

# Consumer Care



## Building a stronger Consumer Care

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President Consumer Care

2021 was a year of significant growth, even compared with pre-pandemic trading, particularly at the premium end of the market which will continue to grow as a proportion of our sales.

This year we've added higher growth businesses to the Consumer Care portfolio. The Home Care business has an impressive growth profile based on sustainable technology platforms. Iberchem, our Fragrances and Flavours (F&F) business acquired in November 2020, also has an admirable track record of growth augmented by revenue synergies made possible by our ownership.

Within F&F and across Croda we are well placed to meet the requirements of regional and independent customers, due to a broad

portfolio and formulation expertise that accelerates customers' speed to market. We are leveraging this business model by providing total solutions tailored to local needs.

We are also leveraging our leadership position in sustainability, built on our heritage of using renewable raw materials and significant investment over more than a decade. This sustainability leadership is now bringing clear commercial benefits.

In addition, our ingredients deliver proven efficacy underpinned by science and innovation. We will deliver higher and more consistent growth as the leading sustainable and science-driven solution provider in consumer care markets.

## Sector strategy

### Strengthening to Grow Consumer Care

#### Sustainability

- Established Consumer Care as a new sustainability solutions provider in premium markets
- Acquired Alban Muller to accelerate our transition to more natural raw materials
- Selling our ECO range of bio-based products to replace petrochemical-based surfactants in Home and Personal Care products

#### Innovation

- Embracing biotechnology, as well as chemistry, to develop more sustainable ingredients
- Strengthened our Plant Cell Culture capability in Beauty Actives
- Becoming more knowledge-intensive; 44% NPP as % total sales (2020: 38%)

#### Growth

- Built our presence in the fragrances and flavours market following the Iberchem acquisition in 2020; synergy and integration plans on track
- Acquired Parfex, leader in fine and natural fragrances
- Expanded our French-based botanical ingredients in China



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P20

### Sales

**£763.0m**

(2020: £527.8m)

### Adjusted operating profit

**£188.5m**

(2020: £146.5m)

Consumer Care comprises Croda's leading global position in Personal Care, F&F and Home Care. After a challenging period for the top-line in 2019 and a COVID-impacted 2020, the Personal Care business returned to good sales growth in 2021, delivered with a strong margin. This was led by our innovative, high value Beauty Actives business, supported by a resurgence in consumer demand in the heritage Beauty Care division, with total Personal Care underlying sales 15% above 2019's pre-pandemic level and return on sales of 30%. Alongside Personal Care, the Home Care business saw excellent demand for its innovative fabric care ingredients. Iberchem has proven to be an excellent acquisition, with innovation at the heart of its business, offering customers in personal and household care applications on-trend fragrances, particularly for emerging markets.

Consumer Care delivered an excellent sales performance, up 45% in reported terms to £763.0m (2020: £527.8m). Underlying sales were 18% higher, supplemented by 35% growth from acquisitions and partly offset by adverse currency translation of 8%. Within underlying growth, price/mix was 13% higher, reflecting growth in higher value products and recovery of raw material price increases, with volume 5% higher.

IFRS operating profit increased by 26% to £168.0m (2020: £133.0m). Adjusted operating profit increased by 29% to £188.5m (2020: £146.5m). Return on sales declined to 24.7% (2020: 27.8%), reflecting the dilution impact from F&F, which operates at structurally lower margins than Personal Care.

## Doubling the lifetime of clothes

The garment industry is responsible for 3% of global carbon emissions. What's more, over half the clothes we wear end up in landfill. Extending fabric life can therefore deliver significant benefits for the planet.

Croda has developed a range of fabric care proteins that replace silicones and double the lifetime of clothes. Our ingredients protect individual fibres helping our customers meet consumer demand for renewable ingredients, sensory benefits and 'care for clothes'.

These proteins were critical to Unilever's relaunch of their Comfort fabric conditioner. We are backing this technology with £30m of investment and expect sales of tens of millions pounds a year.

Most importantly, our fabric care technology is reducing the impact of this industry on the environment through lower carbon emissions, reduced water use and a significant reduction in clothes disposed in landfill.

Yong Chuan Lew (pictured), Global Business Director for Home Care at Croda, said: "Croda continues to lead sustainable innovation through our novel protein technology, delivering unique solutions to help our clients to achieve their sustainability goals and meet consumer demands. At the same time we are making a positive contribution to the environment, demonstrating our Purpose of using Smart science to improve lives™."



### 2021 business performance

After recovering in the second half of 2020 from the impacts of the first COVID-19 global lockdown, demand from Personal Care customers strengthened during the first half year, particularly in luxury and premium markets. This was driven by resurgent consumer demand, which continued through the balance of the year. Customers also increased their short-term stockholding. This growth benefitted our Beauty Actives business, the leading innovator in the global skin care market. Beauty Care also saw good growth in its ingredients for sun care, cosmetics and hair care markets, alongside continued demand for 'at home' use products. Innovation is focused on natural ingredients and biotechnology to meet growing consumer demand, with Beauty Actives launching Ameyezing™, a biodegradable product with its origins in wild ginger that improves the appearance of dark eye circles. Beauty Care and Home Care leveraged sustainability through the bio-based ECO surfactants plant in the US, which enables delivery of sustainable ingredients that deliver identical performance to petrochemical peers.

Iberchem and Parfex have proven to be excellent acquisitions. The integration of Iberchem, which has more than 80% of sales in emerging markets, is on track to deliver nearly €50m of annualised revenue synergies by 2025, principally through leveraging the combined global sales network. Integration has focused on realising these revenue synergies and helping to transition raw materials onto a more sustainable basis. Ten target countries have been identified for revenue synergies, including the United States and countries in Asia, leveraging Croda's sales team presence. In Brazil, a new Iberchem business and R&D laboratory have been established at the Croda site. Iberchem has launched new product lines that are Ecocert-accredited as environmentally friendly and socially conscious, as well as biodegradable. Overall F&F sales grew double digit percentage, despite the impacts of COVID being more pronounced in emerging markets, with their lower vaccination protection rates.

### Strengthen to grow in Consumer Care

Consumer Care is focused on high value niches in faster growing markets, where sustainability and innovation are key differentiators. NPP as a percentage of sales grew to 44% (2020: 38%). Our strategy is to Strengthen to Grow Consumer Care to deliver mid-single digit percentage growth (before raw material cost recovery) at strong margins. We are achieving this by embracing biotechnology, in addition to chemistry, to develop more sustainable ingredients, by leveraging our world class reputation for formulation expertise to become a full solution provider in premium markets, and by expanding our presence in key technology adjacencies and in high growth regions, particularly Asia.

Organic investment in Consumer Care is focused on expanding sustainable technologies, such as mild surfactants and innovative proteins for clothes care, to meet accelerating customer demand. The sector is benefitting from investment in biotechnology and decarbonisation, both of which help reduce 'scope 3' carbon emissions in our customers' supply chains. We supplemented organic investment with the acquisition of two businesses which accelerate our transition to more natural raw materials, an important differentiator in consumer markets. In March, we acquired natural actives specialist Alban Muller for €25m, expanding our portfolio of natural ingredients in our global leading Beauty Actives business. In June, we completed the acquisition of Parfex for €45m. This acquisition increases Iberchem's sustainable fragrance offerings and reinforces Iberchem's superior growth profile with greater access to fine fragrances.

The four Consumer Care businesses each have a clear growth strategy. Beauty Actives is the leader in premium skin active markets, developing critical ingredients based on its expertise in peptides, botanicals and biotechnology. We have introduced our

successful French botanical ingredients to China, where consumers have a long-standing preference for plant-based beauty products. We will continue to invest in China, building on excellent sales in 2021, enabled by investment in sales, innovation and leveraging tighter regulation of active ingredient claims.

Growth in Beauty Care is being driven by sustainability, with technologies such as vegan-friendly hair care ingredients and bio-based surfactants displacing petrochemical alternatives from competitors. We are developing the highly differentiated parts of the portfolio, such as our inorganic UV filters for sun protection. We have invested in additional capacity to deliver sulfate-free surfactants to meet consumer demand for 'clean beauty' products.

In F&F, we are targeting to continue delivering faster growth from emerging market exposure, supplemented by significant integration synergies and servicing the needs of smaller customers with a one-stop-shop approach, combining Croda's critical ingredients with Iberchem's on-trend fragrances. We will continue to invest in Fragrances, with a new creation centre for fine perfumery and natural fragrances at Parfex in France, by using bio-based solvents in production processes and through an R&D programme to develop next generation fragrances through biotechnology.

We are unlocking the growth potential of our Home Care business in fabric care and hygiene applications, with technologies that are highly differentiated by their sustainability credentials. The business delivered a 50% increase in sales of ECO surfactants to Home Care customers. We also commissioned additional capacity to deliver Coltide Radiance to a multinational customer for the relaunch of its fabric conditioner brand, together with protein technologies to other customers to extend the life of clothes.