Symrise

(MDAX, Chemicals)

WARBURG RESEARCH

Buy	(Hold)
EUR 86.00	(EUR 77.00)
Price	EUR 72.28
Upside	19.0 %

Value Indicators:	EUR
DCF:	86.62
SotP:	82.49

Share data:	
Bloomberg:	SY1 GR
Reuters:	SY1G.DE
ISIN:	DE000SYM9999

Description:

Supplier of ingredients for the Flavor & Fragrance as well as the Nutrition market

Market Snapshot:	EUR m
Market cap:	9,193
No. of shares (m):	130
EV:	10,820
Freefloat MC:	8,642
Ø Trad. Vol. (30d):	19.28 m

Shareholders:	
Freefloat	94.0 %
Gerberding	6.0 %

Risk Profile (WRe):	2018e
Beta:	1.0
Price / Book:	5.0 x
Equity Ratio:	39 %
Net Fin. Debt / EBITDA:	2.1 x
Net Debt / EBITDA:	2.9 x

Convincing strategy update at CMD; Upgrade to Buy

We attended Symrise's CMD in Charleston, SC and Jacksonville, FL (USA) recently and gained new impressions from the mid-term strategy presentation by the CEO and CFO. As part of the CMD we visited Symrise's new menthol plant in Bushy Park, Charleston and had the opportunity to speak in more detail to the CEO and CFO as well as the heads of various segments and divisions.

In our view, there is a high level of management motivation to create sustainable products to enhance daily life. The CEO, Dr. Heinz-Jürgen Bertram, emphasized the company's search for sustainable long-term business partners rather than the pursuit of short-term, or even one-off, sales opportunities.

This is supported by the company's backward integration strategy to secure sustainable access to important raw material and compounds for the flavor and fragrance industry. We see this as one of the key drivers of Symrise's strong performance in 2018, which was a year of exceptional challenges in terms of raw materials, not least because of the "force majeure" at the citral plant at BASF, which led to a significant shortage of important flavor and fragrance inputs. Thanks to its Pinova process and a different production procedure, Symrise was able to deliver its products. We suspect many customers valued Symrise's reliability which could pave the way for additional partnerships and customer relationships.

While we assume that Q4 2018 was rather challenging, as is likely to be reflected in a slighter weaker organic sales growth as well as ongoing margin pressure (Q4 is typically the weakest quarter of the year, owing to optimisation of key financial figures by customers), we see 2019 as another year of strong growth, which could be supported by some FX tailwind. Furthermore, EBITDA margins should recover slightly as the company should be able to pass on higher raw material prices more easily and to increase its efficiency. Finally, a considerable reduction in its net working capital (NWC), which should have peaked in FY 2018, and proportionally lower capex in future, should result in the generation of significantly higher free cash flows. This will improve the company's FCF-to-sales ratio from about 6% currently to more than 10% in 2019 and 2020.

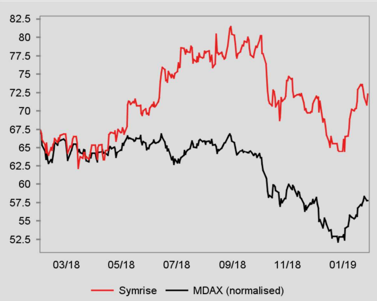
After the share price weakness at the end of 2018, we upgrade the stock to Buy again with an increased PT of EUR 86.00 (77.00)

Changes in Estimates:

FY End: 31.12. in EUR m	2018e (old)	+ / -	2019e (old)	+ / -	2020e (old)	+ / -
Sales	3,137	0.0 %	3,353	0.0 %	3,574	0.0 %
EBITDA	625	0.0 %	682	0.2 %	740	0.2 %
EBIT	428	0.0 %	471	0.3 %	516	0.3 %
EPS	2.09	0.0 %	2.34	0.9 %	2.86	1.0 %

Comment on Changes:

- Sales estimates unchanged in the short term. However, FX and M&A could add some growth
- Short-term profitability remains challenging. However, some efficiency enhancements should make a positive contribution.
- EPS benefits from lower tax-rate assumptions, owing to slight optimisation potential.



FY End: 31.12. in EUR m	CAGR (17-20e)	2014	2015	2016	2017	2018e	2019e	2020e
Sales	6.1 %	2,120	2,602	2,903	2,996	3,137	3,353	3,574
Change Sales yoy		15.8 %	22.7 %	11.6 %	3.2 %	4.7 %	6.9 %	6.6 %
Gross profit margin		*41.9 %*	*42.7 %*	*40.8 %*	*40.9 %*	*40.1 %*	*40.4 %*	*40.6 %*
EBITDA	5.6 %	436	572	607	630	625	684	742
Margin		*20.6 %*	*22.0 %*	*20.9 %*	*21.0 %*	*19.9 %*	*20.4 %*	*20.7 %*
EBIT	6.2 %	308	395	405	432	428	473	517
Margin		*14.5 %*	*15.2 %*	*13.9 %*	*14.4 %*	*13.6 %*	*14.1 %*	*14.5 %*
Net income	11.5 %	185	247	253	270	271	306	375
EPS	11.6 %	1.43	1.90	1.95	2.08	2.09	2.36	2.89
EPS adj.	11.6 %	1.43	1.90	1.95	2.08	2.09	2.36	2.89
DPS	7.7 %	0.75	0.80	0.85	0.88	0.95	1.00	1.10
Dividend Yield		1.9 %	1.4 %	1.4 %	1.4 %	1.3 %	1.4 %	1.6 %
FCFPS		1.56	1.19	1.37	1.48	1.48	2.60	2.65
FCF / Market cap		3.9 %	2.1 %	2.3 %	2.3 %	2.1 %	3.7 %	3.7 %
EV / Sales		3.2 x	3.5 x	3.4 x	3.4 x	3.5 x	3.2 x	3.0 x
EV / EBITDA		15.7 x	15.8 x	16.1 x	16.0 x	17.6 x	15.8 x	14.3 x
EV / EBIT		22.2 x	22.9 x	24.1 x	23.4 x	25.8 x	22.9 x	20.5 x
P / E		27.9 x	30.2 x	30.7 x	30.3 x	33.9 x	30.0 x	24.5 x
P / E adj.		27.9 x	30.2 x	30.7 x	30.3 x	33.9 x	30.0 x	24.5 x
FCF Potential Yield		4.9 %	4.8 %	4.8 %	4.8 %	4.3 %	4.8 %	5.3 %
Net Debt		1,653	1,579	1,965	1,903	1,831	1,627	1,413
ROCE (NOPAT)		9.3 %	9.1 %	8.6 %	8.6 %	8.4 %	9.3 %	10.4 %
Guidance:	Midterm guidance 2025: Organic growth of 5 - 7% p.a., EBITDA-margin of 20 - 23%							

Rel. Performance vs MDAX:

1 month:	2.8 %
6 months:	5.9 %
Year to date:	2.8 %
Trailing 12 months:	21.4 %

Company events:

13.03.19	FY 2018
30.04.19	Q1
22.05.19	AGM
08.08.19	Q2

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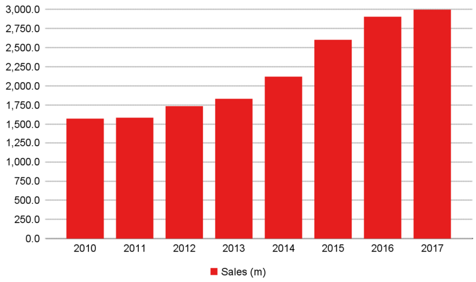
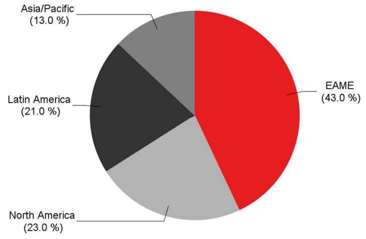
Sales development
in EUR m



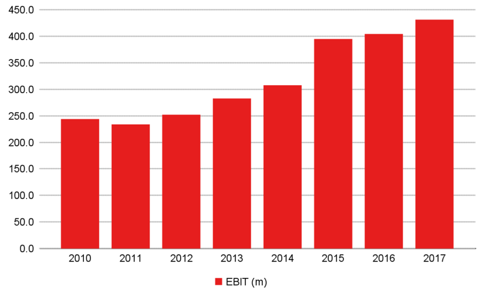
Source: Warburg Research

Sales by regions
2017; in %



Source: Warburg Research

EBIT development
in EUR m



Source: Warburg Research

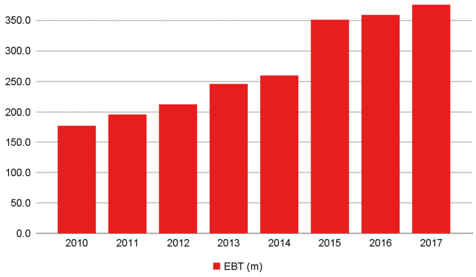
Company Background

- Symrise is one of the top four global suppliers for fragrances, flavors, cosmetics and functional ingredients.
- Symrise was founded in 2003 by a merger of the German companies Haarmann & Reimer and Dragoco, which date back to 1874 and 1919, respectively.
- Symrise is a global player and well diversified across regions, customers, products and applications. The company operates three segments, namely Scent & Care, Flavors and Nutrition.
- In contrast to its main competitors, Givaudan, IFF, Firmenich (F&F market), and Kerry (Nutritiont), Symrise offers a complete portfolio across Fragrances, Flavors, Care and Nutrition.

Competitive Quality

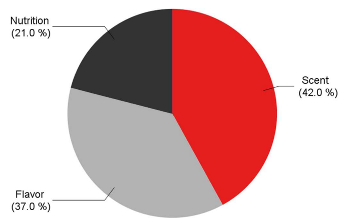
- Symrise is a truly global player with a strong network across the globe to maintain customer proximity for local trends in all of its operating segments
- Symrise is a very well diversified company with respect to its global sales split, customer base (variety) and product portfolio (products outside the traditional F&F market)
- Symrise has good control over the whole value chain via backward integration, which started with its acquisition of Diana in 2014 and continued with its acquisition of Pinova in 2016
- Well established cooperation with local farmers and producers secure Symrise good access to important raw materials such as vanilla, onions and citrus
- With its independently operating segments, Symrise can offer individual solutions and is able to react quickly to current market trends and customers' needs

EBT development
in EUR m



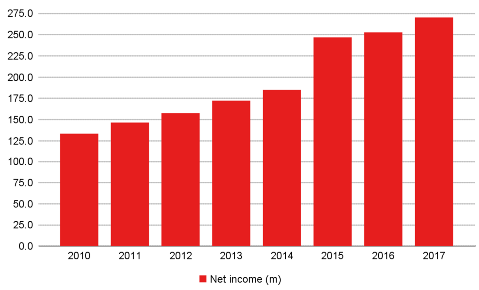
Source: Warburg Research

Sales by segments
2017; in %



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

Summary of Investment Case

Investment triggers

- Growth story is intact. While Q4 is likely to be weaker than the other quarters of 2018 (Q4 is typically the weakest quarter as customers optimise their financial key figures towards FY end), there should be a return to strong growth in 2019. The EBITDA margin should pick up again or at least stabilise at current levels (around 20%).
- Economic slowdown in China is unlikely to have a major negative impact on Symrise as its products are used to manufacture daily necessities such as toothpaste, food and beverages. Consumption of such products is unlikely to decline significantly in an economic slowdown unlike higher-priced products, such as cars, smartphones or property. -> Excellent defensive quality stock.
- Lower capex requirements and a reduction in the company's net working capital (NWC) will unlock higher free cash flows (FCF) in future and will lift the FCF-to-sales ratio to more than 10% compared to about 6% currently.

Valuation

- The stock is never really cheap and rarely trades below current levels of 3.3x EV/sales and 16.0x EV/EBITDA (both 2019e). After a weakness in October, November, and December, the stock has recovered slightly but there is still significant upside potential to our DCF-based PT or EUR 86.00
- Closest peer Givaudan is trading at a significant premium (4.1x EV/Sales and 18.7x EV/EBITDA; both 2019e). A premium is justified but not to that extent. Givaudan shows a stronger profitability profile, but this will prove challenging to defend in light of the Naturex acquisition, which came at lower EBITDA margins. Symrise is delivering exceptional organic growth and can still focus on its profitability if further growth initiatives become more challenging.

Growth

- We expect Symrise to grow at a CAGR of 6.7% through 2020, i.e. at the upper end of its given guidance of 5–7% organic growth p.a. We have not taken any M&A or FX effects into account but both, and especially FX, could provide some short-term tailwind.
- In Scent & Care we expect the company to secure its place on further client core lists and to gain market share in future, triggered by the ability to supply "all natural" products via the backward integration of the Pinova Group. Additionally, new menthol capacities will be ready for sale over the course of 2019 and will contribute to further growth.

Competitive quality

- Symrise has a strong position in the traditional F&F market as one of the four major players which, together, account for more than 50% of the total market. Symrise's market share is roughly 11%.
- High regional diversification in terms of sales and local presence. The customer base is well balanced between global, regional, and local customers as each customer group accounts for a roughly equal share of sales. The largest customers account for only 5% of total revenues. The product portfolio is the broadest in the industry, going beyond the traditional F&F market with exposure to pet food, UV filters, and probiotics.
- Backward integration secures essential access to raw materials (e.g. vanilla, citrus) to secure and maintain sustainability and quality. Roughly 30% of raw materials are backward-integrated, meaning close cooperation with local farmers but not direct employment.

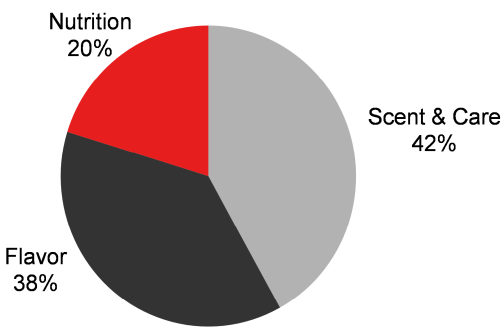
Warburg versus consensus

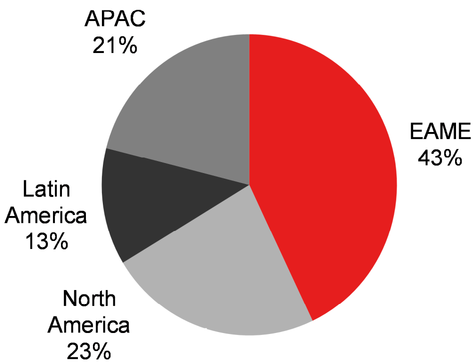
	2018e			2019e			2020e		
	WRe	Cons.	Delta	**WRe**	Cons.	Delta	**WRe**	Cons.	Delta
Sales	**3,137.4**	3,149.0	-0.4%	**3,353.4**	3,364.0	-0.3%	**3,574.4**	3,576.0	0.0%
EBITDA	**625.3**	628.0	-0.4%	**683.5**	694.0	-1.5%	**741.5**	751.0	-1.3%
margin	*19.9%*	*19.9%*		*20.4%*	*20.6%*		*20.7%*	*21.0%*	
EBIT	**427.6**	428.5	-0.2%	**472.6**	477.2	-1.0%	**517.1**	535.9	-3.5%
margin	*13.6%*	*13.6%*		*14.1%*	*14.2%*		*14.5%*	*15.0%*	
EPS	**2.09**	2.11	-1.0%	**2.36**	2.42	-2.6%	**2.62**	2.73	-4.1%

Company Overview

Segments	Scent & Care	Flavor	Nutrition	Group
Revenues (in m as of FY 2018e)	1,316.0	1,187.0	635.0	3,138.0
% of total	*41.9%*	*37.8%*	*20.2%*	*100.0%*
Application area	- Fragrance  - Cosmetic Ingredients  - Aroma Molecules 	- Beverages  - Savory  - Sweet 	- Food  - Pet Food  - Aqua and Probi 	
Activities	The three core segments develop, produce and sell…			
	fragrance ingredients and compositions, cosmetic ingredients and mint flavors as well as specific application processes for such substances	flavors and fuctional ingredients used in the production of food, beverages and health products	tailored solutions from natural raw materials in the area of food and pet food	
Regions	**EAME**	**North America**	**Latin America**	**APAC**
Revenues (in m as of FY 2017)	1,287.0	702.0	377.0	631.0
% of total	*41.0%*	*22.4%*	*12.0%*	*20.1%*
Products	Fine Fragrances, Oral Care, Beauty Care, Home Care	Fragrance & Sensory Ingredients, Menthol, Pet Food, Aqua	Probi, UV Filters, Cosmetic Ingredients, Beverages, Savory	Sweet, Food
Competitors (market share in brackets)	Givaudan (17%)	IFF International Flavors & Fragrances (15%)	Firmenich (11%)	Symrise (11%), Others (46%)
Client overview	Dior, GUERLAIN, Beiersdorf, Nestlé	Unilever, Colgate, PEPSICO, Kraft	DANONE, DIAGEO, Coca-Cola, P&G	Henkel, Schwarzkopf

Revenues by region (FY 2017) and segments (FY 2018e)





Source: Warburg Research

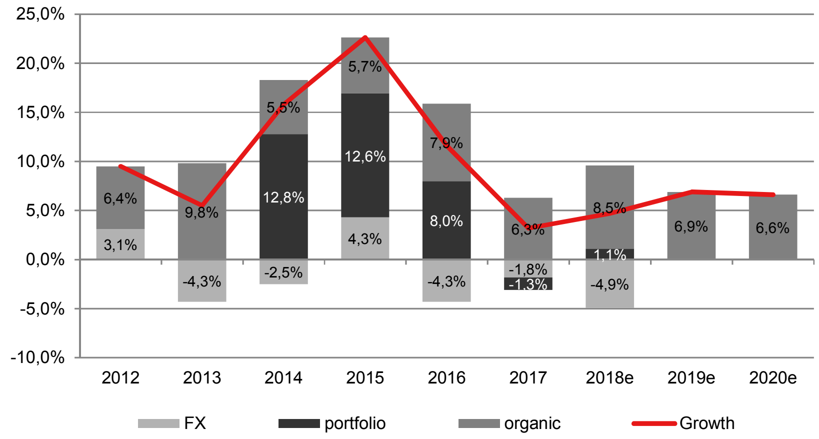
Growth Story Intact

- Fundamental drivers of organic growth remain strong…
- …partially owing to new products as expertise is combined across segments
- Acquisitions are part of the planned mid-term guidance 2025…
- …but it is currently challenging to find appropriate targets for reasonable prices

Uninterrupted strong organic growth

Symrise has managed to grow exceptionally well in recent years and we see no reasons for that to change any time soon. As shown in the bar chart below, the company's weakest performance in terms of organic growth was in 2014 and 2015, when it made the substantial acquisition of the Diana Group and was probably focusing on the integration of the acquisition rather than organic growth. Nevertheless, organic growth has not been slower than 5.5% in recent years, which is noteworthy.

Growth profile of Symrise (2012–2020e)



Source: Warburg Research

Additionally, as highlighted at the recent CMD, the company is aiming for long-term cooperation and partnerships with its customers rather than short-term, or one-off driven sales.

Recent industry developments, as regards raw materials and the ability to deliver certain products, put Symrise in a favourable position to sustainably gain market share as it has proved to be a reliable partner, especially in times of shortages of key components such as citral. This is supported by sustainable capacity expansions, as shown at its production facilities in Bushy Park (Charleston, South Carolina), which mainly produces menthol.

2018 FX headwind could turn into tailwind in 2019

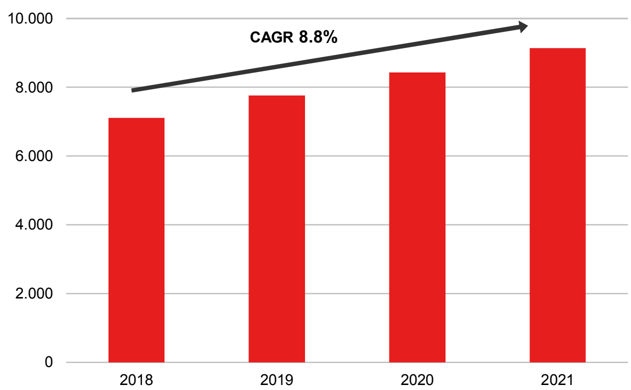
While FX headwind was exceptionally strong in 2018, some tailwind is expected in this respect in 2019. The USD proved challenging in the first half of 2018 while in the second half, the challenges stemmed from the LatAm currencies, especially the Argentinian Peso. For the USD at least, we expect favourable FX for Symrise over the course of 2019, assuming no major fluctuation from current levels. However, we remain slightly more cautious for LatAm currencies, even though some tailwind seems likely there too.

Growth with new products by combining expertise

Symrise described its ambition to grow with new products as “incremental growth”, but it is reflected in the company’s organic growth. It describes the ability, highlighted by the management, to combine different areas of expertise to create new products. One example mentioned by the management was the collaboration of the fragrance segment with Diana (pet food) to create further pet care applications beyond pet food palatability compounds. The company is aiming to provide scents and odour neutraliser to the pet care industry, which is experiencing steady growth.

A quick glance at the pet food market clearly demonstrates the underlying growth potential for Symrise. There are strong opportunities for further growth, especially in Latin America, as the market for pet food matures and consumer spending on pets rises in line with GDP growth (Argentina 2019e 2.6% vs. 2.0% in 2018 and Brazil 2019e 2.8% vs. 2.0% in 2018; source: DIW Berlin, national statistics offices). The market for pet food in Latin America is expected to grow at a CAGR of 8.8% from 2018 to 2021.

Expected pet food market growth in Latin America 2018–2021 (in EURm)



Source: Statista, Warburg Research

Growth by acquisition

Prospective acquisitions play a considerable role in Symrise’s mid-term growth targets by 2025. Applying an organic growth rate of 6% (the midpoint of the company’s 5–7% target range) to our expected FY 2018 revenues of EUR 3,137m leads to roughly EUR 4,717 in 2025, which leaves a gap of about EUR 1bn to the midpoint of the company’s 2025 target of EUR 5.5–6bn.

Difficult to find potential acquisitions at attractive prices

Considering the company’s current net debt/EBITDA ratio of 3.0 (H1 2018), including pension provisions, and its target ratio of 2.0–2.5, as well as the prices being paid in this industry, we assume Symrise is likely to require a small equity increase if it is steadfastly determined to reach this target. For Symrise’s potential firepower, we make the following calculation:

Approximation of Symrise’s firepower as of 2025

	Net debt / EBITDA target ratio	2.5x
x	Expected EBITDA	1bn
=	Potential net debt	2.5bn
+	Expected Cash	1.8bn
=	Total debt in 2025	4.3bn
-	Current debt	1.6bn
-	Pensions	0.6bn
=	Potential addittional debt	2.1bn
+	Excess cash (1.8bn - 0.5bn)	1.3bn
=	**Financial Firepower**	**3.4bn**

Source: Warburg Research

However, as Symrise has been disciplined in its acquisitions and the prices it has paid in recent years, we believe acquisitions will only be made at reasonable prices and when a good opportunity arises, which would make an equity increase unnecessary (Also depends on point in time). Even though we are well aware that acquisitions have always been, and are most likely to remain, a part of Symrise's growth strategy, our DCF model does not yet include any acquisition-based growth and, for now, we expect reported sales of roughly EUR 4.7bn in 2025.

Margin Development

- Overall raw material price situation to remain challenging…
- …however, passing on these prices should protect the gross margin
- Efficiency enhancements should support the EBITDA margin and
- EBIT should benefit from lower PPA amortization in the mid term

Raw material price situation to stay challenging

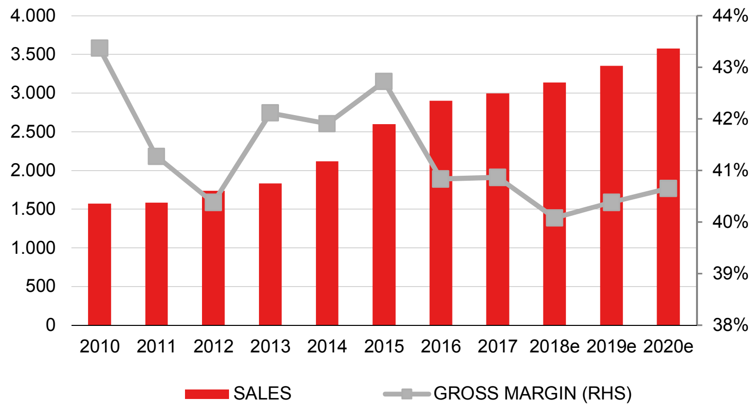
While the current raw material price situation should ease somewhat, given that BASF's citral plant in Ludwigshafen is fully operational again (Q3 and Q4 production was limited by low water levels on the Rhine river), the overall sentiment remains challenging. Prices for important raw materials, such as vanilla, have increased significantly in recent years and we see no short-term triggers that would considerably change this situation.

However, we are confident that Symrise will continue to be able to pass on these increased prices, at least partially as seen in its Q3 report, which showed that growth was equally driven by price and volume. Historically, volume tended to be the main growth driver, accounting for two-thirds.

Price increases and efficiency enhancements should protect the gross margin

We are assuming that the upcoming FY2018 report will show a low point for Symrise's gross margin but that price increases, together with efficiency enhancements, will protect the gross margin from further deterioration. We are assuming that Pinova in particular will make a considerable contribution to a better gross margin and ultimately an overall enhancement, as the main dip in Symrise's gross margin was triggered by the Pinova acquisition in 2016, as shown in the chart below.

Symrise's gross margin (2010–2020e)



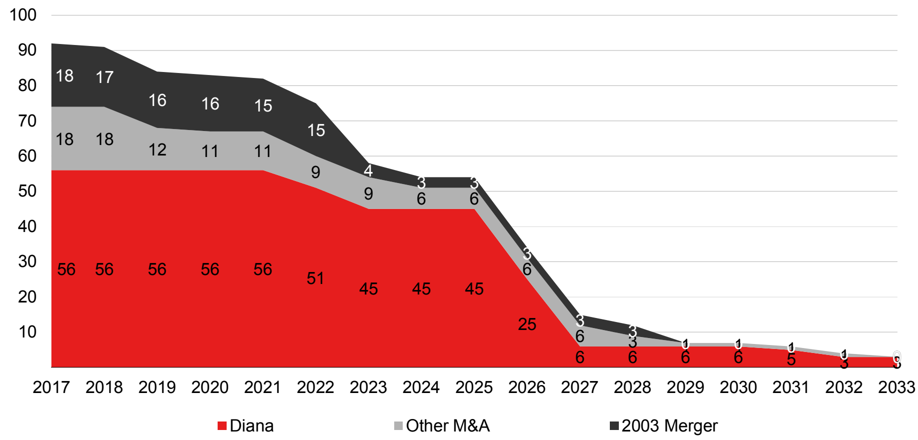
Source: Warburg Research

Key earnings figures will improve

At its CMD, Symrise raised its mid-term EBITDA margin target range to 20–23% (until 2025) from the previous target range of 19–22% (until 2020). This signals that, despite current challenges, management is confident in further efficiency enhancements not only in the process at Pinova but also overall at group level.

Additionally, the company disclosed details of its amortization timeline from business combinations as illustrated below. This will significantly reduce the company's D&A in two steps in 2023 and 2027. However, this is already well reflected in our model and – as a counter argument – it can also be assumed that there will be additional PPA from future acquisitions to be added to the equation, so we feel confident with our current estimates. Nevertheless, it is worth noting that Symrise's competitors IFF and Givaudan both made substantial acquisitions in H2 2018, which will probably add some D&A to their P&L, which will likely lead to lower EBIT margins in the future.

Symrise's amortization from business combinations (2017–2033)



Source: Symrise, Warburg Research

Further enhancements towards the bottom of the P&L can be expected from slightly lower interest payments and a lower tax ratio. In July 2019, Symrise will have to refinance its 2014 Eurobond of EUR 500m with a currently fixed interest rate of 1.75%. We expect Symrise to refinance this bond with better conditions, reducing its interest payments by roughly EUR 3m p.a. from 2020 onwards.

Additionally, while Symrise highlighted its sustainable approach at all levels, which includes its tax policy (tax is paid where business is carried out), the management emphasised its subtle tax optimisation approach, to reduce its tax obligations to 26–28% from currently roughly 28%.

Unlocking FCF Potential

- Capex requirements should decrease after two years of higher investment
- NWC expected to decrease in 2019 and beyond to reasonable levels of 30–32% of sales
- Enhanced FCF profile should drive the share price

Capex enters favourable stage of the cycle

Management highlighted Symrise's capex ratio of more than 6% in the past in 2017 and a similar ratio for 2018e. However, it also pointed out that for the most part, current capex requirements should be met by 2020 and from 2021 onwards the capex to sales ratio should return to 4-5%. As part of the CMD in Charleston, we visited the new menthol plant at Bushy park - a state-of-the-art production facility with further add-on capacities available at considerably lower proportional cost.

Additionally, the new plant in China is almost complete and first sales are expected well ahead of the end of FY 2019. Further capacity expansions are already under construction and are expected to add revenues to the pet food division in 2020 and to cosmetic ingredients in 2021. Consequently we assume that Symrise is well positioned for further growth without the need for further investment in major capacity expansion from 2020 onwards.

Working capital should have reached its peak in FY 2018…

We are assuming that FY 2018 will mark the turning point for Symrise's net working capital (NWC), and that 2019 will bring some relief.

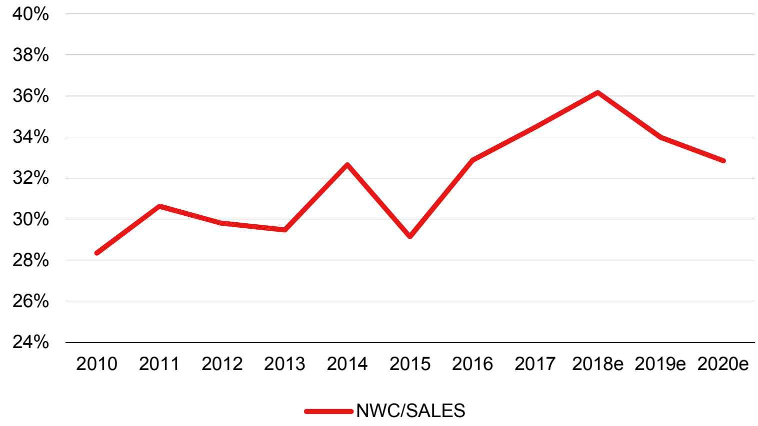
FCF profile should become more attractive

Firstly, since the acquisition of Pinova in 2016, Symrise has had greater exposure to backward integration, which normally requires more capital on hand, hence more working capital. This is necessary for better control and access to important raw materials and to ensure consistent quality in its processing.

Secondly, there were significant price increases in 2017 and especially in 2018 for natural raw materials such as vanilla, citrus, onions, garlic etc. as well as fragrance ingredients compounds such as citral. This already led to a substantial increase in inventories, driven by higher prices. Additionally, Symrise took a strategic decision to accumulate a higher stock of raw materials to ensure a smooth production ramp-up phase for its newly-added capacities, most of which will be ready for sale over the course of 2019. This should reduce inventories substantially towards the end of 2019 and support a more attractive free cash flow.

Thirdly, towards the end of 2017 and in H1 2018, pressure on global FMCG providers such as Procter & Gamble, Unilever, and Beiersdorf increasingly led to requests for longer payment terms. Symrise and its competitors had little alternative but to accept these conditions or jeopardize future sales to these global brands. While we see little likelihood of a change in this specific situation, we welcome a trend in the industry towards private labelling by smaller regional and local customers with less market power as these represent an additional opportunity for Symrise et al. to sell to customers other than the global brands.

Symrise's NWC development (2010–2020e)



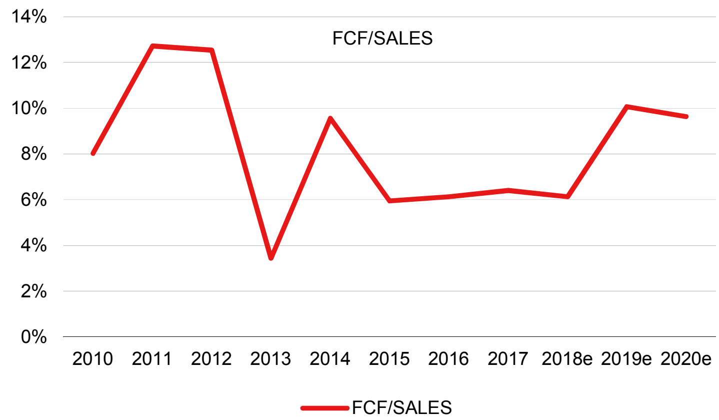
Source: Warburg Research

Symrise is aiming to reduce its NWC to around 30–32% in 2025, which we deem to be realistic given the opportunity to reduce inventory and monitor payments more closely (for trade receivable as well as trade liabilities) but also to engage in further backward integration.

…which leads to a higher FCF profile

Taking all these aspects into consideration, we forecast significant enhancement in the FCF profile in 2019 and beyond. While we expect an FCF to sales ratio of roughly 6% in 2018e, we expect this ratio to rise to more than 10% in 2019, mainly triggered by destocking as well as an end to the deterioration of Symrise's payment cycle. Lower capex requirements in the following years support this development and should enable Symrise to strengthen its cash profile, which could then be used for further growth projects, both internally and externally.

Symrise's FCF/sales ratio development (2010 – 2020e)



Source: Warburg Research

DCF model

	Detailed forecast period			Transitional period										Term. Value
Figures in EUR m	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	
Sales	3,137	3,353	3,574	3,796	4,024	4,253	4,487	4,720	4,956	5,179	5,387	5,548	5,687	
Sales change	*4.7 %*	*6.9 %*	*6.6 %*	*6.2 %*	*6.0 %*	*5.7 %*	*5.5 %*	*5.2 %*	*5.0 %*	*4.5 %*	*4.0 %*	*3.0 %*	*2.5 %*	*2.0 %*
EBIT	428	473	517	569	616	659	709	769	818	870	916	943	967	
EBIT-margin	*13.6 %*	*14.1 %*	*14.5 %*	*15.0 %*	*15.3 %*	*15.5 %*	*15.8 %*	*16.3 %*	*16.5 %*	*16.8 %*	*17.0 %*	*17.0 %*	*17.0 %*	
Tax rate (EBT)	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	
NOPAT	312	345	377	416	449	481	518	562	597	635	668	689	706	
Depreciation	198	211	224	228	233	240	247	255	264	273	281	283	289	
in % of Sales	*6.3 %*	*6.3 %*	*6.3 %*	*6.0 %*	*5.8 %*	*5.6 %*	*5.5 %*	*5.4 %*	*5.3 %*	*5.3 %*	*5.2 %*	*5.1 %*	*5.1 %*	
Changes in provisions	7	10	0	33	34	34	35	35	35	33	31	24	21	
Change in Liquidity from														
- Working Capital	102	4	35	59	62	64	66	67	69	65	61	47	41	
- Capex	191	195	197	209	218	227	237	247	258	267	277	284	284	
Capex in % of Sales	*6.1 %*	*5.8 %*	*5.5 %*	*5.5 %*	*5.4 %*	*5.3 %*	*5.3 %*	*5.2 %*	*5.2 %*	*5.2 %*	*5.1 %*	*5.1 %*	*5.0 %*	
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	
Free Cash Flow (WACC Model)	223	367	370	409	436	464	496	538	570	608	642	665	690	712
PV of FCF	223	346	330	343	346	347	350	357	357	360	358	350	343	8,794
share of PVs	**6.81 %**			**26.59 %**										**66.60 %**

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	20.00 %	Financial Strength	1.10
Cost of debt (after tax)	2.1 %	Liquidity (share)	0.90
Market return	7.00 %	Cyclicality	0.80
Risk free rate	1.50 %	Transparency	1.20
		Others	1.00
WACC	**6.02 %**	**Beta**	**1.00**

Valuation (m)

Present values 2030e	4,410		
Terminal Value	8,794		
Financial liabilities	1,633		
Pension liabilities	523		
Hybrid capital	0		
Minority interest	57		
Market val. of investments	0		
Liquidity	254	No. of shares (m)	129.8
Equity Value	**11,245**	**Value per share (EUR)**	**86.62**

Sensitivity Value per Share (EUR)

		Terminal Growth						
Beta	WACC	1.25 %	1.50 %	1.75 %	**2.00 %**	2.25 %	2.50 %	2.75 %
1.23	7.0 %	59.15	61.06	63.16	65.46	68.00	70.82	73.97
1.11	6.5 %	66.75	69.18	71.87	74.86	78.19	81.94	86.18
1.06	6.3 %	71.13	73.89	76.96	80.39	84.25	88.61	93.60
1.00	6.0 %	75.97	79.13	82.66	**86.62**	91.12	96.25	102.16
0.94	5.8 %	81.36	84.99	89.07	93.69	98.97	105.05	112.14
0.89	5.5 %	87.39	91.59	96.34	101.77	108.03	115.33	123.94
0.77	5.0 %	101.88	107.63	114.25	121.98	131.09	142.02	155.35

		Delta EBIT-margin						
Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
1.23	7.0 %	57.92	60.43	62.94	65.46	67.97	70.48	72.99
1.11	6.5 %	66.47	69.27	72.06	74.86	77.65	80.44	83.24
1.06	6.3 %	71.51	74.47	77.43	80.39	83.35	86.31	89.27
1.00	6.0 %	77.19	80.33	83.48	**86.62**	89.77	92.91	96.06
0.94	5.8 %	83.62	86.98	90.33	93.69	97.05	100.40	103.76
0.89	5.5 %	90.98	94.57	98.17	101.77	105.37	108.97	112.56
0.77	5.0 %	109.37	113.57	117.77	121.98	126.18	130.38	134.58

- DCF is based on a detailed planning phase (2018-2020), a transitional phase (2021-2030) and a perpetuity term.
- Further assumptions are a Beta of 1.00, a WACC of 6.02% and a long term EBIT-margin of 17.0%.
- Tax rate is assumed to be at 27% in the long term.

Valuation and Sentiment

No threat posed by economic slowdown in China

A slowdown in China's economic growth rattled markets. The Symrise share was no exception and was trading around EUR 65 in mid-December. Additionally, the market perhaps realised that the company's EBITDA target of 20% for the FY 2018 might be at risk and consequently the EBITDA consensus declined considerably. With the recent rally since the beginning of the year, the stock recovered and is now trading at roughly EUR 72.00.

Economic slowdown does not affect daily consumer purchases as much as e.g. cars, smartphones, property

In our view, a slowdown in China's economy by one or two percentage points is unlikely to have any impact on Symrise. Symrise's products are used for the production of daily consumer staples such as beauty and home care as well as food and drink. Sales of such products are not generally affected much by a slight economic slowdown. We are assuming that the Chinese middle class will continue to grow and increasingly adopt a more western lifestyle consuming products such as toothpaste, fragrances and flavoured food and drink, especially packaged convenience food. Admittedly, this is not true for higher-value consumables, such as smartphones, cars, or property. A slowdown in China would have a far greater impact on sales of such products.

Quality is expensive

Symrise is a quality stock and the company is very well positioned in a market that is in the process of consolidating as stricter regulations and higher service demand from customers make it increasingly difficult to operate efficiently in single markets. Symrise is one of the top four players globally with a presence in all important markets and is well equipped to further penetrate established and new regional and product markets.

This characteristic is even more apparent at Symrise's closest peers in this attractive industry. These companies are typically relatively expensive as shown in the peer group table below. Symrise is trading at a considerable discount to its peers. To some extent this is fair as Givaudan, for instance, typically generates a slightly higher margin at EBITDA and EBIT level as well as slightly higher FCFs.

However, Givaudan and IFF both made substantial acquisitions recently (Naturex and Frutarom respectively), which came with significantly lower EBITDA margins (Naturex). This poses a challenge for smooth integration without resulting in a considerable deterioration in Givaudan's margin profile. Frutarom, on the other hand, has delivered strong growth rates in the past. However, this growth was mainly acquisition-based, which led to a substantial build-up of goodwill on the balance sheet and a more challenging and potentially less efficient integration process, making an investment in IFF more risky. In both cases, additional PPA could put the EBIT margin profile under pressure.

Peer group – key figures

	LC	Price in LC	MC in LC m	EV in LC m	EPS			Sales			EBITDA			EBIT		
					18e	19e	20e	18e	19e	20e	18e	19e	20e	18e	19e	20e
Segment (1)																
Givaudan SA	CHF	2,410.00	22,224.3	25,237.6	71.92	91.17	101.37	5,527.0	6,122.0	6,418.8	1,158.0	1,342.0	1,435.6	906.0	1,066.0	1,161.6
International Flavors & Fragrances	USD	138.94	14,813.6	10,452.9	6.32	6.59	7.63	3,997.0	5,311.7	5,598.9	850.0	1,184.4	1,291.4	736.6	1,044.3	1,166.0
Chr. Hansen Holding A/S	DKK	620.80	81,731.6	87,061.3	12.91	14.86	16.87	8,187.6	8,893.8	9,682.0	2,865.0	3,171.1	3,513.2	2,389.0	2,654.9	2,978.5
Kerry Group Plc Class A	EUR	91.00	16,043.1	17,562.6	3.52	3.87	4.23	6,594.0	7,032.5	7,324.9	944.0	1,039.1	1,111.5	763.0	836.5	906.6
Ingredion Incorporated	USD	98.46	6,961.5	8,334.3	6.85	7.48	8.11	5,866.0	5,964.0	6,056.4	1,011.0	1,019.0	1,096.6	775.0	820.0	864.6
Croda International Plc	GBP	48.67	6,407.1	6,829.3	1.92	2.06	2.20	1,390.0	1,458.9	1,523.4	398.8	432.8	458.0	342.7	372.9	395.2
Probi AB	SEK	369.80	4,213.5	4,161.9	7.73	14.38	16.73	621.6	733.6	843.8	168.5	247.6	277.6	117.0	210.6	242.7
Symrise AG	**EUR**	**72.28**	**9,382.9**	**10,947.9**	**2.09**	**2.36**	**2.62**	**3,137.4**	**3,353.4**	**3,574.4**	**625.3**	**683.5**	**741.5**	**427.6**	**472.6**	**517.1**

Source: FactSet, Warburg Research

Peer group – valuation multiples

	LC	Price in LC	MC in LC m	EV in LC m	P / E 18e	P / E 19e	P / E 20e	EV / Sales 18e	EV / Sales 19e	EV / Sales 20e	EV / EBITDA 18e	EV / EBITDA 19e	EV / EBITDA 20e	EV / EBIT 18e	EV / EBIT 19e	EV / EBIT 20e
Segment (1)																
Givaudan SA	CHF	2,410.00	22,224.3	25,237.6	33.5 x	26.4 x	23.8 x	4.3 x	4.1 x	3.9 x	20.6 x	18.7 x	17.3 x	26.3 x	23.5 x	21.4 x
International Flavors & Fragrances	USD	138.94	14,813.6	10,452.9	22.0 x	21.1 x	18.2 x	4.6 x	3.5 x	3.3 x	21.7 x	15.7 x	14.1 x	25.0 x	17.8 x	15.7 x
Average					27.7 x	23.8 x	21.0 x	4.5 x	3.8 x	3.6 x	21.1 x	17.2 x	15.7 x	25.7 x	20.7 x	18.5 x
Median					27.7 x	23.8 x	21.0 x	4.5 x	3.8 x	3.6 x	21.1 x	17.2 x	15.7 x	25.7 x	20.7 x	18.5 x
Segment (2)																
Chr. Hansen Holding A/S	DKK	620.80	81,731.6	87,061.3	48.1 x	41.8 x	36.8 x	9.9 x	9.8 x	9.0 x	28.3 x	27.4 x	24.8 x	33.9 x	32.8 x	29.3 x
Kerry Group Plc Class A	EUR	91.00	16,043.1	17,562.6	25.9 x	23.5 x	21.5 x	2.5 x	2.5 x	2.3 x	17.8 x	16.9 x	15.3 x	22.0 x	20.9 x	18.8 x
Ingredion Incorporated	USD	98.46	6,961.5	8,334.3	14.4 x	13.2 x	12.1 x	1.4 x	1.4 x	1.3 x	7.9 x	8.2 x	7.4 x	10.3 x	10.2 x	9.3 x
Croda International Plc	GBP	48.67	6,407.1	6,829.3	25.3 x	23.6 x	22.1 x	4.7 x	4.6 x	4.3 x	16.3 x	15.5 x	14.4 x	18.9 x	17.9 x	16.7 x
Probi AB	SEK	369.80	4,213.5	4,161.9	47.9 x	25.7 x	22.1 x	6.7 x	5.6 x	4.7 x	24.6 x	16.5 x	14.2 x	35.4 x	19.4 x	16.2 x
Average					32.3 x	25.6 x	22.9 x	5.0 x	4.8 x	4.3 x	19.0 x	16.9 x	15.2 x	24.1 x	20.2 x	18.0 x
Median					25.9 x	23.6 x	22.1 x	4.7 x	4.6 x	4.3 x	17.8 x	16.5 x	14.4 x	22.0 x	19.4 x	16.7 x
Symrise AG	**EUR**	**72.28**	**9,382.9**	**10,947.9**	**34.6 x**	**30.6 x**	**27.6 x**	**3.5 x**	**3.3 x**	**3.1 x**	**17.5 x**	**16.0 x**	**14.8 x**	**25.6 x**	**23.2 x**	**21.2 x**
Symrise AG at PT	**EUR**	**86.00**	**11,163.92**	**12,728.90**	**41.1 x**	**36.4 x**	**32.8 x**	**4.1 x**	**3.8 x**	**3.6 x**	**20.4 x**	**18.6 x**	**17.2 x**	**29.8 x**	**26.9 x**	**24.6 x**
Segment (1)																
Valuation difference to Average					-20%	-22%	-24%	28%	16%	16%	21%	7%	6%	0%	-11%	-13%
Fair value per share based on Average					58.00	56.07	55.02	92.40	84.08	84.06	87.23	77.57	76.89	72.44	64.47	63.17
Segment (2)																
Valuation difference to Average					-7%	-17%	-17%	44%	46%	41%	8%	5%	3%	-6%	-13%	-15%
Fair value per share based on Average					67.51	60.32	60.06	109.44	111.01	107.15	79.31	76.85	74.80	67.39	61.64	59.83

Source: FactSet, Warburg Research

Additionally, looking at the share’s historical multiples, it is currently trading at its four-year average of roughly 3.4x EV/sales on 2019 multiples. The EV/EBITDA multiple is also around its four-year average of roughly 16x EV/EBITDA.

However, we are assuming that Symrise is in a better position than ever before and that it should be trading on higher multiples when comparing it to its closest peers and its own historical multiples. Additionally, Symrise should be able to unlock significant FCF potential, while its peers are busy tackling the challenges posed by the integration of recent acquisitions. Furthermore, Symrise’s significantly higher organic growth profile should be reflected in a higher multiple. Although profitability is momentarily falling slightly behind, this can be addressed once investment in further growth has run its course.

DCF Model

We base our valuation on a DCF model, to which we have made some slight changes, which leads to a higher fair value of EUR 86.60, compared to EUR 77 previously.

Better mid-term prospects driving DCF value

After the CMD, we slightly increased our mid-term sales estimate. While our model does not include any M&A-related sales growth, M&A is likely to contribute some additional sales in the mid term. We also increased our mid-term EBIT margins slightly, owing to the reduction in PPA-related D&A. Furthermore, we lowered our NWC assumptions for the mid to long term and also slightly reduced our capex assumptions for the reasons stated above in “Unlocking FCF potential”. The tax rate in our model is also slightly reduced.

DCF model

	Detailed forecast period			Transitional period										Term. Value
Figures in EUR m	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	
Sales	3,137	3,353	3,574	3,796	4,024	4,253	4,487	4,720	4,956	5,179	5,387	5,548	5,687	
Sales change	*4.7 %*	*6.9 %*	*6.6 %*	*6.2 %*	*6.0 %*	*5.7 %*	*5.5 %*	*5.2 %*	*5.0 %*	*4.5 %*	*4.0 %*	*3.0 %*	*2.5 %*	*2.0 %*
EBIT	428	473	517	569	616	659	709	769	818	870	916	943	967	
EBIT-margin	*13.6 %*	*14.1 %*	*14.5 %*	*15.0 %*	*15.3 %*	*15.5 %*	*15.8 %*	*16.3 %*	*16.5 %*	*16.8 %*	*17.0 %*	*17.0 %*	*17.0 %*	
Tax rate (EBT)	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	*27.0 %*	
NOPAT	312	345	377	416	449	481	518	562	597	635	668	689	706	
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in % of Sales	*6.3 %*	*6.3 %*	*6.3 %*	*6.0 %*	*5.8 %*	*5.6 %*	*5.5 %*	*5.4 %*	*5.3 %*	*5.3 %*	*5.2 %*	*5.1 %*	*5.1 %*	
Changes in provisions	7	10	0	33	34	34	35	35	35	33	31	24	21	
Change in Liquidity from														
- Working Capital	102	4	35	59	62	64	66	67	69	65	61	47	41	
- Capex	191	195	197	209	218	227	237	247	258	267	277	284	284	
Capex in % of Sales	*6.1 %*	*5.8 %*	*5.5 %*	*5.5 %*	*5.4 %*	*5.3 %*	*5.3 %*	*5.2 %*	*5.2 %*	*5.2 %*	*5.1 %*	*5.1 %*	*5.0 %*	
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	
Free Cash Flow (WACC Model)	223	367	370	409	436	464	496	538	570	608	642	665	690	712
PV of FCF	223	346	330	343	346	347	350	357	357	360	358	350	343	8,794
share of PVs	**6.81 %**			**26.59 %**										**66.60 %**

Model parameter

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Risk free rate	1.50 %	Transparency	1.20
		Others	1.00
WACC	**6.02 %**	**Beta**	**1.00**

Valuation (m)

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Minority interest	57		
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Liquidity	254	No. of shares (m)	129.8
Equity Value	**11,245**	**Value per share (EUR)**	**86.62**

Sensitivity Value per Share (EUR)

		Terminal Growth						
Beta	WACC	1.25 %	1.50 %	1.75 %	**2.00 %**	2.25 %	2.50 %	2.75 %
1.23	7.0 %	59.15	61.06	63.16	65.46	68.00	70.82	73.97
1.11	6.5 %	66.75	69.18	71.87	74.86	78.19	81.94	86.18
1.06	6.3 %	71.13	73.89	76.96	80.39	84.25	88.61	93.60
1.00	6.0 %	75.97	79.13	82.66	**86.62**	91.12	96.25	102.16
0.94	5.8 %	81.36	84.99	89.07	93.69	98.97	105.05	112.14
0.89	5.5 %	87.39	91.59	96.34	101.77	108.03	115.33	123.94
0.77	5.0 %	101.88	107.63	114.25	121.98	131.09	142.02	155.35

		Delta EBIT-margin						
Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
1.23	7.0 %	57.92	60.43	62.94	65.46	67.97	70.48	72.99
1.11	6.5 %	66.47	69.27	72.06	74.86	77.65	80.44	83.24
1.06	6.3 %	71.51	74.47	77.43	80.39	83.35	86.31	89.27
1.00	6.0 %	77.19	80.33	83.48	**86.62**	89.77	92.91	96.06
0.94	5.8 %	83.62	86.98	90.33	93.69	97.05	100.40	103.76
0.89	5.5 %	90.98	94.57	98.17	101.77	105.37	108.97	112.56
0.77	5.0 %	109.37	113.57	117.77	121.98	126.18	130.38	134.58

- DCF is based on a detailed planning phase (2018-2020), a transitional phase (2021-2030) and a perpetuity term.
- Further assumptions are a Beta of 1.00, a WACC of 6.02% and a long term EBIT-margin of 17.0%.
- Tax rate is assumed to be at 27% in the long term.

Valuation

	2014	2015	2016	2017	2018e	2019e	2020e
Price / Book	3.7 x	4.8 x	4.7 x	4.8 x	5.0 x	4.5 x	4.1 x
Book value per share ex intangibles	-4.78	-3.37	-3.40	-1.96	-0.01	2.15	4.59
EV / Sales	3.2 x	3.5 x	3.4 x	3.4 x	3.5 x	3.2 x	3.0 x
EV / EBITDA	15.7 x	15.8 x	16.1 x	16.0 x	17.6 x	15.8 x	14.3 x
EV / EBIT	22.2 x	22.9 x	24.1 x	23.4 x	25.8 x	22.9 x	20.5 x
EV / EBIT adj.*	22.2 x	22.9 x	24.1 x	23.4 x	25.8 x	22.9 x	20.5 x
P / FCF	25.5 x	48.2 x	43.8 x	42.6 x	47.8 x	27.2 x	26.7 x
P / E	27.9 x	30.2 x	30.7 x	30.3 x	33.9 x	30.0 x	24.5 x
P / E adj.*	27.9 x	30.2 x	30.7 x	30.3 x	33.9 x	30.0 x	24.5 x
Dividend Yield	1.9 %	1.4 %	1.4 %	1.4 %	1.3 %	1.4 %	1.6 %
FCF Potential Yield (on market EV)	4.9 %	4.8 %	4.8 %	4.8 %	4.3 %	4.8 %	5.3 %

*Adjustments made for: -

Consolidated profit and loss

In EUR m	2014	2015	2016	2017	2018e	2019e	2020e
Sales	**2,120**	**2,602**	**2,903**	**2,996**	**3,137**	**3,353**	**3,574**
Change Sales yoy	15.8 %	22.7 %	11.6 %	3.2 %	4.7 %	6.9 %	6.6 %
COGS	1,232	1,490	1,718	1,772	1,880	1,999	2,121
Gross profit	**888**	**1,112**	**1,185**	**1,224**	**1,257**	**1,354**	**1,453**
Gross margin	*41.9 %*	*42.7 %*	*40.8 %*	*40.9 %*	*40.1 %*	*40.4 %*	*40.6 %*
Research and development	139	170	186	196	206	218	232
Sales and marketing	345	427	469	478	500	532	564
Administration expenses	120	148	158	155	160	171	181
Other operating expenses	5	4	2	2	2	3	3
Other operating income	29	33	35	38	39	41	44
Unfrequent items	0	0	0	0	0	0	0
EBITDA	**436**	**572**	**607**	**630**	**625**	**684**	**742**
Margin	*20.6 %*	*22.0 %*	*20.9 %*	*21.0 %*	*19.9 %*	*20.4 %*	*20.7 %*
Depreciation of fixed assets	58	76	90	90	90	98	105
EBITA	**379**	**496**	**517**	**540**	**535**	**586**	**637**
Amortisation of intangible assets	71	101	112	109	108	113	120
Goodwill amortisation	0	0	0	0	0	0	0
EBIT	**308**	**395**	**405**	**432**	**428**	**473**	**517**
Margin	*14.5 %*	*15.2 %*	*13.9 %*	*14.4 %*	*13.6 %*	*14.1 %*	*14.5 %*
EBIT adj.	**308**	**395**	**405**	**432**	**428**	**473**	**517**
Interest income	3	5	4	7	5	5	5
Interest expenses	51	49	50	63	47	44	40
Other financial income (loss)	0	0	0	0	0	0	0
EBT	**260**	**351**	**359**	**375**	**385**	**433**	**517**
Margin	*12.2 %*	*13.5 %*	*12.4 %*	*12.5 %*	*12.3 %*	*12.9 %*	*14.5 %*
Total taxes	73	99	98	100	104	117	130
Net income from continuing operations	**187**	**252**	**261**	**276**	**281**	**316**	**387**
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income before minorities	**187**	**252**	**261**	**276**	**281**	**316**	**387**
Minority interest	2	6	9	5	10	10	12
Net income	**185**	**247**	**253**	**270**	**271**	**306**	**375**
Margin	*8.7 %*	*9.5 %*	*8.7 %*	*9.0 %*	*8.6 %*	*9.1 %*	*10.5 %*
Number of shares, average	130	130	130	130	130	130	130
EPS	**1.43**	**1.90**	**1.95**	**2.08**	**2.09**	**2.36**	**2.89**
EPS adj.	1.43	1.90	1.95	2.08	2.09	2.36	2.89

*Adjustments made for:

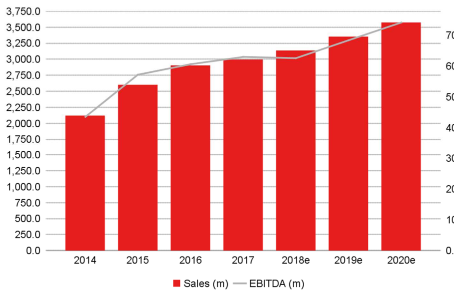
Guidance: Midterm guidance 2025: Organic growth of 5 - 7% p.a., EBITDA-margin of 20 - 23%

Financial Ratios

	2014	2015	2016	2017	2018e	2019e	2020e
Total Operating Costs / Sales	27.4 %	27.5 %	26.9 %	26.5 %	26.5 %	26.3 %	26.2 %
Operating Leverage	0.6 x	1.2 x	0.2 x	2.1 x	-0.2 x	1.5 x	1.4 x
EBITDA / Interest expenses	8.5 x	11.7 x	12.1 x	10.0 x	13.3 x	15.5 x	18.5 x
Tax rate (EBT)	28.1 %	28.1 %	27.2 %	26.6 %	27.0 %	27.0 %	25.1 %
Dividend Payout Ratio	52.1 %	41.1 %	42.2 %	41.4 %	43.9 %	41.1 %	36.9 %
Sales per Employee	293,847	309,361	321,433	322,183	326,808	335,338	357,439

Sales, EBITDA

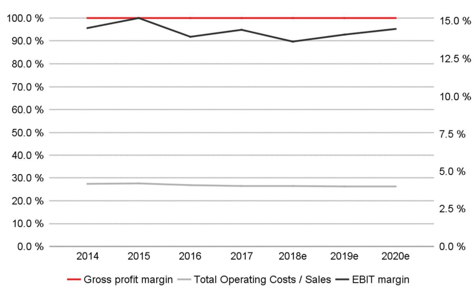
in EUR m



Source: Warburg Research

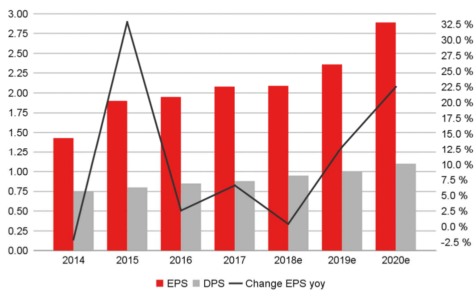
Operating Performance

in %



Source: Warburg Research

Performance per Share



Source: Warburg Research

WARBURG RESEARCH

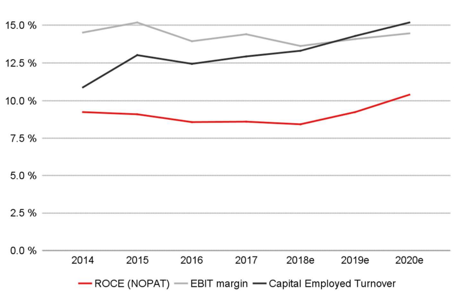
Consolidated balance sheet

In EUR m	2014	2015	2016	2017	2018e	2019e	2020e
Assets							
Goodwill and other intangible assets	2,034	2,005	2,113	1,966	1,849	1,761	1,666
thereof other intangible assets	937	876	836	746	661	573	478
thereof Goodwill	1,091	1,124	1,273	1,183	1,183	1,183	1,183
Property, plant and equipment	640	690	857	902	980	1,053	1,120
Financial assets	22	16	24	8	8	8	8
Other long-term assets	27	17	21	28	28	28	28
Fixed assets	**2,723**	**2,728**	**3,015**	**2,903**	**2,865**	**2,849**	**2,821**
Inventories	485	531	680	752	826	818	831
Accounts receivable	421	462	528	557	593	625	666
Liquid assets	206	287	331	254	331	546	760
Other short-term assets	165	175	198	209	209	209	209
Current assets	**1,277**	**1,456**	**1,738**	**1,772**	**1,959**	**2,198**	**2,467**
Total Assets	**4,000**	**4,184**	**4,753**	**4,675**	**4,824**	**5,046**	**5,288**
Liabilities and shareholders' equity							
Subscribed capital	130	130	130	130	130	130	130
Capital reserve	1,376	1,376	1,376	1,405	1,405	1,405	1,405
Retained earnings	-92	63	166	178	335	518	727
Other equity components	0	0	0	-1	-23	-13	-1
Shareholders' equity	1,414	1,568	1,672	1,712	1,847	2,040	2,262
Minority interest	18	20	60	57	57	57	57
Total equity	**1,432**	**1,588**	**1,732**	**1,768**	**1,904**	**2,097**	**2,318**
Provisions	503	474	559	557	564	574	574
thereof provisions for pensions and similar obligations	474	445	523	523	530	540	540
Financial liabilities (total)	1,385	1,422	1,773	1,633	1,633	1,633	1,633
thereof short-term financial liabilities	131	42	548	94	94	94	94
Accounts payable	214	235	254	276	284	303	323
Other liabilities	466	465	434	440	440	440	440
Liabilities	**2,568**	**2,596**	**3,021**	**2,906**	**2,920**	**2,950**	**2,970**
Total liabilities and shareholders' equity	**4,000**	**4,184**	**4,753**	**4,675**	**4,824**	**5,046**	**5,288**

Financial Ratios

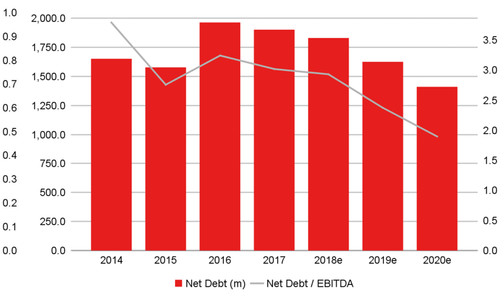
	2014	2015	2016	2017	2018e	2019e	2020e
Efficiency of Capital Employment							
Operating Assets Turnover	1.6 x	1.8 x	1.6 x	1.5 x	1.5 x	1.5 x	1.6 x
Capital Employed Turnover	0.7 x	0.8 x	0.8 x	0.8 x	0.8 x	0.9 x	1.0 x
ROA	6.8 %	9.0 %	8.4 %	9.3 %	9.5 %	10.7 %	13.3 %
Return on Capital							
ROCE (NOPAT)	9.3 %	9.1 %	8.6 %	8.6 %	8.4 %	9.3 %	10.4 %
ROE	15.6 %	16.5 %	15.6 %	16.0 %	15.2 %	15.8 %	17.4 %
Adj. ROE	15.6 %	16.5 %	15.6 %	16.0 %	15.2 %	15.8 %	17.4 %
Balance sheet quality							
Net Debt	1,653	1,579	1,965	1,903	1,831	1,627	1,413
Net Financial Debt	1,179	1,135	1,442	1,379	1,301	1,087	873
Net Gearing	115.4 %	99.4 %	113.4 %	107.6 %	96.2 %	77.6 %	60.9 %
Net Fin. Debt / EBITDA	270.2 %	198.3 %	237.8 %	218.8 %	208.1 %	159.1 %	117.7 %
Book Value / Share	10.9	12.1	12.9	13.2	14.2	15.7	17.4
Book value per share ex intangibles	-4.8	-3.4	-3.4	-2.0	0.0	2.2	4.6

ROCE Development



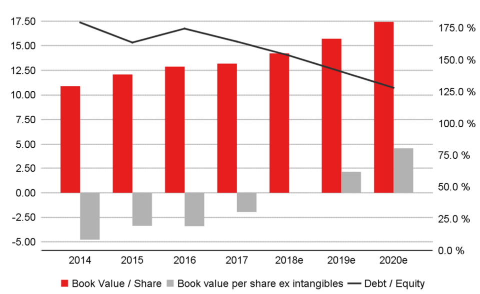
Source: Warburg Research

Net debt
in EUR m



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

Consolidated cash flow statement

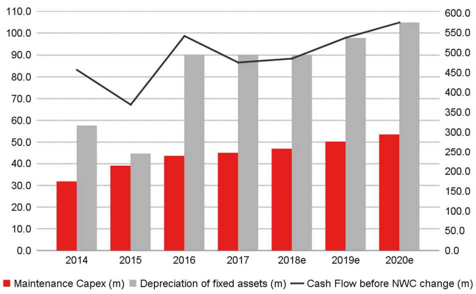
In EUR m	2014	2015	2016	2017	2018e	2019e	2020e
Net income	187	252	261	276	281	316	352
Depreciation of fixed assets	58	45	90	90	90	98	105
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	71	101	112	109	108	113	120
Increase/decrease in long-term provisions	142	-30	78	1	7	10	0
Other non-cash income and expenses	0	0	0	0	0	0	0
Cash Flow before NWC change	**457**	**369**	**542**	**475**	**485**	**537**	**576**
Increase / decrease in inventory	-116	-47	-149	-71	-74	8	-13
Increase / decrease in accounts receivable	-100	-40	-67	-29	-36	-32	-41
Increase / decrease in accounts payable	63	21	20	22	7	20	20
Increase / decrease in other working capital positions	0	0	0	0	0	0	0
Increase / decrease in working capital (total)	-153	-66	-196	-78	-102	-4	-35
Net cash provided by operating activities [1]	**304**	**303**	**345**	**397**	**383**	**533**	**541**
Investments in intangible assets	-11	-18	-17	-19	-22	-25	-25
Investments in property, plant and equipment	-91	-129	-151	-186	-169	-170	-172
Payments for acquisitions	-387	-36	-262	-22	0	0	0
Financial investments	0	0	0	0	0	0	0
Income from asset disposals	0	0	114	7	0	0	0
Net cash provided by investing activities [2]	**-488**	**-184**	**-316**	**-221**	**-191**	**-195**	**-197**
Change in financial liabilities	-53	37	119	-66	0	0	0
Dividends paid	-83	-97	-104	-110	-114	-123	-130
Purchase of own shares	0	0	0	0	0	0	0
Capital measures	401	0	0	0	0	0	0
Other	0	0	0	-72	0	0	0
Net cash provided by financing activities [3]	**265**	**-60**	**15**	**-248**	**-114**	**-123**	**-130**
Change in liquid funds [1]+[2]+[3]	**81**	**59**	**45**	**-72**	**78**	**214**	**215**
Effects of exchange-rate changes on cash	0	0	0	0	0	0	0
Cash and cash equivalent at end of period	216	258	323	230	307	522	736

Financial Ratios

	2014	2015	2016	2017	2018e	2019e	2020e
Cash Flow							
FCF	203	155	178	192	192	338	344
Free Cash Flow / Sales	9.6 %	5.9 %	6.1 %	6.4 %	6.1 %	10.1 %	9.6 %
Free Cash Flow Potential	332	435	465	486	474	516	558
Free Cash Flow / Net Profit	109.6 %	62.7 %	70.3 %	71.0 %	70.9 %	110.3 %	91.8 %
Interest Received / Avg. Cash	1.6 %	1.8 %	1.4 %	2.3 %	1.5 %	1.0 %	0.7 %
Interest Paid / Avg. Debt	5.3 %	3.5 %	3.1 %	3.7 %	2.9 %	2.7 %	2.4 %
Management of Funds							
Investment ratio	4.8 %	5.7 %	5.8 %	6.8 %	6.1 %	5.8 %	5.5 %
Maint. Capex / Sales	1.5 %	1.5 %	1.5 %	1.5 %	1.5 %	1.5 %	1.5 %
Capex / Dep	79.0 %	83.5 %	83.1 %	103.1 %	96.6 %	92.5 %	87.8 %
Avg. Working Capital / Sales	29.0 %	27.9 %	29.5 %	33.2 %	34.5 %	33.9 %	32.4 %
Trade Debtors / Trade Creditors	197.2 %	196.6 %	207.7 %	201.8 %	209.1 %	206.0 %	206.0 %
Inventory Turnover	2.5 x	2.8 x	2.5 x	2.4 x	2.3 x	2.4 x	2.6 x
Receivables collection period (days)	72	65	66	68	69	68	68
Payables payment period (days)	63	57	54	57	55	55	56
Cash conversion cycle (Days)	153	137	157	166	174	162	155

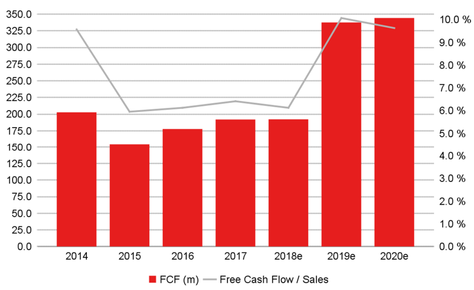
CAPEX and Cash Flow

in EUR m



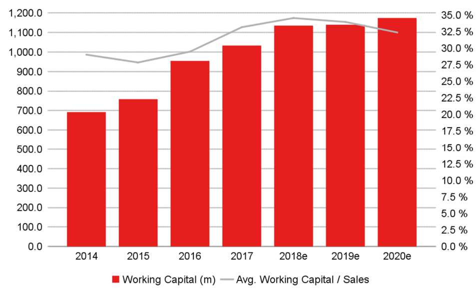
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Symrise	–	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000SYM9999.htm

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	**Buy:**	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	**Hold:**	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	**Sell:**	The price of the analysed financial instrument is expected to fall over the next 12 months.
"-"	**Rating suspended:**	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

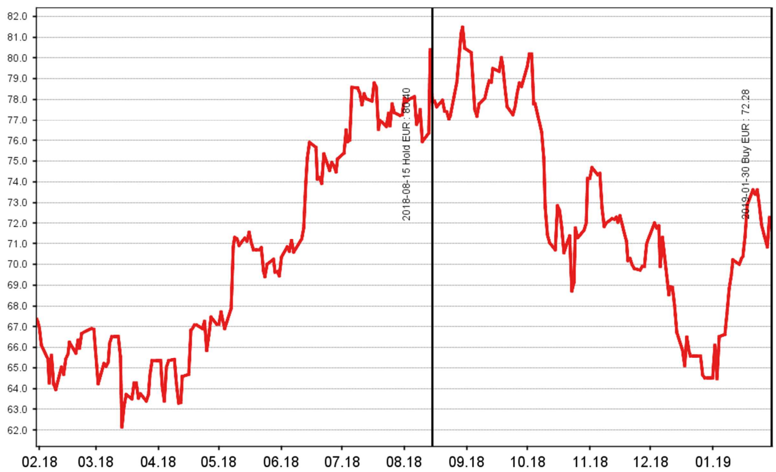
Rating	Number of stocks	% of Universe
Buy	133	65
Hold	60	29
Sell	5	2
Rating suspended	6	3
Total	**204**	**100**

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING …

… taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	31	74
Hold	9	21
Sell	0	0
Rating suspended	2	5
Total	**42**	**100**

PRICE AND RATING HISTORY SYMRISE AS OF 30.01.2019



Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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