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# Croda International Plc 2017 Full Year Results

February 2018

# 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.

All figures at reported currency rates unless otherwise stated.

# Our Performance



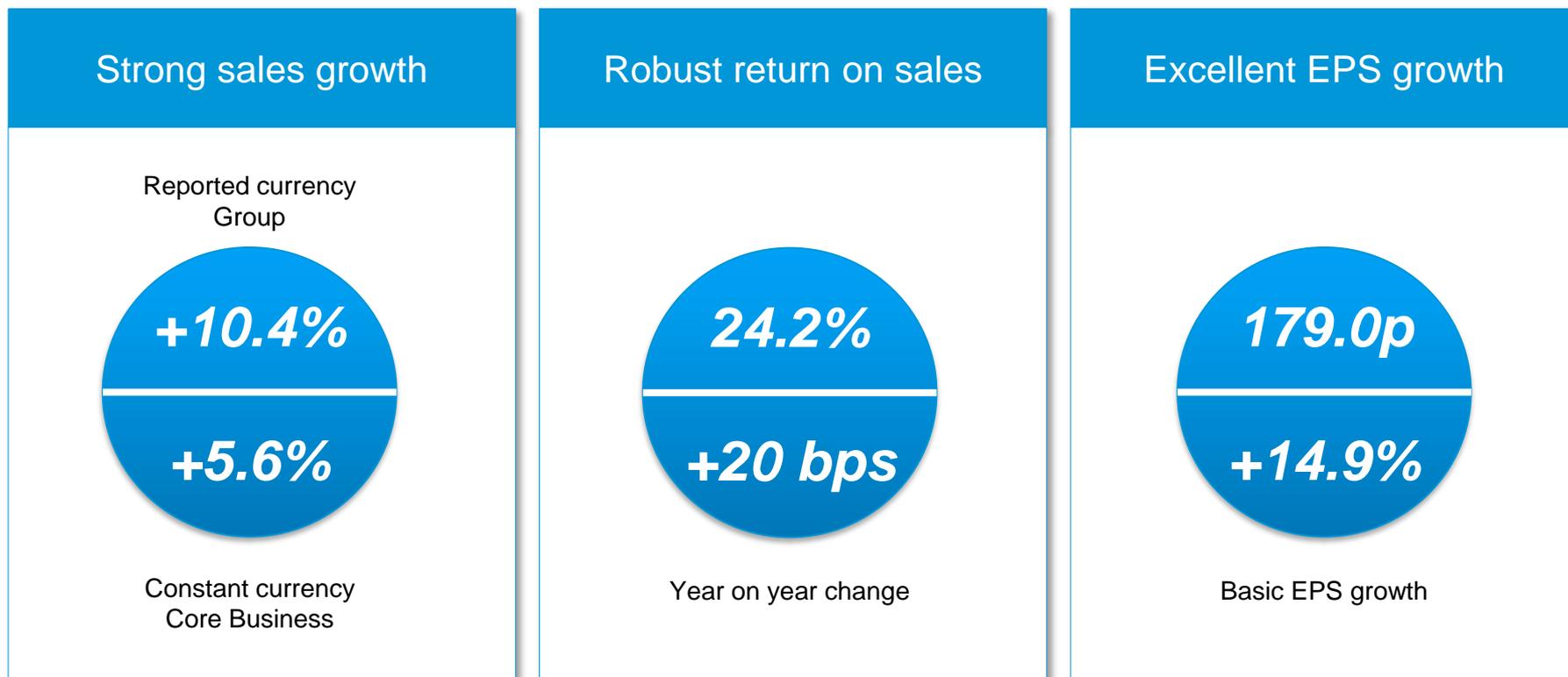
Steve Foots – Group Chief Executive

# Record profit and strong sales growth

- **Record profit:** continued progress across all core sectors. PBT +11.1% at £320.3m
- **Strong sales growth:** +10.4% - strongest underlying growth since 2012
- **Relentless innovation:** 5<sup>th</sup> successive year of NPP growth
- **Robust margin & return:** ROS 24.2%, ROIC 19.2%
- **Investment in disruptive technologies:** Cutitronics, Enza, IonPhase, Nautilus
- **Strong returns to shareholders:** 9.5% increase in full year ordinary dividend

Underlying sales reflect current year results for existing business translated at the prior year's average exchange rates, excluding the impact of acquisitions. NPP is New & Protected Products. ROS is return (operating profit) on sales. ROIC is defined in the 2017 Results Press Release.

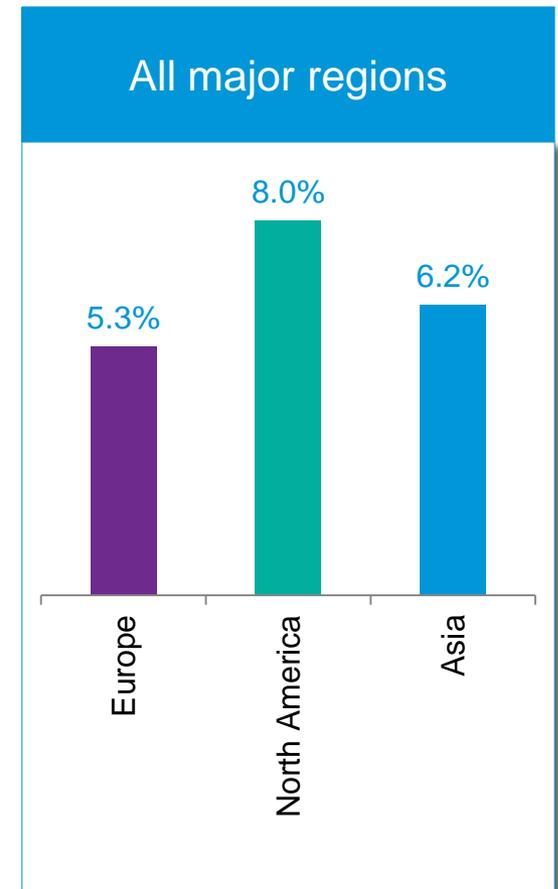
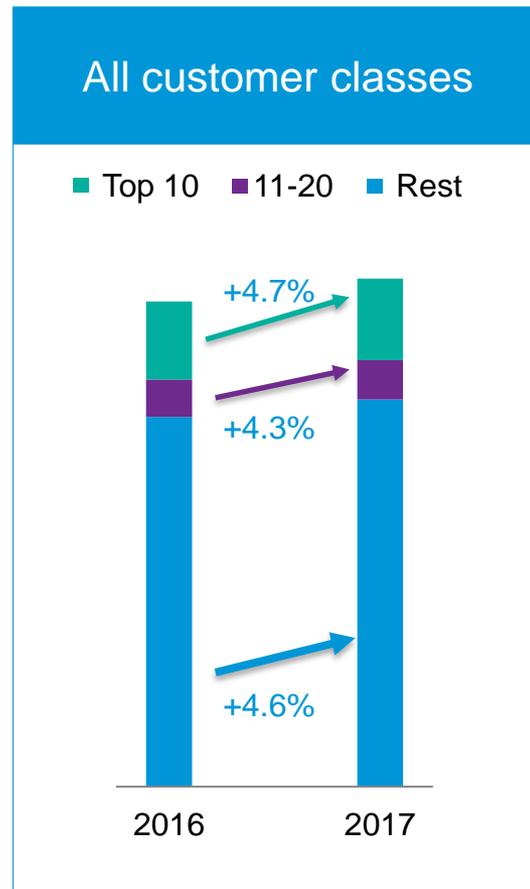
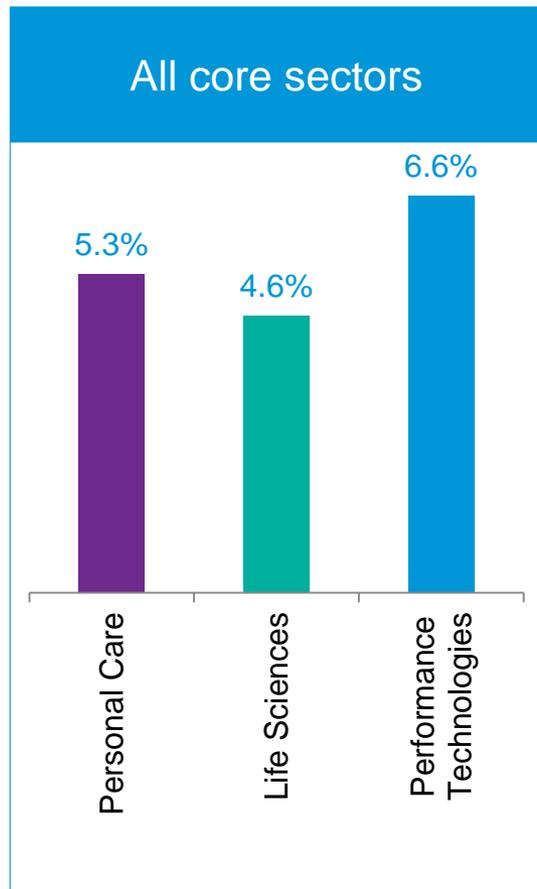
# Consistent top and bottom line growth



A strong business getting stronger

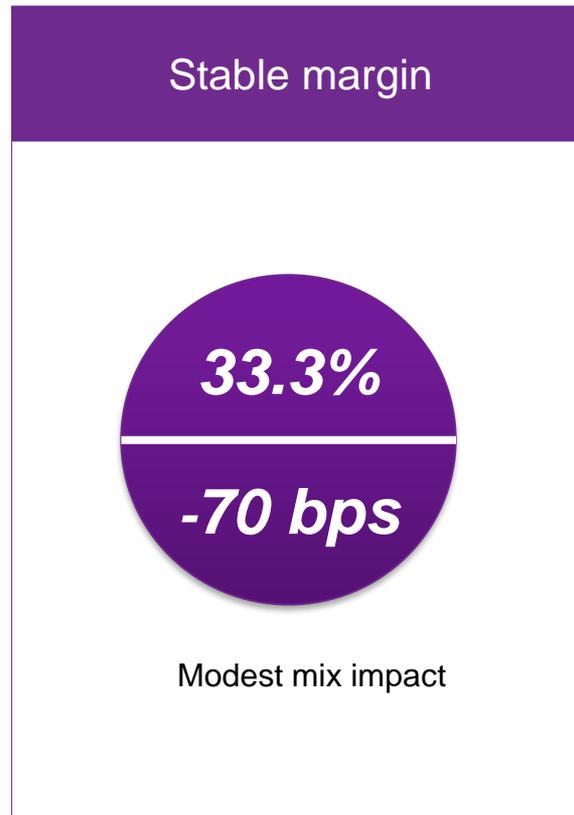
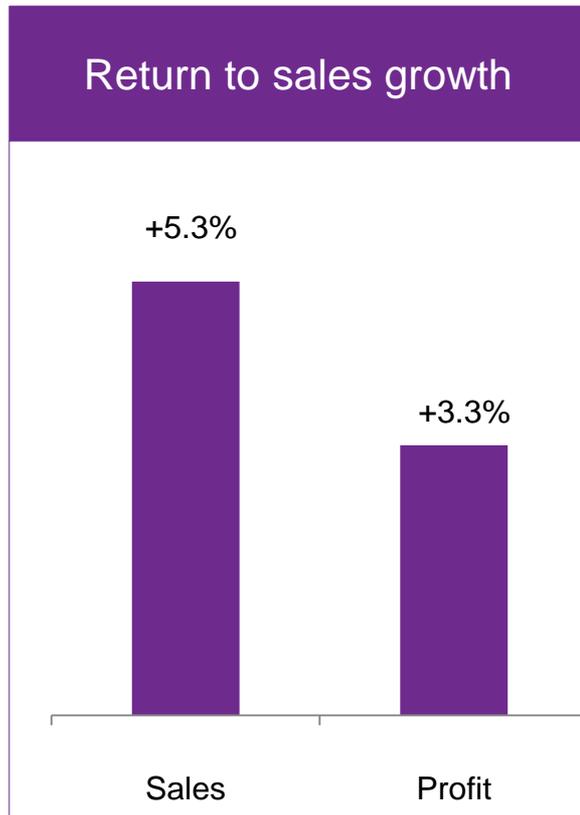
Core Business comprises the core sectors of Personal Care, Life Sciences and Performance Technologies

# Broad-based sales growth across....



Constant currency

# Personal Care: strong sales improvement with stable margin

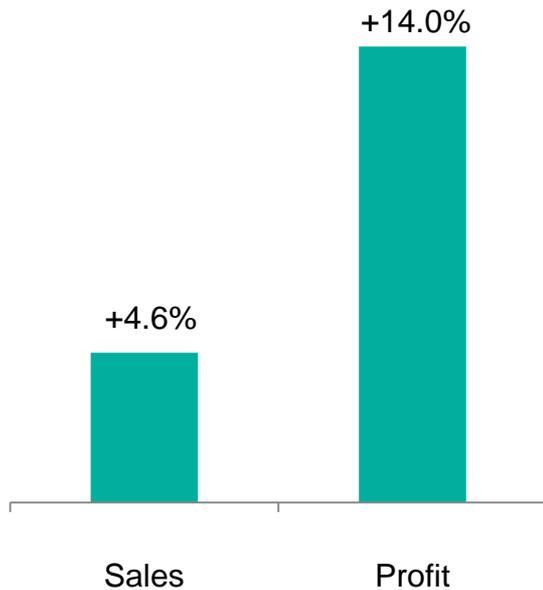


- ### Innovation-led growth
- NPP +6% to >40% sales
  - Strong growth in Beauty Actives
  - Return to healthy growth in Beauty Formulations
  - Growing opportunity in Beauty Effects
  - MNC recovery
  - 'Flight to premium'

Sales and operating profit growth in constant currency

# Life Sciences: innovation and Incotec integration delivering faster profit growth

## Faster profit growth



## Incotec driving improvement in return on sales



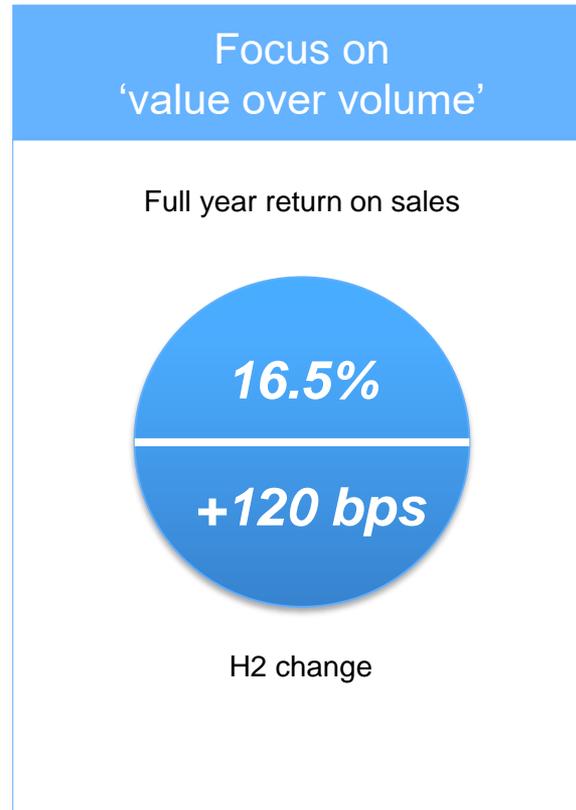
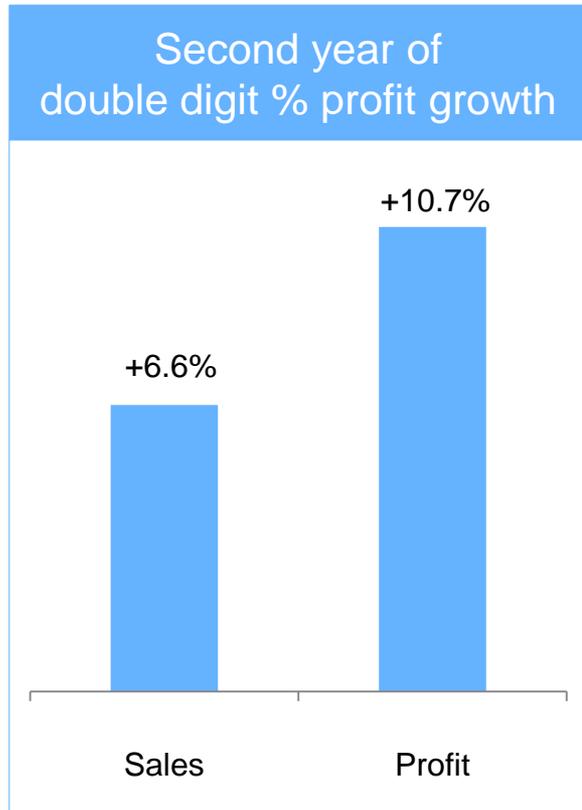
YOY change

## Focus on fast growth technologies

- NPP +10%; 32% of sales
- Outperformance in Crop Protection
- R&D investment delivering in Incotec
- Investment in Health Care high purity delivery systems
- North America API contract successfully exited

Sales and operating profit growth in constant currency

# Performance Technologies: transitioning to more focused innovation



- Broad based growth
- Re-focusing on faster growth technologies
  - Premium Smart Materials & Energy Technology markets
  - Structural sales growth in H1
  - Margin expansion in H2

Sales and operating profit growth in constant currency

# Financial Performance



Jez Maiden – Group Finance Director

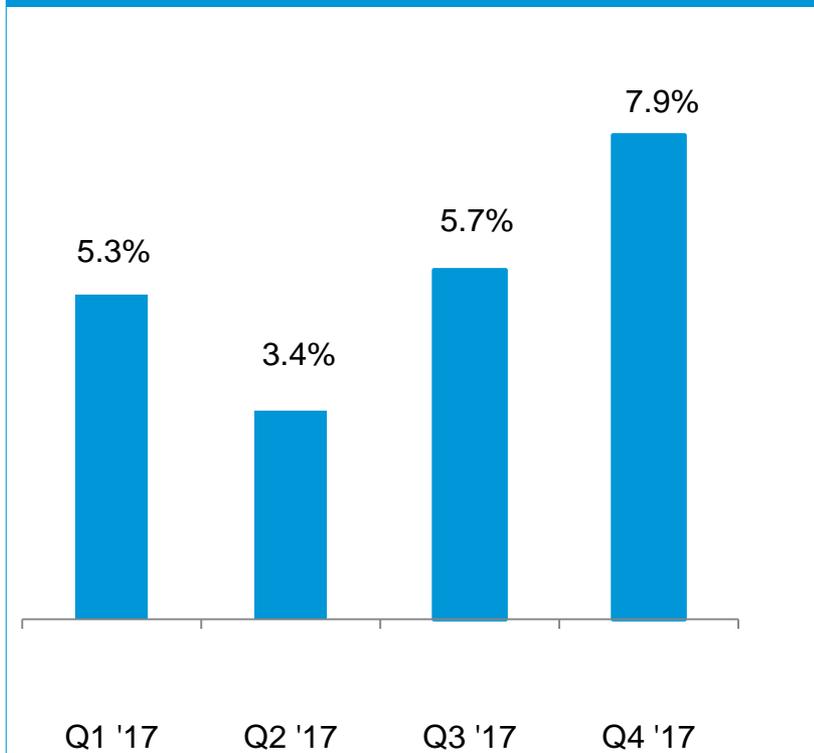
# Consistent top and bottom line growth

£m	2017 reported	Reported currency change	Constant currency change
Sales	1,373.1	10.4%	4.6%
Operating profit	332.2	11.4%	6.9%
Net interest	(11.9)	(20.2)%	(19.2)%
Profit before tax	320.3	11.1%	6.5%
IFRS profit before tax	314.1	13.9%	
Adjusted EPS	179.0p	14.9%	10.5%
Proposed ordinary dividend	81.0p	9.5%	

Positive percentage indicates favourable variance

# Sales momentum in Core Business

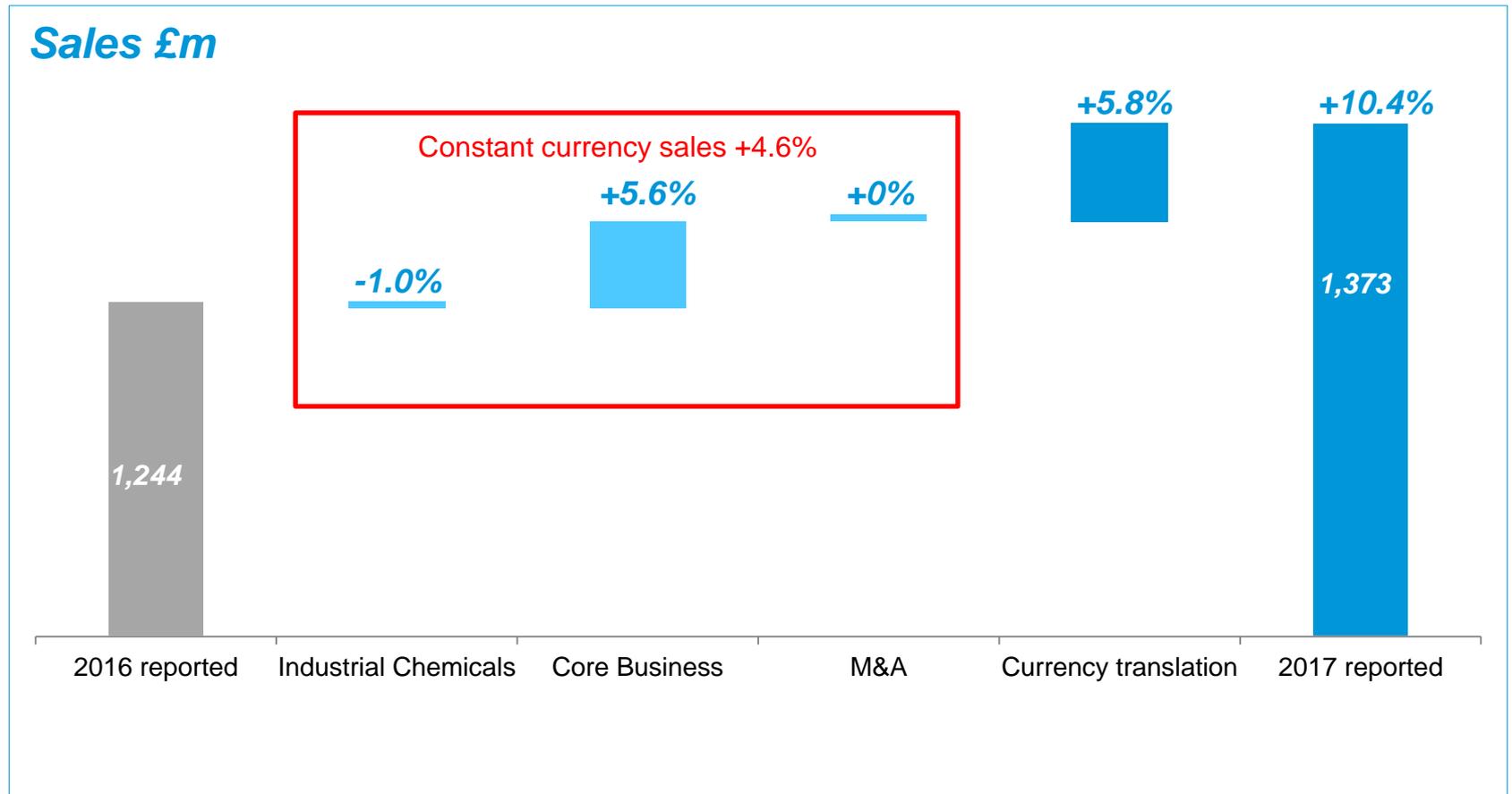
## Constant currency sales growth (Core Business)



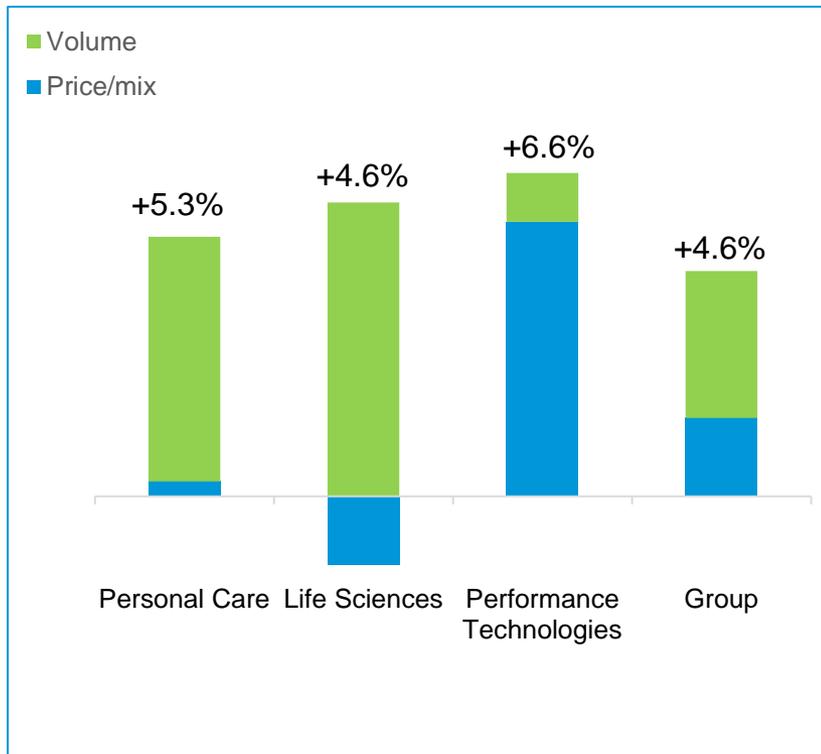
## Three strong legs of growth

- Return to steady organic growth in H1
- Growth accelerated in H2
- Progressive improvement in consumer business at strong margins
- Rebalanced Performance Technologies growth – focus on value over volume

# Constant currency sales in Core Business +5.6%



# Robust volume growth in consumer businesses

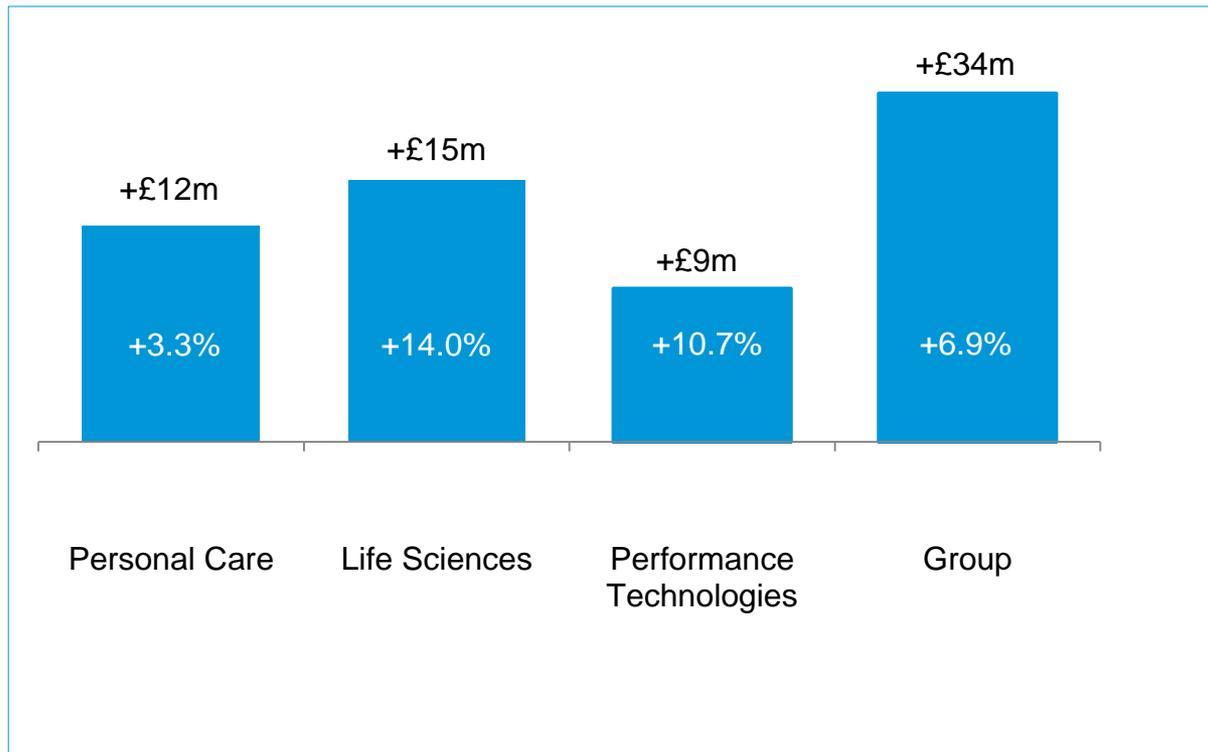


- Personal Care: return to volume growth
- Life Sciences: volume growth, particularly Crop
- Performance Technologies: sharper focus on premium/technology benefiting mix; raw material price increases recovered

Constant currency

# Continued profit progress across Core Business

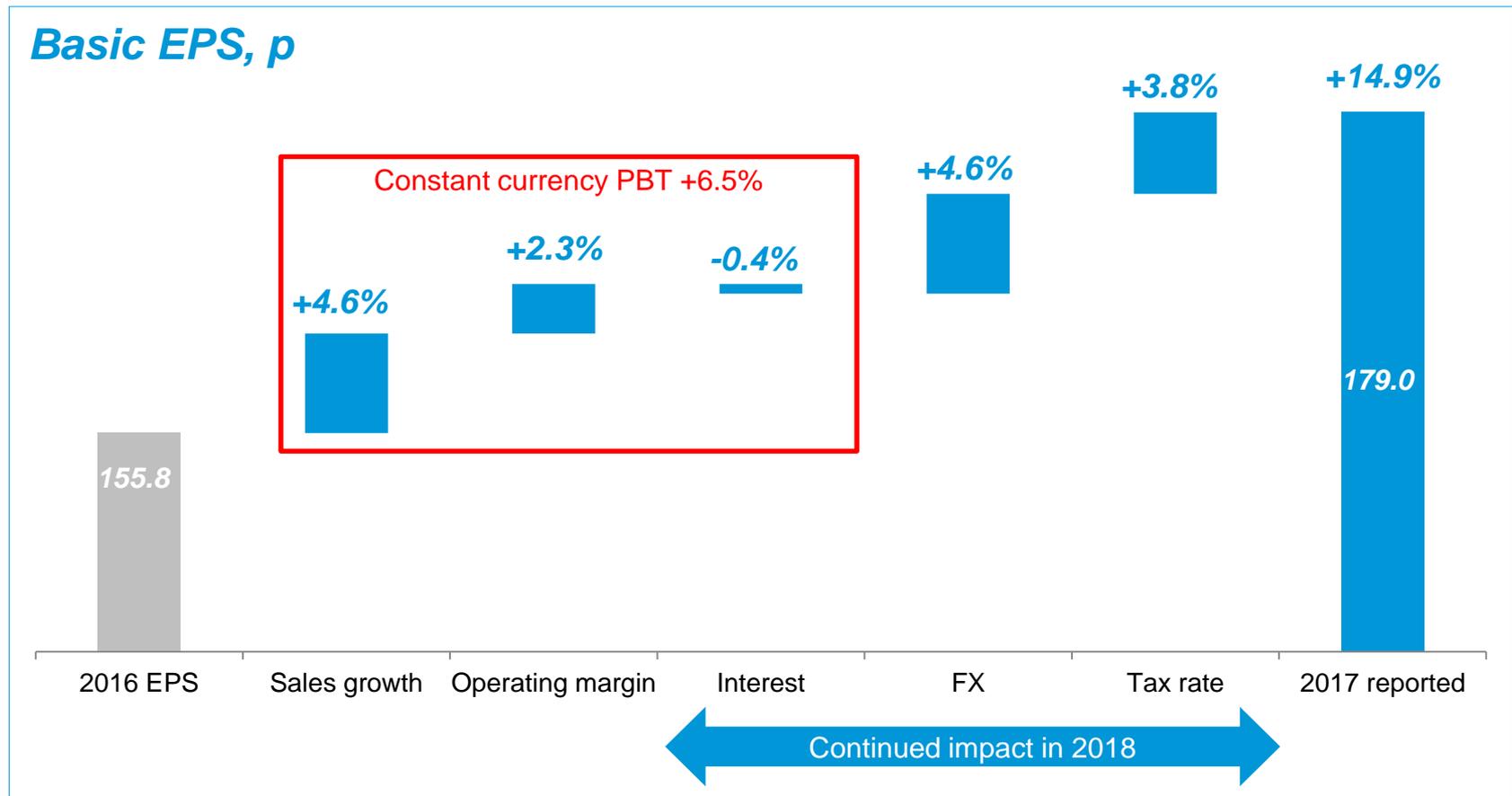
## *Growth in operating profit*



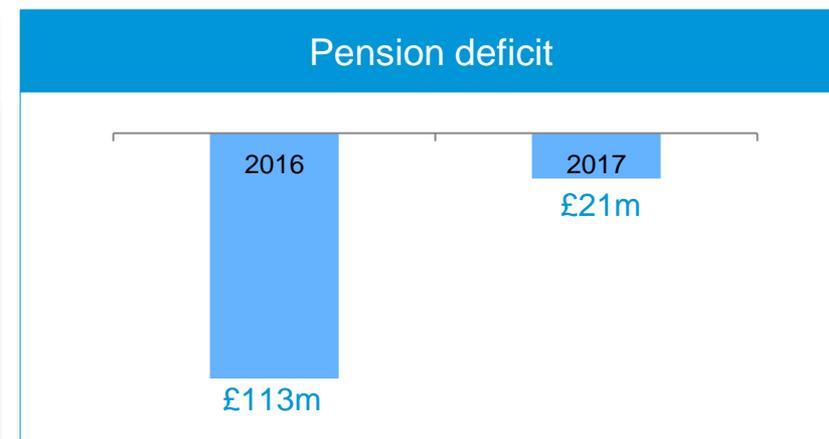
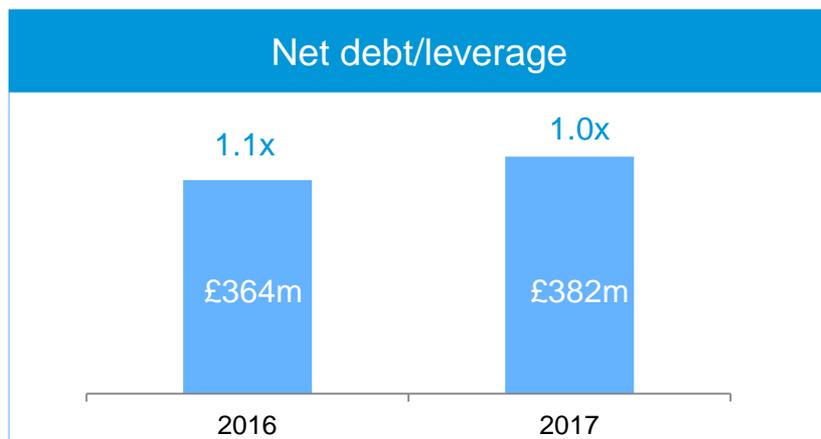
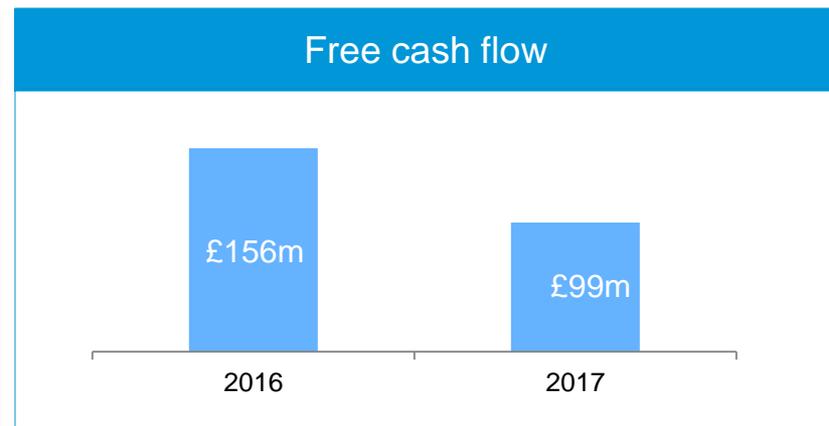
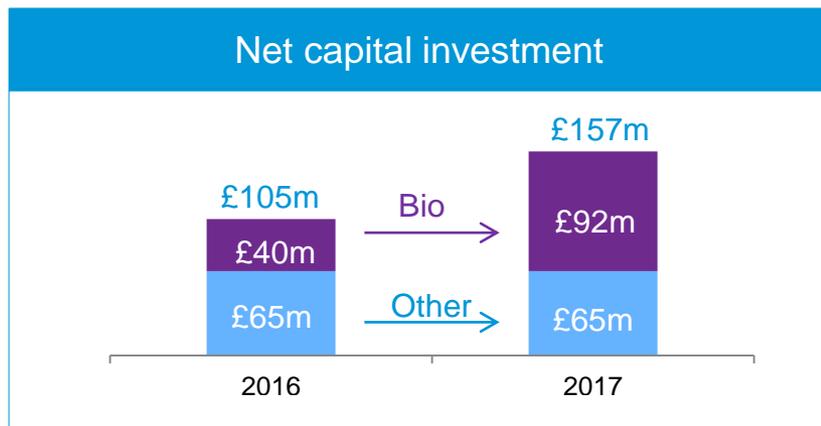
Percentage growth in constant currency, absolute growth in reported currency

Group includes Industrial Chemicals sector

# Excellent EPS growth driven by underlying performance, currency & tax



# Robust financial platform for future growth & returns



Leverage: Net debt / EBITDA. Net debt, EBITDA and free cash flow are defined in Results Press Release – Finance Review  
 Pension deficit on IAS19 basis

# Strategy continuing to deliver



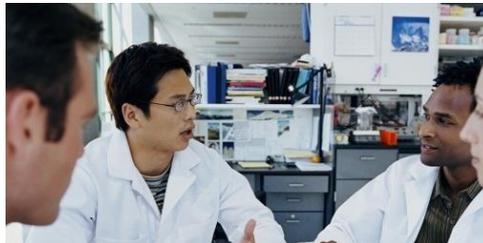
Innovation you can build on™

**CRODA**

# With *stronger, faster & smarter* investments



Premium Niches



R&D



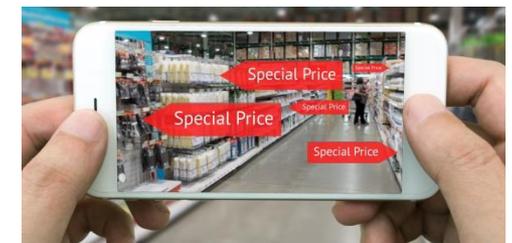
Smart Partnering



Technology acquisitions



Sustainability



Digitalisation

Stretching our growth plans across our 3 core sectors

# Targeting *stronger* growth in Premium Niches

## 'Flight to Premium' in Personal Care

Anti-wrinkle



Matrixyl™

Sun protection



Solaveil™

Curl retention



Volarest™

Hair straightening



Kereffect™

## 'Flight to Performance' in Life Sciences & Performance Technologies

Drift reduction



Aplus™

Yield increase



Disco™

Injectables



Tween™

Sterile coatings



MyCroFence™

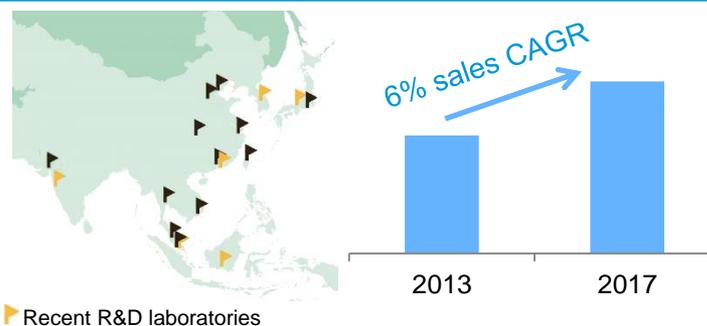
A relentless focus on innovation

# Supported by *stronger* investment in R&D

## Five successive years of NPP growth



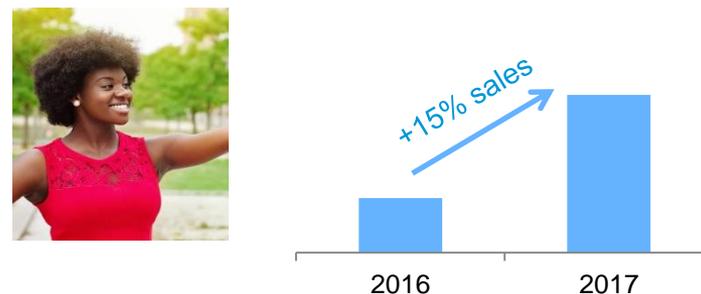
## Getting closer to our customers in Asia



## Expanded new R&D capabilities



## Understanding local needs in South Africa



NPP values as % of Group sales. Sales growth in constant currency.

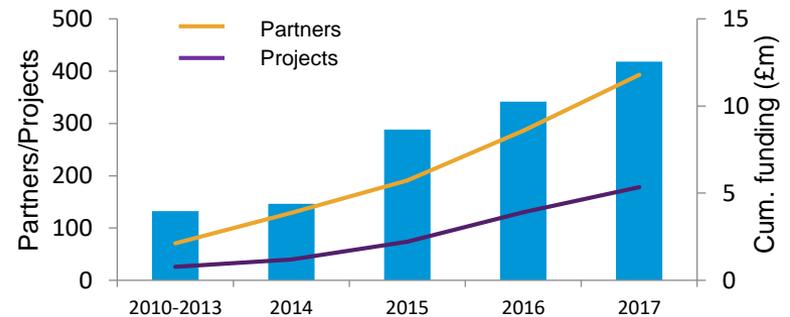
# With *faster* investment through Smart Partnering

## Colour Cosmetics



- New exclusive partnership
- Fast paced niche sector
- Innovative special effect pigments

## Accelerating open innovation



## Premium skin care



- Acquired Nautilus:
- Open innovation relationship
  - Many new products
  - Access to unique marine microbial library

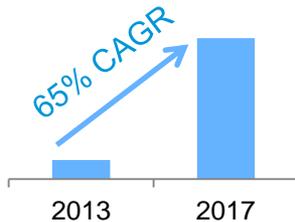
## Premium home care



- Partnering with Itaconix
- Many active projects
- Fast growing niche – odour neutralising

# And *faster* investment in Disruptive Technology acquisitions

## Strong sales growth in new technologies



- IRB
- Biotechnology
- Incotec
- Inventiva
- J D Horizons

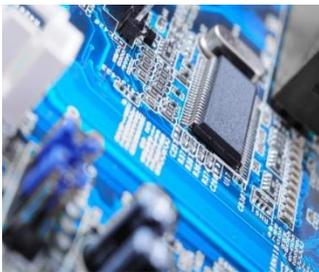
## Enza



enza  
biotech

- Novel surfactants
- Sugar based chemistry
- Patent-rich

## IonPhasE



- Market leader
- Fast growing technology trend
- Electrostatic protection

## Accelerating technology M&A

- Identified more technology platforms
- Targeting 4 – 5 new pa
- IP-rich, specialised knowledge
- Accelerate sales through global access

Sales in constant currency.

# With a *smarter* sustainability story

## Award winning ECO product range



- 100% bio-based
- 100% renewable
- Lower carbon footprint
- USDA BioPreferred programme

## Creating many new niches



## Extensive marketing campaign



- Global brands
- 7,000 customer / product combinations
- c40% of recent skin and hair product launches contain alkoxylates

## Customers' interest growing



Company logos sourced from corporate websites

# And *smarter* new digital investments

## New digital ecosystems



### Cutitronics

- 25% investment
- High-tech digital technology
- Optimum delivery of skin care

## Rapid formulation screening



### Materials Innovation Factory

- State of the art facility
- Robotics
- Fast screening
- Agile R&D

## Digitally enabled for new customers



### Indies

- Virtual
- Agile
- Technology & data hungry

## Creating a digital presence



- New customer experience
- Chief Digital Officer
- Agile software engineering

Digital – New differentiator creating many opportunities

# Strong platform to deliver growth

## Investing

- In fast growth disruptive technologies
- In R&D
- In digital and manufacturing capability
- In our people

## Outlook

- Good momentum
- Consistent top and bottom line growth
- Deliver continued progress

# Additional material

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# H1 /H2 sales analysis

£m	H1 2017	H2 2017	FY 2017
Personal Care	238.3	228.3	466.6
Life Sciences	162.4	160.2	322.6
Performance Technologies	239.9	217.0	456.9
<b>Core Business</b>	640.6	605.5	1,246.1
Industrial Chemicals	66.7	60.3	127.0
<b>Group</b>	707.3	665.8	1,373.1

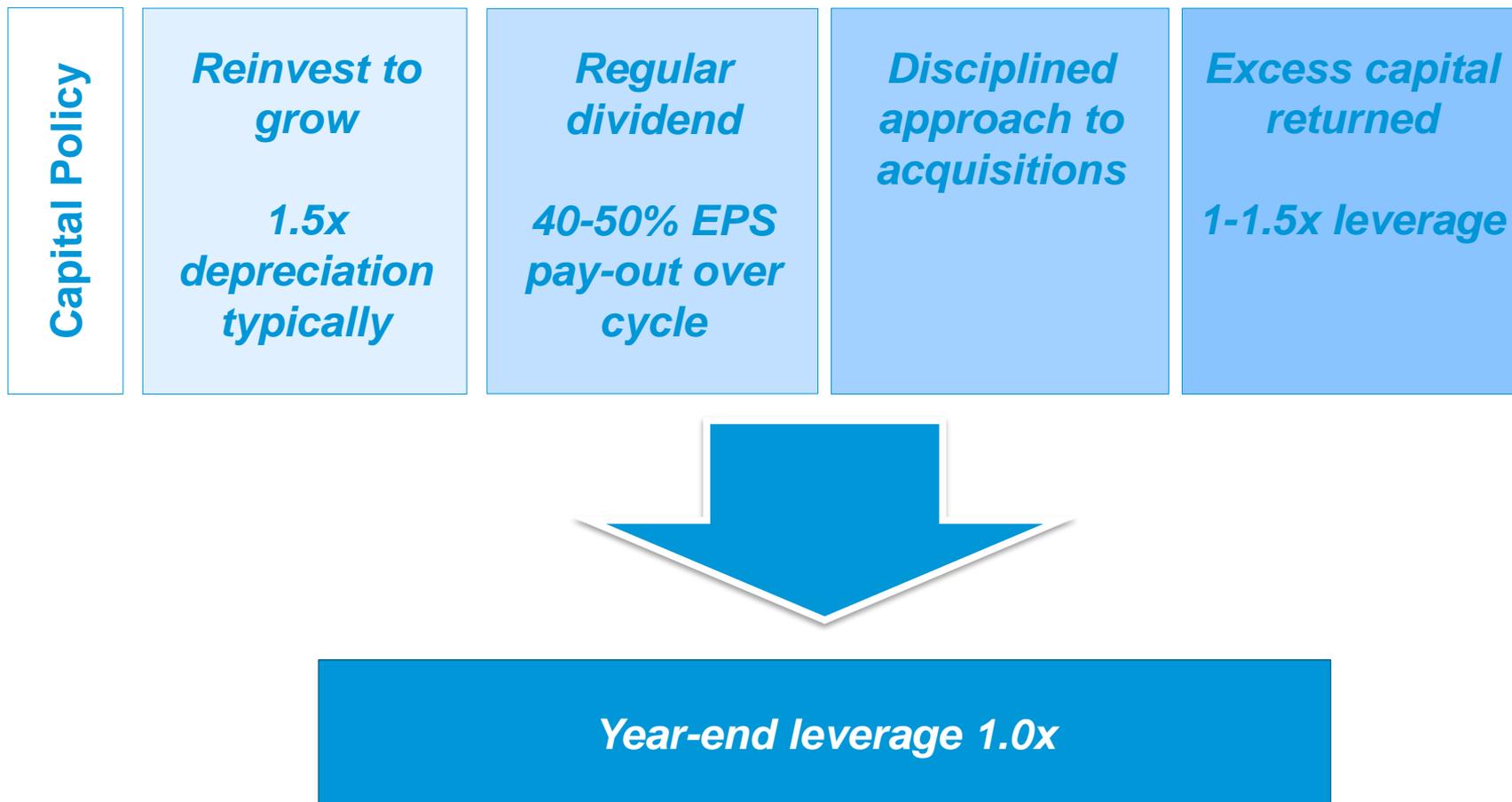
# H1 / H2 operating profit analysis

	H1 2017	H2 2017	FY 2017	FY 2016
<b>Operating profit (£m):</b>				
Personal Care	82.6	72.9	155.5	143.1
Life Sciences	49.3	47.7	97.0	82.0
Performance Technologies	40.9	34.5	75.4	66.6
<b>Core Business</b>	172.8	155.1	327.9	291.7
Industrial Chemicals	3.0	1.3	4.3	6.5
<b>Group</b>	175.8	156.4	332.2	298.2
<b>Return on sales (%):</b>				
Personal Care	34.7	31.9	33.3	34.0
Life Sciences	30.4	29.8	30.1	28.1
Performance Technologies	17.0	15.9	16.5	16.4
<b>Core Business</b>	27.0	25.6	26.3	26.1
Industrial Chemicals	4.5	2.2	3.4	5.2
<b>Group</b>	24.9	23.5	24.2	24.0

# Retirement benefit deficit (IAS 19 basis)

£m	2017	2016
Market value of assets	1,304.8	1,229.4
Value of liabilities	(1,335.3)	(1,375.9)
<b>Deficit pre tax</b>	<b>(30.5)</b>	<b>(146.5)</b>
Deferred tax	9.4	33.8
<b>Deficit post tax</b>	<b>(21.1)</b>	<b>(112.7)</b>

# Capital allocation model



Leverage excludes retirement benefit deficit

# Currency sensitivity

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- Currency translation profit impact:
  - \$1 cent = +/- £0.9m (2017 average: \$1.29)
  - €1 cent = +/- £0.6m (2017 average: €1.14)