMCGs may decide to unwind/reset inventory levels; in the previous downturn this has led to ~2 quarters of a moderate negative impact on Ingredient volumes. So far, most Ingredient players don't see a material slowdown except for McCormick and IFF in particular categories. This is mostly due to ingredient companies being one step behind their customers, which are one step behind retailers; this implies that a slowdown in retail typically takes a number of weeks to trickle down to the FMCG level and then another number of weeks to reach Ingredient players. A potential de-stock would be similar to what we have seen in 2009, where across most categories, softer consumer demand drover fast moving consumer goods (FMCG) to reduce inventory levels, with Symrise, Givaudan and IFF noting pipeline de-stocking. DSM also temporarily reduced its feed ingredient production, following channel de-stocking, due to a moderate decline in animal protein consumption.

Givaudan volume resilience > Symrise over the next 12 months. The categories likely to hold up relatively better in a downturn, facing easier comparables or simply enjoying an ongoing rebound/relatively better volume prospects are in favour of Givaudan's portfolio, in our view: (1) Food & Beverages solutions which are typically more resilient in a downturn versus discretionary categories; Givaudan is relatively over-indexed to Symrise with 54% portfolio exposure vs 43%, see Exhibit 12 . Also note that Givaudan

Taste & Wellness LFL growth remained in black territory in 2009 YoY (Symrise Flavor, Nutrition & Health LFL sales turned negative in 1H09 YoY). Some Food & Beverage categories saw meaningful volume declines in 2009 vs 2008, including brewing enzymes, a field where neither Givaudan nor Symrise are present, with both players also over-exposed towards non-alcoholic categories. (2) Fine Fragrance ingredient sales were hit in a more pronounced way in the last downturn (Givaudan Fine Fragrance -7.6% YoY in 2009 and IFF -8.0% yet Premium Fragrance market sales -2.9% YoY) but are still enjoying an ongoing rebound, most recently from a recovery in travel and airport traffic. Going forward they are also seeing a pick up in 'emerging' (middle classes) countries such as India, Indonesia, Malaysia where fragrances play an important role, as well as ongoing strength in demand from the Middle East, where premium fragrances are preferred, and overall Givaudan is relatively better positioned vs Symrise. At the same time, according to Coty, there has been an emerging perfume over lipstick effect, where consumers turn to more affordable indulgences in an uncertain economic environment, a product item that is also gender neutral. (3) Moderating outlook for pet food. Symrise's growth story has to a large extent been premised on its unique pet food assets, driving about ~31% of LFL growth on the group level vs representing ~16% of group sales (on average over the last 5 years). While US Nielsen data is revealing weak pet food volume trends, we recognise this does not reveal the full picture (as it does not capture online and boutique channel sales) as some pet food players sales volumes are holding up well and report ~mid-single-digit volume sales growth (Smucker -3%, Nestle 'positive' and Colgate Hill's Nutrition +5.5% in the last reported quarter). That said, post two very strong years for the Pet Care market over 2020/2021 driven by the number of new pet owners accelerating during the Covid-19 lockdowns, we believe pet food growth is likely to slow down in 2023 driven by a normalisation in the number of incremental pet owners (especially in a softer economic climate) and pets having now fully grown (leaving less upside to daily calorie growth). Next to that, Symrise faces tough comparables and there may have been a degree of stocking (at the consumer level) and there is risk that Symrise may have to give back some pricing when the raw material basket eases. As a result, we believe Symrise growth will be mainly a function of new plant ramp-ups; we estimate this is worth about 1.2% of volume growth in FY23 or close to 50% of the Company's underlying volume growth.

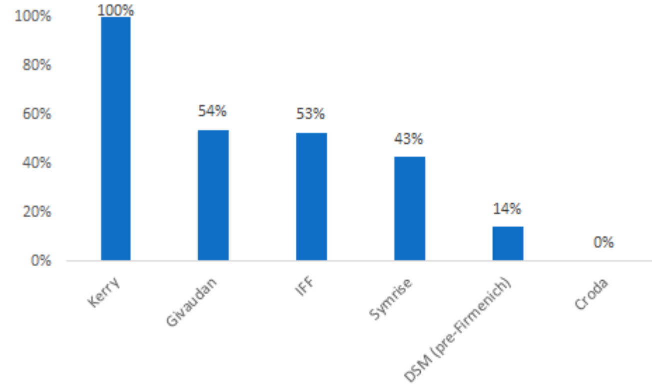
How did Ingredient players' perform in the previous economic downturn? In this note, we have detailed how Ingredient companies performed in previous economic downturns. Ingredient players experienced about 2 to 4 quarters of (organic) volume declines. Givaudan experienced just 2 sequential quarters of low-single-digit negative LFL sales, mostly due to a de-stocking across both divisions (especially in Mature Markets) including in Fine Fragrances (-7.6% in 2009) and North America and Europe as regions particularly affected. Symrise also experienced 2 quarters of negative LFL growth, yet the declines were more significant and present across both divisions. see Exhibit 7 and Exhibit 8.

Exhibit 12: Ingredient Player portfolio exposure to Fragrance and Cosmetics Categories



Source: Company Data, Morgan Stanley Research

Exhibit 13: Ingredient player portfolio exposure to Food & Beverage Categories



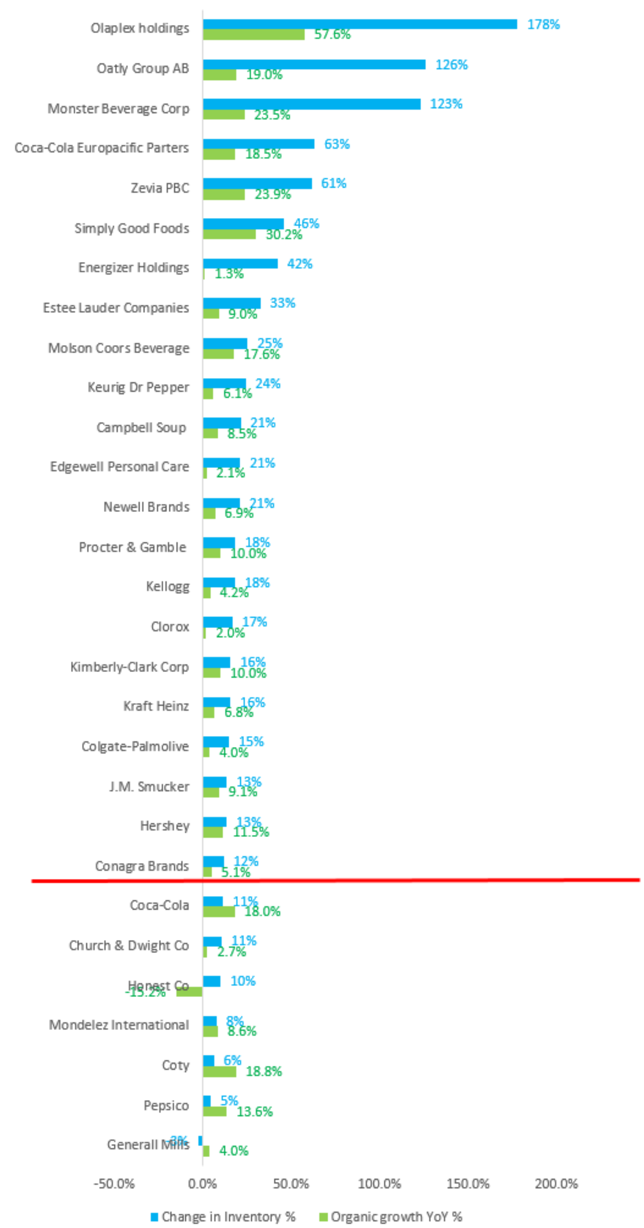
Source: Company Data, Morgan Stanley Research

Exhibit 14: Ingredient company commentary on customer inventory trends

Company	Date	Comments on stocking effects
Symrise	2Q22 Conference Call	Symrise management stated they believe customer inventories at this moment do not display major changes in the inventory management. They do however expect the whole supply chain to look to reducing inventory at some point, i.e. when some supply chain disruptions go away. They believe it does not make sense to buy raw materials at any price and pile up, but believe it will be manageable for them.
IFF	2Q22 Conference Call	IFF believes its business is highly resilient but may have a transition quarter or two as customers destock inventories.
DSM	2Q22 Conference Call	DSM noted some impact from customer destocking in 2Q22 although lesser than in 1Q22 (They saw 6% destocking in 1Q22 Animal Nutrition).
Firmenich	FY22 Conference Call	Inventory levels vary from customer to customer. Firmenich believes Fine Fragrance customer inventories are low, as well as for Consumer Fragrances. In Ingredients, customer inventory may be higher, perhaps 20% higher than normal, whereas on the Nutrition and Taste & Beyond side, they believe inventory levels are normal.

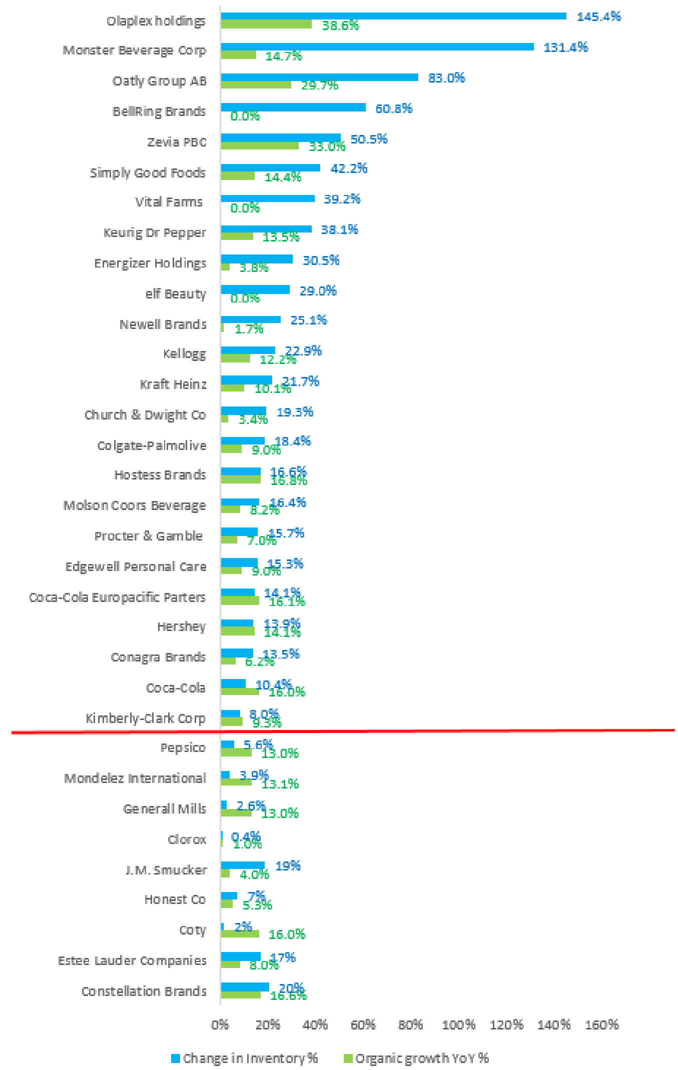
Source: Company Data, Morgan Stanley Research

Exhibit 15: 1Q22 Comparable Growth vs Change in Inventories



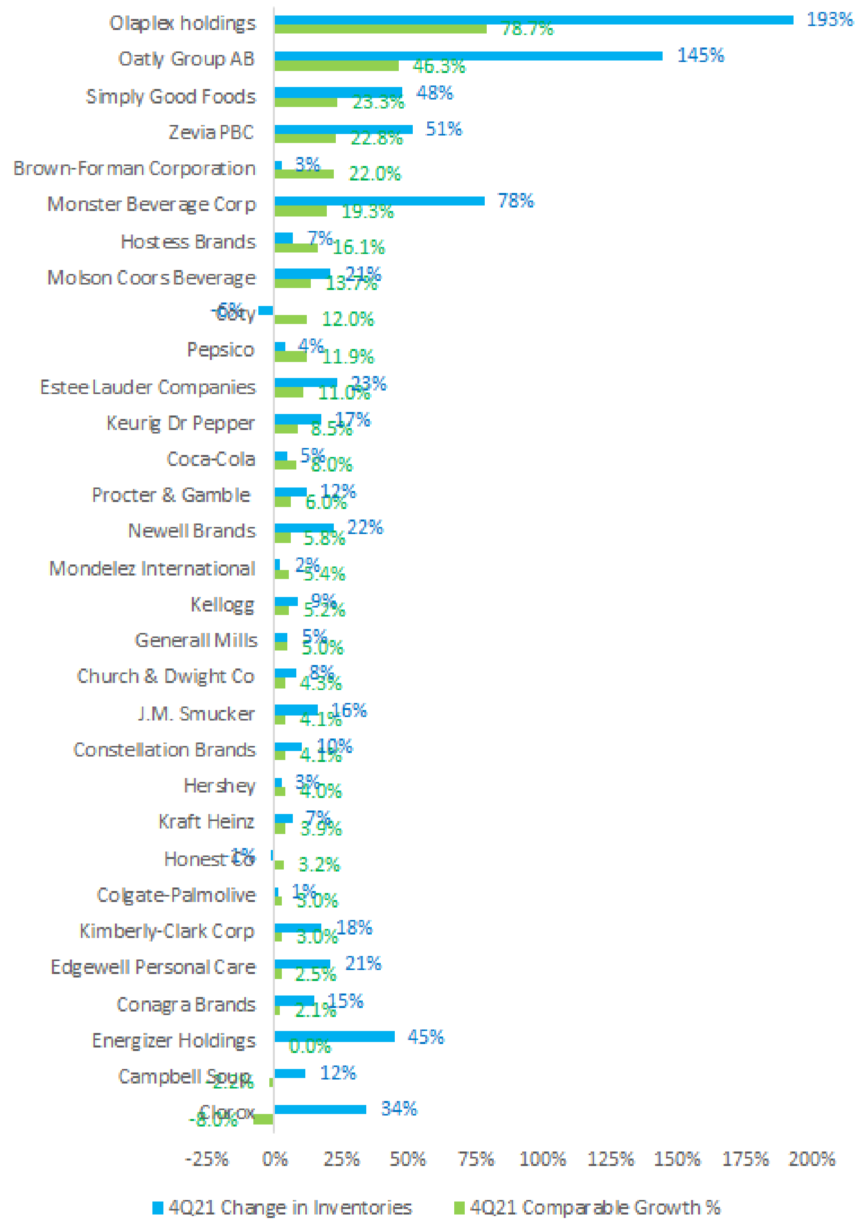
Source: Company Data, Morgan Stanley Research

Exhibit 16: 2Q22 Comparable Growth vs Change in Inventories



Source: Company Data, Morgan Stanley Research

Exhibit 17: 4Q21 Comparable Growth vs Change in Inventories



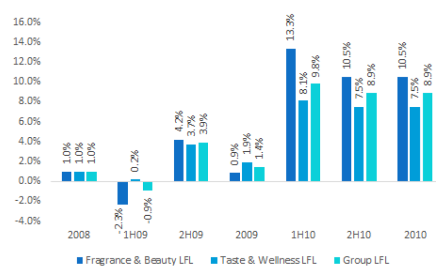
Source: Company Data, Morgan Stanley Research

Exhibit 18: FMCG Quarterly Inventory/Sales on the rise (%)

	Inventory /Sales					
	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22
Monster Beverage Corp	29.6%	26.2%	33.4%	41.6%	54.1%	53.5%
Coca-Cola	37.2%	32.4%	31.7%	36.0%	35.6%	32.0%
Pepsico	30.7%	26.0%	21.6%	17.2%	29.4%	26.1%
Keurig Dr Pepper	29.0%	28.6%	29.9%	26.4%	34.0%	34.9%
Molson Coors Beverage	39.3%	25.5%	28.6%	30.7%	42.3%	29.9%
Oatly Group AB	31.3%	39.1%	45.6%	51.5%	59.6%	58.7%
elf Beauty	61.3%	56.2%	83.6%	86.9%	80.4%	57.4%
Energizer Holdings	87.6%	95.7%	95.1%	89.3%	124.6%	123.9%
Procter & Gamble	33.1%	31.6%	31.0%	31.8%	36.6%	35.5%
Estee Lauder Companies	55.1%	63.6%	59.9%	47.1%	66.7%	82.0%
Olaplex holdings	35.8%	37.6%	42.7%	59.1%	63.1%	66.5%
Newell Brands	83.1%	74.4%	75.3%	71.2%	96.2%	99.5%
Coty	58.8%	61.3%	48.2%	37.3%	54.2%	56.6%
Honest Co	93.5%	110.5%	94.2%	94.1%	121.4%	112.6%
Edgewell Personal Care	68.2%	62.6%	63.6%	88.0%	78.3%	66.4%
Kimberly-Clark Corp	41.2%	44.7%	41.9%	45.1%	44.5%	45.0%
Colgate-Palmolive	38.6%	39.9%	37.8%	38.4%	43.7%	44.9%
Clorox	38.6%	41.7%	43.5%	48.4%	44.4%	41.9%
Church & Dwight Co	43.7%	43.7%	42.1%	39.1%	46.2%	50.0%
Mondelez International	36.4%	44.0%	40.7%	35.4%	36.6%	41.8%
BellRing Brands	52.5%	41.4%	34.7%	42.5%	45.9%	61.5%
Kraft Heinz	41.9%	42.6%	44.9%	40.7%	51.2%	52.4%
Conagra Brands	57.0%	62.4%	73.7%	60.8%	60.6%	66.7%
Hershey	39.6%	53.3%	43.5%	42.5%	38.7%	50.9%
Simply Good Foods	35.9%	27.7%	37.4%	40.0%	40.8%	35.3%
Kellogg	36.8%	38.4%	38.1%	40.9%	42.5%	43.4%
J.M. Smucker	50.0%	59.5%	53.7%	50.7%	53.6%	70.1%
Generall Mills	38.9%	40.2%	42.6%	35.8%	37.7%	38.2%

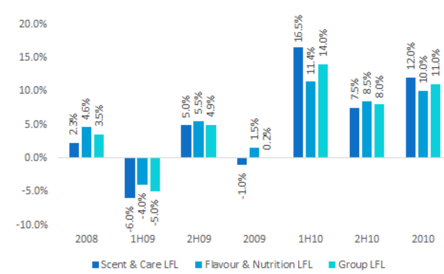
Source: Company Data, Morgan Stanley Research

Exhibit 19: Givaudan 2009 growth (%) was negative in F&B but flat in T&W



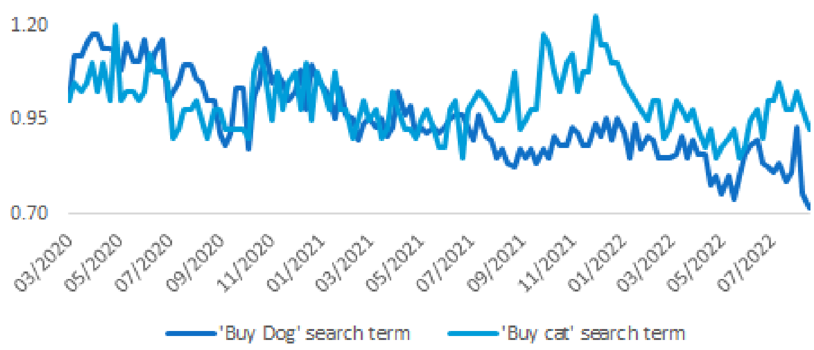
Source: Company Data, Morgan Stanley Research

Exhibit 20: Symrise 2009 growth (%) was negative in 1H09 but rebounded thereafter



Source: Company Data, Morgan Stanley Research

Exhibit 21: Google Trend Searches for dogs and cats declining from pandemic highs (indexed)



Source: Google Trends

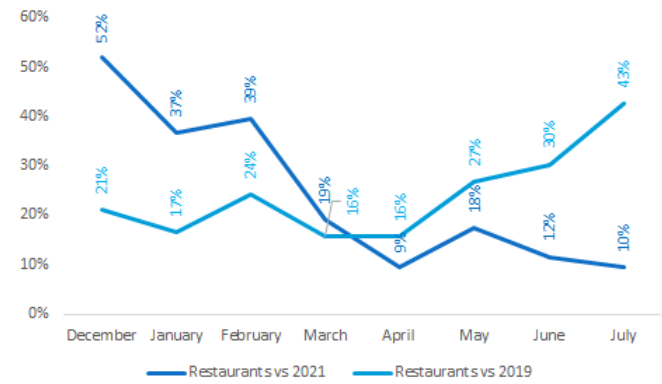
Exhibit 22: Nielsen Data indicated slower volume growth and ongoing downtrading to private label continues (4/12/52 weeks until August 13/14th)

Volumes	4 weeks	12 weeks	52 weeks
Health			
Protein Shakes - AVG	-4.3%	-3.0%	6.3%
Protein Shakes - Private Label	8.2%	7.3%	5.9%
Bars - AVG	-7.1%	-5.0%	6.4%
Bars - Private Label	24.3%	13.7%	36.1%
Protein Powder - AVG	-3.0%	-2.2%	3.2%
Protein Powder - Private Label	22.8%	23.8%	17.5%
Beverages			
CSD - AVG	9.4%	4.0%	-0.9%
CSD - Private Label	7.3%	1.7%	-2.8%
Beer - AVG	4.1%	-2.5%	-6.0%
Beer - Private Label	1.5%	-4.3%	-8.3%
Refrigerated Juices - AVG	-4.1%	-2.8%	-1.7%
Refrigerated Juices - Private Label	-4.6%	-0.9%	2.4%
Pet Food			
Dog Food - AVG	0.2%	0.7%	1.1%
Dog Food - Private label	2.2%	2.7%	-1.4%
Pet treats - AVG	-2.1%	-2.1%	1.0%
Pet treats - Private Label	0.4%	-0.6%	-2.6%
Cat Food - AVG	0.4%	1.0%	1.7%
Cat Food - Private Label	-4.5%	-5.0%	-4.0%

Food	4 weeks	12 weeks	52 weeks
Candy - Chocolate - AVG	-4.5%	-3.9%	1.4%
Candy - Chocolate - Private Label	9.0%	8.2%	10.0%
Cereal - AVG	-0.9%	-1.1%	-5.2%
Cereal - Private Label	5.3%	7.5%	-3.2%
Cheese - AVG	0.8%	0.3%	-0.4%
Cheese - Private Label	3.3%	2.8%	-0.1%
Sweet Snacks - AVG	-3.6%	-4.1%	3.7%
Sweet Snacks - Private Label	8.2%	5.3%	3.6%
Salty Snacks - AVG	2.6%	1.7%	0.6%
Salty Snacks - Private Label	5.0%	6.6%	5.8%
Yoghurt - AVG	-1.3%	-1.0%	1.4%
Yoghurt - Private Label	4.9%	5.7%	-2.6%
Coffee - AVG	-11.3%	-9.5%	-7.2%
Coffee - Private Label	5.9%	8.1%	-5.2%
HPC			
Bath & Shower - AVG	-1.0%	-0.2%	-2.2%
Bath & Shower - Private Label	2.8%	1.7%	-0.5%
Automatic Dishwashing Products - AVG	-6.1%	-6.5%	-6.0%
Automatic Dishwashing Products - Private Label	-1.6%	-7.9%	-10.8%
Cosmetics - AVG	8.1%	11.3%	9.6%
Cosmetics - Private Label	5.0%	4.4%	3.5%
Laundry Detergent - AVG	-2.9%	-1.9%	-1.7%
Laundry Detergent - Private Label	0.2%	-0.8%	-0.9%
Hair Shampoo - AVG	0.4%	2.1%	-0.7%
Hair Shampoo - Private Label	5.5%	5.9%	2.1%

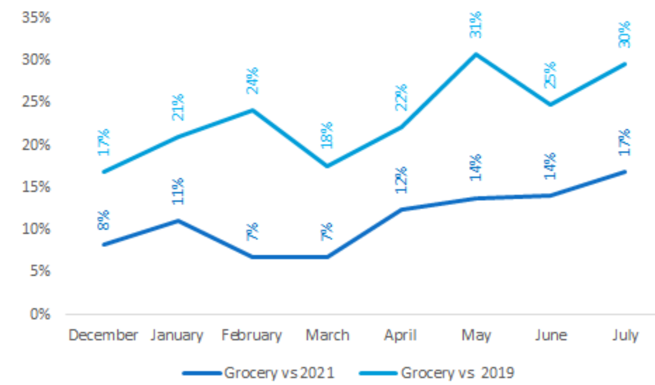
Source: Nielsen Data, Morgan Stanley Research

Exhibit 23: US Mastercard Restaurants Spend (%) not inflation adjusted



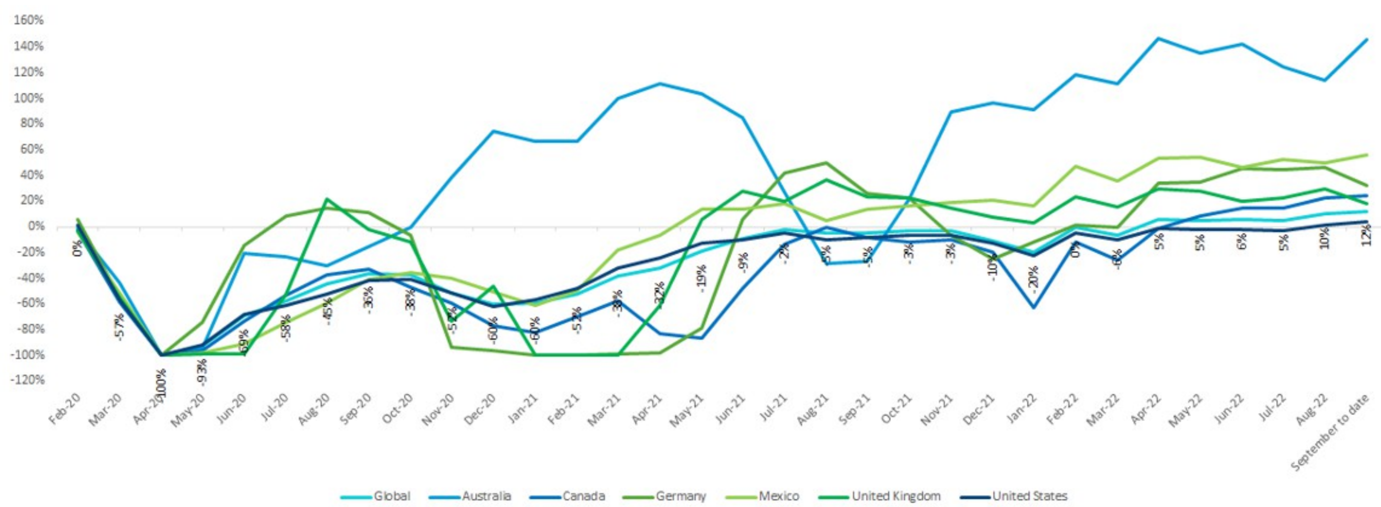
Source: Mastercard, Morgan Stanley Research

Exhibit 24: US Mastercard Grocery Spend (%) non inflation adjusted



Source: Mastercard, Morgan Stanley Research

Exhibit 25: Global Dining Out Trends remain favourable across most regions (vs 2019 levels)



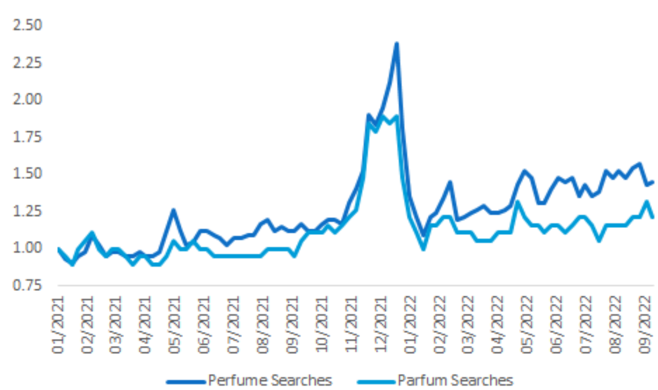
Source: Open Table Data, Morgan Stanley Research

Exhibit 26: FMCG and Retail Trading Trends from September

Company	Date	Commentary
Ocado	September 13th, 2022	Ocado reduced FY22 Retail guidance mostly related to a reduce in average basket sizes. The Company states consumers are shopping smaller baskets and seeking value-for-money items as they respond to inflationary pressures.
Kroger	September 9th, 2022	Kroger notes a reduction in average transaction size, but believes this is mostly due to people coming into the store more frequently. They see some headwinds from non-food products.
Mondelez	September 7th, 2022	Mondelez states that biscuits and chocolate are usually not the categories where big shifts happen. When customers feel pressured for stress, they tend to be go-to catgories to feel better.
Colgate	September 7th, 2022	Colgate has not seen major elasticity year to date versus their assumptions. In terms of inventories, they have noted some de-stocking from particular customers such as Amazon.
Proctor & Gamble	September 8th, 2022	P&G states it has seen some inventory rebalancing across retailers as would be expected towards the holiday season. Most of their retail partners have built higher inventories over the last 2 years due to supply chain constraints. Through July and August, P&G saw this buffer coming out as the supply chain stabilizes and they look to redeploy cash into other categories.
Nestle	September 7th, 2022	Pet food growth was in some cases including in the US hampered by capacity and raw material constraints. Nestle remains upbeat on the market opportunity with Emerging Markets offering calorific conversion, and in Developed Markets premiumization. Nestle believes private label categories gained market share year-to-date, but believes this has been largely just gaining back what this category had lost during the Covid-19 pandemic.

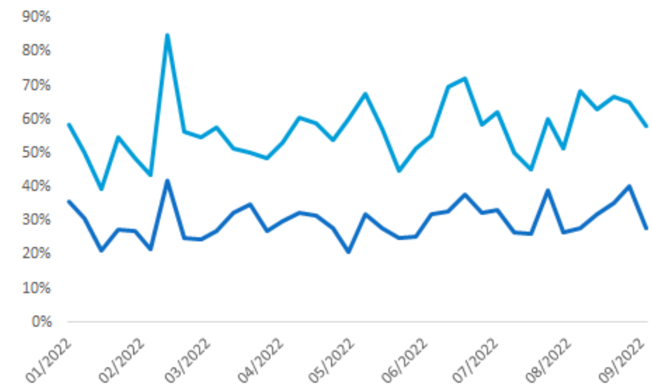
Source: Company Data, Morgan Stanley Research

Exhibit 27: Google searches for 'Perfume' and 'Parfum' are +33% YoY and led by S-Am, S-Asia and the Middle East (indexed)



Source: Google Trends, Morgan Stanley Research

Exhibit 28: Google Searched for 'Perfume' YoY and vs 2019 levels



Source: Google Trends, Morgan Stanley Research

Exhibit 29: Ingredients Company Trading Trends

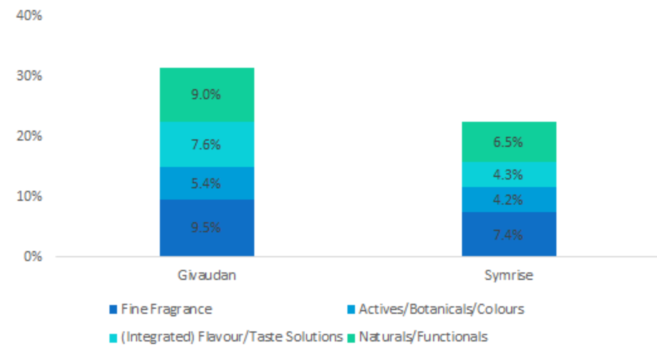
Company	Date	Commentary
Ashland	September 14th, 2022	Ashland states 4Q22 Sales and EBITDA are above expectations for July and August, and it has a strong order book for September.
IFF	September 8th, 2022	IFF states it has not seen a shift in competitive activities or supplier changes because of price actions. IFF has not seen any significant changes in customer order patterns except for in the North American probiotic space, where IFF is staring to see some softness. China remains impacted by continued lockdowns.
McCormick	September 7th, 2022	3Q22 pre-liminary sales disappointed due to a moderation in Consumer and ongoing supply chain challenges. The Company expects 3Q22 sales growth to be driven by positive prices partially offset by a decline in volumes and product mix, partially including the impact of the Kitchen Basics divestment.
McCormick	September 8th, 2022	McCormick states price elasticity is less than history but sees a consumer under pressure which is actively looking for lower priced items on the shelf, as well as greater use of leftovers and cheaper protein cuts/less protein purhcases. The Company sees trading down in herbs, spices, seasonings categories. Flavor Solutions demand remains incredibly strong, whereas the Company has taken a disciplined inventory approach in segments where demand has quickly moderated. In terms of Flavor Solutions, they have noted very strong growth in food away-from-home.

Source: Company Data, Morgan Stanley Research

Pricing: Who can hold on to pricing?

Givaudan likely to benefit from stickier pricing over Symrise. While (European) energy inflation could prolong the inflationary raw materials trend across both natural and synthetic ingredients, the likelihood to see a degree of de-stocking in the coming quarter is then likely to translate into deflation. Symrise enjoys a relatively higher level of backward integration in comparison to peers (including Givaudan, IFF, Croda and Kerry) and thus commodity-exposed or single ingredient sales. This has benefitted the Company in an inflationary environment as those individual (fragrance and flavour) ingredients could relatively faster capture positive pricing via new price lists. This is not too dissimilar from IFF having successfully pushed through input inflation via higher prices across Nourish (especially in Protein Solutions) and Health & Biosciences (especially in Enzymes), whereas Scent lagged. On the other side, Givaudan's pricing has lagged input inflation and peers; however, this was to a large extent related to its larger portfolio of patented ingredients/compounds where it has to individually renegotiate every single customer contract. While it's hard to pinpoint precisely where these compounds/solutions are situated in the portfolio, we estimate these particularly feature across Fine Fragrances (where Givaudan is positioned relatively more on the premium end vs Symrise), Integrated Solutions and patented Actives, Botanicals and Functional Ingredients; we estimate this represents ~32% of Givaudan's ~22% of Symrise's portfolio. Overall, we prefer Ingredient players where: (1) pricing has kicked in later (especially Givaudan) and even more so, where (2) pricing has the potential to be relatively stickier (especially Givaudan and Croda).

Exhibit 30: % of portfolio where we believe pricing is stickier



Source: Company Data, Morgan Stanley Research

Exhibit 31: Ingredient Player 2022 Pricing and Inflation

	1Q22	2Q22	3Q22e	4Q22e
Givaudan				
Pricing	1.5%	3.0%	4.3%	5.0%
Input inflation		9.0%		
COGS as % of sales		59%		
Implied required pricing		5%		
Symrise				
Pricing	3.5%	8.3%	8.0%	7.0%
Input inflation		~6%		
COGS as % of sales		55%		
Implied required pricing		3.3%		
Kerry (T&N)				
Pricing	6.6%	10.4%	12.2%	8.4%
Input inflation	HSD	HSD	DD	DD
COGS as % of sales		55%		
Implied required pricing		>8%		
IFF				
Pricing	8%	10%	10%	10%
Input inflation		Double-Digit %		
COGS as % of sales		64%		
Implied required pricing		>10%		

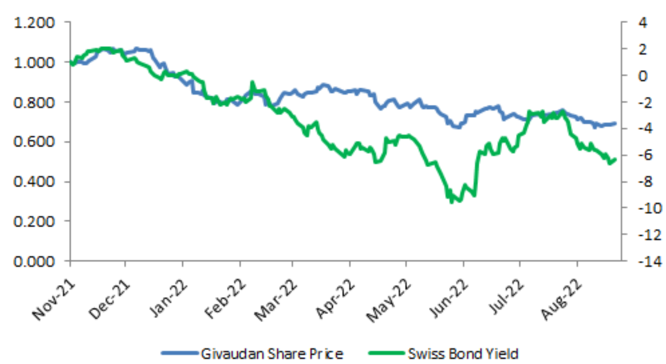
Source: Company Data, Morgan Stanley Research estimates (e)

Rates - Who holds more multiple risk?

The Ingredient Space has de-rated into a higher yield environment. Ingredient Player multiple have been weighed down on rising interest rates with the sector down -32% YTD (average share price performance: Chr Hansen, Novozymes, Givaudan, Symrise, IFF, Kerry, DSM, Croda). Historically, Givaudan and Symrise have particularly displayed a meaningful correlation with Swiss Bond Yields and German Bund Yields respectively given their defensive bond-substitute performance characteristics; Givaudan and Symrise have a 46% and 65% 10-year historical correlation respectively. Their shares have de-rated 10x and 7x on a PER basis over the last 12 months (vs 2021 average multiples) respectively.

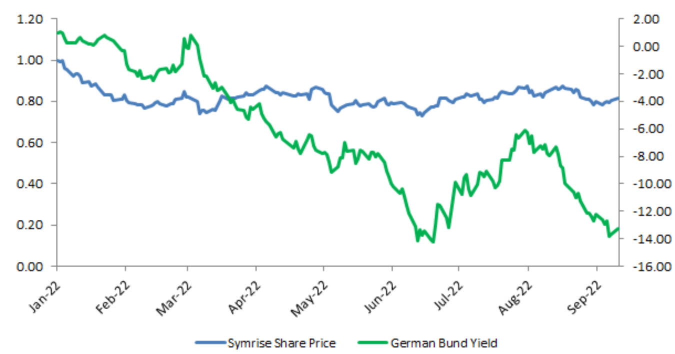
Higher rates environment still a factor for Ingredient multiple compression, yet risk SYM > GIV. Our MS European rates team expects the European Central Bank (ECB) to continue with incremental rate hikes, including +50bps in October, and a string of +25bps hikes in December, February and March. Hence this presents upward risk to bond yields, and further multiple compression risk for Ingredient players. That being said Symrise has lagged the de-rating vs the German Bund Yield presenting relatively higher risk, while Givaudan de-rated relatively closer ~ in line with the Swiss Bond Yield, although against a backdrop of Swiss Bond Yields falling backwards over the summer; see Exhibit 1 and Exhibit 2.

Exhibit 32: Givaudan share price has ~ de-rated in line with Swiss Bond Yields (indexed)



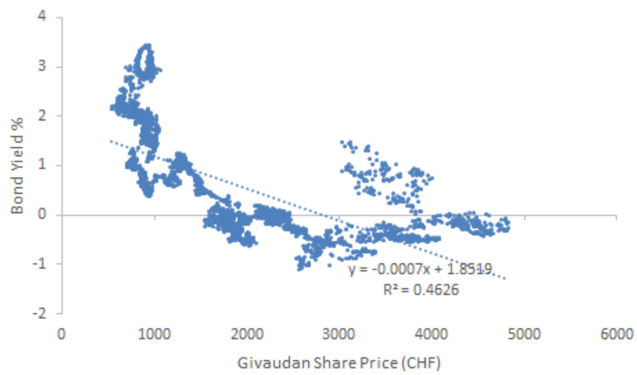
Source: Reuters, Morgan Stanley Research; Swiss bond yield inversed

Exhibit 33: Symrise share price does not reflect its German Bund Yield Dynamics (indexed)



Source: Reuters, Morgan Stanley Research; German bund yield inversed

Exhibit 34: Givaudan vs Swiss Bond Yield (%)

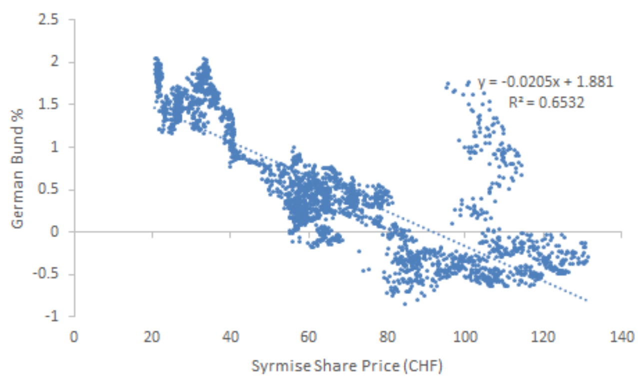


Source: Reuters, Morgan Stanley Research

Exhibit 35: Givaudan vs Swiss Bond Yield (%)

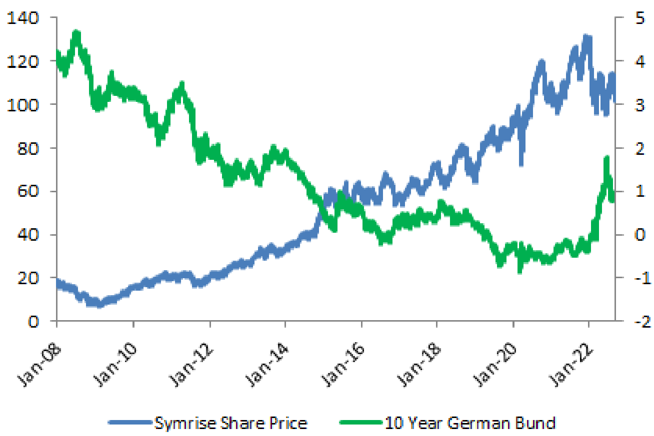
Source: Reuters, Morgan Stanley Research

Exhibit 36: Symrise vs German Bund Yield (%)



Source: Reuters, Morgan Stanley Research

Exhibit 37: Symrise vs German Bund Yield (%)

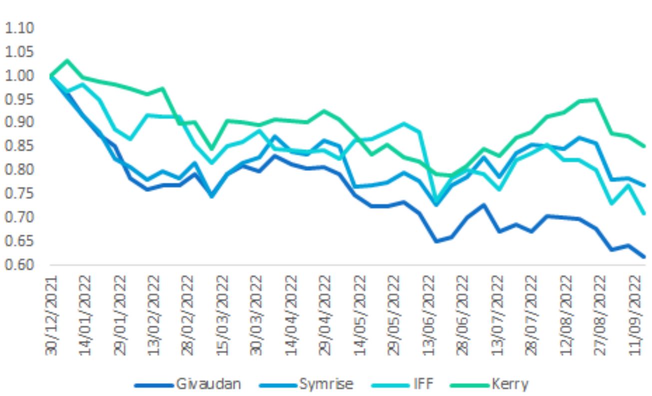


Source: Reuters, Morgan Stanley Research

Exhibit 38: Ingredient share price performance (long-term history)

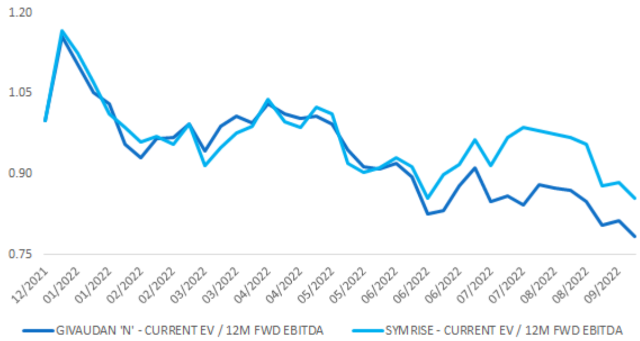
Source: Reuters, Morgan Stanley Research

Exhibit 39: Ingredient share price performance (YTD)



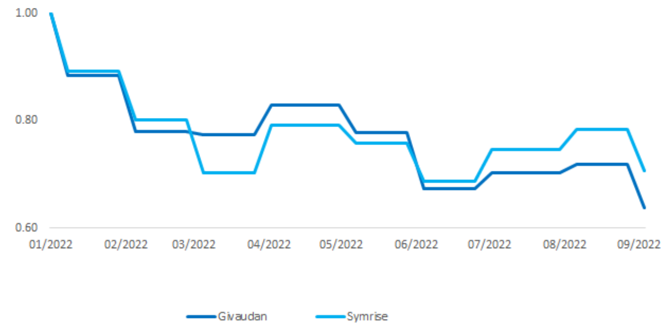
Source: Reuters, Morgan Stanley Research

Exhibit 40: Givaudan and Symrise EV/EBITDA (indexed YTD)



Source: Reuters, Morgan Stanley Research

Exhibit 41: Givaudan and Symrise PER (indexed YTD)



Source: Reuters, Morgan Stanley Research

Risk Reward – Givaudan SA (GIVN.S)

Relatively better price stickiness, volume resilience & ability to weather rates

PRICE TARGET SFr 3,400.00

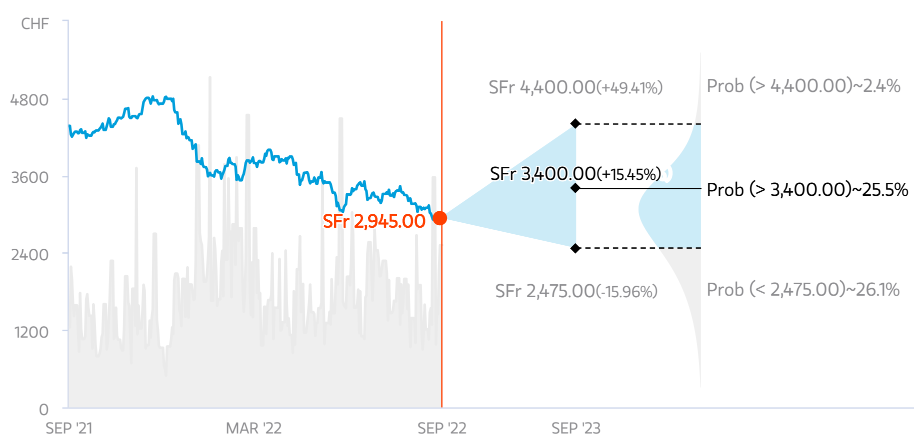
Our SOTP, DCF, RI and DDM models point to a fair value of CHF3400/share, equivalent to one-year forward 21x EV/EBITDA. We assume a 5.0% risk-free rate (vs 4.0% previously), 6.7% WACC (from 6.1%) and 3.0% long-term growth rate.

Consensus Price Target Distribution SFr 2,600.00 — SFr 3,579.47 — MS PT — SFr 4,380.00

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 23 Sep, 2022. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- Our Overweight rating reflects GIV relatively better positioning to: (1) hold on to higher prices, (2) maintain volume resilience through an economic downturn, and (3) overall more compelling profitability and FCF prospects to peers, as well as (4) relatively lower rates risk, especially vs closest peer Symrise.

Consensus Rating Distribution

33%	Overweight
42%	Equal-weight
25%	Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Contrarian:	*Positive*
Pricing Power:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE SFr 4,400.00

HSD growth, low rate environment

Top-line growth accelerates to 9.0%, implying about 4.0% additional growth delivered by incorporation of M&A (this assumes Givaudan levers net debt/EBITDA to 4.0x and acquires at 2.9x EV/Sales). Margins reach 25% by FY25 via pricing power, innovation, synergies, together leading to increased cash flow and cash returns.

BASE CASE SFr 3,400.00

LFL growth in line with targets but below peers

FY22-24 LFL of 5.6% above mid-term targets (of 4-5%) mostly driven by sustainability flavoured growth. EBITDA margins recover to 22.8% by FY24 from a low of 21.2% in FY22 (vs 22.2% in FY21). On the bottom-line, it offers a ~13% EPS CAGR through FY24.

BEAR CASE SFr 2,475.00

Market slowdown, Share losses, Higher rates

Assumes that top-line growth slows to 3.0% and EBITDA margins and FCF conversion contracting to 2009 levels, as well as associated multiple compression to 17.5x FY23 EBITDA. Operational performance slows with cash returns below expectations.

Risk Reward – Givaudan SA (GIVN.S)

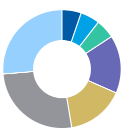
KEY EARNINGS INPUTS

Drivers	2021	2022e	2023e	2024e
Sales growth (%) (%)	5.7	9.5	5.5	5.8
EBITDA Margin (%)	22.5	21.5	22.4	22.7

INVESTMENT DRIVERS

- Sustainable above-market top-line growth of 4-5%
- FCF/Sales >12% on average over 2021-2025
- Market share gains and momentum with smaller/regional customers

GLOBAL REVENUE EXPOSURE



- 0-10% India
- 0-10% MEA
- 0-10% Mainland China
- 10-20% APAC, ex Japan, Mainland China and India
- 10-20% Latin America
- 20-30% Europe ex UK
- 20-30% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 **MOST** 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

SUSTAINABILITY & ESG

Indicator of Change	0.00	(+1.0 to -1.0)
Disclosure Rate	75%	

RISKS TO PT/RATING

RISKS TO UPSIDE

- Lower rates environment
- Value-accretive M&A
- Moderate raw material inflation enabling positive pricing
- Innovation acceleration/customer launches
- Customer wins

RISKS TO DOWNSIDE

- Prolonged elevated Swiss bond yield
- Deterioration in consumer sentiment, structural changes in consumer patterns
- Expensive acquisitions and rising capital intensity
- Raw material inflation beyond pricing power
- Innovation slowdown

OWNERSHIP POSITIONING

Inst. Owners, % Active	65.5%	
HF Sector Long/Short Ratio	1.9x	
HF Sector Net Exposure	5.8%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2022e

	Low	Morgan Stanley Estimates	Mean	High
Sales / Revenue (SFr, mn)	7,079	7,319	7,226	7,422
EBITDA (SFr, mn)	1,489	1,571	1,540	1,639
EBIT (SFr, mn)	1,119	1,180	1,176	1,296
EPS (SFr)	88.05	90.83	97.08	109.92

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

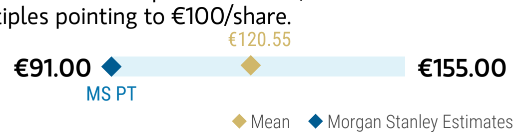
Risk Reward – Symrise AG (SY1G.DE)

Rising rates, price reversal &moderate volume growth leave risk to the downside

PRICE TARGET €91.00

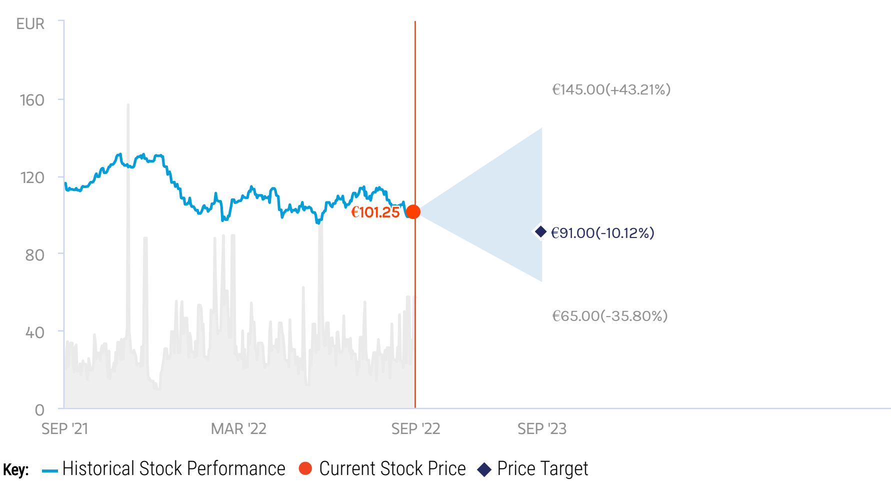
Based on blended average of our DCF €90/share with a WACC of 7.0% (vs 6.1% previously) and LTG of 3.0%; Residual Income €81/share (same assumptions as DCF), DDM €90/share (ROE 14%, CoE 7.0%), and peer SOTP multiples pointing to €100/share.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART

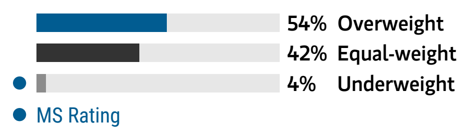


Source: Refinitiv, Morgan Stanley Research

UNDERWEIGHT THESIS

- **Our relative Underweight rating reflects** (1) ongoing multiple compression risk from rising rates, (2) moderate 2023 volume prospects amid a softer economic climate which leaves volume expansion mostly linked to (pet) plant ramp-ups, and (3) modest margin progression supported by synergies.
- **What would make us Equal-weight/Overweight?** (+) Significantly better volume growth, (+) Sticky pricing, (+) Material Margin Recovery and FCF generation improvement, (+) Significant synergies from divisional combination and recent M&A.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Pricing Power: *Positive*
Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE €145.00

Above target growth, wins & material margin gains

New project volumes ramping up faster than expected and contract wins together drive 8% LFL growth over FY22-24, EBITDA margins expand to 23.5% by FY24 supported by good operational leverage, synergies, positive pricing and product mix. We incorporate a LTG of 3.5% and long-term Rf of 3.0%.

BASE CASE €91.00

Pricing power, LFL growth in line with targets

Average organic growth of 6.0% over FY22-24e with volume growth predominantly driven by new (pet) plant ramp-ups and inorganic adjacencies. EBITDA margins recover to 21.4% on synergies/gearing by FY24 from 20.7% in FY22 (vs 21.3% in FY21).

BEAR CASE €65.00

Structurally higher rates. Market & EM slowdown.

Slowing growth in EMs reverses positive trends for local and regional FMCG companies, impacting Symrise's volume growth, while in DMs stalls and organic growth slows to 3% over FY22-24e with EBITDA margins coming under pressure given limited operational leverage on lower growth. We incorporate a slower LTG of 2.5% and long-term rates rise to 6.0%.

Risk Reward – Symrise AG (SY1G.DE)

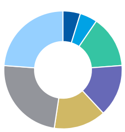
KEY EARNINGS INPUTS

Drivers	2021	2022e	2023e	2024e
Sales growth (%) (%)	8.7	19.9	3.8	5.1
EBITDA margin % (%)	21.3	20.8	20.9	21.4

INVESTMENT DRIVERS

- 5-7% LFL growth CAGR through FY25
- Innovation, synergies and efficiency driving growth and profitability
- Accretive M&A, customer wins, EM growth

GLOBAL REVENUE EXPOSURE



- 0-10% APAC, ex Japan, Mainland China and India
- 0-10% UK
- 10-20% Latin America
- 10-20% MEA
- 10-20% Mainland China
- 20-30% Europe ex UK
- 20-30% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

SUSTAINABILITY & ESG

		+1.0 to -1.0
Indicator of Change	0.05	
Disclosure Rate	60%	

RISKS TO PT/RATING

RISKS TO UPSIDE

Re-rating/EPS growth from 1) R&D-led growth, 2) Organic capex opportunities, 3) Pricing power/stickiness, 4) Customer wins/Market share gains, 5) accretive M&A and 6) favourable FX.

RISKS TO DOWNSIDE

De-rating/EPS slowdown from 1) Consumer spend downturn, 2) Prolonged rising rates environment, 3) Lack of pricing power/stickiness, 4) Delayed project ramps slowing volume growth, and 5) unfavourable FX.

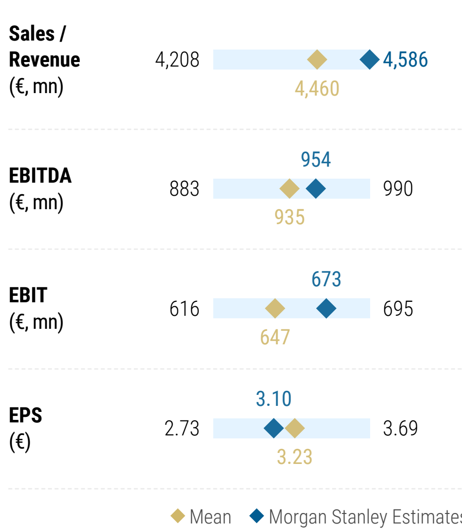
OWNERSHIP POSITIONING

Inst. Owners, % Active	77.9%
HF Sector Long/Short Ratio	1.9x
HF Sector Net Exposure	5.8%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2022e



Source: Refinitiv, Morgan Stanley Research

Givaudan Financial Summary

Exhibit 42: Givaudan P&L Summary (CHFm)

	2018	2019	2020	2021	2022e	2023e	2024e
Profit & Loss							
Sales	**5,527**	**6,203**	**6,322**	**6,684**	**7,329**	**7,730**	**8,180**
COGS	-3,198	-3,673	-3,663	-3,829	-4,194	-4,166	-4,320
Gross Profit	2,329	2,530	2,659	2,855	3,135	3,564	3,860
Gross Profit (Excluding D&A)	2,591	2,885	3,060	3,248	3,503	3,918	4,207
Operating Expenses	-1,446	-1,610	-1,663	-1,766	-1,952	-2,205	-2,362
EBITDA pre Exceptionals	**1,158**	**1,331**	**1,442**	**1,504**	**1,573**	**1,728**	**1,855**
D&A	-262	-355	-401	-393	-368	-354	-347
EBIT Pre Exceptionals	**883**	**920**	**996**	**1,089**	**1,182**	**1,359**	**1,498**
Exceptionals	0	0	0	0	0	0	0
Reported EBIT	883	920	996	1,089	1,182	1,359	1,498
Net Financials	-111	-112	-120	-124	-199	-134	-134
Reported PBT	772	808	876	965	983	1,225	1,364
PBT pre Exceptionals	772	808	876	965	983	1,225	1,364
Tax	-109	-106	-133	-144	-138	-159	-177
Net Profit Pre Exceptionals, Minorities & Discontinued	**663**	**702**	**743**	**821**	**846**	**1,065**	**1,187**
Minorities	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Reported Profit After Tax	663	702	743	821	846	1,065	1,187
EPS	**71**	**76**	**80**	**88**	**91**	**115**	**128**
DPS	60	62	64	66	68	70	72
Number of Shares (m)	9	9	9	9	9	9	9

Source: Company Data, Morgan Stanley Research estimates (e)

Exhibit 43: Givaudan Balance Sheet Summary (CHFm)

	2018	2019	2020	2021	2022e	2023e	2024e
Balance Sheet							
Current Assets							
Cash	423	452	411	273	1	613	1,212
Inventories	1,098	1,149	1,201	1,380	1,531	1,375	1,344
Accounts Receivable	1,253	1,365	1,359	1,464	1,660	1,670	1,714
Property, Plant & Equipment	1,759	2,326	2,222	2,291	2,505	2,582	2,674
Intangibles	3,999	4,286	4,543	4,853	4,762	4,682	4,612
Other	736	818	922	1,159	1,219	1,228	1,238
Total Assets	**9,268**	**10,396**	**10,658**	**11,420**	**11,678**	**12,151**	**12,793**
Current Liabilities	**723**	**1,168**	**1,015**	**1,436**	**1,531**	**1,507**	**1,547**
Short-Term Debt	4	335	206	428	428	428	428
Accounts payable	719	833	809	1,008	1,103	1,079	1,119
Long-Term Liabilities	**4,822**	**5,569**	**6,135**	**6,043**	**6,023**	**6,054**	**6,087**
Long-Term Debt	3,266	3,796	4,245	4,239	4,254	4,269	4,285
Post employement benefit	490	601	545	371	331	331	331
Other	1,066	1,172	1,345	1,433	1,438	1,454	1,471
Total Liabilities	**5,545**	**6,737**	**7,150**	**7,479**	**7,554**	**7,561**	**7,634**
Total Assets Less Total Liabilities	3,723	3,659	3,508	3,941	4,124	4,590	5,158
Shareholders Equity	**3,723**	**3,659**	**3,508**	**3,941**	**4,124**	**4,590**	**5,158**

Source: Company Data, Morgan Stanley Research estimates (e)

Exhibit 44: Givaudan Cash Flow Summary (CHFm)

	2018	2019	2020	2021	2022e	2023e	2024e
Cash Flow Statement							
Operating income	883	920	996	1089	1182	1359	1498
Depreciation of property, plant and equipment	127	193	201	204	207	209	211
Amortisation of intangible assets	125	161	187	186	161	145	136
Impairment of long-lived assets	10	1	13	3	0	0	0
Other non-cash items							
– share-based payments	38	41	56	67	0	0	0
– pension expense	39	38	49	45	0	0	0
– additional and unused provisions, net	-7	12	20	18	0	0	0
– other non-cash items	-43	0	-18	-5	-42	0	0
Adjustments for non-cash items	**289**	**446**	**508**	**518**	**326**	**354**	**347**
(Increase) decrease in working capital	**-89**	**-15**	**-134**	**-96**	**-252**	**128**	**34**
Income taxes paid	-73	-106	-125	-153	-138	-159	-177
Pension contributions paid	-46	-37	-40	-53	-40	0	0
Provisions used	-25	-21	-16	-17	-12	0	0
Purchase and sale of own equity instruments, net	-23	-51	-56	-69	-69	0	0
CFO	**916**	**1136**	**1133**	**1219**	**998**	**1682**	**1702**
Cash flows from debt, net	1438	461	365	306	-13	15	16
Interest paid	-29	-51	-53	-72	-96	-96	-96
Other	-27	-62	-87	-94	0	0	0
Distribution to the shareholders paid	-534	-552	-571	-589	-627	-646	-664
CFF	**848**	**-204**	**-346**	**-449**	**-736**	**-726**	**-744**
Acquisition of property, plant and equipment	-239	-275	-188	-186	-271	-286	-303
Acquisition of intangible assets	-55	-45	-39	-70	-70	-66	-65
Acquisition of subsidiary, net of cash acquired	-1694	-478	-629	-401	-150	0	0
Others, net	115	-95	36	-250	-42	8	8
CFI	**-1859**	**-891**	**-819**	**-907**	**-533**	**-344**	**-360**
Net Change in Cash	-95	41	-32	-137	-272	612	598
FX	-16	-12	-9	-1	0	0	0
Cash - Begin period	534	423	452	411	273	1	613
Cash - End period	423	452	411	273	1	613	1212
FCF							
Adjusted EBIT	883	920	996	1,089	1,182	1,359	1,498
Depreciation & Amortisation	262	355	401	393	368	354	347
Net Interest	-27	-45	-50	-64	-88	-88	-88
Tax	-73	-106	-125	-153	-138	-159	-177
Changes in Working Capital	-89	-15	-134	-96	-252	128	34
Capex	-294	-320	-227	-256	-341	-352	-368
PPE	-239	-275	-188	-186	-271	-286	-303
Intangibles	-55	-45	-39	-70	-70	-66	-65
Other	-71	-58	-56	-70	-52	0	0
Operating Free Cash Flow	**297**	**411**	**578**	**587**	**339**	**890**	**878**

Source: Company Data, Morgan Stanley Research estimates (e)

Symrise Financial Summary

Exhibit 45: Symrise P&L Summary (€m)

	2018	2019	2020	2021	2022e	2023e	2024e
Profit & Loss							
Sales	**3154**	**3408**	**3520**	**3826**	**4586**	**4762**	**5004**
COGS	-1913	-2047	-2130	-2347	-2805	-2821	-2858
Gross Profit	1241	1361	1390	1479	1781	1940	2146
Operating Expenses	-808	-905	-903	-925	-1114	-1239	-1373
EBITDA pre Exceptionals	**631**	**682**	**742**	**814**	**948**	**992**	**1071**
D&A	197	227	255	254	280	291	298
EBIT Pre Exceptionals	**434**	**455**	**488**	**559**	**667**	**701**	**773**
Exceptionals	0	0	0	0	0	0	0
Reported EBIT	434	455	488	554	667	701	773
Net Financials	-45	-46	-64	-43	-57	-58	-58
Reported PBT	389	410	424	516	612	645	718
PBT pre Exceptionals	389	410	424	516	612	645	718
Tax	-109	-112	-109	-131	-165	-174	-194
Net Profit Pre Exceptionals, Minorities & Discontinued	280	298	315	385	447	471	524
Minorities	4	7	8	10	10	10	10
Other	0	0	0	0	0	0	0
Reported Profit After Tax	275	291	307	375	437	461	514
EPS Basic Reported	2.08	2.12	2.16	2.74	3.20	3.37	3.37
ModelWare EPS*	**2.05**	**2.09**	**2.20**	**2.68**	**3.10**	**3.27**	**3.64**
DPS	0.90	0.95	0.97	1.02	1.28	1.35	1.50
Weighted Average Diluted Number of Shares (m)	134.2	139.2	139.8	139.8	141.0	141.0	141.0

Source: Company Data, Morgan Stanley Research estimates (e)

Exhibit 46: Symrise Balance Sheet Summary (€m)

	2018	2019	2020	2021	2022e	2023e	2024e
Balance Sheet							
Current Assets							
Cash	280	446	725	454	104	455	782
Inventories	845	892	863	988	1,181	1,177	1,186
Accounts Receivable	596	648	601	730	853	821	856
Property, Plant & Equipment	1,036	1,245	1,205	1,321	1,404	1,487	1,555
Intangibles	1,912	2,388	2,194	2,482	2,812	2,700	2,591
Other	251	335	352	668	692	703	720
Total Assets	**4,920**	**5,953**	**5,940**	**6,643**	**7,046**	**7,343**	**7,690**
Current Liabilities	**1,218**	**1,146**	**657**	**1,145**	**1,248**	**1,256**	**1,271**
Short-Term Debt	623	503	10	354	354	354	354
Accounts payable	316	332	334	413	494	491	492
Other current liabilities	279	310	313	378	401	411	426
Long-Term Liabilities	**1,758**	**2,350**	**2,921**	**2,246**	**2,246**	**2,246**	**2,246**
Long-Term Debt	1,036	1,463	1,964	1,342	1,342	1,342	1,342
Post employement benefit	513	605	681	617	617	617	617
Other long term liabilities	208	282	276	287	287	287	287
Total Liabilities	**2,976**	**3,496**	**3,578**	**3,390**	**3,494**	**3,502**	**3,517**
Total Assets Less Total Liabilities	1,944	2,457	2,362	3,252	3,553	3,841	4,173
Shareholders Equity	**1,944**	**2,457**	**2,362**	**3,252**	**3,553**	**3,841**	**4,173**

Source: Company Data, Morgan Stanley Research estimates (e)

Exhibit 47: Symrise Cash Flow Summary (€m)

	2018	2019	2020	2021	2022e	2023e	2024e
Cash Flow Statement							
EBIT pre Exceptionals	434	455	488	559	667	701	773
Depreciation & Amortisation	197	230	255	255	280	291	298
Interest	-22	-35	-38	-27	-57	-58	-58
Changes in Working Capital	-80	-34	14	-110	-226	44	-35
Capex	-212	-151	-131	-154	-238	-248	-240
Tax	-96	-123	-138	-167	-165	-174	-194
Other	0	0	0	0	0	0	0
Operating Free Cash Flow	**219**	**342**	**450**	**355**	**261**	**557**	**544**
Dividends	-117	-125	-133	-138	-139	-175	-184
M&A and other	-55	-753	-41	-203	-463	-24	-25
Equity Issued (Repurchased)	-29	395	-4	-7	-7	-7	-7
Net Cash Flow (Change in Net Debt)	**18**	**-140**	**272**	**6**	**-349**	**350**	**328**
Opening Net Debt (excl. pensions)	**1,398**	**1,380**	**1,520**	**1,248**	**1,242**	**1,591**	**1,241**
Closing Net Debt (excl. pensions)	**1,380**	**1,520**	**1,248**	**1,242**	**1,591**	**1,241**	**913**
Key Ratios							
Capex to Depreciation	1.08	0.66	0.51	0.61	0.85	0.85	0.81
Capex % Sales	6.7%	4.4%	3.7%	4.0%	5.2%	5.2%	4.8%
Op FcF per Share	1.63	2.46	3.22	2.54	1.85	3.95	3.86
Op FcF % Sales	7.0%	10.0%	12.8%	9.3%	5.7%	11.7%	10.9%

Source: Company Data, Morgan Stanley Research estimates (e)

MS Old vs New Estimates

Exhibit 48: Givaudan MS Old vs New (CHFm)

Old vs New	2022e	2023e	2024e
Sales New	7329	7730	8180
Sales Old	7079	7366	7710
Change	3.5%	4.9%	6.1%
EBITDA New	1550	1713	1845
EBITDA old	1511	1600	1726
Change	2.6%	7.0%	6.9%
Net Income New	846	1065	1187
Net Income Old	818	959	1075
Change	3.4%	11.1%	10.4%

Source: Morgan Stanley Research estimates

Exhibit 49: Symrise MS Old vs New

Old vs New	2022e	2023e	2024e
Sales New	4,586	4,762	5,004
Old	4,533	4,780	5,017
diff	*1.2%*	*-0.4%*	*-0.2%*
EBITDA New	954	993	1,071
Old	936	996	1,077
diff	*1.8%*	*-0.3%*	*-0.5%*
EPS New	3.20	3.37	3.76
Old	3.14	3.45	3.85
diff	*1.8%*	*-2.1%*	*-2.4%*

Source: Morgan Stanley Research estimates

Valuation Methodology and Risks

DSM (DSMN.AS)

Based on an average of DCF (WACC 5.55%, t-growth 1.5%), residual income (same assumptions as DCF), SOTP (based on 2022 peer multiples) and DDM (CoE 5.4%) models.

Risks to Upside

Higher organic growth in Nutrition, monetisation of minorities, higher vitamin prices, cash return, euro weakness and US dollar strength, value-accretive M&A.

Risks to Downside

Lower vitamin prices, failure of marketing campaigns in iHealth, increased raw materials prices in Performance Materials, autos growth remains depressed, lagging organic growth vs peers in Nutrition, stronger euro, value-destructive M&A.

International Flavors & Fragrances (IFF.N)

We value IFF at a ~20% discount to closest peers GIV/SYM equating to 17x 1YR FWD EV/EBITDA or $136/share falling to 12.5x by FY25. This is also broadly in line with IFF trading on a ~20% discount to GIV/SYM on a 5-year historical basis. The average of our DCF, RI, DDM & SOTP models also implies a value of $136/share.

Risks to Upside

- Faster LFL growth on synergies, EM & Locals penetration and adjacencies.
- Faster Profit margin rebound on gearing and synergy delivery ahead of time/target.
- Better underlying FCF generation.

Risks to Downside

- Weak volume growth vs peers/market.
- Failure to recover profit margins and achieve synergy targets.
- Softer FCF and lack of portfolio optimization slows debt reduction (ND/EBITDA fails to reach <3x by 2024).

Kerry Group PLC (KYGa.I)

Our target price of €122/share is derived from the blended average of DCF (€122/share; key assumptions are 7.2% WACC and 2.5% long-term growth rate) and P/E multiple valuation (€122/share). We value Kerry at a 20% discount to closest and key Ingredient peers GIV/SYM, reflecting higher top-line volatility (hence risk) and lower profitability, the latter vs GIV in particular.

Risks to Upside

- Underlying FMCG market acceleration and appetite for innovation driving faster volume growth.
- Meaningful market share gains.
- Transformational M&A.

Risks to Downside

- Non-delivery on mid-term strategic targets.
- M&A execution risk.
- Slowdown in FMCG market growth and price elasticity (esp in Foodservice).
- Ingredient sector consolidation increasing technology competition.

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(as of August 31, 2022)
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Not-Rated to hold and Underweight to sell recommendations, respectively.

	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
STOCK RATING CATEGORY	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	**1356**	**38%**	**304**	**41%**	**22%**	**596**	**39%**
Equal-weight/Hold	**1589**	**45%**	**349**	**47%**	**22%**	**716**	**47%**
Not-Rated/Hold	**0**	**0%**	**0**	**0%**	**0%**	**0**	**0%**
Underweight/Sell	**610**	**17%**	**90**	**12%**	**15%**	**225**	**15%**
TOTAL	**3,555**		**743**			**1537**	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

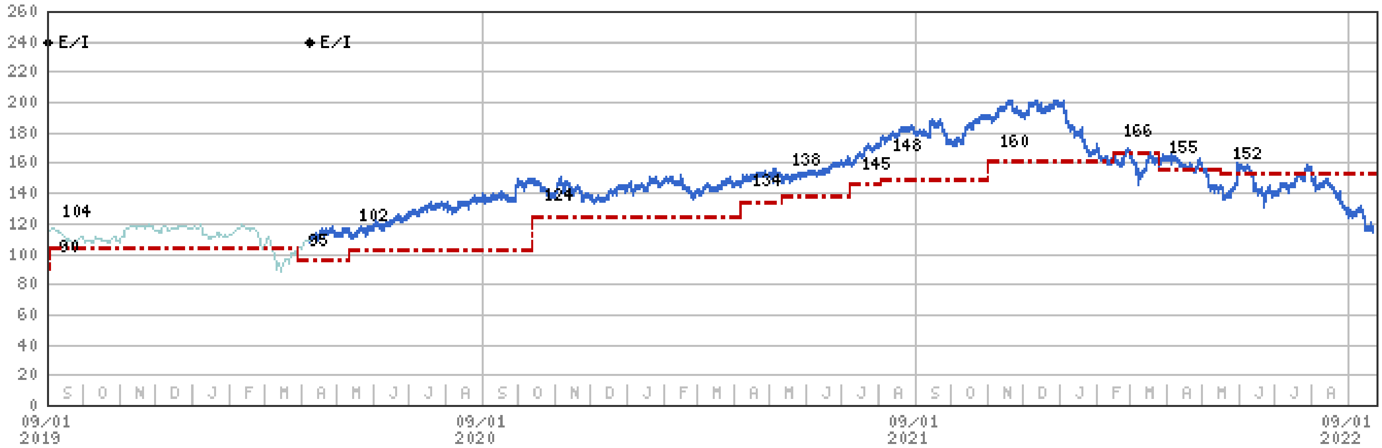
Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)

DSM (DSMN.AS) - As of 9/24/22 in EUR
Industry : Chemicals



Stock Rating History: 9/1/17 : NA/I; 12/20/17 : E/I; 4/9/20 : E/I

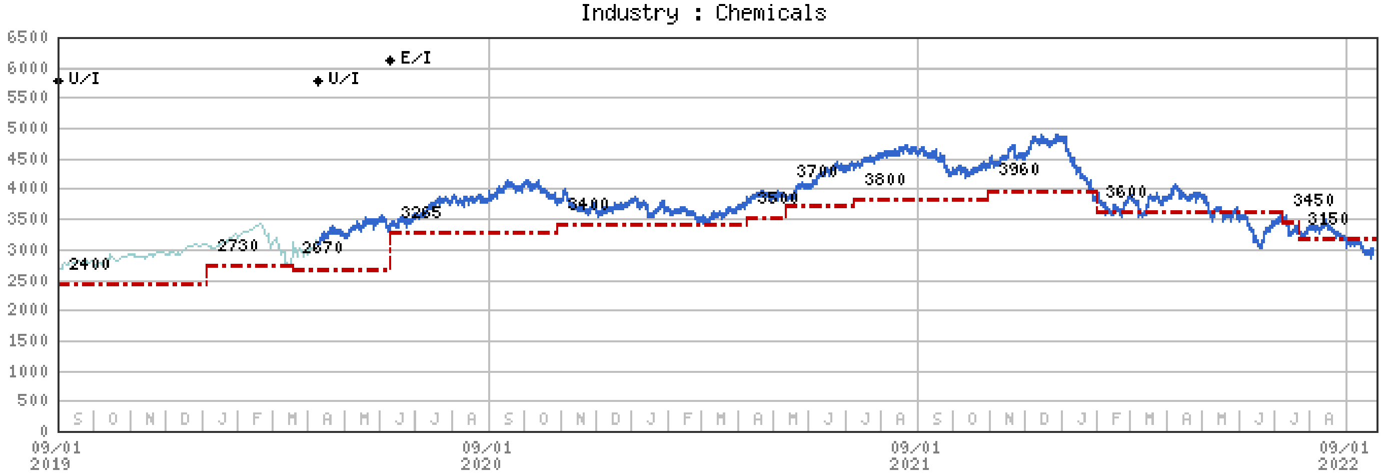
Price Target History: 12/20/17 : 77; 2/26/18 : 82; 5/10/18 : 84; 2/22/19 : 90; 9/3/19 : 104; 3/30/20 : 95; 5/11/20 : 102; 10/14/20 : 124; 4/7/21 : 134; 5/11/21 : 138; 7/8/21 : 145; 8/3/21 : 148; 11/2/21 : 160; 2/15/22 : 166; 3/25/22 : 155; 5/17/22 : 152

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Givaudan SA (GIVN.S) - As of 9/25/22 in CHF
Industry : Chemicals



Stock Rating History: 9/1/17 : NA/I; 8/29/18 : O/I; 12/11/18 : E/I; 5/10/19 : U/I; 4/9/20 : U/I; 6/9/20 : E/I

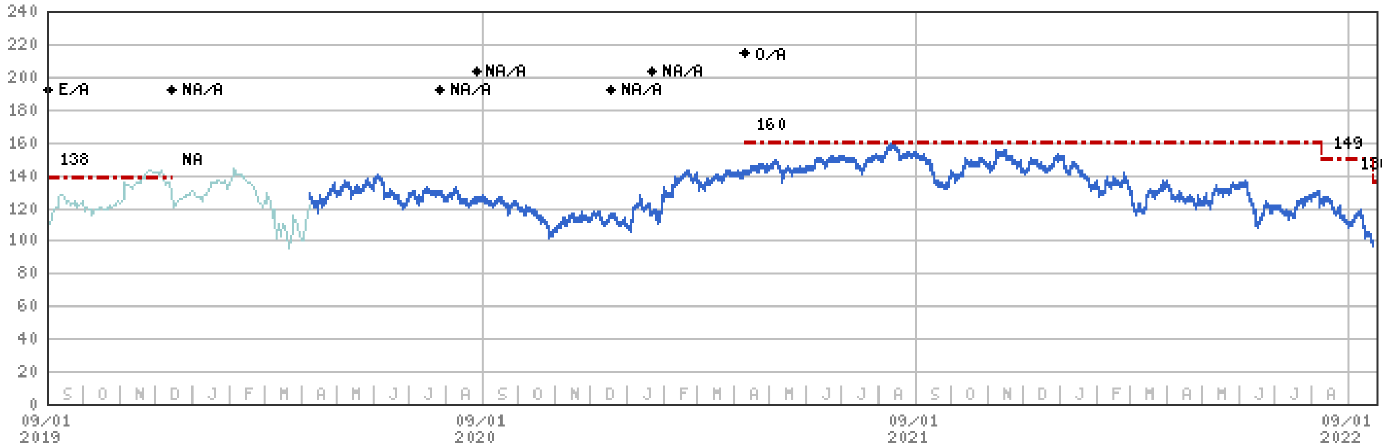
Price Target History: 8/29/18 : 2600; 12/11/18 : 2400; 1/6/20 : 2730; 3/18/20 : 2670; 6/9/20 : 3265; 10/29/20 : 3400; 4/9/21 : 3500; 5/12/21 : 3700; 7/9/21 : 3800; 10/31/21 : 3960; 1/31/22 : 3600; 7/8/22 : 3450; 7/22/22 : 3150

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

International Flavors & Fragrances (IFF.N) - As of 9/24/22 in USD
Industry : Chemicals



Stock Rating History: 9/1/17 : NA/A; 5/7/18 : NA/A; 7/27/18 : NA/A; 8/21/18 : NA/A; 9/10/18 : NA/A; 12/11/18 : E/A; 12/15/19 : NA/A; 7/28/20 : NA/A; 8/27/20 : NA/A; 12/19/20 : NA/A; 1/22/21 : NA/A; 4/11/21 : O/A

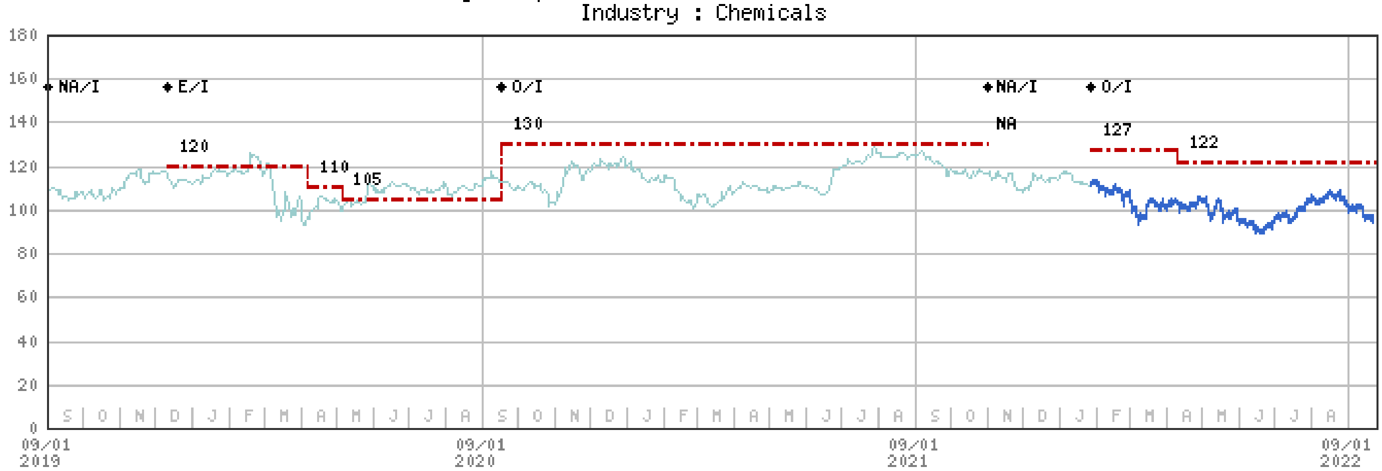
Price Target History: 5/7/18 : NA; 7/27/18 : NA; 8/21/18 : NA; 9/10/18 : NA; 12/11/18 : 131; 12/15/18 : 138; 12/15/19 : NA; 4/11/21 : 160; 8/10/22 : 149; 9/23/22 : 136

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target --   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) —   Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Kerry Group PLC (KYGa.I) - As of 9/24/22 in EUR
Industry : Chemicals



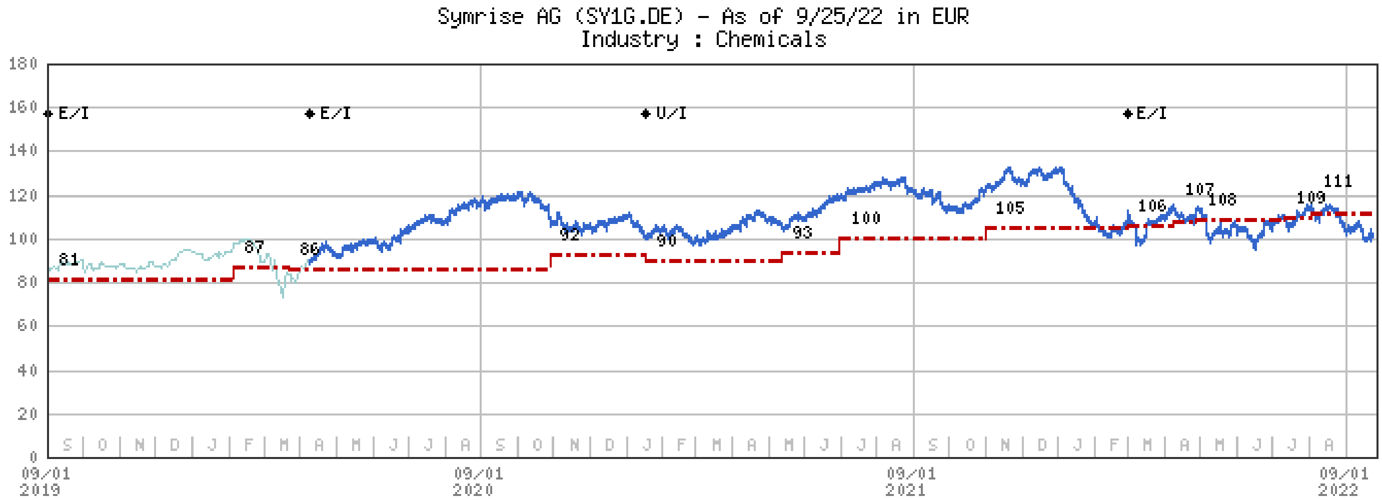
Stock Rating History: 9/1/17 : NA/I; 12/11/19 : E/I; 9/17/20 : O/I; 11/1/21 : NA/I; 1/27/22 : O/I

Price Target History: 12/11/19 : 120; 4/7/20 : 110; 5/6/20 : 105; 9/17/20 : 130; 11/1/21 : NA; 1/27/22 : 127; 4/11/22 : 122

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target --   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) —   Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.



Stock Rating History: 9/1/17 : NA/I; 8/29/18 : E/I; 4/9/20 : E/I; 1/18/21 : U/I; 2/28/22 : E/I

Price Target History: 8/29/18 : 75; 12/11/18 : 68; 5/10/19 : 81; 2/5/20 : 87; 3/23/20 : 86; 10/29/20 : 92; 1/18/21 : 90; 5/12/21 : 93; 6/30/21 : 100; 10/31/21 : 105; 2/28/22 : 106; 4/8/22 : 107; 4/27/22 : 108; 7/11/22 : 109; 8/3/22 : 111

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

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INDUSTRY COVERAGE: Chemicals

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/23/2022)
Charles L Webb		
Air Liquide (AIRP.PA)	E (02/09/2020)	€118.12
Akzo Nobel (AKZO.AS)	O (12/04/2019)	€57.10
Arkema S.A. (AKE.PA)	U (12/13/2021)	€74.90
BASF (BASFn.DE)	E (12/12/2014)	€39.79
Borouge PLC (BOROUGE.AD)	E (07/11/2022)	AED 2.98
Clariant AG (CLN.S)	E (07/23/2021)	SFr 15.51
Covestro AG (1COV.DE)	O (12/11/2018)	€29.00
Croda (CRDA.L)	O (07/27/2022)	6,464p
DSM (DSMN.AS)	E (04/09/2020)	€114.05
Elkem ASA (ELK.OL)	O (08/24/2022)	NKr 36.60
Evonik Industries AG (EVKn.DE)	O (07/23/2021)	€17.50
Johnson Matthey (JMAT.L)	E (11/26/2021)	1,817p
LANXESS (LXSG.DE)	E (04/09/2020)	€30.92
Synthomer PLC (SYNTS.L)	E (02/22/2022)	153p
Umicore SA (UMI.BR)	E (11/04/2020)	€29.15
Victrex (VCTX.L)	E (08/12/2021)	1,639p
Wacker Chemie (WCHG.DE)	E (05/14/2018)	€117.25
Lisa H De Neve		
Fertiglobe PLC (FERTIGLOBE.AD)	E (11/30/2021)	AED 5.98
Givaudan SA (GIVN.S)	O (09/26/2022)	SFr 2,945.00
K+S AG (SDFGn.DE)	E (07/06/2021)	€19.37
Kerry Group PLC (KYGa.I)	O (01/27/2022)	€93.94
OCI NV (OCI.AS)	E (06/08/2022)	€35.28
Solvay (SOLB.BR)	++	€79.70
Symrise AG (SY1G.DE)	U (09/26/2022)	€101.25
Yara International ASA (YAR.OL)	E (09/05/2022)	NKr 385.10

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* Historical prices are not split adjusted.