
Croda International Plc

2016 Half Year Results

26 July 2016

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

Our Performance



Steve Foots – Group Chief Executive

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Strategy continuing to deliver

Headline performance:

- **More protected innovation:** NPP sales up to 27.5% of total sales[†] (2015: 26.1%)
- **Key technology platforms growing:** Constant currency sales up 2.1% including Incotec acquisition
- **Improved operating margin:** up 0.8 percentage points to 25.7% (2015: 24.9%)
- **Strong bottom line:** adjusted pre-tax profit up 6.3%; adjusted EPS up 10.0% in reported currency
- **Robust cash flow:** funding over £56m of capital investment for future growth
- **Continued dividend growth:** interim dividend increased by 5.6%

Constant currency except where otherwise stated

NPP = New and Protected Products

[†]Excluding Incotec

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Driving profitable growth

Sales expanding

+2.1%

- Key technologies growing
- Incotec acquisition

Robust & improving margin

25.7%



+80bps

- Increased innovation
- Clever product mix

Profit before tax increasing

+6.3%

- Value over volume
- Bottom line growth

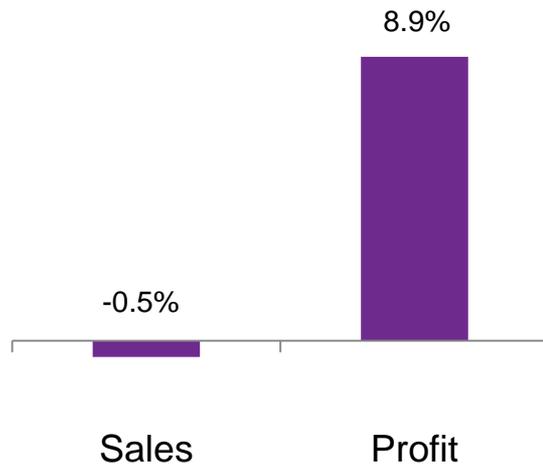
Record NPP sales driving strong bottom line performance

Constant currency

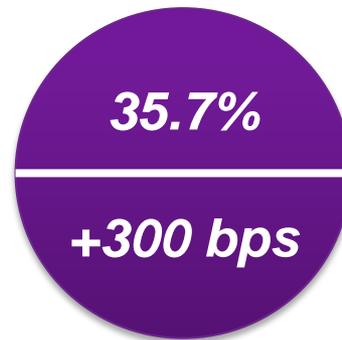
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Innovation driving margin in Personal Care

Profitable top line growth



Record margin level



Return on sales/growth

Delivering profitable growth

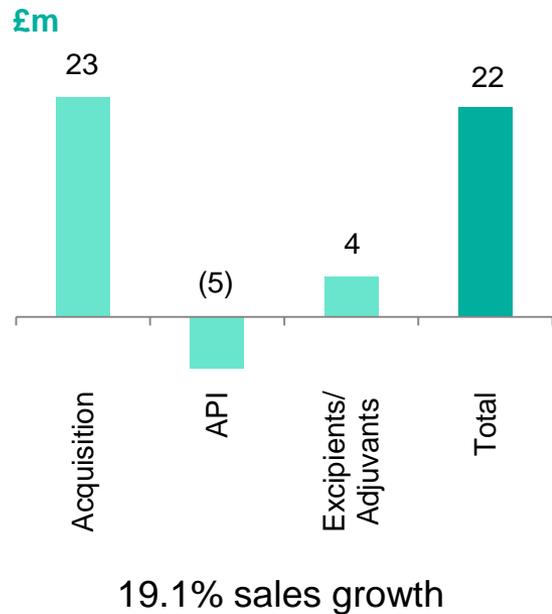
- Increased innovation & IP
 - Record sales in skin actives
 - New capacity in sun care
 - Investing in technologies
- Focus on fast growth regions
 - Asia > 10%
- Fulfilling trends – sustainability and digitalisation

Constant currency

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Growth in Life Sciences boosted by Crop Care and Incotec acquisition

Strong top line growth



Incotec acquisition diluting margin



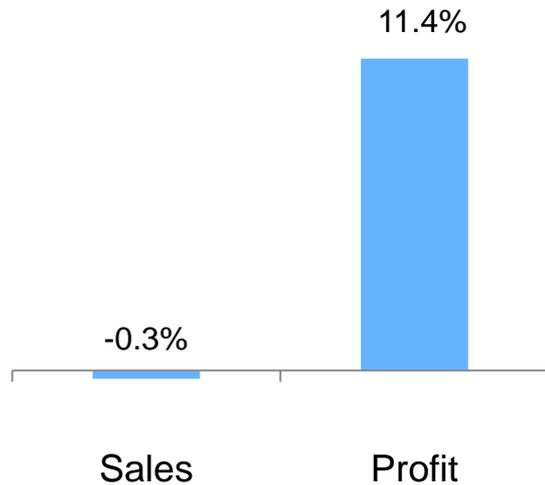
Return on sales/growth

Focus on technology

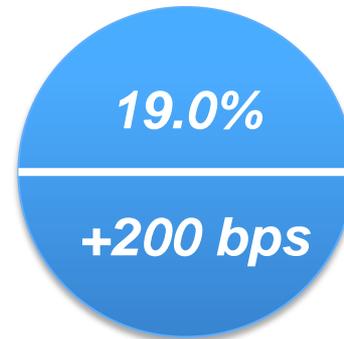
- Growing high value-add technologies
 - High purity Health excipients
 - Crop Care outperforming
- Progress in innovation & collaboration
- Incotec integration underway
- Lower sales of APIs

Improving mix in Performance Technologies

Profitable top line growth



Good margin improvement



Return on sales/growth

Enhancing the product mix

- Exited low value-add products
- NPP growth increased
- Growing in Asia - strong SIPO performance
- Geo Technologies stabilising

Constant currency

Financial Performance



Jez Maiden – Group Finance Director

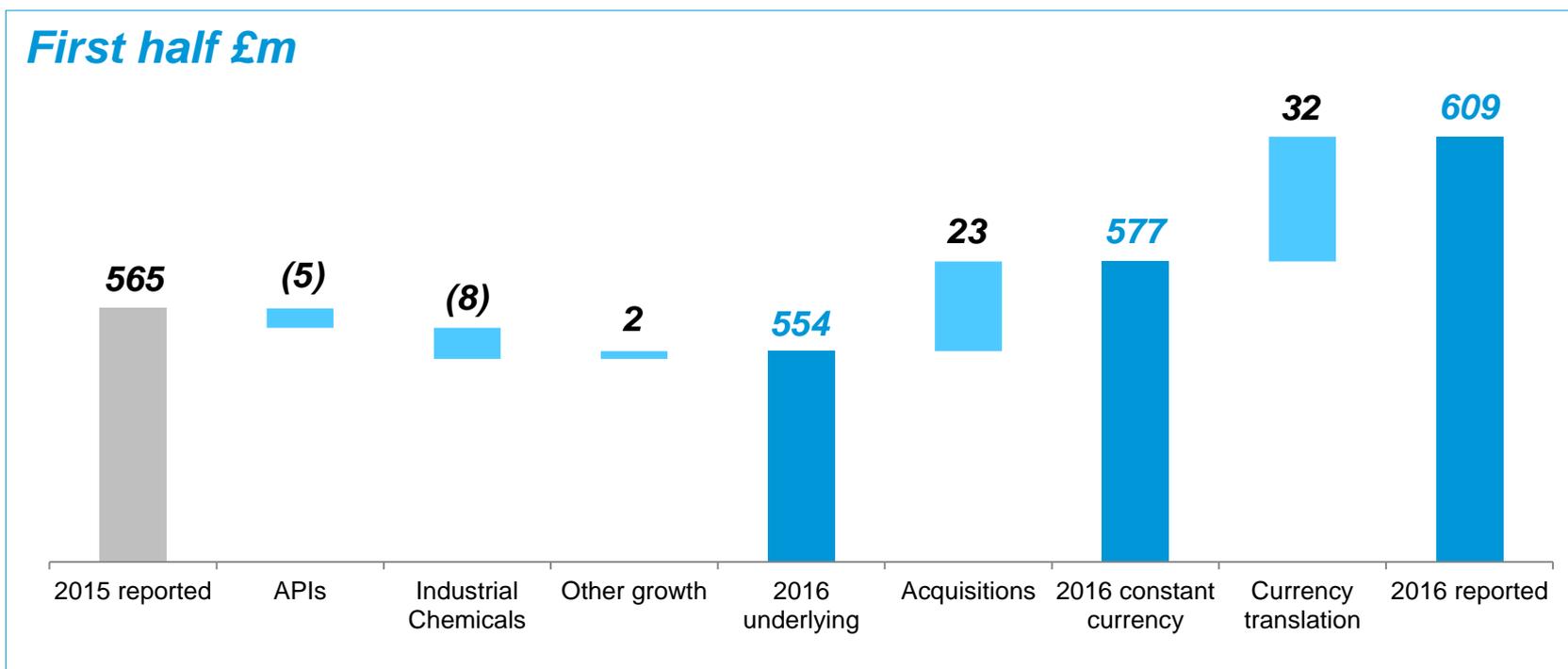
Strong margin driving profit growth

£m	H1 2016 reported	H1 2016 constant currency	H1 2015 reported	Reported currency change %	Constant currency change %
Sales	608.7	576.5	564.6	7.8%	2.1%
Operating profit	152.6	148.2	140.8	8.4%	5.3%
Net interest	(4.1)	(4.0)	(5.1)	19.6%	21.6%
Profit before tax	148.5	144.2	135.7	9.4%	6.3%
IFRS profit before tax	145.1		135.6	7.0%	
Tax rate (adjusted profit)	28.2%		28.2%		
Adjusted EPS	79.0p		71.8p	+10.0%	
Declared dividend	32.75p		31.0p	+5.6%	

Positive variance indicates favourable impact

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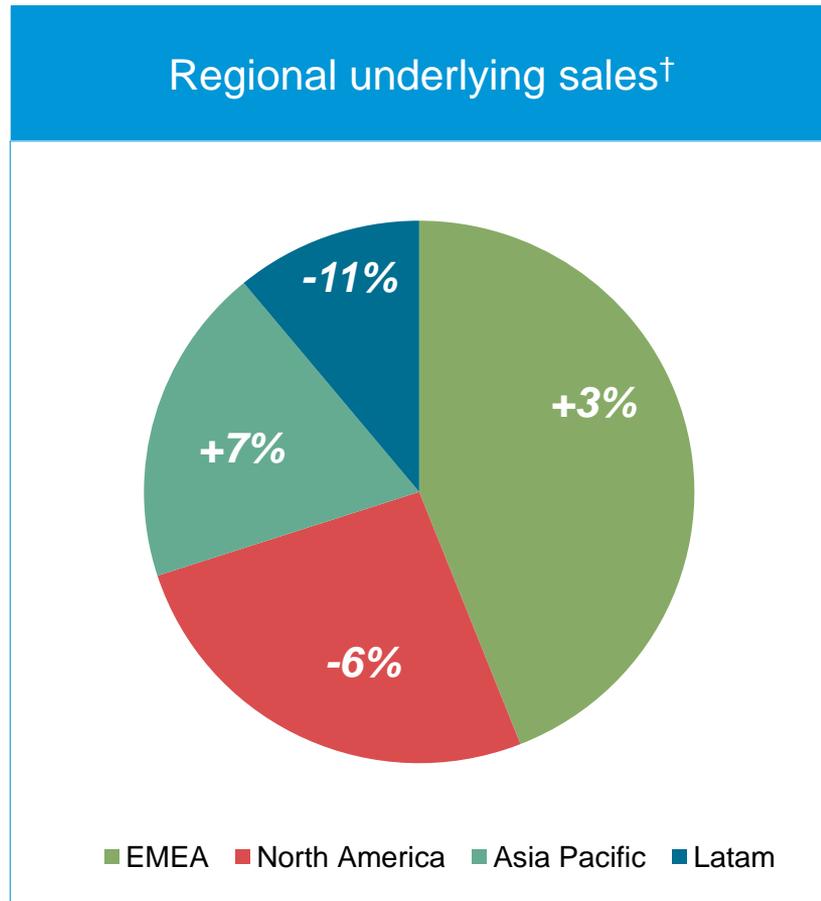
Sales growth driven by acquisition and currency



- Reduced sales of low value-add co-products & tolling
- Lower API sales
- Growth in remainder of Core Business & from currency translation

Core Business comprises Personal Care, Life Sciences and Performance Technologies
2015 sector sales restated for a reclassification of toll product from Life Sciences to Industrial Chemicals

Continued top line growth in Asia & Europe

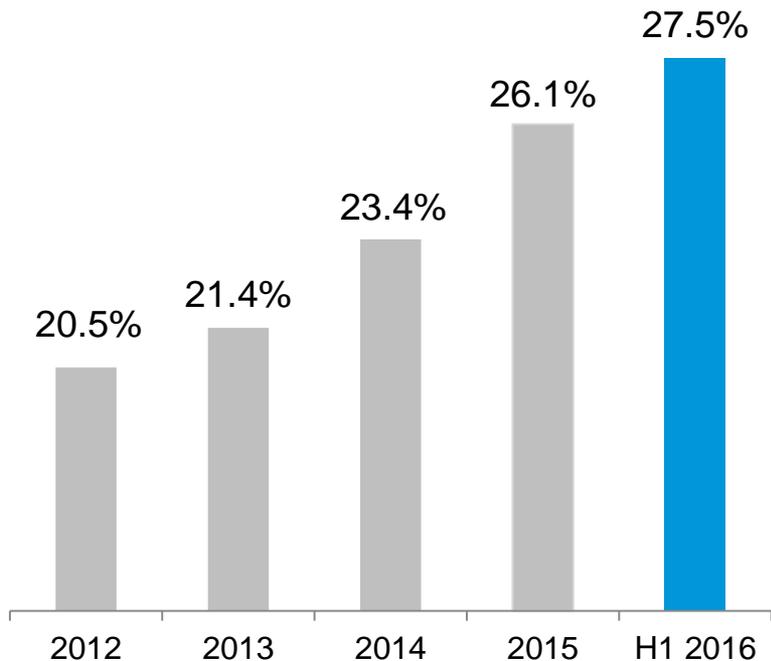


- Asia growth
 - Driven by proximity to local & regional customers
 - China & India excellent
- Europe robust
 - Personal Care strong
- North America
 - Business migrating to other regions
 - Lower API sales
- Latin America
 - Weak macroeconomic conditions
 - Growth in local currency terms

† In Core Business

Protected innovation driving profit growth

NPP sales as % of Group sales



- Bigger and better innovation
- Record NPP sales in Personal Care
- Progress in Crop adjuvants and Health excipients
- Performance Technologies progress in Polymer Additives and clever Coatings
- Driving margin increase

Fast growth in sun care

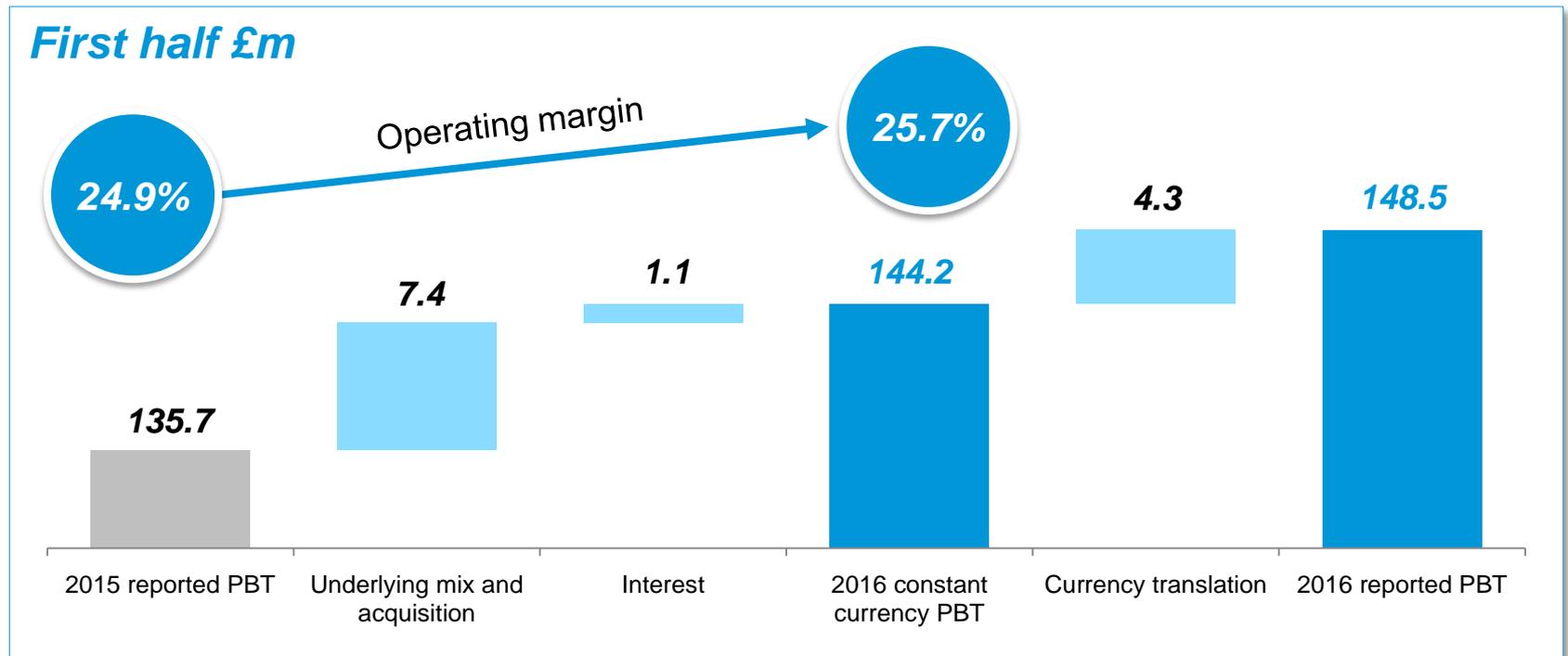


Growth in Skin Actives 'IRB by Sederma'



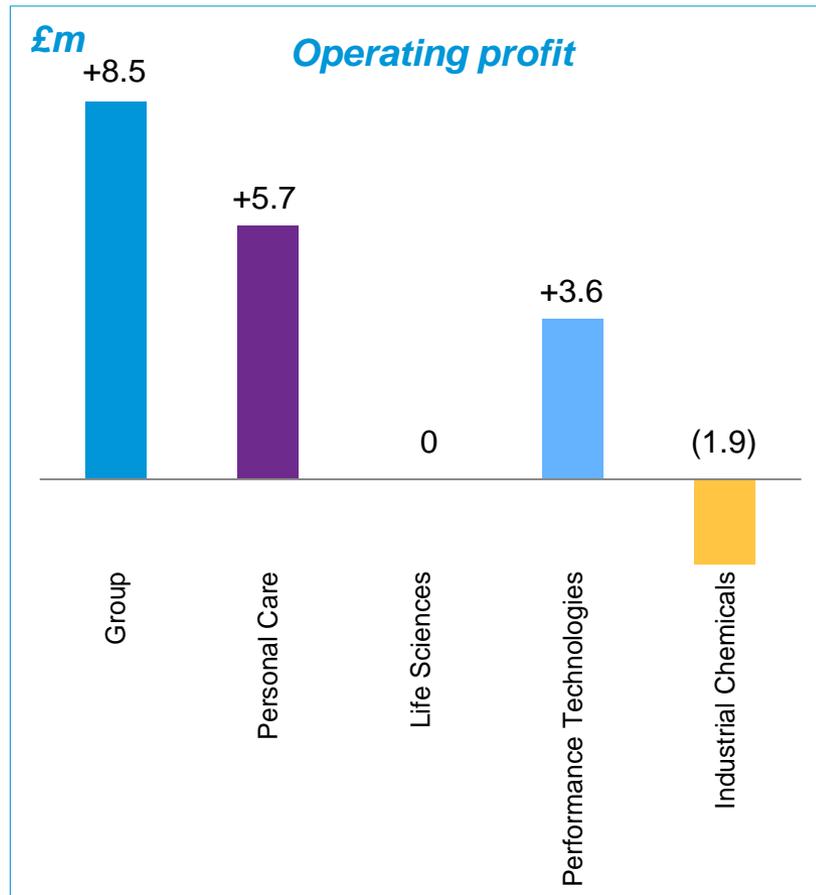
In constant currency excluding Incotec acquisition

Innovation, mix and acquisition driving profit



- Profit growth driven by innovation, product mix improvement and acquisition
- Growth in operating margin despite Incotec dilution
- Interest cost saving

Robust Personal Care and Performance Technologies performance



- Profit growth in Personal Care
 - Richer product mix
- Unchanged profit in Life Sciences
 - Growth from acquisition and strong technologies
 - Offsetting decline in APIs
- Good progress in Performance Technologies
 - Low margin exits
 - Currency tailwind
- Refining mix in Industrial Chemicals

Shows adjusted operating profit growth for sectors and profit before tax growth for Group, all at constant currency
2015 sector profit restated for a reclassification of toll product from Life Sciences to Industrial Chemicals

Robust cash generation, funding capital investment programme

£m	H1 2016	H1 2015
EBITDA	174.1	159.7
Working capital	(33.6)	(23.2)
Net capital investment	(56.8)	(38.2)
Additional pension contributions	(1.3)	(19.4)
Interest and tax	(32.5)	(32.2)
Free cash flow	49.9	46.7
Dividends	(187.3)	(48.9)
M&A	(1.4)	-
Other cash movements	1.1	0.6
Net cash flow	(137.7)	(1.6)
Net debt	(419.4)	(179.2)
Leverage	1.3x	0.6x

- Additional long term funding secured at attractive rates to renew headroom

Impact of the EU Referendum

- Exit terms as yet unclear
- Limited initial impact:
 - >95% of sales ex-UK
 - 80% of production ex-UK
- Currency translation profit impact:
 - \$1 cent = +/- £0.5m (2015: \$1.52; H1 2016: \$1.43)
 - €1 cent = +/- £0.3m (2015: €1.37; H1 2016: €1.28)

Strategy in action



Steve Fouts – Group Chief Executive

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Delivery driven by increasing Intellectual Property

Three legs of growth



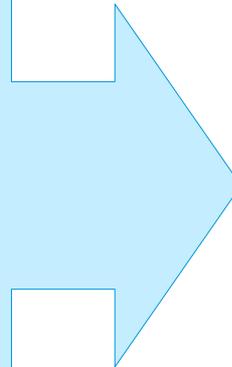
Personal Care



Life Sciences



Performance Technologies



Clear innovation focus

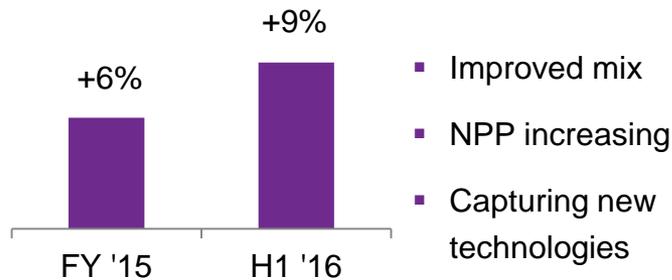
Fast growth technologies

New technology capture

High value niches

Personal Care: investing in fast growing, premium segments

Profitable growth continuing



Investing in fast growth technologies

NPP as % of sales



Investing in high value niches

MATRIXYL
SYNTHE'6®



Anti-wrinkle

OPTIM HYAL™



Skin smoothing

BEAUTIFEYE™



Eye micro-lines

Investing in new technologies



inventiva
ALTA TECNOLOGIA PARA O BEM-ESTAR.

- Novel encapsulation
- Proven technologies
- Scale globally

Constant currency

Life Sciences: investing in high value niches

Investing in innovation

21%

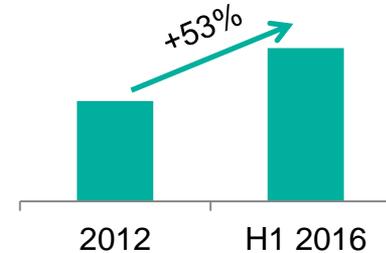
Pipeline value as % of current revenue



Crop customer collaboration

Investing in fast growth technologies

NPP as a % of sales



- High purity excipients
- Advanced rheology modifiers
- Oral care actives

Investing in high value niches



Cancer drugs



Auto immune diseases



Ophthalmology

Investing in novel seed treatment technology



Seed biology know-how

- Undervalued IP
- Integration underway
- Leverage global sales
- Invest to grow the core

Performance Technologies: investing to improve margin and specialise

Investing in new geographies

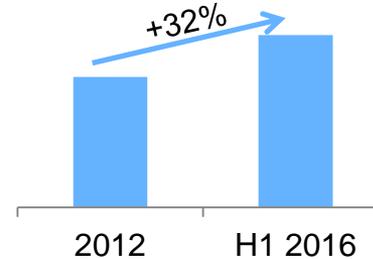


SIPO, China

- Double digit sales and profit growth in last 3 years
- Site expansion underway
- Benefitting most markets

Investing in fast growth technologies

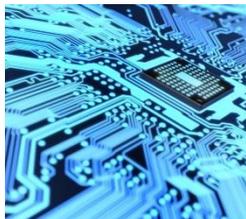
NPP as % of sales



- Friction modifiers
- Water based coating systems
- High performance fibre additives
- Advanced materials

Investing in high value niches

Hypermer™



Advanced Materials

FlowSolve™



Flow Assurance

CrodaTherm™



Phase Change Materials

Investing in new technologies

Novel non-leaching antimicrobial technology



Anti-scratch technology



Key take aways

2016 so far

- Subdued markets
- Richer product mix
 - Increased innovation – more IP
 - Proactive exit of low value-add sales
- Impressive margin development
- All sectors contributing
- Strong cash generation

Outlook

- Continued economic uncertainty
- Innovation pipeline strong
- Confident of delivering continued progress in 2016
- Currency tailwinds

Questions



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Underlying sales growth

	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Personal Care	0.2%	(1.1)%	(0.4)%	2.0%
Life Sciences	(7.1)%	4.6%	5.5%	7.3%
Performance Technologies	(0.1)%	(0.6)%	0.7%	(1.1)%
Core sectors	(1.5)%	0.4%	1.5%	1.9%
Industrial Chemicals	(14.1)%	(10.7)%	3.5%	5.3%
Group	(3.0)%	(0.9)%	1.7%	2.3%

Profit before tax history

£m	H1 2016 Reported	H2 2015 Reported	H1 2015 Reported
Revenue	608.7	517.1	564.6
Operating profit	152.6	123.4	140.8
Net interest	(4.1)	(4.4)	(5.1)
Profit before tax	148.5	119.0	135.7
Return on sales	25.1%	23.9%	24.9%

Reported results

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IAS19 pension deficit

£m	30 June 2016	31 December 2015
Market value of assets	1,115.5	969.6
Value of liabilities	(1,264.7)	(1,048.4)
Deficit pre-tax	(149.2)	(78.8)
Deferred tax	38.3	22.9
Deficit post-tax	(110.9)	(55.9)

- Pre-tax deficit increased by £70.4m – low discount rates
- Post-tax deficit now £110.9m
- UK scheme fully funded for scheme actuarial purposes – next valuation due 30 Sept 2017

Capital allocation policy



Half year leverage of 1.3x
Return of capital to mid-point of range -
£136m returned by special dividend in
June 2016

*Leverage target excludes retirement benefit deficit