

Croda International Plc: Proposed acquisition of Iberchem and c.£600m placing

November 2020



Cautionary statement 1 of 2

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Agenda

- Transaction summary and financing
- About Iberchem
- Combination benefits

Transaction summary and financing

Strengthening Personal Care and Home Care with targeted F&F acquisition

Strong strategic alignment with Croda

Our purpose

Smart Science to Improve Lives™

- Fragrances have proven impact on consumers' well being
- Key ingredient in majority of beauty care products

Sector strategies

Personal Care
Strengthen
to grow

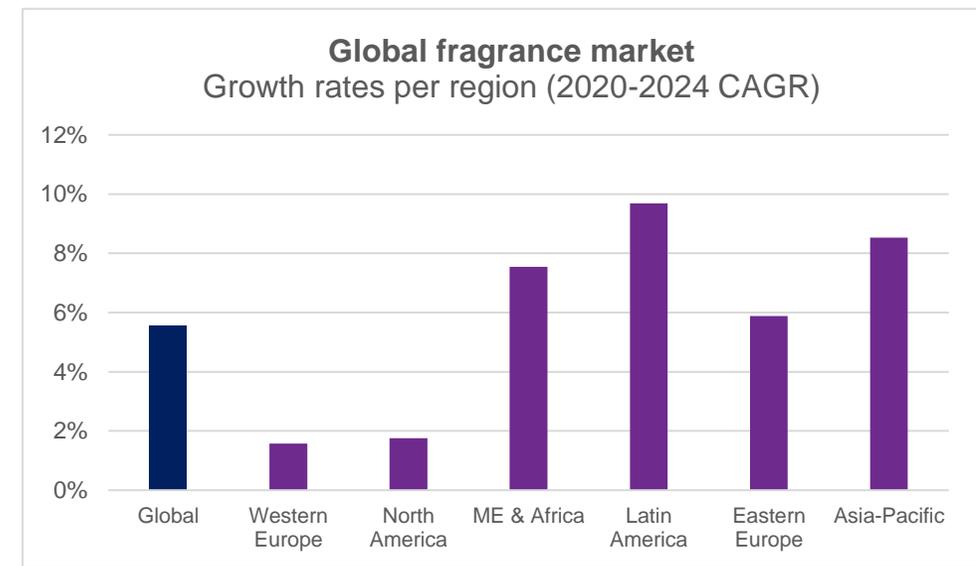
Life Sciences
Expand
to grow

Performance Technologies
Refine to grow

- Similar customer profile to Personal Care
- Crucial to the consumer experience, brand selection and loyalty
- Sustainability a potential differentiator in the market
- Aligned with “Strengthen to grow” strategy for Croda Personal Care
- Broadens Croda footprint in Consumer Care

High growth segment, particularly in emerging markets

- Global fragrance market expected to reach \$58.8bn in 2024⁽¹⁾
- 5.6% global CAGR 2020-2024⁽¹⁾
- Driven by demand in Latin America, Asia-Pacific, Middle East and Africa



Source: Euromonitor International, 2020-2024 CAGR, 2019 fixed US\$ ex. rate, current / nominal terms; Quarterly update August 2020 © 2020

Acquisition of Iberchem, a global F&F specialist

Compelling strategic rationale	
1.	Excellent financial track record
2.	Access to high growth adjacency with significant emerging markets exposure
3.	Creates a one stop shop for Consumer Care customers
4.	Proven, agile and responsive customer-centric model
5.	Dynamic, customer-driven R&D focus

Strong financial rationale	
1.	EPS accretive from year 1 and strongly accretive thereafter
2.	Significant medium and long-term revenue synergies
3.	Capital-light; strong cash conversion
4.	Acquisition ROIC to exceed Croda cost of capital within 5 years

Transaction summary and financing

Transaction summary

- €820m total consideration (c.£736m) on a debt-free, cash-free basis; 20.5x EV/EBITDA⁽¹⁾
- Funded via:
 - Group's existing debt facilities
 - Placing of new ordinary shares to institutional investors
 - Expected net proceeds of c.£600m
 - Conducted through accelerated bookbuild
 - Represents c.8% of Croda's issued share capital
- Structure of financing preserves Croda's financial flexibility with net debt forecast c.2x EBITDA⁽²⁾ post completion at end 2020, expected to de-lever to c.1.6x by end of 2021
- Croda trading to October 2020 in line with expectations; outlook unchanged

Simple completion process; expected by end of 2020

- Iberchem will operate as an independent entity
- Extensive support from Croda and integration with Croda's sales teams
- Will be reported as part of new Consumer Care sector from 2021
- Will continue to be led by existing, highly experienced management team⁽³⁾



About Iberchem

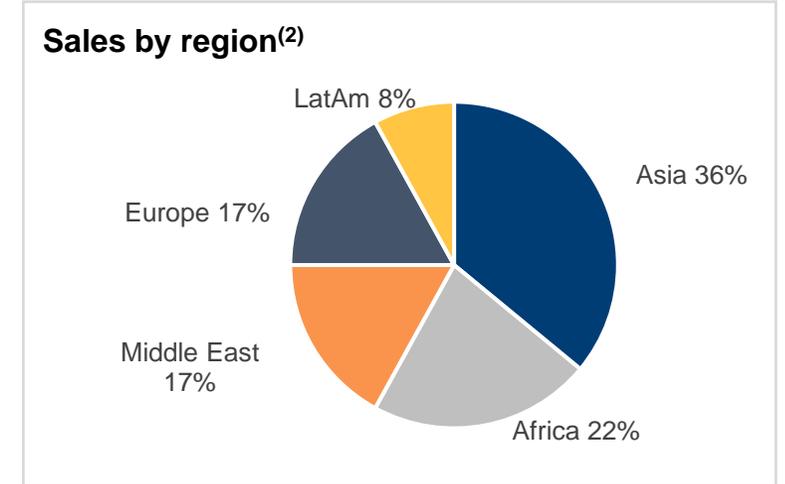
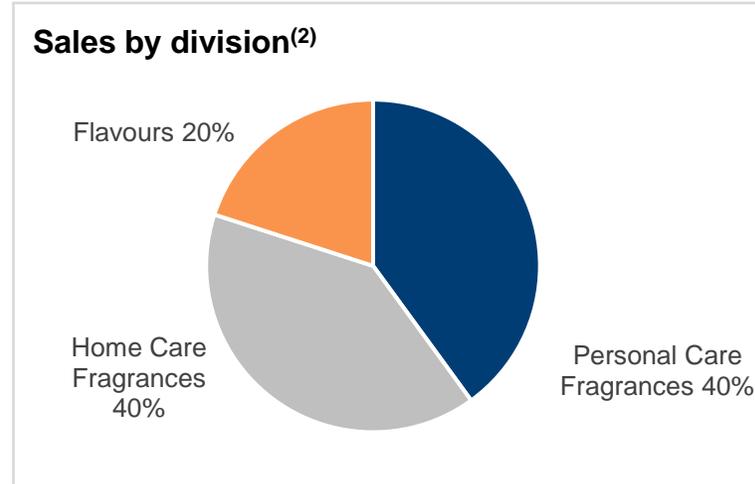
Iberchem: a global fragrance-led company with distinctive positioning

€187m
revenues in 2020F

+14%
growth
(CAGR 2016-20F)

€40m
EBITDA in 2020F

21%
EBITDA margin



Selling into ~120 countries⁽¹⁾

Headquartered in Murcia, Spain

850 FTEs⁽³⁾

14
Manufacturing facilities

36,500
Fragrance references

10
Creative and R&D centres

18,000
Flavour references

25%
of total Iberchem sales to China

83%
of total Iberchem sales to emerging markets

3,600 customers⁽⁴⁾

Source: company information, financials as per management accounts (unaudited)

⁽¹⁾ Based on countries where Iberchem's products are sold

⁽²⁾ FY 2019A; rounded number

⁽³⁾ As at August 2020; rounded number

⁽⁴⁾ Active customers (with accounting sales during the year) for 2019A; rounded to the nearest 100

Focused on fragrances for Personal Care and Home Care



80% fragrances

20% flavours

36,500 fragrance references

18,000 flavour references

50% Personal Care

- Perfumes
- Hair care
- Bath and shower
- Facial care



50% Home Care

- Fabric care
- Surface cleaner
- Air care
- Dishwashing



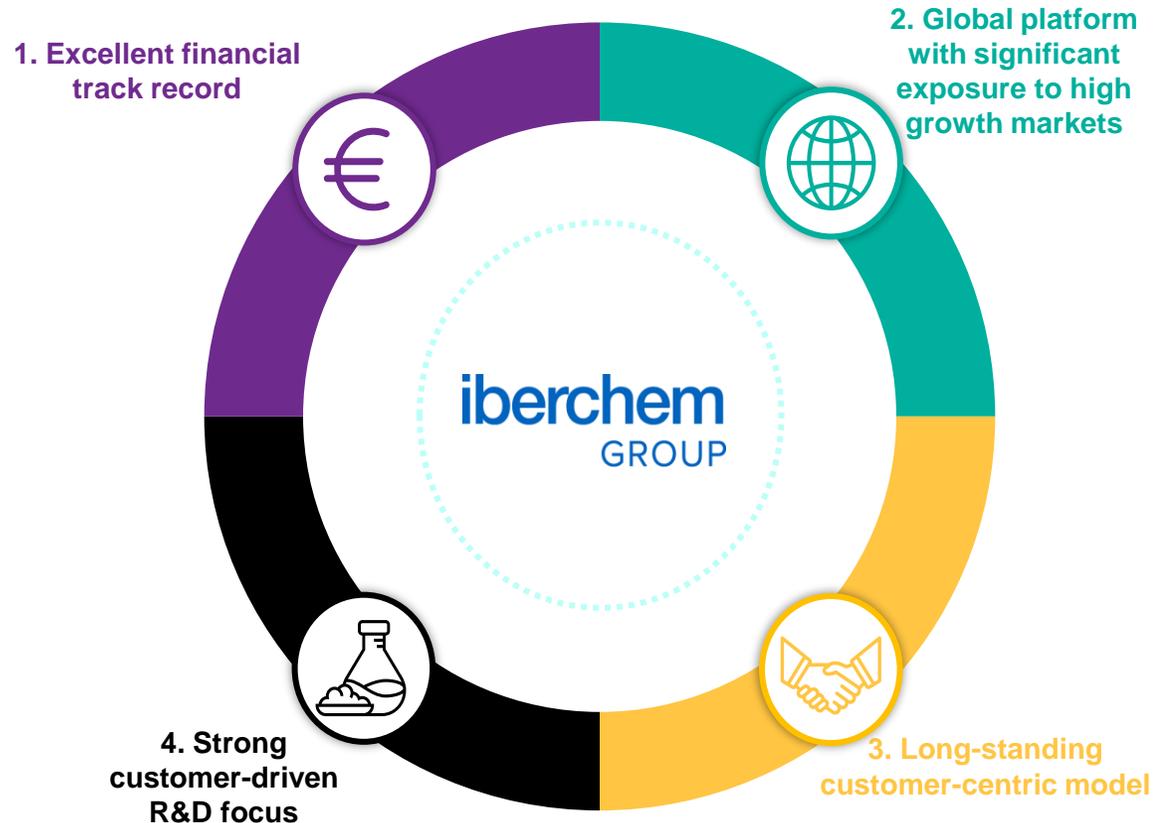
80% food and drink

20% oral care, pharmaceutical and speciality

Over 4,000 fragrance and flavour references added each year

Highly compatible business model aligned to “the Croda way”

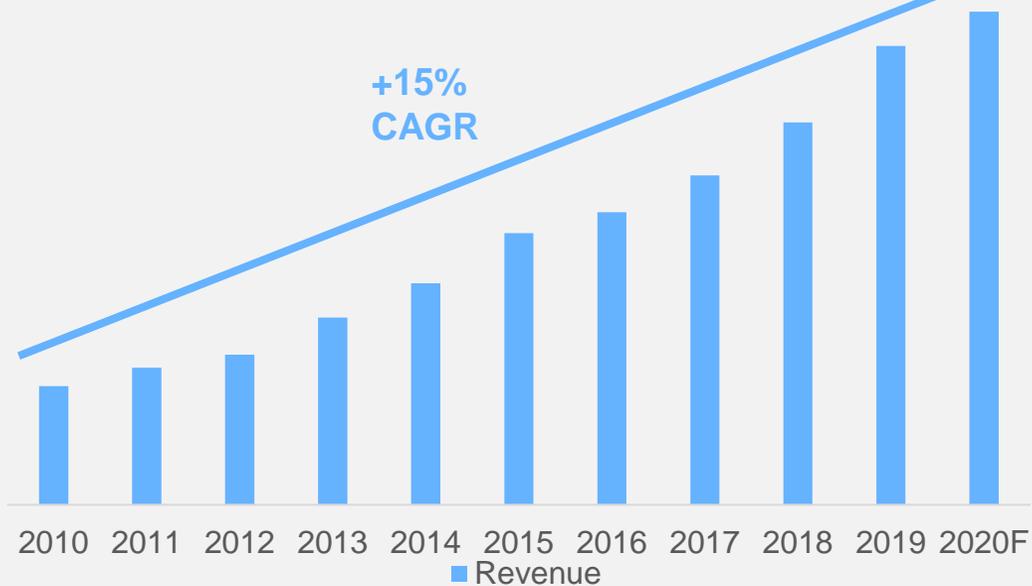
Iberchem business model



Iberchem business model strengths	Croda key strengths
Strong growth through favourable macro-trends	✓
Focus on Personal Care and Home Care markets	✓
Leader in its selected, high-growth niches	✓
Formulation-led approach	✓
Targeting independent mid-size customers	✓
Agile, entrepreneurial culture	✓
Capital-light with low carbon footprint	✓

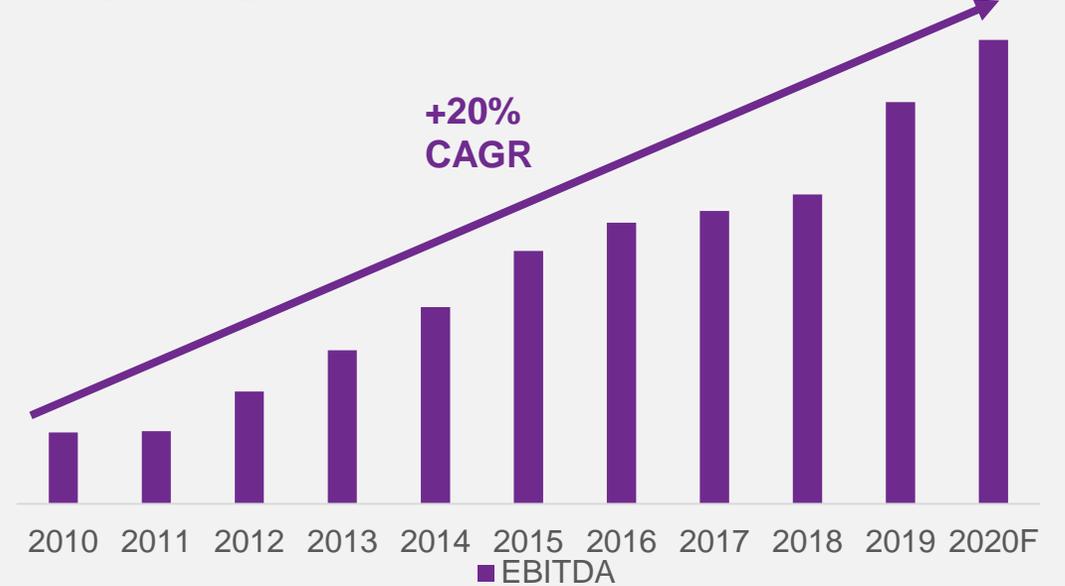
1. Excellent financial track record

Consistent organic growth across the cycle



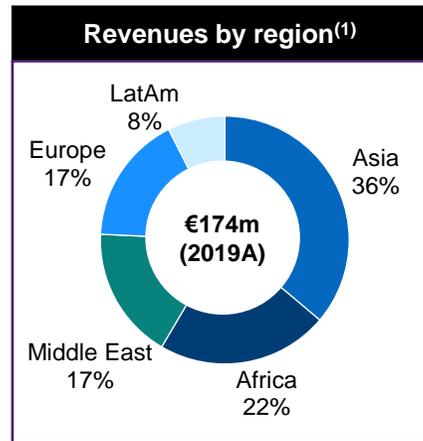
- Revenue €174m (c.£153m) in 2019 and €187m (c.£166m) forecast in 2020
- Consistent growth despite recognised headwinds
- Driven by:
 - Emerging markets positioning
 - Focus on fragrances for Consumer Care applications
 - Portfolio breadth and agile business model

Strong profit growth and attractive cash profile



- EBITDA €34m (c.£30m) in 2019 and €40m (c.£36m) forecast in 2020
- Consistently attractive margins despite cost-effective offerings
 - Strong margin in 2020 despite COVID-19
- Capital-light model
 - Good cash conversion – over 80% EBITDA in 2019 and 2020F

2. Global platform with significant exposure to high growth markets



25%
of total Iberchem sales to China

83%
of total Iberchem sales to Asia, Africa, Middle East, Latin America

● Denotes local presence
 ● Denotes indirect presence through sale of products
 Commercial office
 Creative centre / R&D
 Production / Warehouse

⁽¹⁾ 2019A. Source: company information, financials as per management accounts (unaudited)

3. Long-standing customer-centric model

- Strong customer intimacy⁽¹⁾
- Focused on customer niches not targeted by larger competitors
- “Fast-to-customer” model well suited to mid-size customers
- Tailor-made products
- Growth strategy targeting
 - “Own brands”
 - Larger regional and independent customers

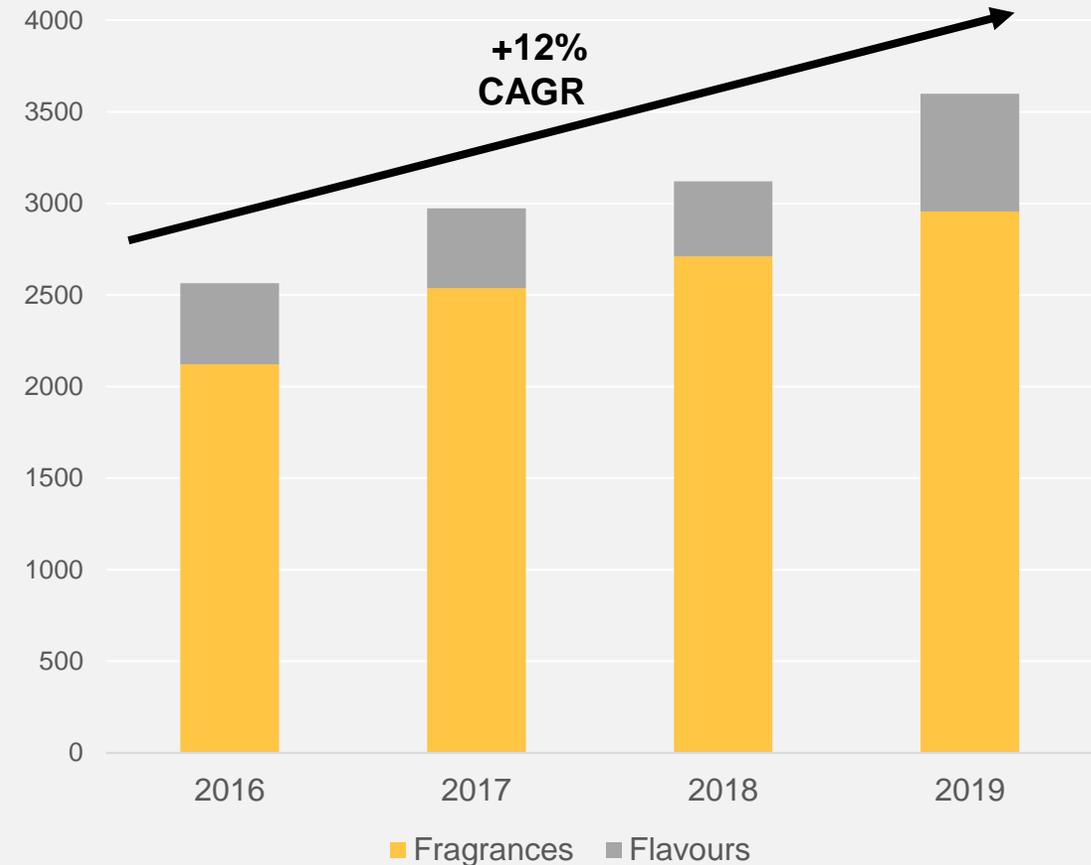
Diversified and loyal⁽¹⁾ customer-base

Top 10 customers = **20%** revenue⁽²⁾

3,600
Customers⁽³⁾

+1,000
customers in 3 years

Number of active customers



4. Strong, customer-driven R&D focus

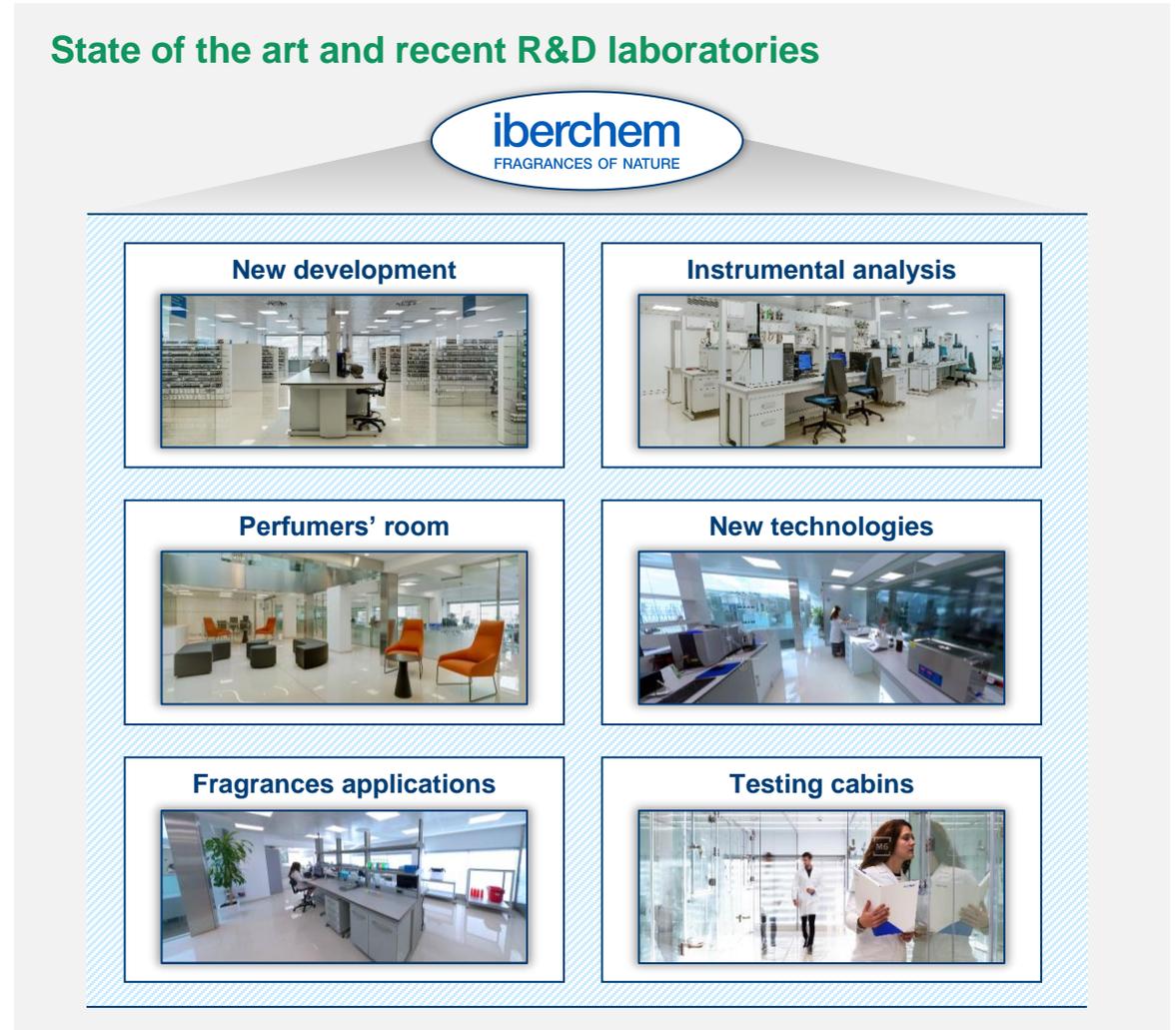
Formulation-led approach

- Well established culture of innovation
- 10 R&D centres and 240 R&D technicians⁽¹⁾
- 2019: invested in state-of-the-art applications laboratory
- 22 Perfumers, 9 Flavourists
- Allows rapid commercialisation of value for money fragrances and flavours and supports customer intimacy
- 36,500 fragrance and 18,000 flavour references
- 280 new fragrance and 70 flavour references created each month⁽²⁾
- Investment in latest technological solutions for creation and delivery of fragrance and flavour solutions

Commercial R&D process



State of the art and recent R&D laboratories



⁽¹⁾ 239 R&D technicians including all laboratory personnel as at Aug 2020

⁽²⁾ Including new creations, reformulations and existing code variations¹⁶

Combination benefits

Strong financial fundamentals and significant revenue synergies

Strong financial fundamentals

	Organic revenue ⁽¹⁾ growth	EBITDA ⁽²⁾ margin	Cash conversion ⁽³⁾	Net working capital as % sales	Capex as % sales
2019A	20.0%	19.7%	85.3%	25.5%	2.9%
2020F	7.4%	21.2%	84.5%	28.8%	3.3%

Targeting €25m annual revenue synergies by year 3 and €48m by year 5



Source: company information, financials as per management accounts (unaudited); customer numbers rounded to the nearest 100

⁽¹⁾ 2019: including net sales contribution of Flavour Inn Corporation and Duomei from September 2019 and December 2019, respectively

⁽²⁾ EBITDA including IFRS 16 impact from 2019A onwards, stock margin intercompany adjustments, and 2019A acquisitions proforma impact

⁽³⁾ Cash conversion defined as (EBITDA – capex) / EBITDA per Iberchem definition

Croda and Iberchem – creating a full service formulation and fragrance offer

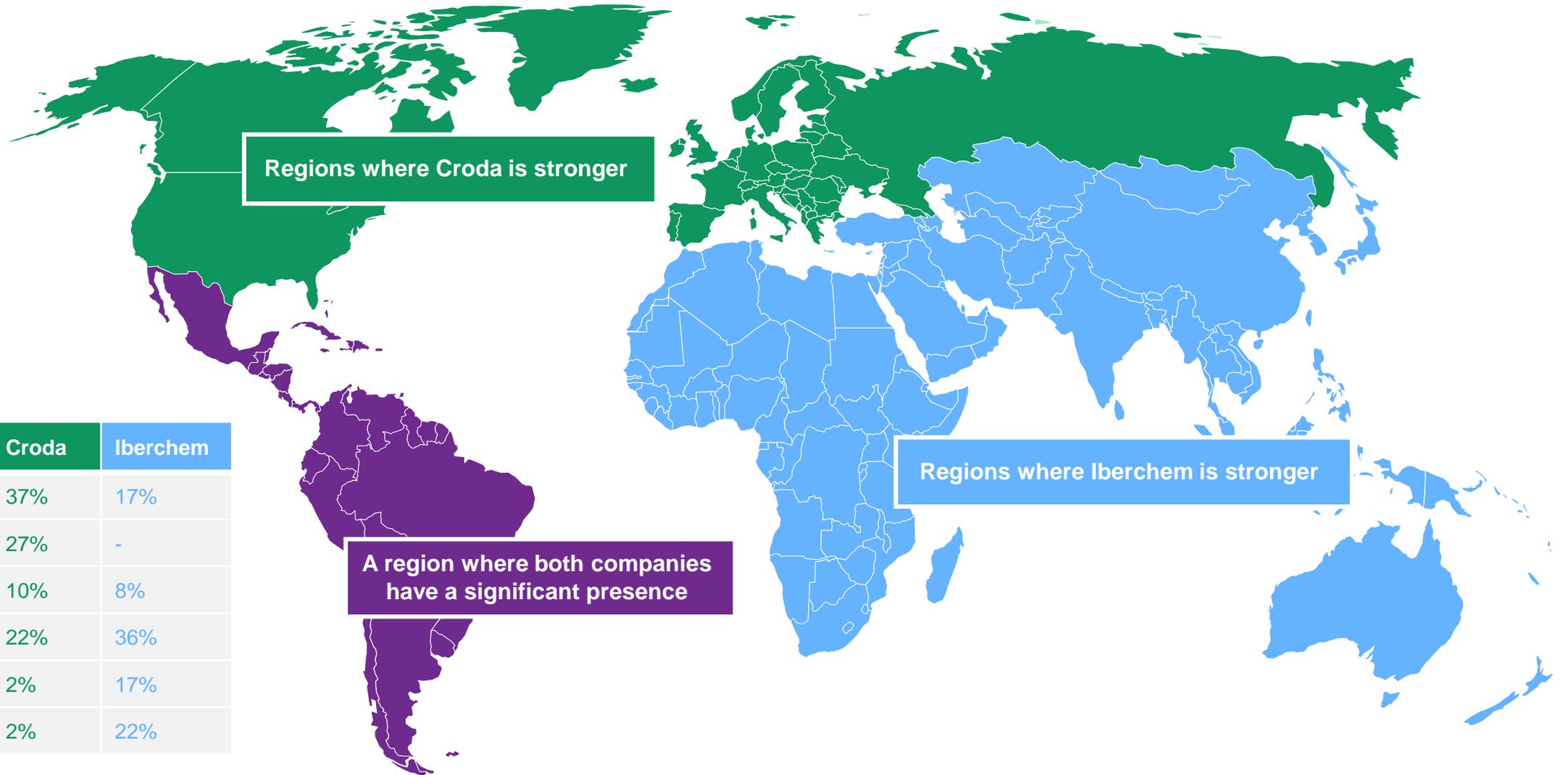
EXAMPLE FORMULA	
Croda “Clearly Conditioning” Shampoo	
Ingredients	% w/w
Deionised Water	67.40
Standard cleansing agent	20.00
Crodateric CAB 30	5.00
Versathix	3.00
Crovol A70	1.50
Lusterplex	1.00
Kerestore 2.0	1.00
Crotein WKP	0.50
Parfum	0.50
Preservative	0.10
Citric Acid	To pH 5.0-6.0

Iberchem ingredients	
“Parfum”	
Top Notes comprising 4 ingredients	
Middle Notes comprising 4 ingredients	
Base Notes comprising 4 ingredients	

Well placed to adapt to consumer demand for more sustainable raw materials

- Croda ingredients**
- Boosts and stabilises foam
 - Provides viscosity
 - Solubiliser for fragrances and oil
 - Agent for hair glossing
 - Active for targeted hair repair
 - Protein-based moisturising active

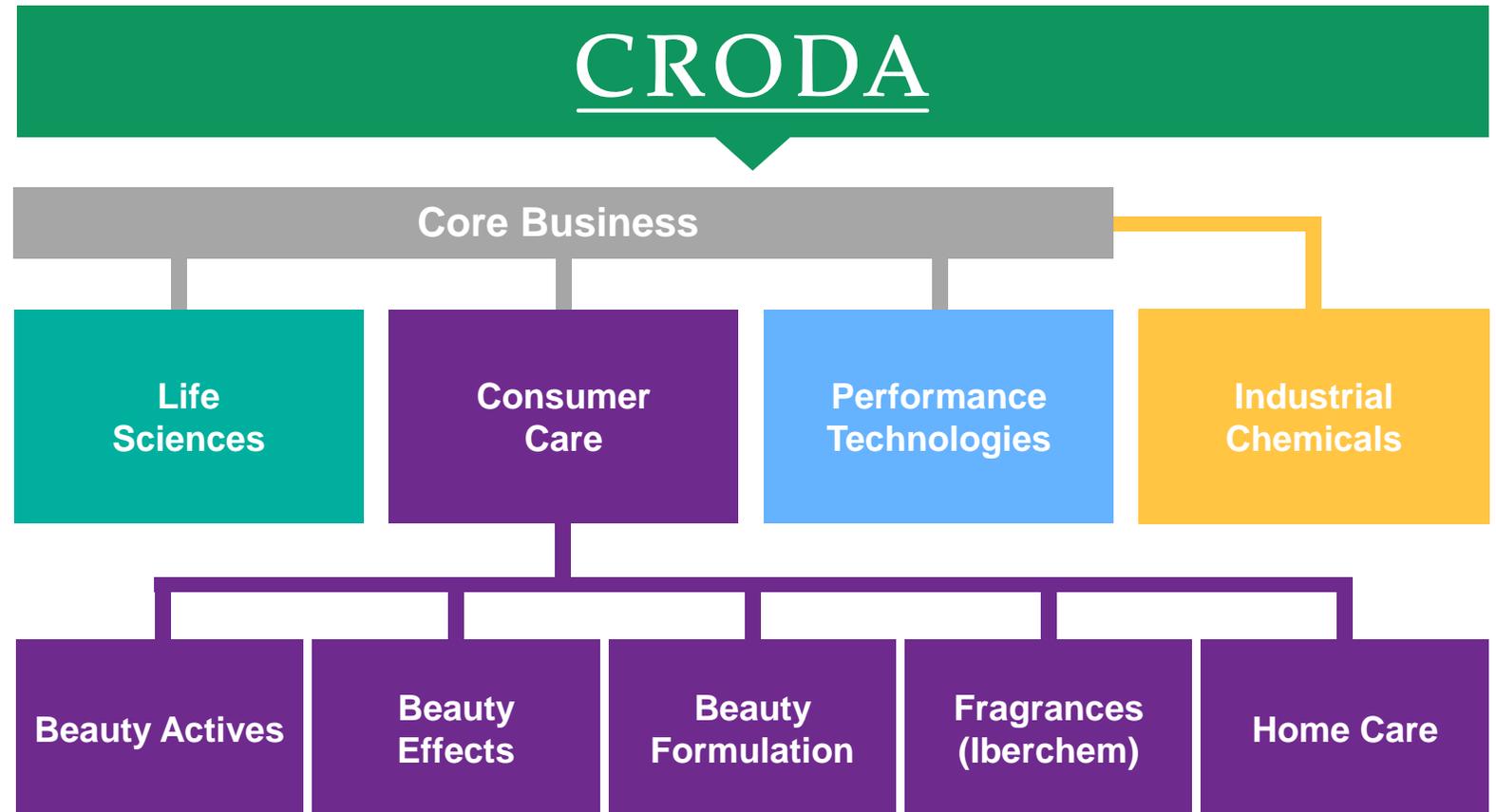
Significant cross selling opportunities



Region	Croda	Iberchem
Europe	37%	17%
N America	27%	-
Latam	10%	8%
Asia	22%	36%
Middle East	2%	17%
Africa	2%	22%

Driving our focus on Consumer Care

- Group's Core Business will comprise 3 sectors:
 - Consumer Care
 - Life Sciences
 - Performance Technologies
- New Consumer Care sector from 2021
- Comparative 2020 numbers to be included at Croda's Full Year 2020 results, February 2021



Compelling strategic rationale

Compelling strategic rationale	
1.	Excellent financial track record
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3.	Creates a one stop shop for Consumer Care customers
4.	Long-standing, agile and responsive customer-centric model
5.	Dynamic, customer-driven R&D focus

CRODA

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FRAGRANCES OF NATURE

CRODA