

CORE HOLDING*

Recommended since 20.04.15

02.08.2022



Country DE	Market capitalization (bn) EUR	15.8
Sector Chemicals	Free float	95.0%
Factset SY1-DE	Closing price EUR	113.00
ISIN DE000SYM9999	ESG Risk score*	20.3 Medium risk

Perf. since reco. (%)	
Symrise AG	95.5
Sector	21.3



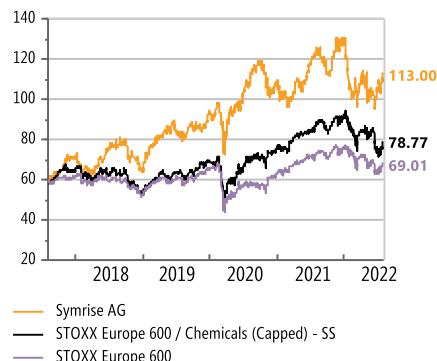
*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

Profile

Formed in 2003 from the merger of Haarmann & Reimer (owned by Bayer) and Dragoco (a private company) and listed in 2006, Symrise specialises in flavours and fragrances. The business is structured into three divisions: Scent & Care (scents, home and personal care), Flavor (dedicated flavourings for agri-food and drinks) and Nutrition (ingredients for healthcare as well as for human and pet foods).

Market - competition - positions - barriers to entry

The Fragrances & Flavours market is dominated by four players who have cornered 70%: Givaudan, IFF, Firmenich and Symrise (12% market share). With the market growing by some 2-3% a year, momentum is underpinned, in particular, by emerging markets (urbanisation, shifts in lifestyle, increasing disposable incomes) and, to a lesser extent, by mature markets (health & well-being). Barriers to entry are innovation, a complex value chain, regulation and the importance of critical mass.



Source: Factset

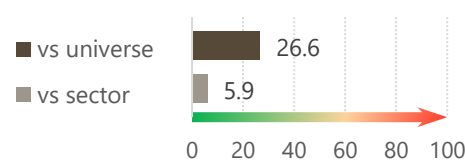
Investment case

- Symrise is benefiting from the structural shift in the food industry towards a range of products with more natural ingredients and a balanced nutritional intake. Fundamentals will remain strong in the medium to long term with organic sales growth estimated at between 5% and 7% by 2025. The goal is to double sales to around EUR 5.5-6bn over this time frame, 80% of which is to be achieved through organic growth and 20% by way of additional acquisitions (which we include in our estimates when announcements are made).
- Like its peers, Symrise will benefit from growth in the underlying market (up by between 2% and 3% year over year) and expansion in emerging markets. However, its extensive presence in the Care and Nutrition segment (cosmetic and natural ingredients, palatability enhancers for pet food) gives Symrise a differentiated positioning, with the opportunity of expanding in more dynamic markets (above 5% on average per year). A forerunner in this movement, this business now accounts for one third of sales. In addition, Symrise has a role to play in the development of plant-based proteins. Although this segment currently accounts for less than 1% of sales, it represents a catalyst in the longer term with the need to improve its texture and taste. The company is also benefiting from a more favourable mix in its client base, with a historical presence among local and regional players (two thirds of sales), which is growing rapidly.
- While raw material inflation is an uncertainty for the EBITDA margin, the target is to evolve between 20% and 23% depending on inflationary cycles. The industry's pricing power is high, with the ability to pass on price increases with a lag of 1-2 quarters. The strengthening of the business towards more profitable segments, the normalisation of investments and the vertical integration towards key raw materials should allow the top of the range to be reached in the long term. In addition, the share of natural ingredients now represents 80% of raw materials, implying less sensitivity to oil price changes.
- Following the strong half-year results, we have adjusted our estimates upwards and expect organic growth of 9% in 2022. Given the continued macroeconomic uncertainty and a higher base of comparison, we are adopting a more cautious scenario in 2023 with organic growth of 4% (below the medium-term target).

ESG - risks and key points

- Symrise's ESG risk level is medium. Strong performance in managing ESG issues. Symrise has not experienced any major controversy in the past.
- As customer interest in Green Chemistry increases, failure to provide sustainable options can result in a loss of customers and revenue.
- Symrise employees are exposed to hazardous substances during the manufacturing process and may face health and safety issues.
- To remain innovative and competitive, the company depends on a highly skilled R&D workforce. It must be able to retain its key employees.

ESG risk vs. universe & sector (percentile)*



Source: Sustainalytics

Valuation** in EUR

Current price	Value Bordier Scenario
113	124

Our scenario assumes a risk-free rate of 2%; organic growth averaging 6.5% a year over the period; an EBITDA margin progressing towards 23% by 2027 before stabilising at the end of the period.

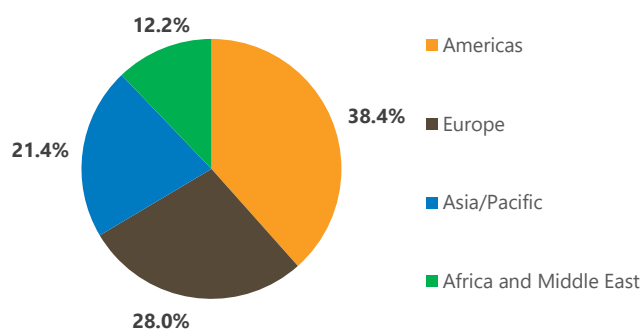
** The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

"Bordier Core Holding" indicators

In millions of EUR	2020	2021	2022e	2023e	2024e
Sales revenue	3'520	3'826	4'316	4'488	4'803
Sales growth %	4.0%	8.7%	12.8%	4.0%	7.0%
<i>a/w organic</i>	3.5%	9.6%	9.0%	4.0%	7.0%
EBIT adjusted	605	660	716	763	840
% of sales	17.2%	17.3%	16.6%	17.0%	17.5%
Net income	394	451	496	531	589
Adjusted EPS	2.82	3.22	3.55	3.80	4.22
Adjusted EPS growth	5.4%	14.3%	10.0%	7.2%	10.9%
Capex/Sales	3.7%	4.0%	4.5%	4.2%	4.2%
Free cash-flow	505	368	408	523	547
FCF/Sales	14.3%	9.6%	9.5%	11.7%	11.4%
Dividend per share	0.97	1.02	1.24	1.29	1.45
Dividend yield	0.9%	0.8%	1.1%	1.1%	1.3%
ROCE - WACC	4.4%	4.1%	5.0%	5.9%	7.3%
ROE (%)	17.1%	14.1%	14.3%	14.3%	14.7%
Net debt/Ebitda	181.6%	152.6%	107.8%	66.5%	25.2%

Source: Factset, Bordier estimates

Sales breakdown - 12/2021



Ratios

	Symrise AG	Stoxx Europe 600	
		Sector	Market
PE (x)***		Chemicals	Stoxx 600
2021	40.4	17.7	15.4
2022e	31.9	14.3	12.9
2023e	29.7	15.4	12.3
P/B (x)***			
2021	5.7	2.6	2.0
2022e	4.6	2.3	1.8
2023e	4.3	2.2	1.7
Beta (2Y, daily) vs market:			0.44

***) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premi-ums representing the quality of the company's business model.

Governance and ownership structure

Since 2009 - CEO H-J Bertram.

Key shareholders (if any):

Gerberding Vermögensverwaltung GmbH (founder of Dragoco) holds 6.01% of the capital.

Agenda

02 Aug. 2022: half year results

26 Oct. 2022: Q3 trading update

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements)

Aucune

Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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