
Croda International Plc 2014 Full Year Results

24 February 2015

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.

Underlying revenue is presented at constant currency and excludes the impact of acquisitions.

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Our performance



Innovation you can build on™

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2014 headlines – improving sales growth

- Challenging market conditions, especially Western Europe
- Top line growth - sales up 2.9%*
 - All core sectors returned to growth in second half*
 - Consistently outperforming our markets during second half
- Operating profit lower by £16.2m to £235.4m
 - Currency translation -£11.7m
 - Industrial Chemicals -£7.4m*
 - Profit* from 3 core sectors up £2.9m
- New structure achieving sharper commercial focus and improved customer collaboration
- Accelerating innovation – sales of New and Protected Products up 13%*
- Strong cash flow supporting investment; net debt reduced to £180.2m
- Full year dividend increased by 1.6% to 65.5p

*Constant currency

Core sectors = Personal Care, Life Sciences, Performance Technologies

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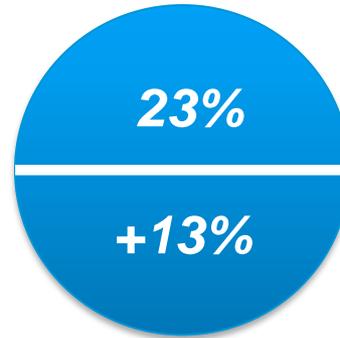
Strategy delivering progress in a tough environment

Return to improved sales growth



Sales growth YOY

Accelerating innovation



NPP sales % Group
NPP sales growth YOY

Delivering in fast growth markets



Growth rate YOY

Constant currency

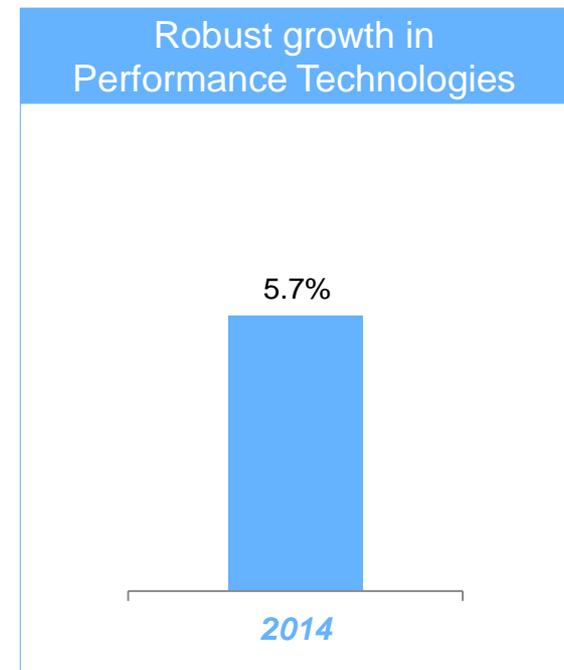
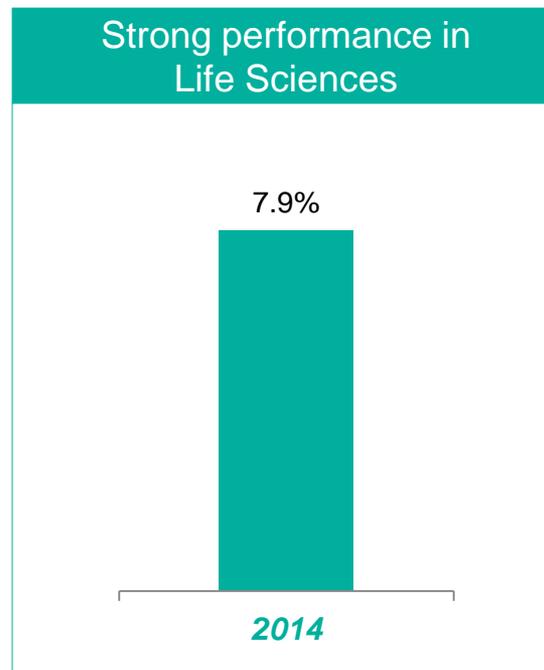
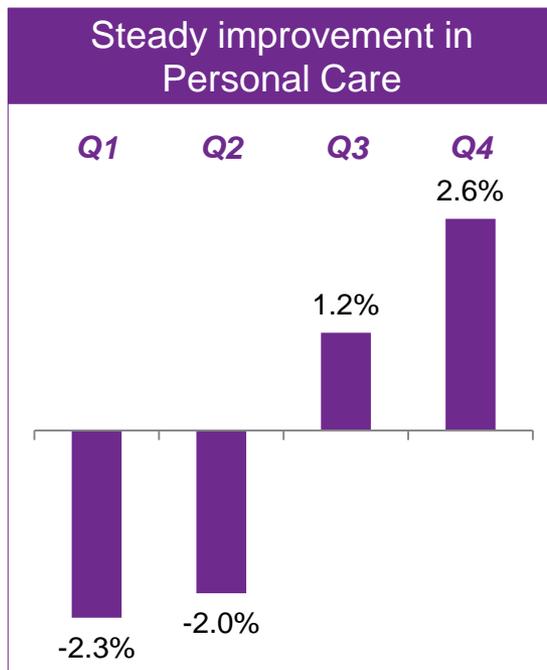
NPP = New & Protected Products

Fast growth markets: sales by destination to North America, Asia, Latam and EEMEA (Eastern Europe, Middle East & Africa)

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Return to improved sales growth

New market led structure starting to deliver



Constant currency

Life Sciences = Health Care and Crop Care business areas

Accelerating innovation

Personal Care

Sebuless™ Acne Treatment



- Cell cultures
- Guaranteed purity
- Sustainable

Life Sciences

Heart Health



- PureMax™ technology – FDA approved
- Purity and potency

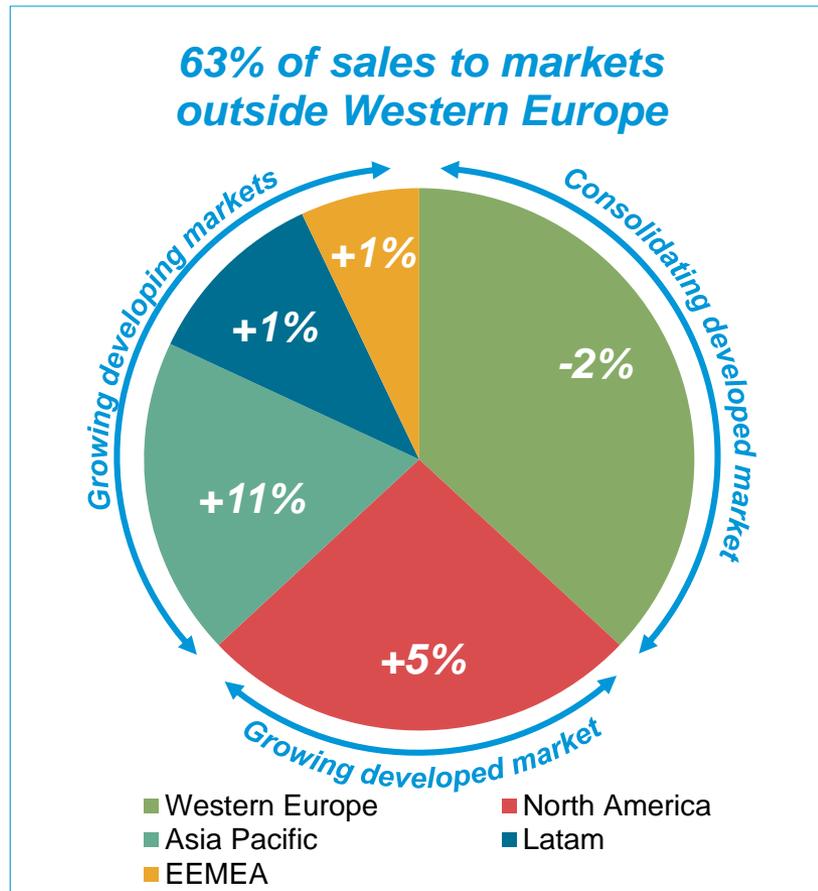
Performance Technologies

Superior gellants



- Novel oil and fragrance gellants
- High loading with steady release for fragrance

Delivering in fast growth markets



Regional performance:

- Asia up 11%
- Improvement in North America and Latin America in H2
- Western Europe remained subdued

Constant currency, year-on-year sales growth

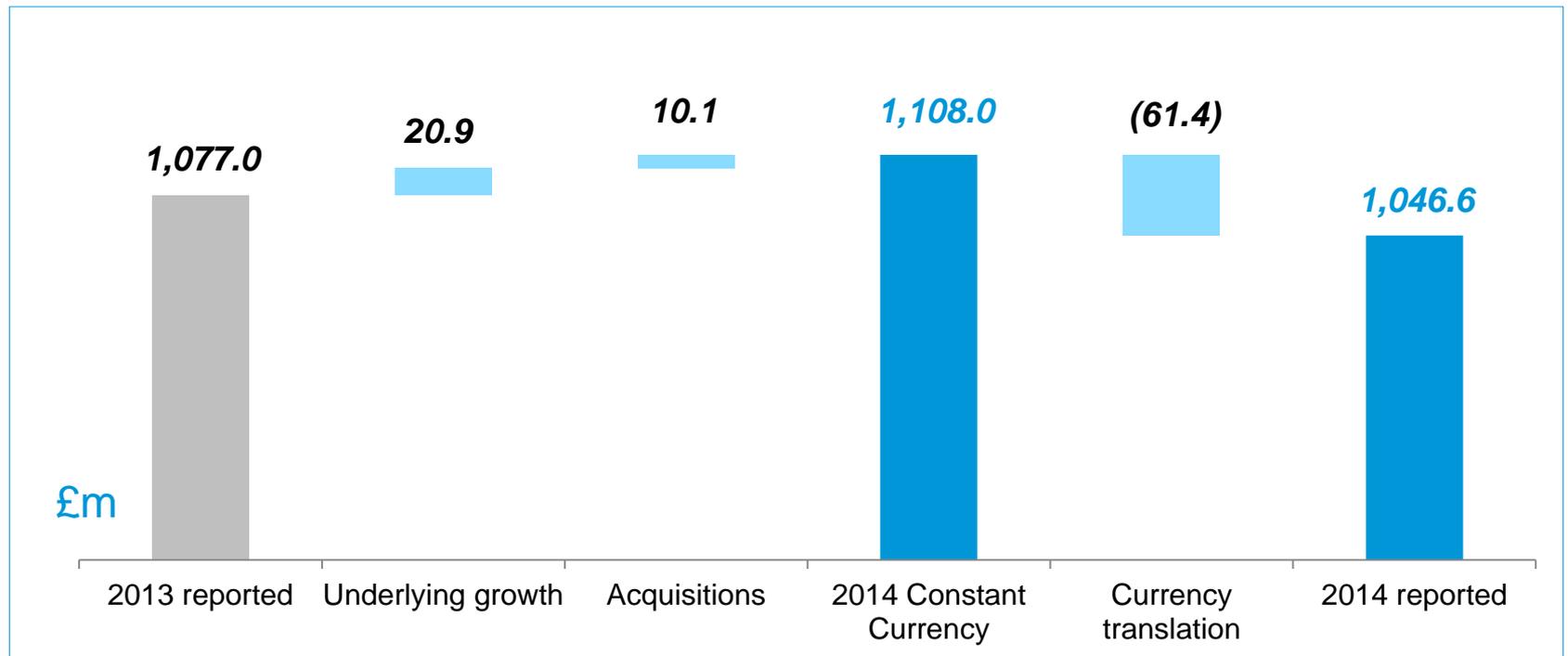
Financial performance



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Revenue up 2.9%*



- Revenue growth through NPP innovation, fast growth markets, Life Sciences and Performance Technologies

* At constant currency

Operating profit slightly lower*

£m	2014 Reported	2014 Constant currency	2013 Reported	Constant currency change %
Revenue	1,046.6	1,108.0	1,077.0	2.9
Operating profit	248.4	260.1	264.6	(1.7)
Net interest	(13.0)	(13.4)	(13.2)	
Pre-tax profit	235.4	246.7	251.4	(1.9)
Tax rate	28.0%	28.0%	28.7%	
EPS	125.2p	131.1p	132.2p	(0.8)
Declared dividend	65.5p	65.5p	64.5p	1.6

* At constant currency

Overall operating profit increased in core sectors*

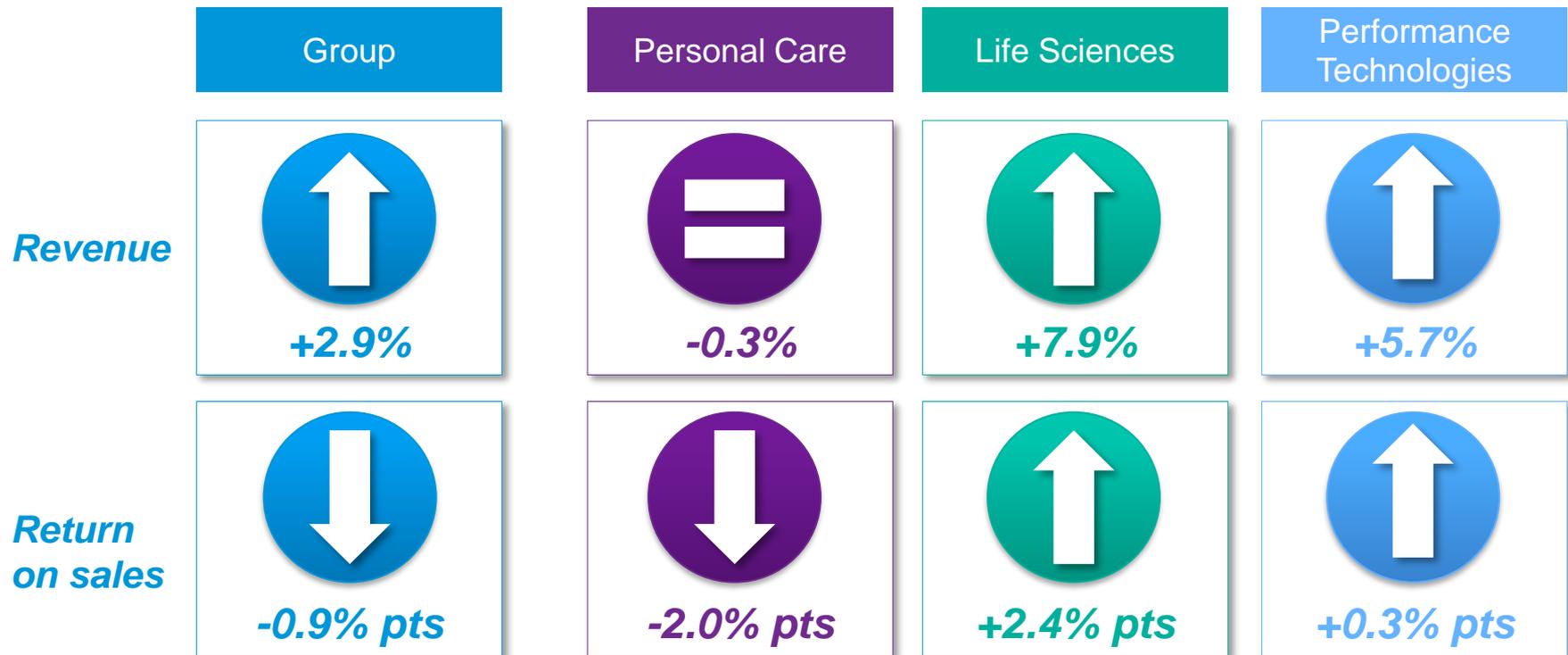
£m	2014 Reported	2014 Constant currency	2013 Restated	Constant currency change %
Personal Care	117.3	124.0	132.7	(6.6)
Life Sciences	64.7	67.4	58.6	15.0
Performance Technologies	63.8	65.5	62.7	4.5
Core sectors	245.8	256.9	254.0	1.1
Industrial Chemicals	2.6	3.2	10.6	(70)
Group	248.4	260.1	264.6	(1.7)

- Core profit growth as Life Sciences and Performance Technologies more than offset Personal Care reduction
- Lower profit in Industrial Chemicals due to weak commodity prices

*At constant currency
2013 restated for new market sectors

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Good progress in Life Sciences and Performance Technologies



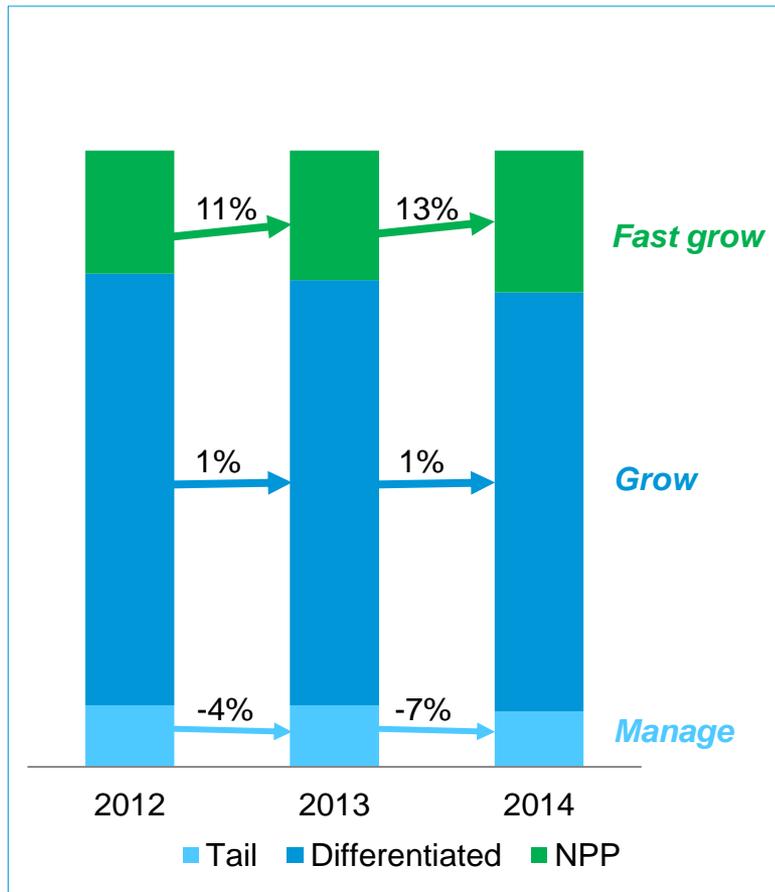
Constant currency revenue

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Good progress in Life Sciences and Performance Technologies

	£m	2014 Reported	2014 Constant currency	2013 Restated	
Personal Care	Revenue	369.1	391.6	392.7	<ul style="list-style-type: none"> ▪ Tough H1 sales, improving H2 ▪ Margin impacted by mix ▪ Asia developing well
	Operating profit	117.3	124.0	132.7	
	Return on sales	31.8%		33.8%	
Life Sciences	Revenue	204.5	216.4	200.5	<ul style="list-style-type: none"> ▪ Strong sales and margin in Health ▪ Improving Crop sales following extreme weather ▪ Focus on fast growth markets
	Operating profit	64.7	67.4	58.6	
	Return on sales	31.6%		29.2%	
Performance Technologies	Revenue	355.2	375.3	355.2	<ul style="list-style-type: none"> ▪ Strong sales and improving margin ▪ Growth in key niches ▪ Investing outside Europe
	Operating profit	63.8	65.5	62.7	
	Return on sales	18.0%		17.7%	

World class innovation being delivered



Revenue growth in constant currency

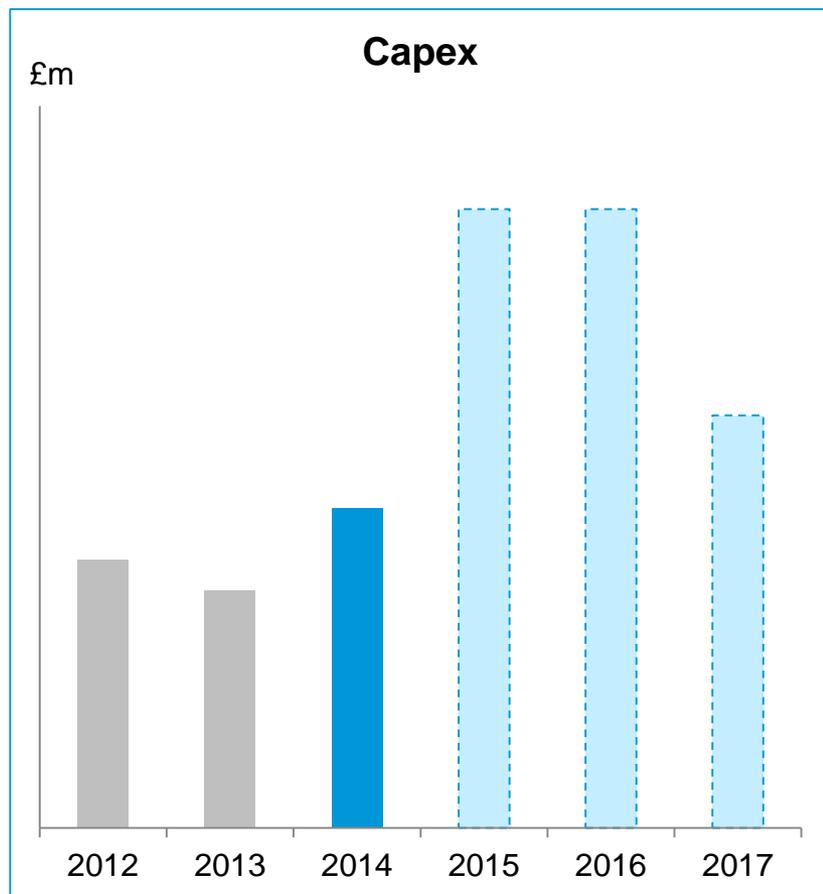
- Strong NPP – better value add, broad based growth
- Net growth in differentiated – e.g. significant growth in sustainable palm derived products
- Declining tail; lower commodity prices, tolling and exits

Strong cash generation

£m	2014	2013
EBITDA	279.4	297.2
Working capital	(12.3)	(3.0)
Operating cash	267.1	294.2
Capital investment	(65.0)	(46.6)
Additional pension contributions	(30.2)	(41.2)
Interest and tax	(57.9)	(58.5)
Free cash flow	114.0	147.9
Dividends	(88.1)	(83.6)
M&A	(1.9)	(54.9)
Other	(3.6)	(3.7)
Net cash flow	20.4	5.7
Net debt	(180.2)	(202.2)

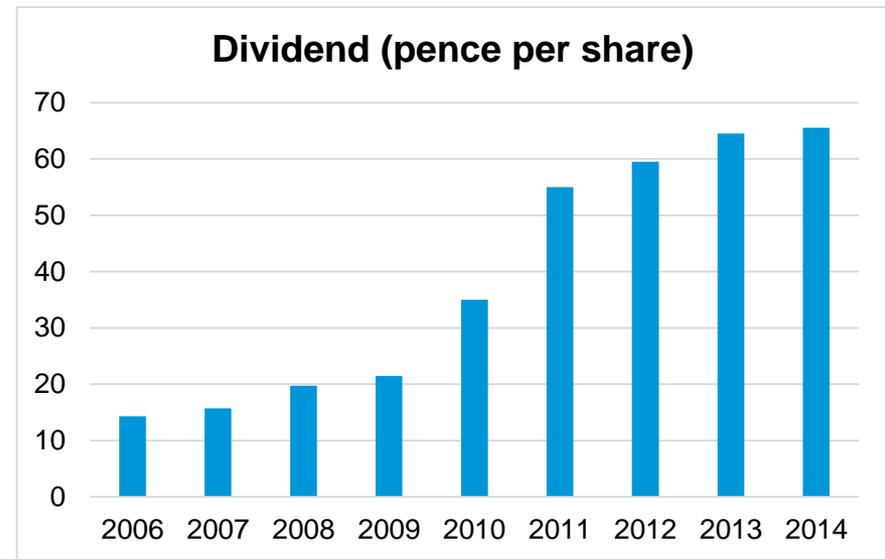
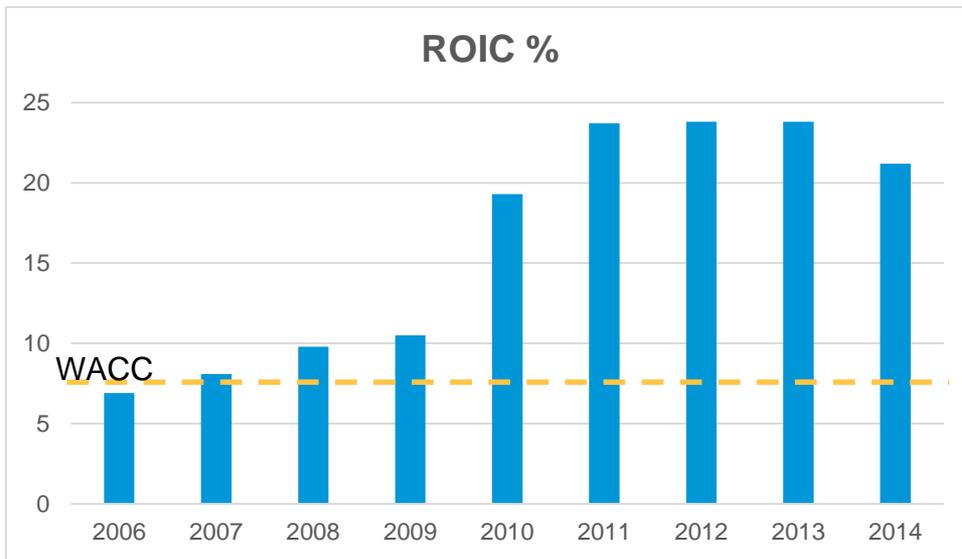
Free cash flow definition amended from prior year

We continue to invest for growth and innovation



- Increase in 2014 investment to 1.8x depreciation
- Expect capex 2015-17 to be ~2x recent average – investment in bio-surfactants and developing markets
- Return to ‘normal’ spend level beyond 2017

A strong record of returns to shareholders



WACC is weighted average cost of capital (estimated)

We have a clear capital allocation policy

***Continued strong
return on capital***



***Reinvest to
grow***

***2x recent
spend***

***Regular
dividend***

c40-50% EPS

***Disciplined
approach to
acquisitions***

***Excess capital
return within
gearing target***

1-1.5x gearing*

*excluding retirement benefit deficit

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Closing financial thoughts

- Tax rate – stable
- Pensions – no deficit contributions currently planned after January 2015
- Refinancing – completed to 2019
- FX translation impact
 - \$0.01 change: £0.5m profit impact
 - €0.01 change: £0.4m profit impact
- Trading updates
 - Ongoing 4 market sectors
 - Quarterly reporting - narrative & sales growth only

Delivering our Strategy – Being different



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Our priorities



Personal Care – Looking ahead

Consistent profitable growth

- Improved trend in H2 2014
- Growing with regional dynamos
- Competition in mass market – offset by growth in prestige and masstige

Increasing NPP sales

- R&D expansion in USA, Singapore, India and France
- Open innovation partnerships
- More technology acquisitions

Continue sustainability leadership

- Growing demand for renewable ingredients
- Unique investment in bio-surfactants



Growing trend – Pure and natural



Stem cell technology

Life Sciences – Looking ahead

Consistent profitable growth

- Positive trend in Health Care
- Crop Care sales in line with market
- Opportunities to grow in nascent markets

Increasing NPP sales

- Leverage formulation expertise
- Growing niches in high purity Omega-3, pharma excipients, dermatology and adjuvants
- Expand R&D in USA, India and UK

Continue sustainability leadership

- Natural / bio-based product portfolio
- Trend towards increased performance (potency, purity, quality)



Drug delivery



Spray drift

Performance Technologies – Looking ahead

Consistent profitable growth	<ul style="list-style-type: none">▪ Growth across all regions▪ Opportunities to grow outside Europe▪ Continued focus on niche markets
Increasing NPP sales	<ul style="list-style-type: none">▪ Greater specialisation▪ Extensive customer project pipeline▪ More technology acquisitions
Continue sustainability leadership	<ul style="list-style-type: none">▪ Increasing trend towards renewable ingredients▪ Investment in bio-surfactants



JD Horizons – FlowSolve™ acquisition



Friction modifiers

Addressing polarised regional growth

Western Europe

Consolidate

37% of Group sales

- Simplify and streamline
- Cost rationalisation
- Continue to differentiate

North America

Expand

26% of Group sales

- Fast grow Life Sciences and Performance Technologies
- Significant capital investment programme
- Broader sales reach with additional offices

Developing markets

Specialise and expand

37% of Group sales

- Partnering with regional dynamos
- Manufacturing expansion in China, India, Brazil, Singapore and Indonesia
- Specialise people and products

% of Group sales 2014 at constant currency
Developing markets = Asia, Latam and EEMEA

Capital investment targeting fast growth markets



Singapore surfactants



China expansion



India excipients



Europe specialities for export



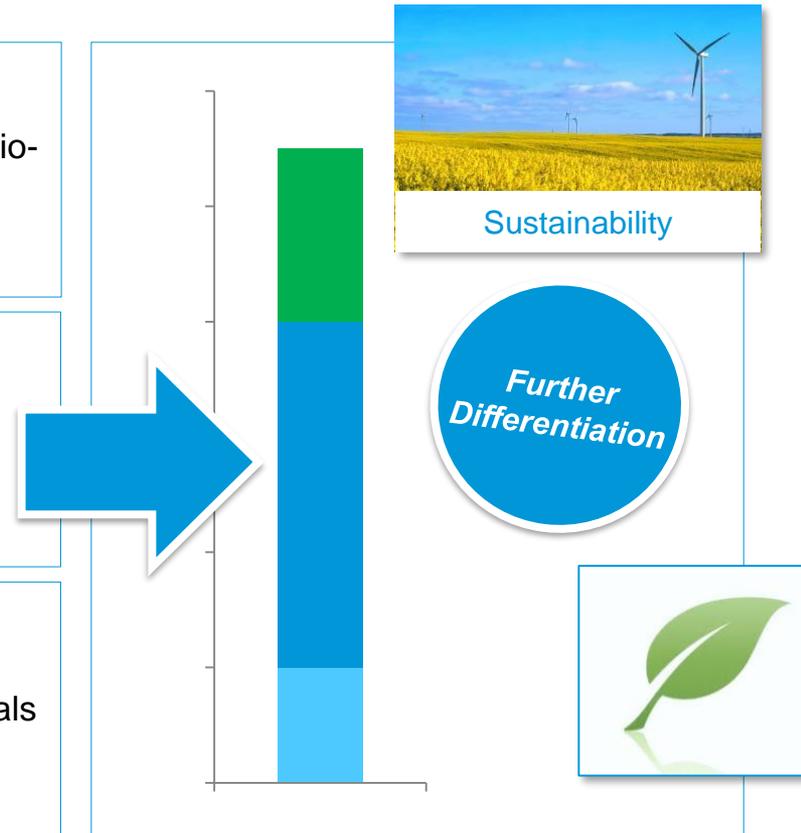
USA high purity pharma



Indonesia growth

Unique investment in bio-surfactants

What	<ul style="list-style-type: none">£120m capital investment through to 2017100% renewable bio-surfactants from sustainable bio-ethanolUpgrade from traditional hydrocarbon routes
Where	<ul style="list-style-type: none">One of Croda's core facilities: Atlas Point, USTarget on-stream 2017Leverage significant infrastructure
Why	<ul style="list-style-type: none">Satisfying unmet customer needs across all core markets globallyIncreasing % sales driven by renewable raw materialsUnique, differentiated offering creates many niche opportunities



First company in our industry to make 100% plant derived sustainable alkoxyate surfactants

Summary and outlook

Key messages

- Global market sectors in place and delivering
- Return to improved sales growth in H2
- Innovation at record levels
- Investment in fast growth markets starting to deliver

Outlook

- Europe remains subdued
- Targeting profitable sales growth
- Innovation key to driving growth
- Investment in capacity and resource to support growth
- Started 2015 in line with expectations

Appendix



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Full year revenue analysis

£m	FY 2014 Reported	FY 2014 Constant currency	FY 2013 Restated	% Constant versus 2013
Personal Care	369.1	391.6	392.7	(0.3%)
Life Sciences	204.5	216.4	200.5	7.9%
Performance Technologies	355.2	375.3	355.2	5.7%
Core sectors	928.8	983.3	948.4	3.7%
Industrial Chemicals	117.8	124.7	128.6	(3.0%)
Group	1,046.6	1,108.0	1,077.0	2.9%

H1/H2 sales analysis

£m	H1 2014 Restated	H2 2014 Reported	2014 Reported
Personal Care	188.7	180.4	369.1
Life Sciences	103.1	101.4	204.5
Performance Technologies	182.3	172.9	355.2
Core sectors	474.1	454.7	928.8
Industrial Chemicals	63.3	54.5	117.8
Group	537.4	509.2	1,046.6

At reported currency

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H1/H2 operating profit analysis

	H1 2014 Restated	H2 2014 Reported	2014 Reported
Operating profit (£m):			
Personal Care	62.6	54.7	117.3
Life Sciences	32.6	32.1	64.7
Performance Technologies	34.4	29.4	63.8
Core sectors	129.6	116.2	245.8
Industrial Chemicals	2.7	(0.1)	2.6
Group	132.3	116.1	248.4
Return on sales (%):			
Personal Care	33.2	30.3	31.8
Life Sciences	31.6	31.7	31.6
Performance Technologies	18.9	17.0	18.0
Core sectors	27.3	25.6	26.5
Industrial Chemicals	4.3	-	2.2
Group	24.6	22.8	23.7

At reported currency

Q4 summary on previous reporting basis

£m	Sales				Operating profit			
	2014	2013	% change reported	% change constant	2014	2013	% change reported	% change constant
Consumer Care	141.1	135.0	4.5%	5.6%	44.6	46.4	(3.9%)	(2.8%)
Performance Technologies	82.8	80.4	3.0%	5.3%	14.0	14.5	(3.4%)	(4.1%)
Core sectors	223.9	215.4	3.9%	5.5%	58.6	60.9	(3.8%)	(3.1%)
Industrial Chemicals	26.3	31.0	(15.2%)	(12.9%)	(0.6)	2.4	-	-
Group	250.2	246.4	1.5%	3.2%	58.0	63.3	(8.4%)	(7.7%)

Reported currency except where stated otherwise

Retirement benefit deficit

£m at 31 December	2014	2013
Market value of assets	946.5	808.3
Value of liabilities	(1,073.2)	(944.1)
Deficit pre tax	(126.7)	(135.8)
Deferred tax	31.3	31.9
Deficit post tax	(95.4)	(103.9)