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# Croda International Plc 2015 Full Year Results

23 February 2016

# Cautionary statement

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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.

Underlying sales are presented at constant currency and exclude the impact of acquisitions.

# Our Performance



Steve Fouts – Group Chief Executive

Innovation you can build on™

**CRODA**

# 2015: Innovation driving continued growth

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- Strong performance in a difficult environment
- Record reported sales and pre-tax profit – sales growth in all sectors and regions
- Performance driven by innovation
- Continued progress in Personal Care and excellent growth in Life Sciences
- Acquired Incotec Group BV
- Strong cash generation – funded almost £200m organic and inorganic investment
- Full year dividend increased by 5.3%, in addition to 100p/share (£136m) special dividend

# Consistent top and bottom line growth

Continued sales growth

**+3.7%**

Sales growth YOY\*

Strong margin management

**24.4%**

**+70 bps**

Return on sales/growth

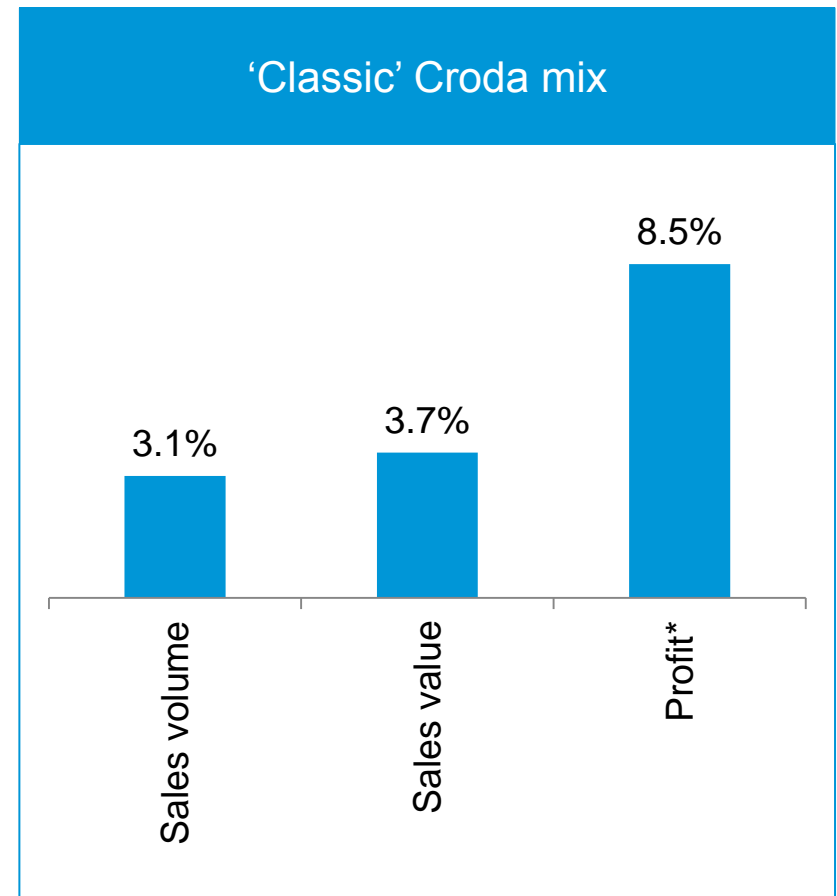
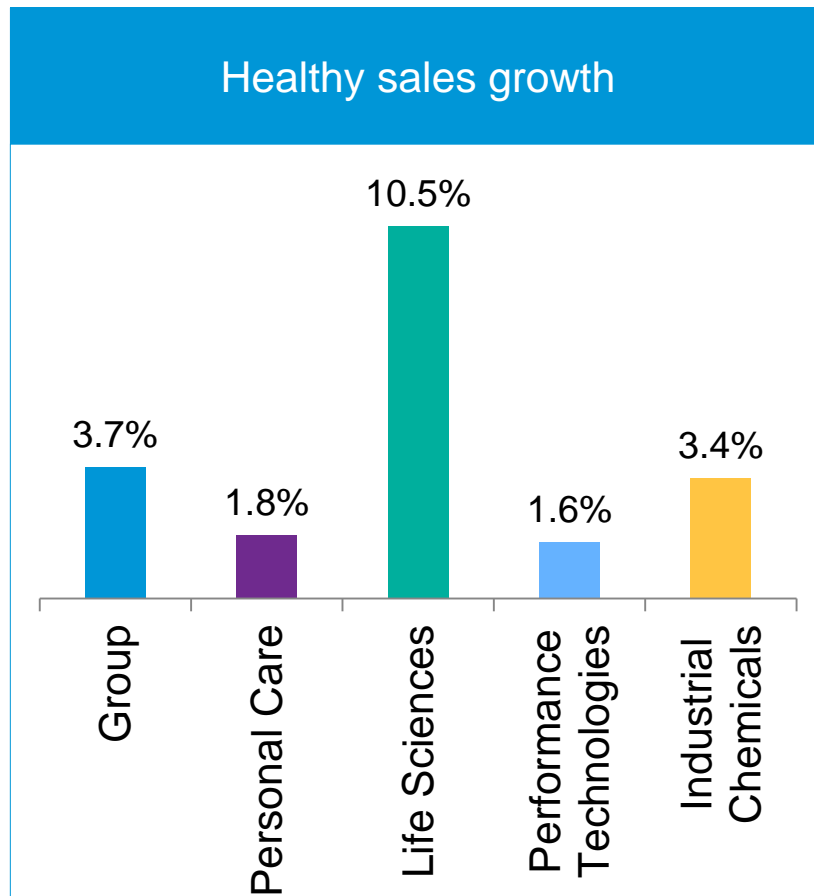
Robust pre-tax profit growth

**+8.5%**

Profit growth YOY\*

\*Underlying growth

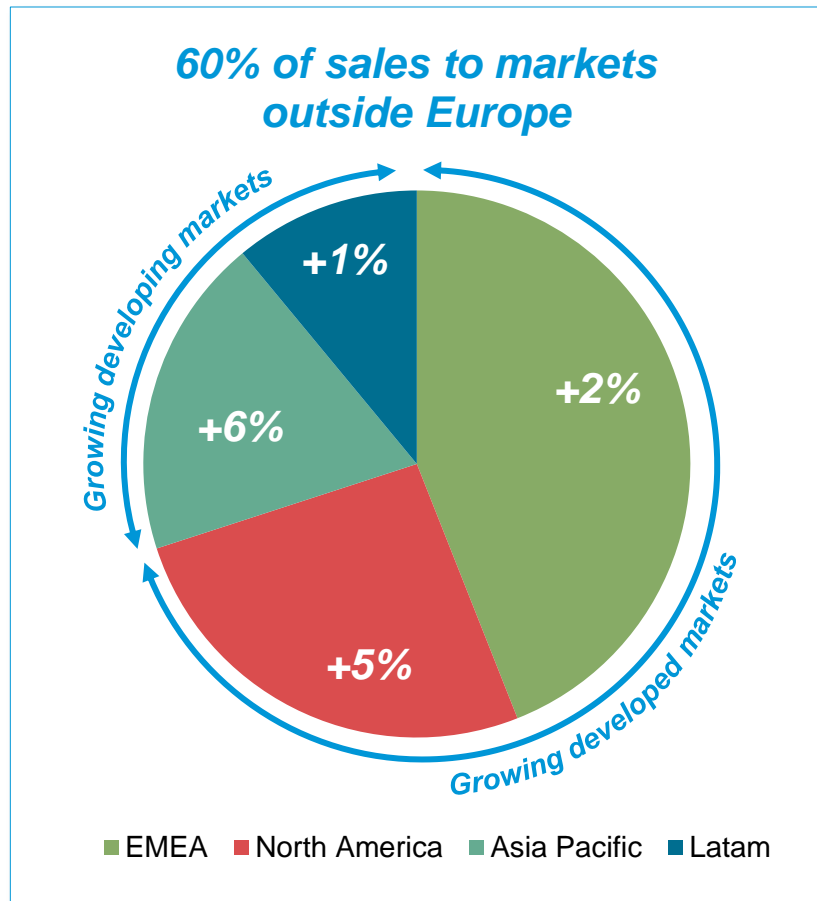
# Broad based growth across all sectors...



Underlying growth

\*Profit before tax

# ...and all regions



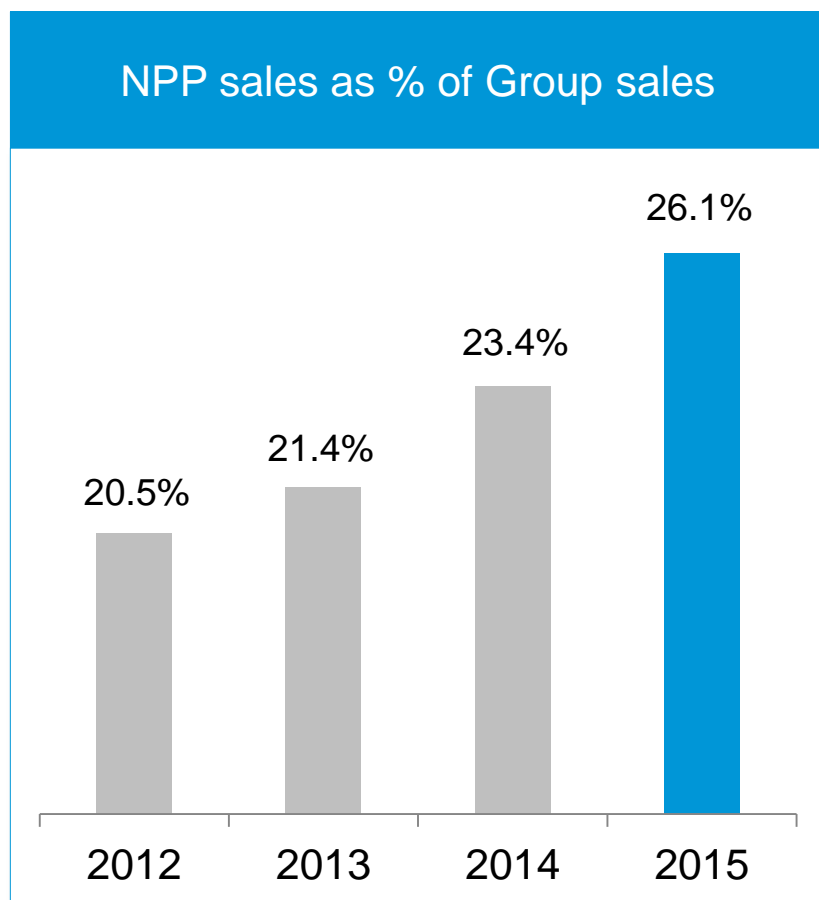
## **Regional performance:**

- Strong growth continues in Asia – now 20% of Group
- Robust performance in North America
- Return to growth in Western Europe
- Latin America – slowdown in Brazil

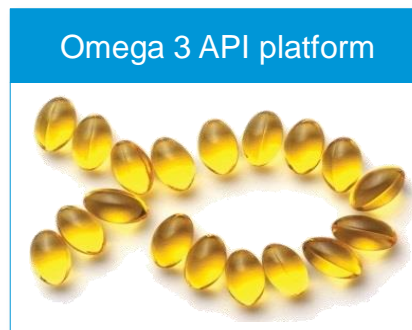
Underlying sales growth

EMEA = Europe, Middle East and Africa

# Strong performance driven by innovation



- NPP sales up 15%
- NPP sales growing at 4x underlying sales
- Growth across all sectors
- Bigger and better innovation being delivered each year

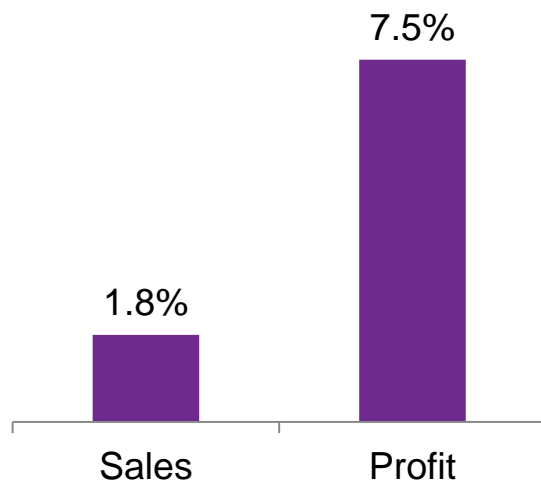


NPP = New and Protected Products  
API = Active Pharmaceutical Ingredients

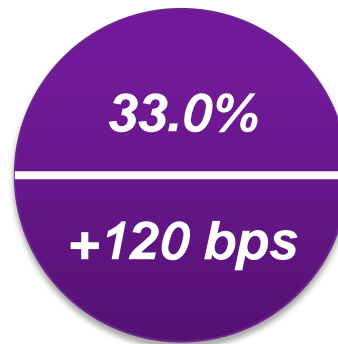


# Personal Care: Steady sales growth, strong profit improvement

## Profitable sales growth\*



## Strong margin improvement



Return on sales/growth

## Improved customer proximity

- Asia and Europe strong performance
- Headwinds remain in Brazil
- Stronger growth with regional and small customers
- 'Digitalisation' playing to Croda's strengths

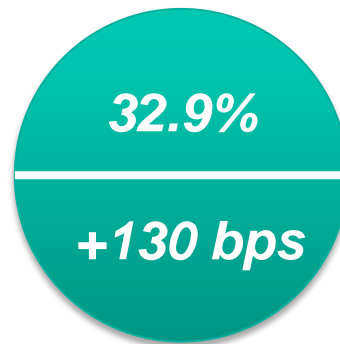
\*Underlying growth

# Life Sciences: Excellent performance driven by high purity technologies

## Profitable sales growth\*



## Strong margin improvement



Return on sales/growth

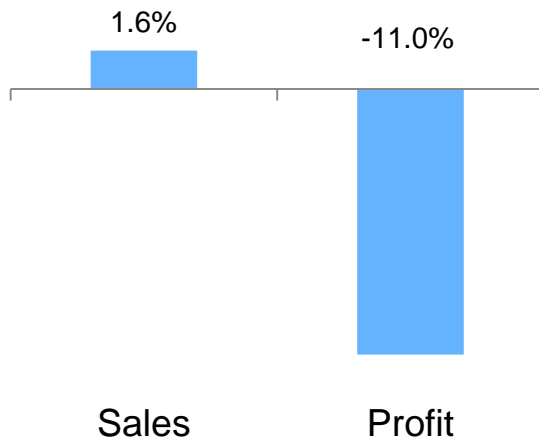
## Exceptional result in Health; Crop outperforming market

- High purity excipients - broad based growth
- High purity APIs - platform established
- Strong NPP led growth
- Strong collaboration with Ag MNCs
- Incotec acquisition - new growth leg

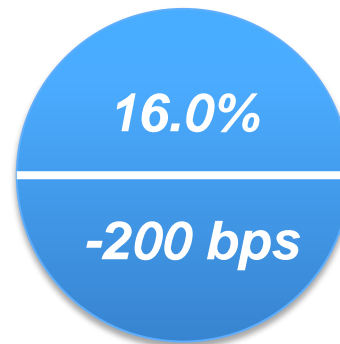
\*Underlying growth

# Performance Technologies: Geo Tech and investment outside Europe impact profit

## Broad-based sales growth\*



## Margin reduction



Return on sales/growth

## Making progress

- Sales growth in all markets except Geo Technologies
- Geo Tech - 85% of sector profit fall; remains attractive
- Investing to grow ex-Europe
- NPP growth strong & stable
- Improving performance from SIPO

\*Underlying growth

# Financial Performance



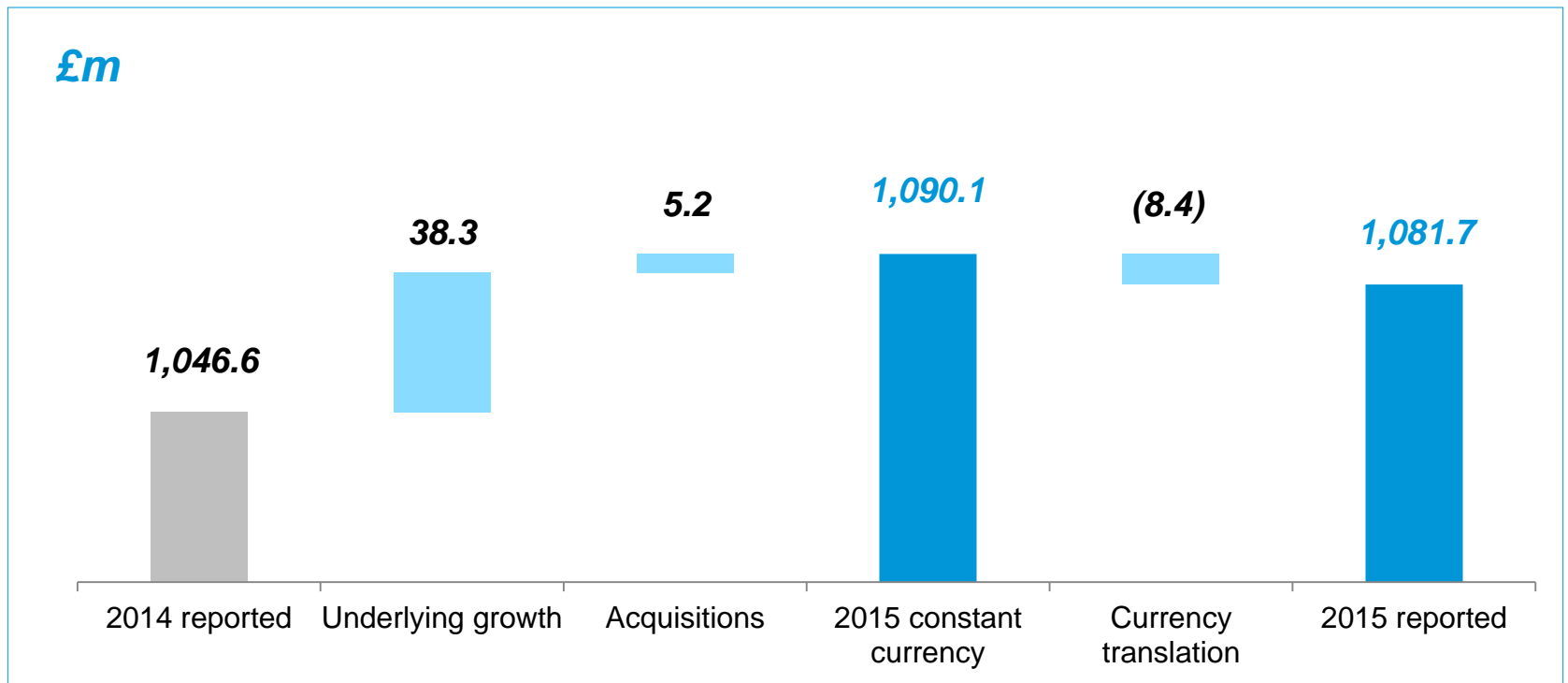
Jez Maiden – Group Finance Director

# Good sales growth and strong margin management driving profit

£m	2015	2015 constant currency	2014	Constant currency change %
Sales	1,081.7	1,090.1	1,046.6	+4.2
Operating profit	264.2	265.3	248.4	+6.8
Net interest	(9.5)	(9.2)	(13.0)	+29.2
Pre-tax profit	254.7	256.1	235.4	+8.8
Tax rate	28.0%		28.0%	
EPS	135.0p		125.2p	7.8%
Declared dividend	69.0p		65.5p	5.3%
Special dividend	100.0p			

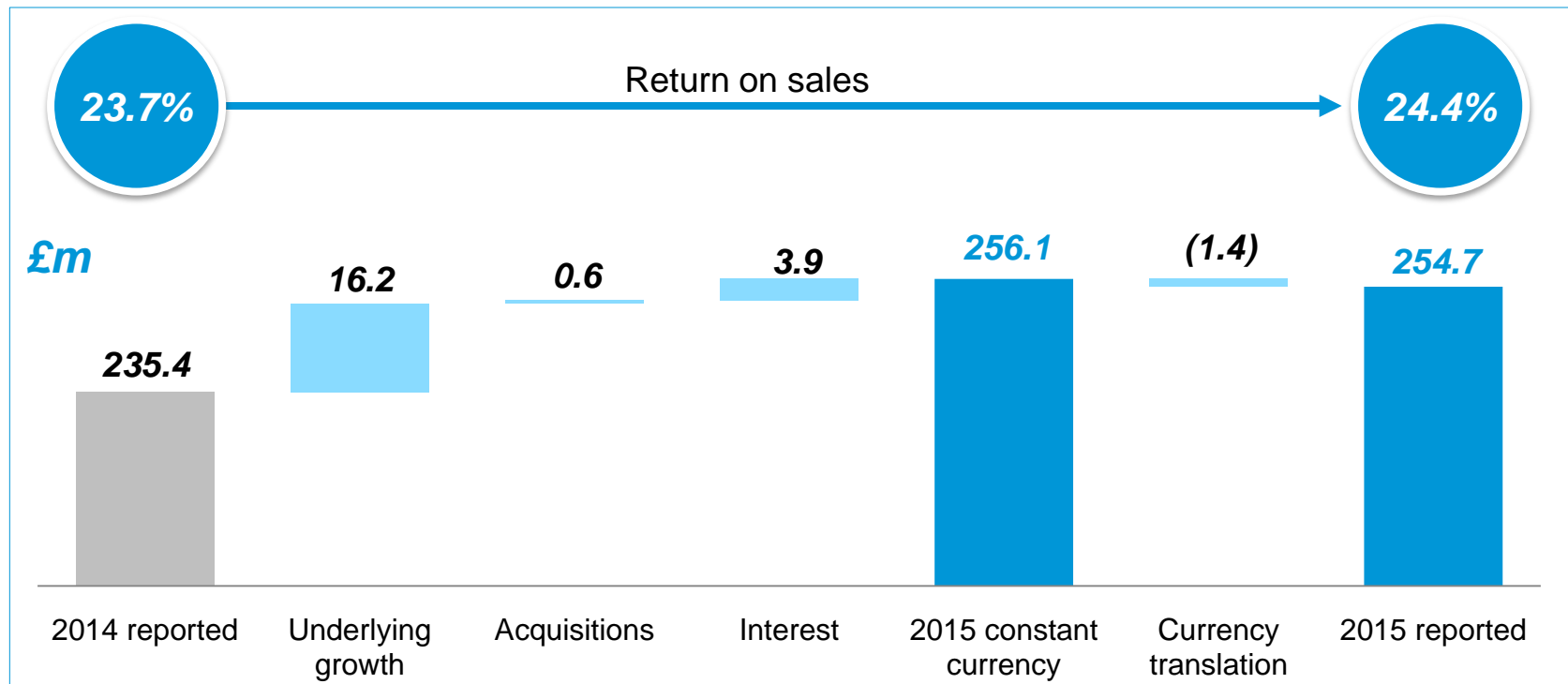
Positive variance indicates favourable impact

# Consistent top line growth



- Underlying sales +3.7%: volume +3.1%, price +0.6%
- Constant currency sales +4.2% - includes Incotec acquisition
- Net currency impact -0.8%

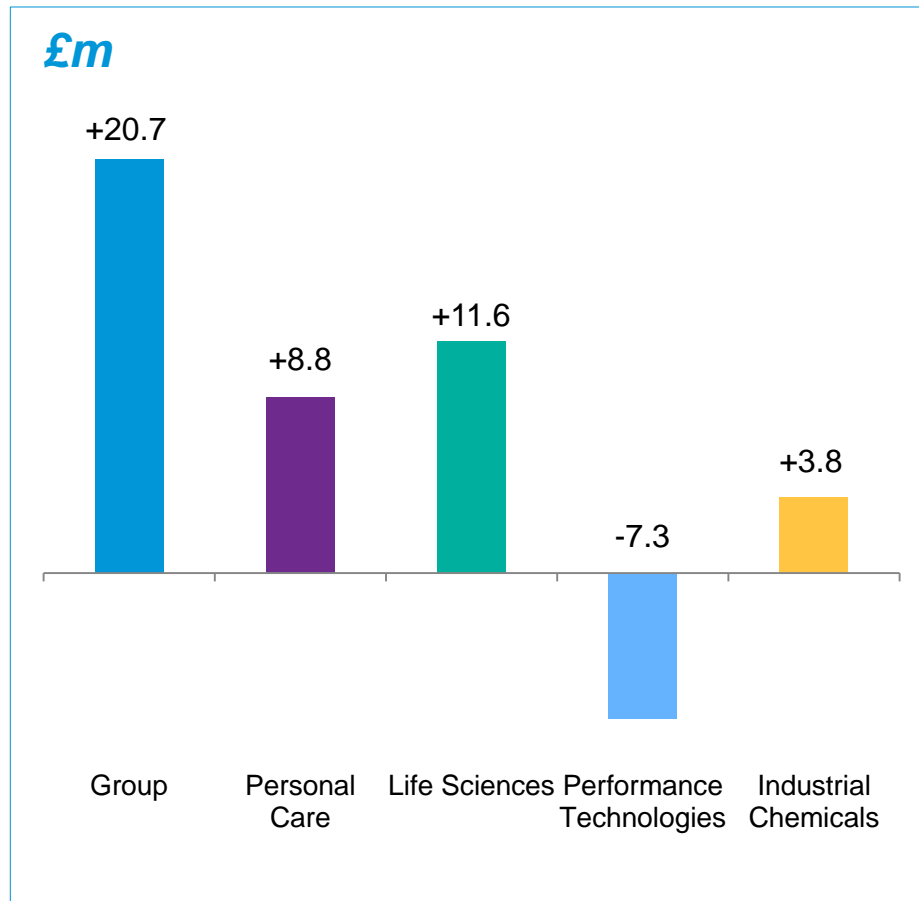
# Strong bottom line growth



- Underlying growth driven by NPP, cost efficiency and margin management
- One month benefit from Incotec acquisition
- Lower interest cost

Acquisitions = +£0.7m adjusted operating profit and -£0.1m interest

# Consumer businesses driving profitable growth



- Strong profitability in consumer facing businesses
  - Personal Care – NPP, skin actives & sun care
  - Life Sciences – broad based: excipients and API platform
- Investing in Performance Technologies
  - Encouraging growth outside of GeoTech
  - Additional costs and selective de-marketing should drive future growth
- Industrial Chemicals – stronger mix and initial NPP

Shows operating profit growth for sectors and pre-tax profit growth for Group, all at constant currency

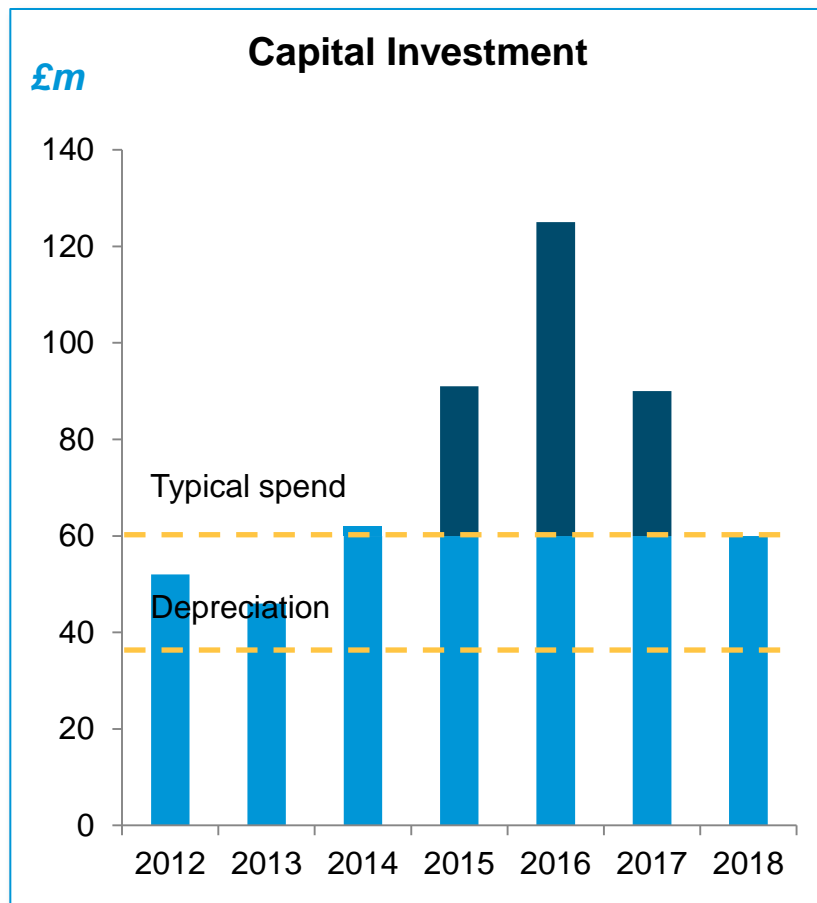


# Strong cash generation continues, funding organic and acquisition investment

£m	2015	2014
EBITDA	302.3	285.1
Working capital	(1.4)	(12.3)
Net capital investment	(91.1)	(64.5)
Additional pension contributions	(18.5)	(30.2)
Interest and tax	(73.8)	(57.9)
<b>Free cash flow</b>	<b>117.5</b>	<b>120.2</b>
Dividends	(90.9)	(88.1)
M&A	(104.0)	(1.9)
Other	(1.7)	(8.2)
Movement in net debt	(79.1)	22.0
Net debt	(259.3)	(180.2)
Leverage	0.8x	0.6x

Leverage is calculated on a bank covenant basis, including adjustment for acquired EBITDA

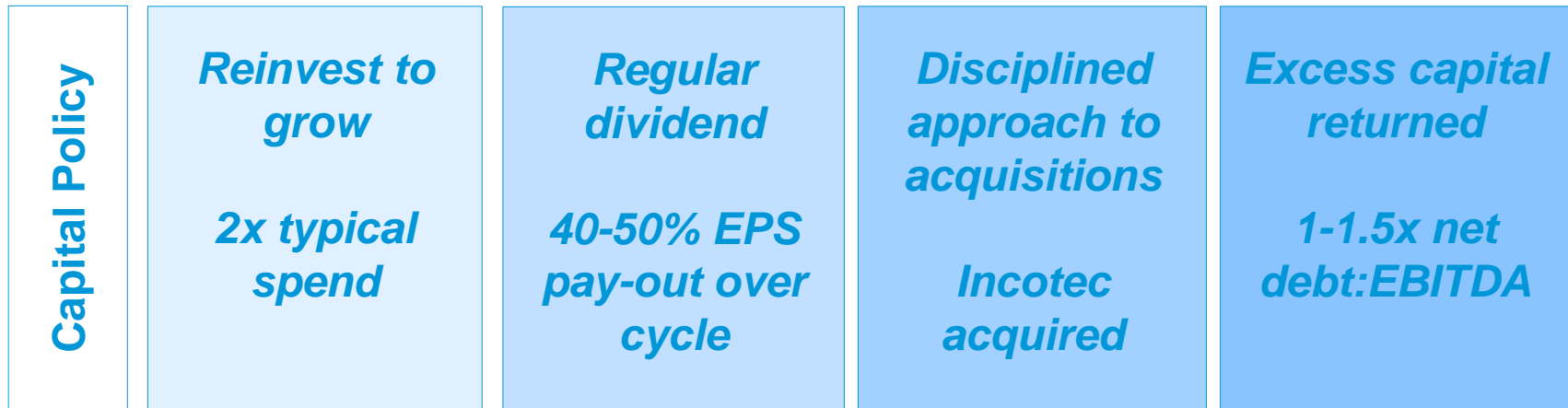
# We are investing in organic growth and innovation



- £91m net capital spend in 2015 includes c£30m for non-ionic biosurfactant plant
- Spend on this project should peak in 2016 and complete in 2017
- 'Typical' spend comprises asset replacement and growth investment
- Expect to return to 'typical' spend level in 2018

Typical spend and forecast spends are management estimates

# Excess capital is being returned



**Year-end leverage 0.8x**  
**Return of capital to mid-point of range -**  
**£136m to be returned by special dividend**

Leverage excludes retirement benefit deficit

# Delivering our Strategy



Steve Fouts – Group Chief Executive

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**CRODA**

# Delivering consistency by relentless innovation and constant investment

## Strategic priorities unchanged



Delivering consistent top and bottom line growth



Accelerating innovation and increasing proportion of protected sales



Investing in sustainability

## Clear investment focus



Bigger and better innovation



Getting closer to our customers



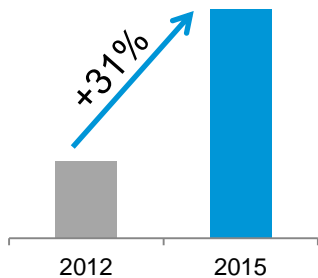
Disciplined and well targeted acquisitions

# Winning with bigger and better innovation



## Investing in fast growth technologies

### NPP sales value



- Skin actives and plant stem cells
- High purity excipients
- Sun care actives
- New pharma Omega 3 partnerships

## Investing in more new products

### Majestem™



Skin lifting

### Kerestore™



Hair repair

### CrodaTherm™



Phase change

## Bigger innovation



Average project size



NPP pipeline

## More “open” innovation: 5x 2011



Number of projects with collaborative partners

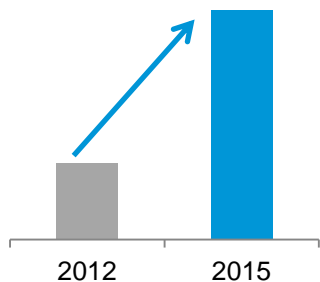
NPP pipeline = risk adjusted annual sales value of active pipeline



# Winning by getting closer to customers

## Investing in customer collaboration

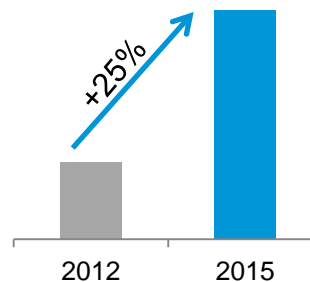
### Customer projects



Greater formulation support

## Investing in new customers

### Asia customers



Singapore - Fusionopolis

## Investing in direct selling

**7** Distributors → **800** Customers

Exit distribution in Asia, Latam and EMEA

## Investing in Indonesia

Transforming from industrial to consumer markets



Cikarang development

# Winning by disciplined and well targeted acquisitions



## About Incotec

- Entrepreneurial
- Global business - €71m sales
- Fast growth: 15% CAGR 2007-15
- Capital light and cash generative

## Seed enhancement

- Fastest growing, high value Crop niche
- Regulation driving innovation 'below ground'
- Small inclusions, big performance

## Why Incotec?

- Ticks all our strategic boxes
- R&D led
- Know-how - clever agronomists & biologists
- Powerful combination with Croda



# Key take aways

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## **2015 – a year of strong strategic progress**

- Increased innovation
- Enhanced customer intimacy
- Almost £200m of targeted investment to drive future growth
- Strong returns to shareholders: increased dividend and capital return

## **Outlook**

- Market conditions remain challenging
- Innovation pipeline strong
- Benefits of customer-led investment in capacity
- Confident of delivering continued progress in 2016

# Questions



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# Full year revenue analysis

£m	FY 2015 Reported	FY 2015 Constant currency	FY 2014 Reported	% Constant versus 2014
Personal Care	377.3	375.8	369.1	1.8
Life Sciences	231.3	231.4	204.5	13.2
Performance Technologies	354.8	361.0	355.2	1.6
Industrial Chemicals	118.3	121.9	117.8	3.4
<b>Group</b>	1,081.7	1,090.1	1,046.6	4.2

# Underlying sales growth

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<b>%</b>	<b>H1 2015</b>	<b>H2 2015</b>	<b>FY 2015</b>
Personal Care	2.8	0.8	1.8
Life Sciences	14.7	6.4	10.5
Performance Technologies	3.3	(0.2)	1.6
Industrial Chemicals	2.5	4.6	3.4
<b>Group</b>	<b>5.2</b>	<b>2.0</b>	<b>3.7</b>

# Underlying sales growth

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<b>%</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>H2 2015</b>
Personal Care	2.0	(0.4)	0.8
Life Sciences	7.3	5.5	6.4
Performance Technologies	(1.1)	0.7	(0.2)
Industrial Chemicals	5.3	3.5	4.6
<b>Group</b>	<b>2.3</b>	<b>1.7</b>	<b>2.0</b>

# H1 / H2 sales analysis

<b>£m</b>	<b>H1 2015</b>	<b>H2 2015</b>	<b>FY 2015</b>
Personal Care	197.1	180.2	377.3
Life Sciences	118.8	112.5	231.3
Performance Technologies	185.7	169.1	354.8
Industrial Chemicals	63.0	55.3	118.3
<b>Group</b>	<b>564.6</b>	<b>517.1</b>	<b>1,081.7</b>

Reported currency

# H1 / H2 operating profit analysis

	H1 2015	H2 2015	FY 2015	FY 2014
<b>Operating profit (£m):</b>				
Personal Care	64.4	60.1	124.5	117.3
Life Sciences	40.5	35.7	76.2	64.7
Performance Technologies	31.6	25.2	56.8	63.8
Industrial Chemicals	4.3	2.4	6.7	2.6
<b>Group</b>	<b>140.8</b>	<b>123.4</b>	<b>264.2</b>	<b>248.4</b>
<b>Return on sales (%):</b>				
Personal Care	32.7	33.4	33.0	31.8
Life Sciences	34.1	31.7	32.9	31.6
Performance Technologies	17.0	14.9	16.0	18.0
Industrial Chemicals	6.8	4.3	5.7	2.2
<b>Group</b>	<b>24.9</b>	<b>23.9</b>	<b>24.4</b>	<b>23.7</b>

Reported currency

# Retirement benefit deficit (IAS 19 basis)

<b>£m at 31 December</b>	<b>2015</b>	<b>2014</b>
Market value of assets	969.6	946.5
Value of liabilities	(1,048.4)	(1,073.2)
<b>Deficit pre tax</b>	<b>(78.8)</b>	<b>(126.7)</b>
Deferred tax	22.9	31.3
<b>Deficit post tax</b>	<b>(55.9)</b>	<b>(95.4)</b>