

INTERNATIONAL FLAVORS & FRAGRANCES INC  
Form 10-Q  
August 07, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-4858

INTERNATIONAL FLAVORS &  
FRAGRANCES INC.

(Exact name of registrant as specified in its charter)

New York 13-1432060  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
521 West 57th Street, New York, N.Y. 10019-2960  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code (212) 765-5500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares outstanding as of July 24, 2018: 79,047,426



PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS.  
INTERNATIONAL FLAVORS & FRAGRANCES INC.  
CONSOLIDATED BALANCE SHEET  
(Unaudited)

(DOLLARS IN THOUSANDS)	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$322,423	\$ 368,046
Trade receivables (net of allowances of \$13,622 and \$13,392, respectively)	723,855	663,663
Inventories: Raw materials	353,220	326,140
Work in process	23,671	16,431
Finished goods	318,301	306,877
Total Inventories	695,192	649,448
Prepaid expenses and other current assets	285,110	215,387
Total Current Assets	2,026,580	1,896,544
Property, plant and equipment, at cost	2,098,513	2,090,755
Accumulated depreciation	(1,230,884 )	(1,210,175 )
	867,629	880,580
Goodwill	1,148,586	1,156,288
Other intangible assets, net	391,426	415,787
Deferred income taxes	82,204	99,777
Other assets	157,017	149,950
Total Assets	\$4,673,442	\$ 4,598,926
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Short term borrowings	\$6,500	\$ 6,966
Accounts payable	315,656	338,188
Accrued payroll and bonus	59,278	88,361
Dividends payable	54,488	54,420
Other current liabilities	263,448	280,833
Total Current Liabilities	699,370	768,768
Long-term debt	1,717,189	1,632,186
Deferred gains	35,824	37,344
Retirement liabilities	226,221	228,936
Other liabilities	238,635	242,398
Total Other Liabilities	2,217,869	2,140,864
Commitments and Contingencies (Note 13)		
Shareholders' Equity:		
Common stock 12 1/2¢ par value; 500,000,000 shares authorized; 115,858,190 shares issued as of June 30, 2018 and December 31, 2017; and 79,046,217 and 78,947,381 shares outstanding as of June 30, 2018 and December 31, 2017, respectively	14,470	14,470
Capital in excess of par value	167,432	162,827
Retained earnings	3,992,452	3,870,621
Accumulated other comprehensive loss	(692,498 )	(637,482 )
Treasury stock, at cost (36,811,973 and 36,910,809 shares as of June 30, 2018 and December 31, 2017, respectively)	(1,732,001 )	(1,726,234 )
Total Shareholders' Equity	1,749,855	1,684,202

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Noncontrolling interest	6,348	5,092
Total Shareholders' Equity including noncontrolling interest	1,756,203	1,689,294
Total Liabilities and Shareholders' Equity	\$4,673,442	\$4,598,926

See Notes to Consolidated Financial Statements

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INTERNATIONAL FLAVORS & FRAGRANCES INC.  
CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME  
(Unaudited)

(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	\$920,016	\$842,861	\$1,850,944	\$1,671,154
Cost of goods sold	521,299	469,877	1,046,419	935,088
Gross profit	398,717	372,984	804,525	736,066
Research and development expenses	74,767	72,761	153,244	144,887
Selling and administrative expenses	157,407	139,319	300,051	283,023
Amortization of acquisition-related intangibles	9,584	8,494	18,769	15,561
Restructuring and other charges, net	1,186	791	1,903	10,934
Losses (gains) on sales of fixed assets	1,264	(68)	1,195	(89)
Operating profit	154,509	151,687	329,363	281,750
Interest expense	53,246	17,556	69,841	30,363
Other (income), net	(20,655)	(7,909)	(21,232)	(29,140)
Income before taxes	121,918	142,040	280,754	280,527
Taxes on income	22,769	32,245	52,190	54,968
Net income	99,149	109,795	228,564	225,559
Other comprehensive income (loss), after tax:				
Foreign currency translation adjustments	(85,264)	13,347	(70,461)	10,090
Gains (losses) on derivatives qualifying as hedges	10,455	(11,768)	9,926	(13,519)
Pension and postretirement net liability	2,890	3,688		