

---

# Croda International Plc 2016 Full Year Results

28 February 2017

# Cautionary statement

---

This review is intended to focus on matters which are relevant to the interests of shareholders in the Company. The purpose of the review is to assist shareholders in assessing the strategies adopted and performance delivered by the Company and the potential for those strategies to succeed. It should not be relied upon by any other party or for any other purpose. Forward looking statements are made in good faith, based on a number of assumptions concerning future events and information available to the Directors at the time of their approval of this report. These forward looking statements should be treated with caution due to the inherent uncertainties underlying such forward looking information. The user of this review should not rely unduly on these forward looking statements, which are not a guarantee of performance and which are subject to a number of uncertainties and other facts, many of which are outside the Company's control and could cause actual events to differ materially from those in these statements. No guarantee can be given of future results, levels of activity, performance or achievements.

Unless otherwise stated, all profit, margin and EPS data refer to 'adjusted' results, which can be found on the face of the Group Income Statement in the first column. The definition of adjusted profit is as follows: IFRS result excluding exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon where applicable. The Board believes that the adjusted result gives a clearer presentation of the underlying performance of the Group.

# Our Performance



Steve Foots – Group Chief Executive

Innovation you can build on™

CRODA

# Relentless innovation driving record profit

---

## Headline performance (reported currency):

- **Record profit delivered:** adjusted profit before tax up 13.2% at £288.3m
- **Robust sales growth:** up 15.0%, driven by Incotec, innovation and progress in high value markets, together with currency translation
- **Relentless innovation:** sales of New & Protected Products (NPP) up 20% to 27.4% of total sales
- **Excellent margin:** return on sales of 24.0%
- **Strong return on capital:** ROIC at 19.3%
- **Impressive cash generation:** free cash flow over £155m
- **Increased dividend:** full year up 7.2% and special dividend payment of £136m in June 2016

# Consistent top and bottom line growth

## Continued sales growth

Reported currency

**+15.0%**

**+3.1%**

Constant currency

## Strong return on sales

Reported currency

**24.0%**

**-40 bps**

YOY change

## Robust EPS growth

Reported currency

**155.8p**

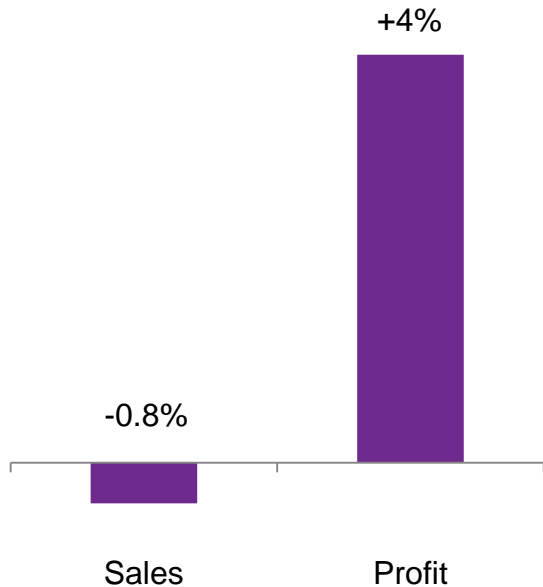
**+15.4%**

Adjusted basic EPS growth

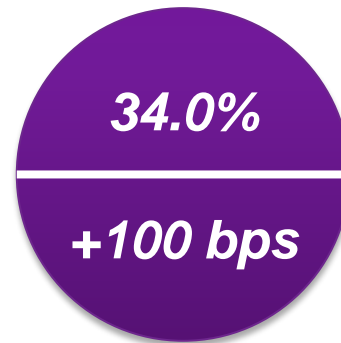
**Record NPP sales driving strong bottom line performance**

# Investment in fast growing niches driving profit in Personal Care

## Improving mix driving profit



## Class-leading return on sales



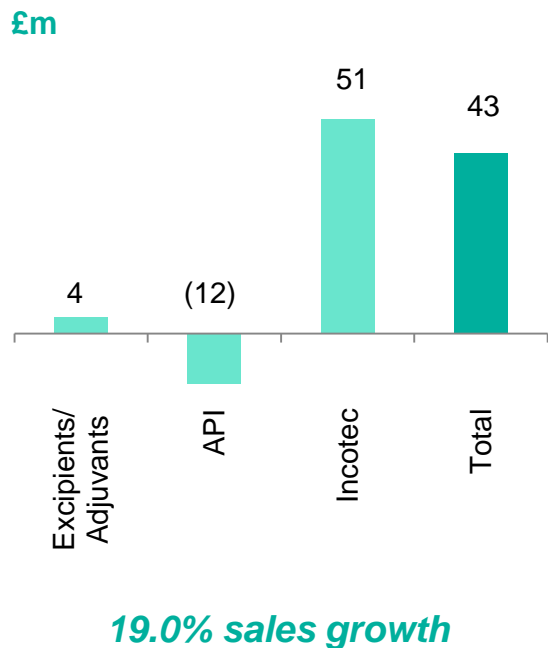
## Innovation led growth

- Outperformance in Actives
- Softer conditions in Specialities but improving
- Increased innovation and IP
  - NPP at 40% of total sales
  - Inventiva acquired
  - R&D pipeline exciting
- Sustainability and digitalisation creating new opportunities

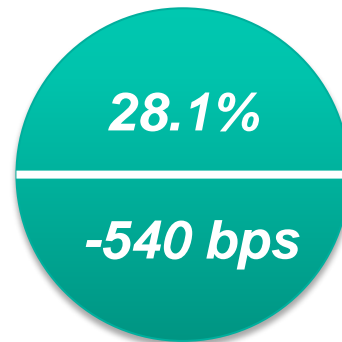
Sales and profit growth in constant currency. Return on sales in reported currency.

# Focused acquisition and clever innovation offsetting API weakness in Life Sciences

## Strong top line growth



## Mix effect diluting return on sales



YOY change

## Focus on fast growth technologies

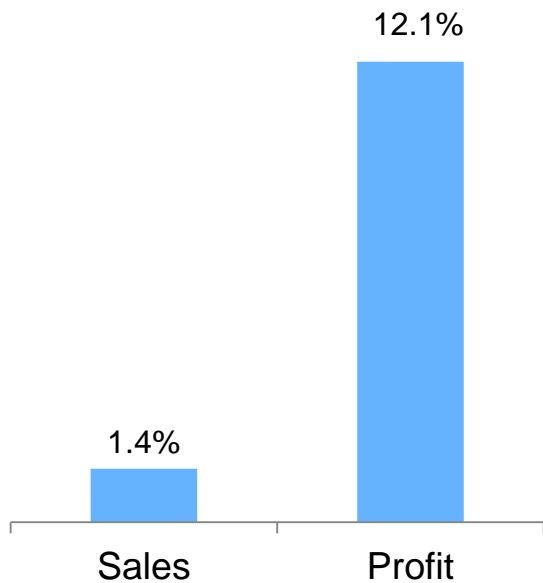
- Good performance given API headwind
- Majority of business delivering
- Return on sales strengthening pre-Incotec/APIs
- Outperformance in Crop
- Growth in intelligent delivery systems in Health and Crop
- Incotec repositioned
- Lower profitability in APIs – NA stabilising & growth elsewhere

Sales growth in constant currency. Return on sales in reported currency.

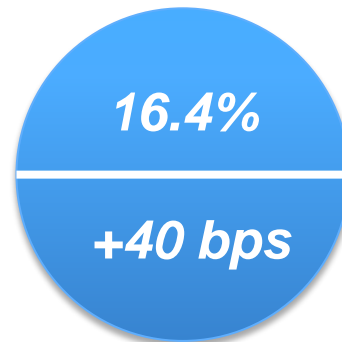
API = Active Pharmaceutical Ingredient

# Improving sales and margin in Performance Technologies

## Profitable top line growth



## Improving product mix driving return on sales



YOY change

## Increased innovation

- Improving sales trend
- Broad based geographic growth
- All businesses contributing
- Positive momentum in Sipo
- Innovation led growth
- Strong bottom line performance

Sales growth in constant currency. Return on sales in reported currency.



# Financial Performance



Jez Maiden – Group Finance Director

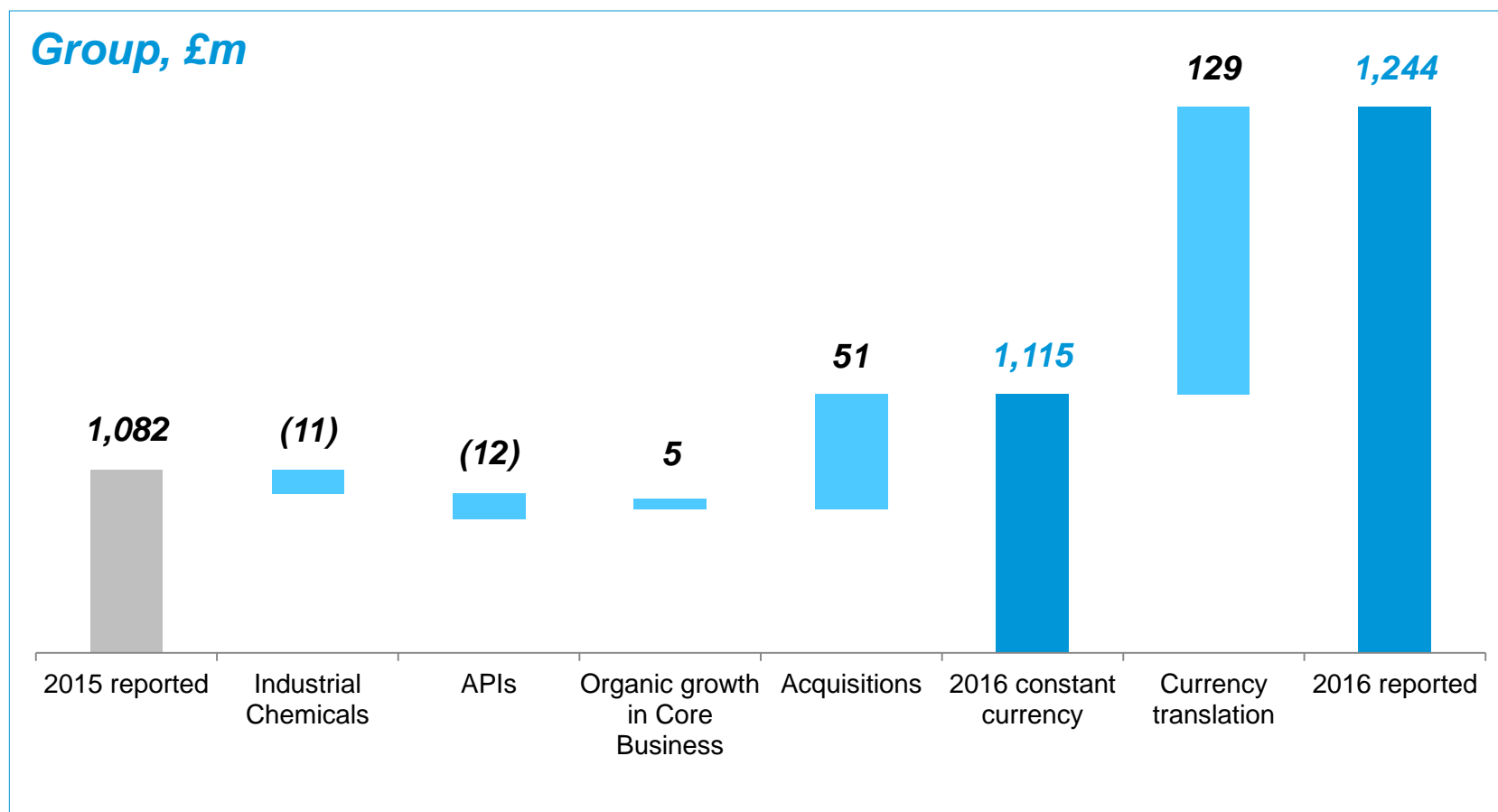
# Sales growth and continued strong margin driving profit

£m	2016	2016 constant currency	2015	Constant currency change %
Sales	1,243.6	1,115.4	1,081.7	+3.1
Operating profit	298.2	276.4	264.2	+4.6
Net interest	(9.9)	(9.5)	(9.5)	-
Profit before tax	288.3	266.9	254.7	+4.8
IFRS profit before tax	275.7		252.3	
Tax rate (adjusted profit)	28.0%		28.0%	
Adjusted EPS	155.8p		135.0p	15.4%*
Declared ordinary dividend	74.0p		69.0p	7.2%*
Special dividend paid	100p			

Positive variance indicates favourable impact.

\*In reported currency

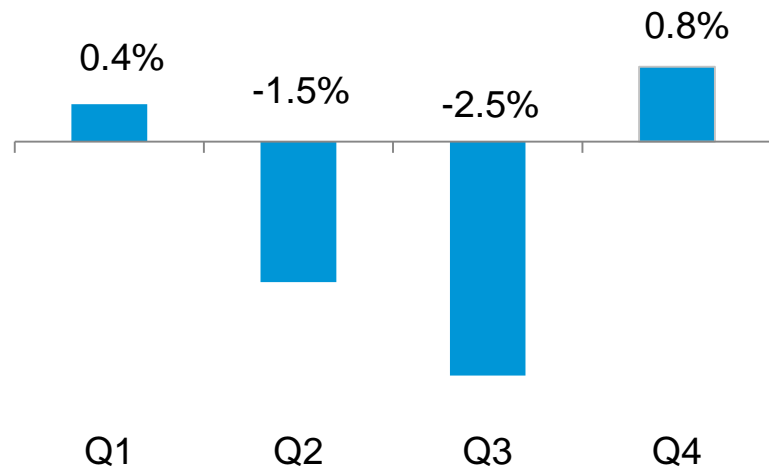
# Sales growth driven by acquisitions and currency



# Improving sales trend in Core Business

## Strong finish to year

### Sales growth



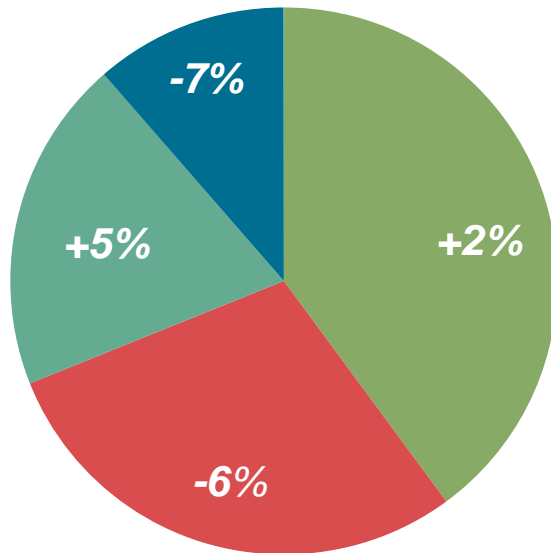
## Planned actions depressed top line growth

- Distributor exit in Asia
- Lower API sales year on year
- Exited low value-add products in Performance Technologies
- Improving Q4 trend

Constant currency

# Continued top line growth in Asia & Europe

## Regional sales in Core Business



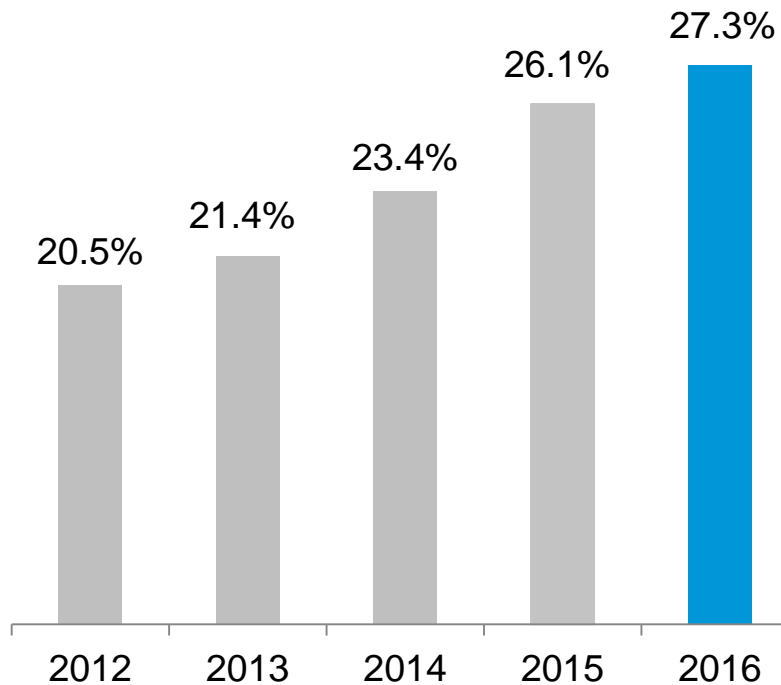
■ EMEA ■ North America ■ Asia ■ Latam

- Asia growing strongly
  - Region 22% of Group sales
  - Driven by proximity to local & regional customers and increased customer sophistication
- Europe robust
  - Core Business growing
- North America subdued but improving
  - Lower API sales
  - Better trend across rest of business
- Latin America stabilising in second half
  - Growing in local currency terms

Core Business underlying sales growth in constant currency  
EMEA = Europe, Middle East and Africa

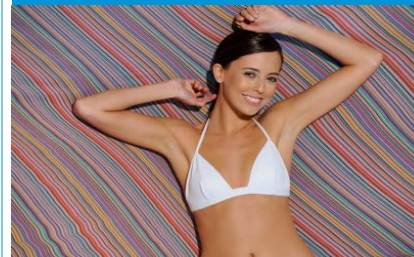
# Record level of innovation

## NPP sales as % of Group sales



- NPP sales 2.6x overall sales growth
- Greater proportion of protected innovation
- Improvement in all Core Business sectors
- Incotec aligned, exciting opportunities

### Fast growth in sun care

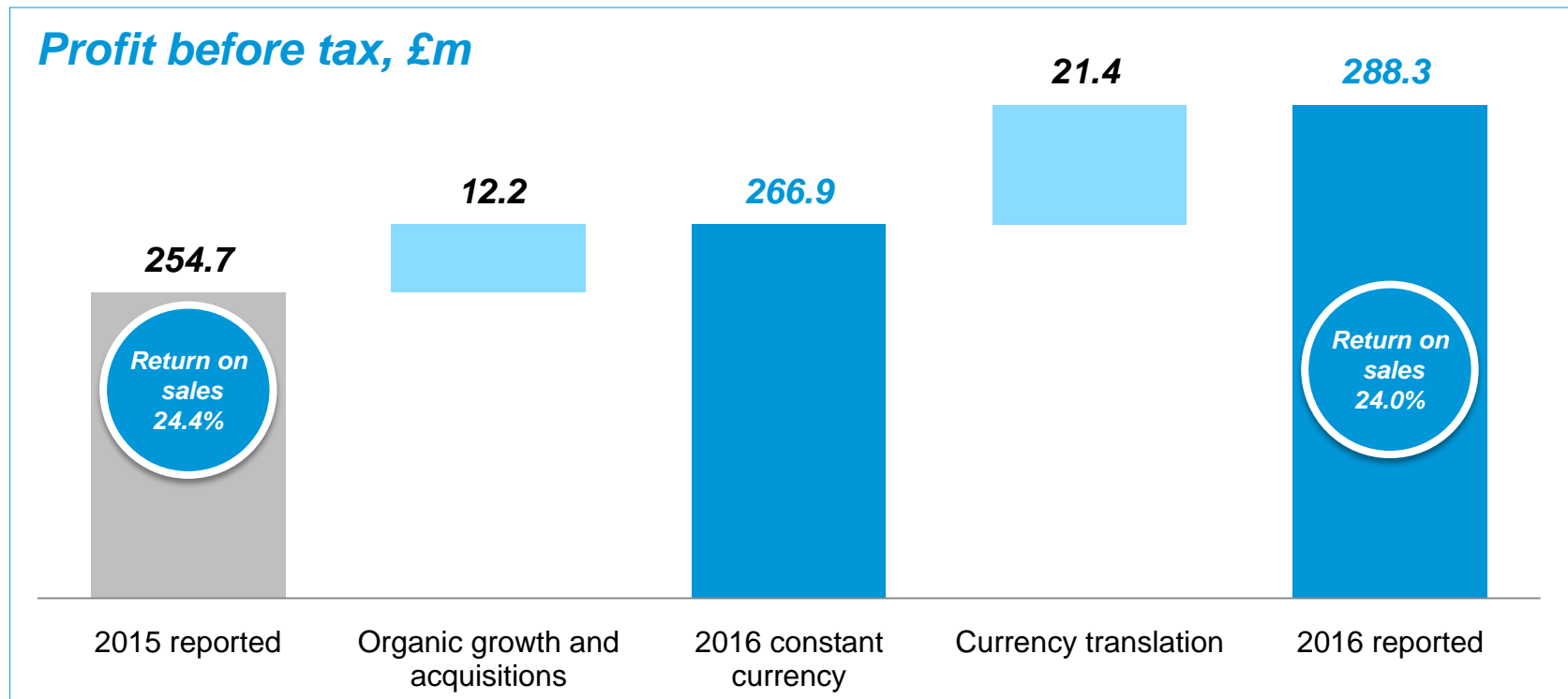


### Growth in Skin Actives 'IRB by Sederma'



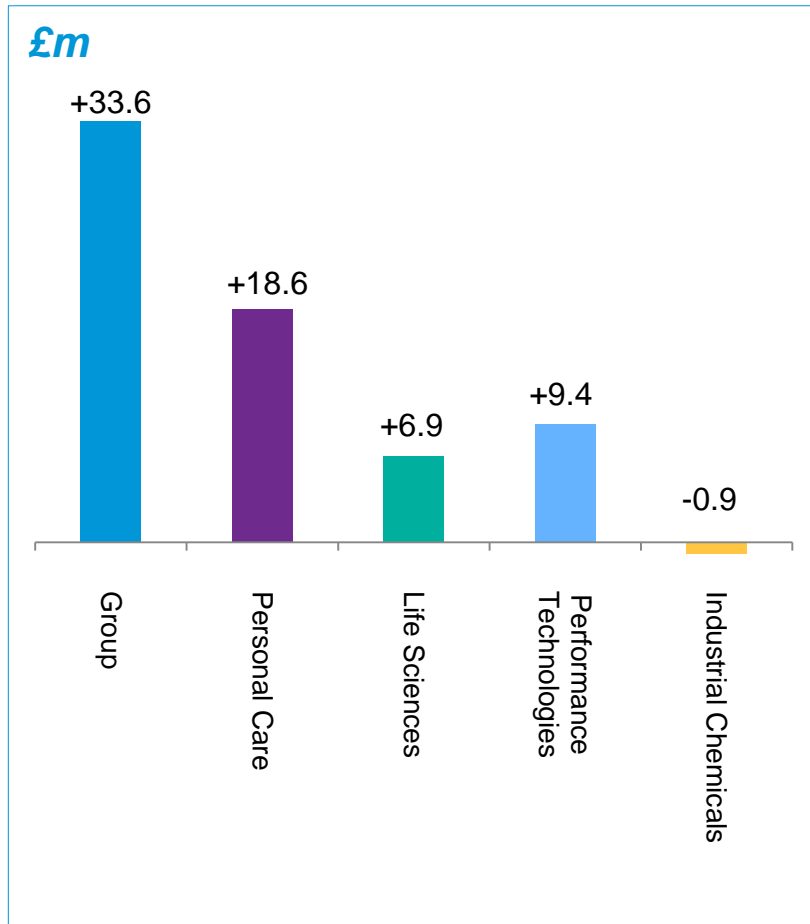
NPP = New and Protected Products  
Constant currency

# Innovation, mix and acquisitions driving profit



- Profit growth reflects acquisition, innovation and growth in premium niches
- Incotec acquisition and API reduction diluting return on sales
- Continue to deliver excellent margin and return on capital

# All Core Business sectors driving profit growth



- Strong profitability in Personal Care
  - NPP, skin actives & sun care
- Good profitability in Life Sciences
  - Excipients, seed enhancement
- Performance Technologies
  - Increase in innovation
  - Exited low value-add business
- Industrial Chemicals
  - Exited 20,000mt of low value-add products

Shows operating profit growth for sectors and pre-tax profit growth for Group in reported currency



# Impressive cash generation continues, funding expansion in fast growing niches

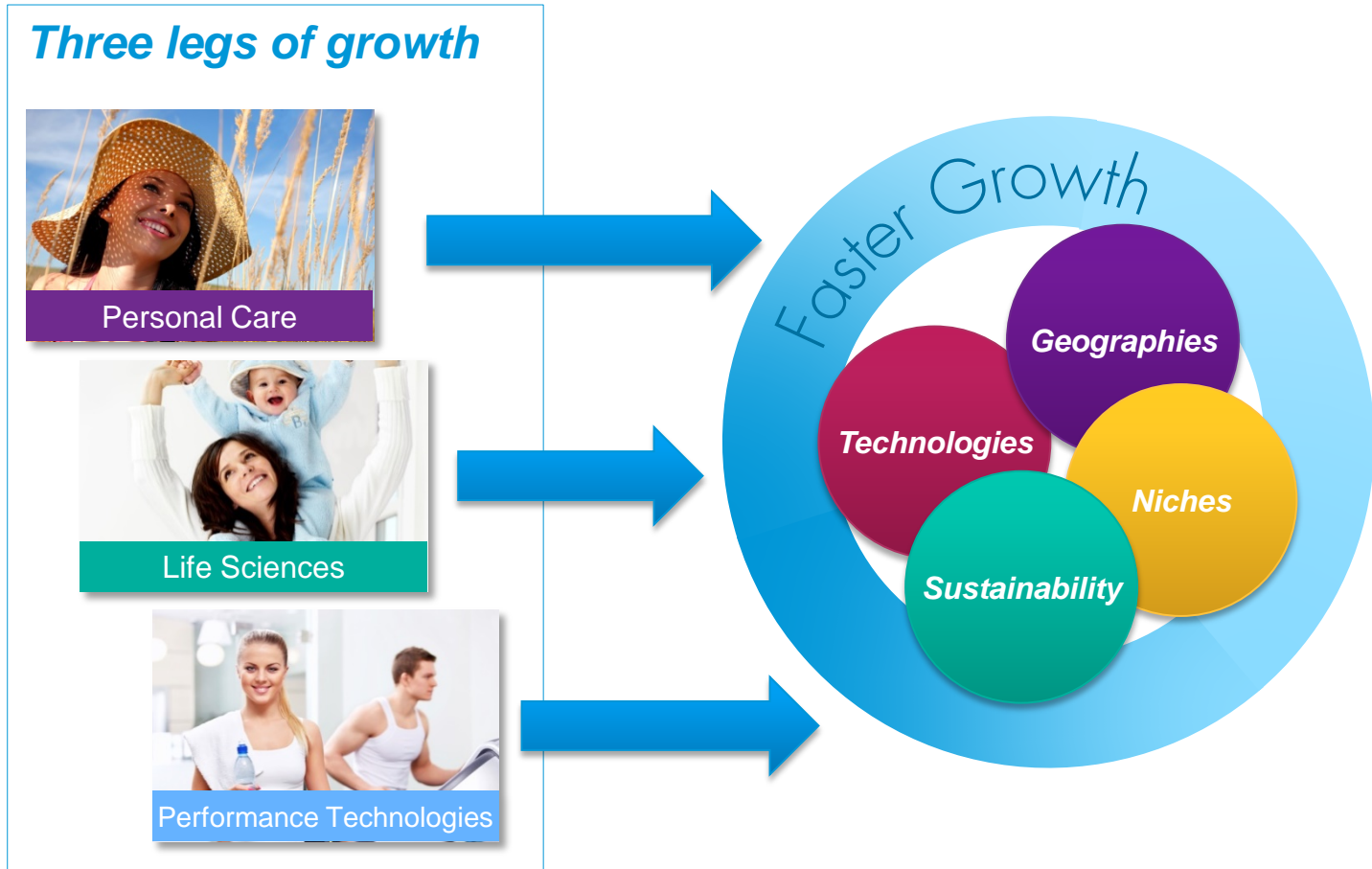
£m	2016	2015
EBITDA	344.3	302.3
Working capital	7.2	(1.4)
Net capital investment	(104.5)	(91.1)
Additional pension contributions	(10.9)	(18.5)
Interest and tax	(80.6)	(73.8)
<b>Free cash flow</b>	<b>155.5</b>	<b>117.5</b>
Dividends	(230.2)	(90.9)
M&A	(1.4)	(104.0)
Other (including currency translation)	(28.7)	(1.7)
Movement in net debt	(104.8)	(79.1)
Net debt	(364.1)	(259.3)
Leverage	1.1x	0.9x

# Strategy continuing to deliver



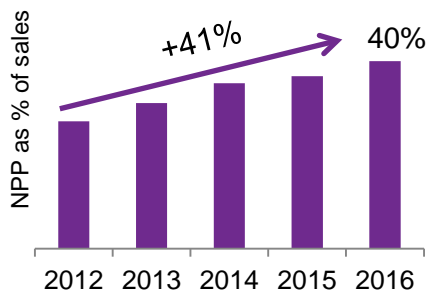
Steve Foots – Group Chief Executive

# Connecting to faster growth markets



# Personal Care: Accelerating Innovation in Premium market niches

## Investing in fast growth technologies



- Skin and hair actives
- Plant stem cells
- Sun care actives
- Encapsulation

## Investing in open innovation



- Strong collaboration with Universities, SMEs and industry experts
- 10x increase since 2013
- 250 global partners Group wide

## Investing in fast growth niches

Citystem™



Pollution Protection

Croda Plex



Hair Structure & Integrity

Liquiwax™



Lip Vibrancy & Sensory

## Investing in fast growth geographies

Korea



Skin & Hair Care

Japan



Colour Cosmetics

Brazil



Hair Care

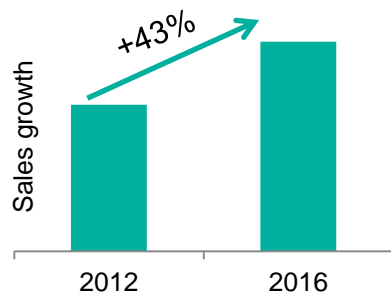
Constant currency

Innovation you can build on™

**CRODA**

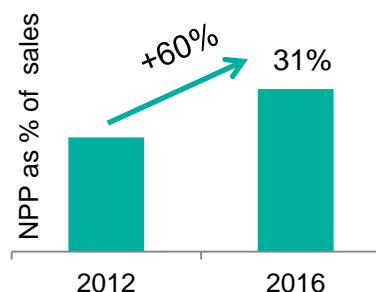
# Life Sciences: investing in high value niches

## Investing to scale Life Sciences



- Sales nearly £300m
- Global scale
- Strong growth potential
- Rich IP

## Investing in fast growth technologies



- Expanding high purity excipients
- Delivery of complex actives
- Expanding R&D team

## Investing in fast growth niches



Pharmaceutical Delivery



Biopharmaceuticals



Spray Drift

## Investing in novel seed enhancement technology



Vegetable



Field Crop

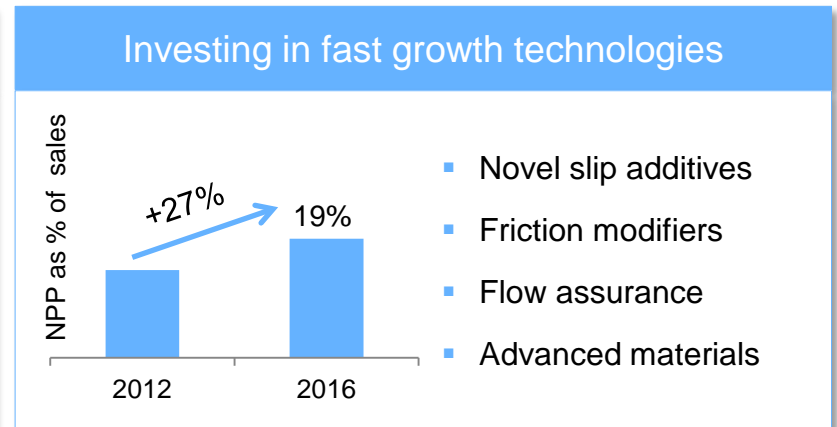
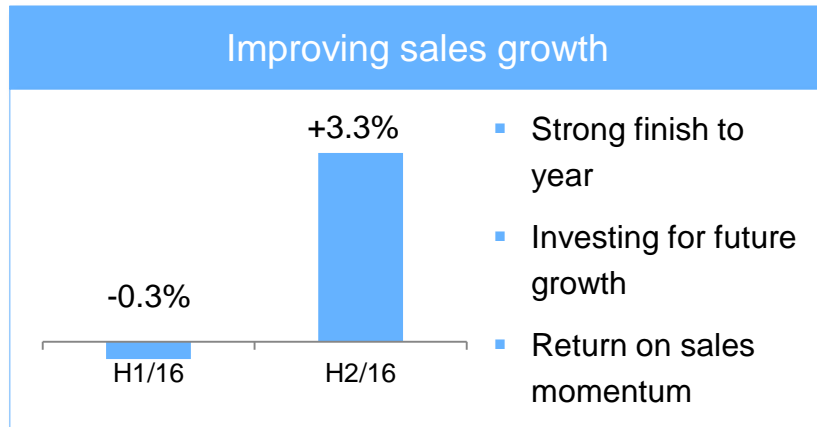
- Opened new R&D facility
- Investing in the core
- Commercialising IP
- 20% return on sales target

Constant currency

Innovation you can build on™

**CRODA**

# Performance Technologies: Innovation driving improved performance



### Investing in fast growing niches



Hypermer™

Advanced Materials



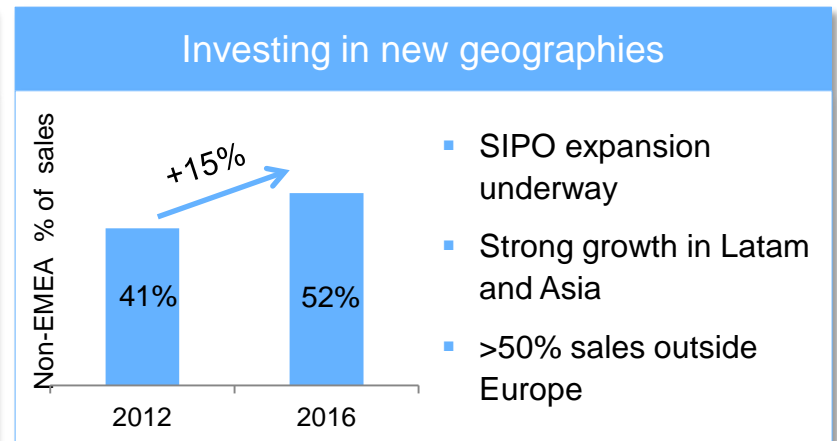
MyCroFence™

Antimicrobial Paints



Zinador™

Odour Neutralisers



Constant currency

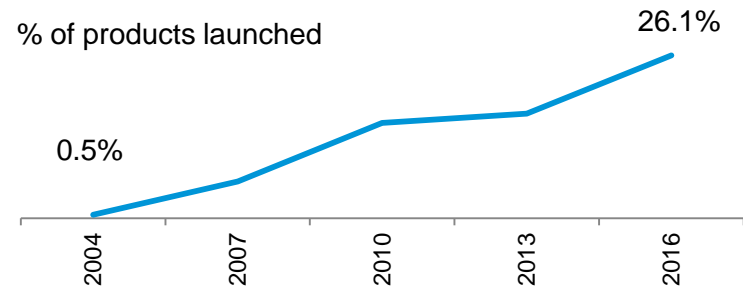
# Accelerating our customers' transition to sustainable ingredients

## Customers committing to consumers



## More products claiming sustainability\*

% of products launched



## Investing in new niches



Lip Care



Facial Cleansers



Air Care

## Investing in bio surfactants

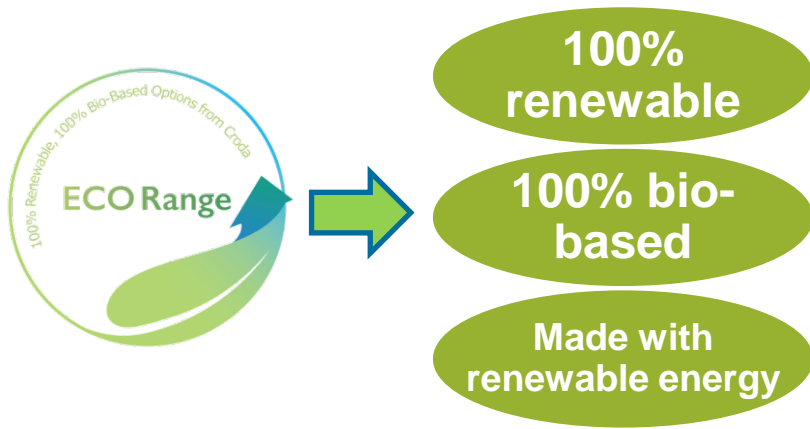
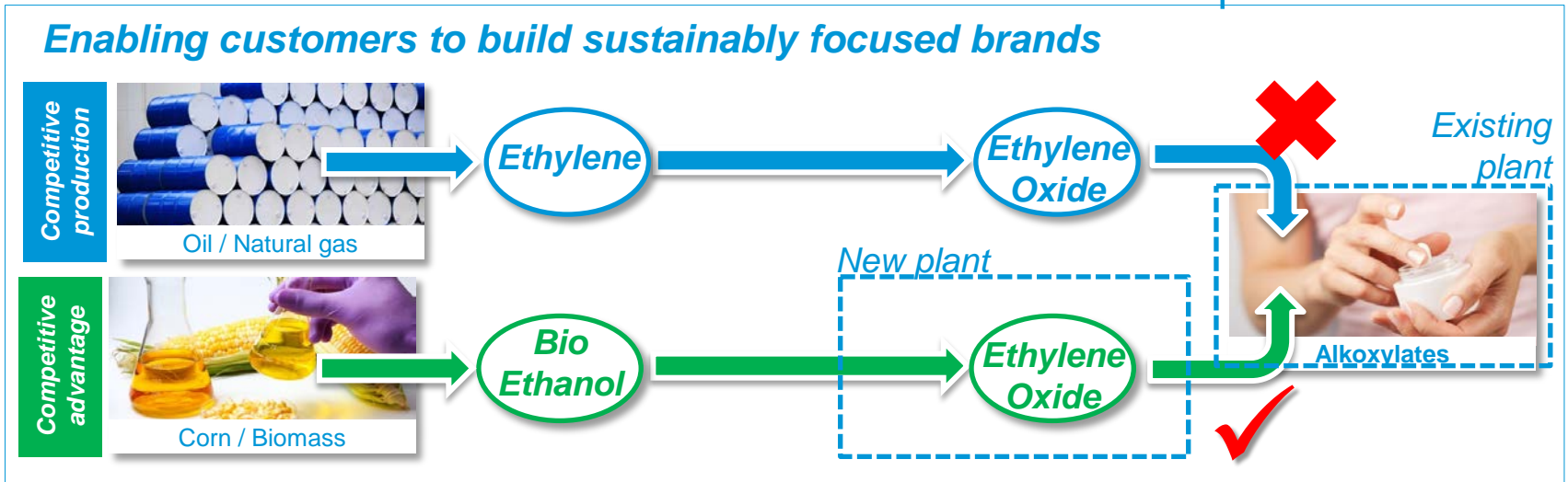


ECO

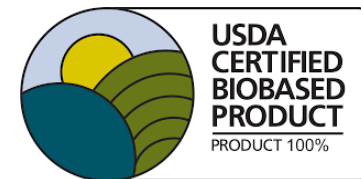
- Unique positioning
- Positive customer interaction
- 100% renewable surfactants
- Lower carbon footprint

\*Jan 2017 Mintel GNPD Beauty and Personal Care products launched meeting one or more sustainable label claims  
Company logos sourced from corresponding company websites

# New niches – our Biosurfactants plant

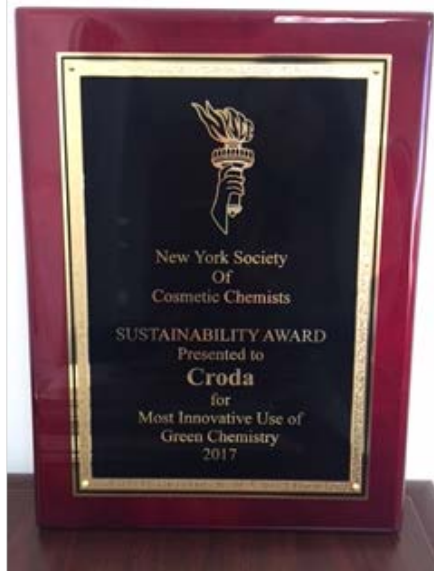


- Croda's ECO range will be bio-certified
- Will enable customers to build sustainably focused consumer brands without sacrificing performance
- 100% biobased alkoxyates are the missing link





# Returns will grow post 2018 launch



**Croda ECO: NYSCC Sustainability Award 2017** for the most innovative use of Green Chemistry

## Investment returns

- Capex \$175m
- Commissioning: Q4/2017

<i><b>Demand</b></i>	<i><b>Benefit</b></i>	<i><b>Payback</b></i>	<i><b>ROIC</b></i>
Existing 'captive' use	Increased margin	7 years	~15%
New 'white space'	Increased sales	~6 years	~20%

***Profitability will increase as new 'white space' is developed***



Return and payback includes future petro-EO cost increases avoided and will vary with ethylene/bio-ethanol relative pricing, as well as demand

# Key takeaways

## 2016 performance

- Delivered record profit
- Growth in premium market niches
- Relentless innovation driving success
- Expanding in higher growth markets
- Exciting innovation pipeline

## Priorities for 2017

- Focus on premium, fast growth niches
- Improve performance in less differentiated markets
- Grow margins in Performance Technologies and Incotec
- Improving sales trends
- Confident of continued progress

\*Constant currency growth

# Questions



Innovation you can build on™

CRODA

# Full year revenue analysis

£m	FY 2016 Reported	FY 2016 Constant currency	FY 2015 Reported	% Constant versus 2015
Personal Care	420.6	374.2	377.3	(0.8)
Life Sciences	292.2	266.5	223.9	19.0
Performance Technologies	402.5	359.7	354.8	1.4
<b>Core Business</b>	1,115.3	1,000.4	956.0	4.6
Industrial Chemicals	128.3	115.0	125.7	(8.5)
<b>Group</b>	1,243.6	1,115.4	1,081.7	3.1

# Underlying sales growth

%	H1 2016	H2 2016	FY 2016
Personal Care	(0.5)%	(1.4)%	(0.9)%
Life Sciences	(1.0)%	(6.5)%	(3.7)%
Performance Technologies	(0.3)%	3.3%	1.4%
<b>Core Business</b>	(0.5)%	(0.9)%	(0.7)%
Industrial Chemicals	(12.4)%	(3.9)%	(8.5)%
<b>Group</b>	(2.0)%	(1.2)%	(1.6)%

# Underlying sales growth

%	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Personal Care	(1.1)%	0.2%	(2.0)%	(0.8)%
Life Sciences	4.6%	(7.1)%	(8.2)%	(4.9)%
Performance Technologies	(0.6)%	(0.1)%	0.3%	6.5%
<b>Core Business</b>	0.4%	(1.5)%	(2.5)%	0.8%
Industrial Chemicals	(10.7)%	(14.1)%	(6.2)%	(1.4)%
<b>Group</b>	(0.9)%	(3.0)%	(2.9)%	0.6%

# H1/H2 sales analysis

£m	H1 2016	H2 2016	FY 2016
Personal Care	207.4	213.2	420.6
Life Sciences	143.6	148.6	292.2
Performance Technologies	195.5	207.0	402.5
<b>Core Business</b>	546.5	568.8	1,115.3
Industrial Chemicals	62.2	66.1	128.3
<b>Group</b>	608.7	634.9	1,243.6

Reported currency

# H1/H2 operating profit analysis

	H1 2016	H2 2016	FY 2016	FY 2015
<b>Operating profit (£m):</b>				
Personal Care	73.1	70.0	143.1	124.5
Life Sciences	40.4	41.6	82.0	75.1
Performance Technologies	35.8	30.4	66.2	56.8
<b>Core Business</b>	149.3	142.0	291.3	256.4
Industrial Chemicals	3.3	3.6	6.9	7.8
<b>Group</b>	152.6	145.6	298.2	264.2
<b>Return on sales (%):</b>				
Personal Care	35.2	32.8	34.0	33.0
Life Sciences	28.1	28.0	28.1	33.5
Performance Technologies	18.3	14.7	16.4	16.0
<b>Core Business</b>	27.3	25.0	26.1	26.8
Industrial Chemicals	5.3	5.4	5.4	6.2
<b>Group</b>	25.1	22.9	24.0	24.4

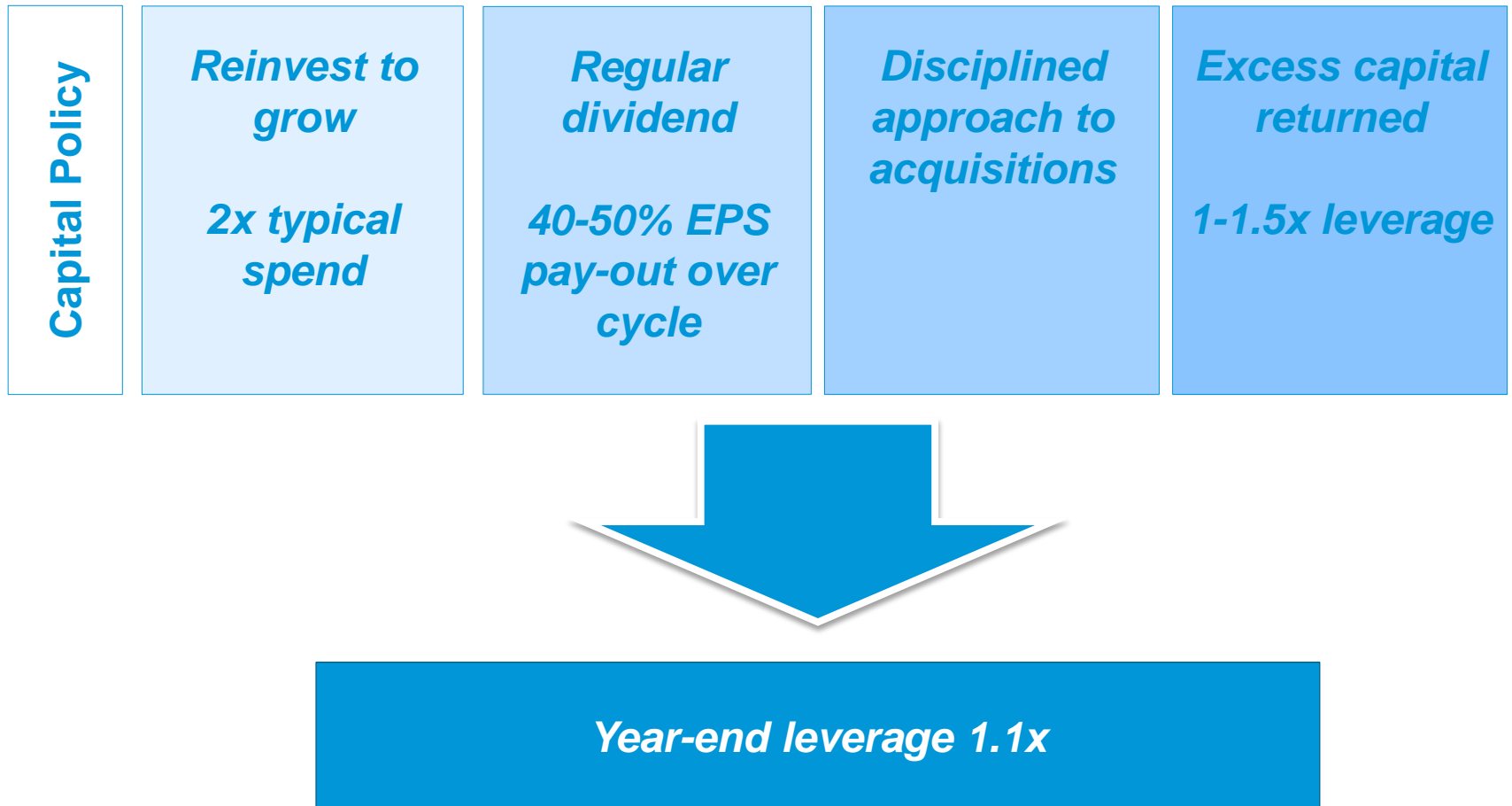
Reported currency



## Retirement benefit deficit (IAS 19 basis)

<b>£m at 31 December</b>	<b>2016</b>	<b>2015</b>
Market value of assets	1,229.4	969.6
Value of liabilities	(1,375.9)	(1,048.4)
<b>Deficit pre tax</b>	<b>(146.5)</b>	<b>(78.8)</b>
Deferred tax	33.8	22.9
<b>Deficit post tax</b>	<b>(112.7)</b>	<b>(55.9)</b>

# Good capital discipline



Leverage excludes retirement benefit deficit

# Currency sensitivity

---

- Currency translation profit impact:
  - \$1 cent = +/- £0.8m (2016 average: \$1.35)
  - €1 cent = +/- £0.5m (2016 average: €1.22)