
Croda International Plc 2018 Full Year Results

February 2019

Cautionary statement and definitions

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.

Adjusted results

Unless otherwise stated, all performance data refers to **adjusted** results. These are stated before exceptional items (including discontinued business costs), acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each half year and full year results.

Constant currency results

All data is at **reported currency** rates unless otherwise stated. Reported currency results reflect current year performance translated at reported rates (actual average exchange rates). Constant currency results reflect current year performance for existing business translated at the prior year's average exchange rates and include the impact of acquisitions. For constant currency profit, translation is performed using the entity reporting currency. For constant currency sales, local currency sales are translated into the most relevant functional currency of the destination country of sale (for example, sales in Latin America are primarily made in US dollars, which is therefore used as the functional currency). Sales in functional currency are then translated into Sterling using the prior year's average rates for the corresponding period. Constant currency results are reconciled to reported results in the Finance Review.

Non-statutory terms are defined in the 'Alternative Performance Measures' section of the Finance Review in the Full Year Results Statement. The Core Business comprises Personal Care, Life Sciences and Performance Technologies.

Our Performance



Steve Fouts – Group Chief Executive

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2018 Full year results

Performance Highlights

		Strategy Delivery
Sales	Top line momentum continues	✓
Margin	Greater innovation driving increased margin	✓
Profit	Growing faster than sales	✓
Cash generation	Improved free cash flow	✓
Acquisition	BioSector expands high value Health Care	✓
Shareholder returns	Special dividend - £150m	✓

Delivering sustained sales and profit growth

Continued top line momentum

Reported currency sales
Group

+1.0%

+3.8%

Constant currency sales
Core Business

'Value over volume'

Return on sales

24.7%

+50 bps

Year on year change

Strong EPS growth

Basic EPS

190.2p

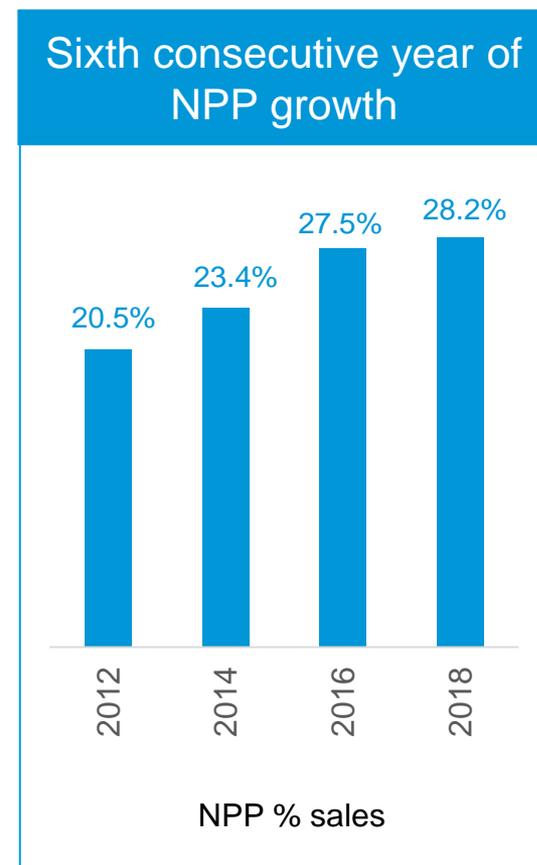
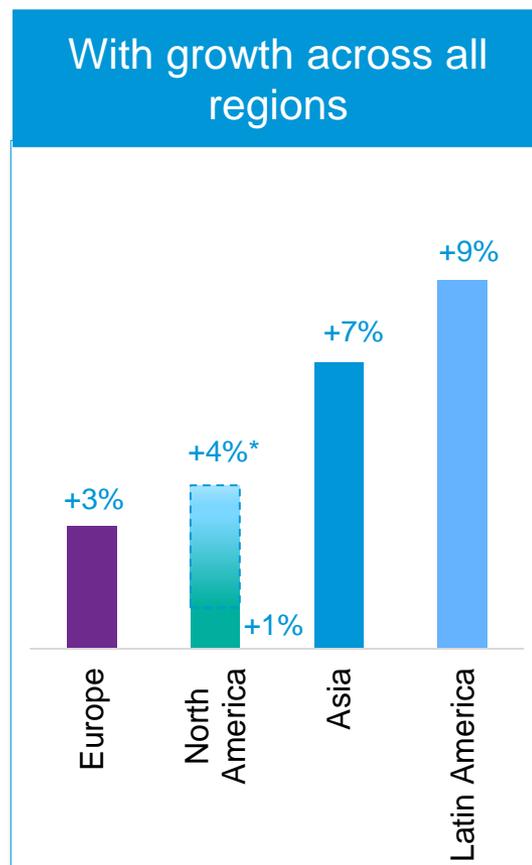
+8.8%

EPS growth
constant currency

A strong business getting stronger

Return on sales is adjusted operating profit divided by sales, at reported currency

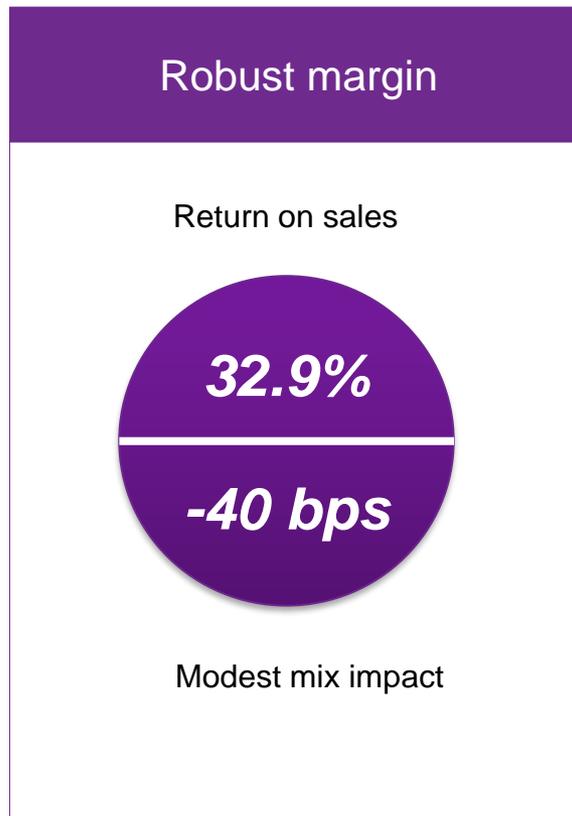
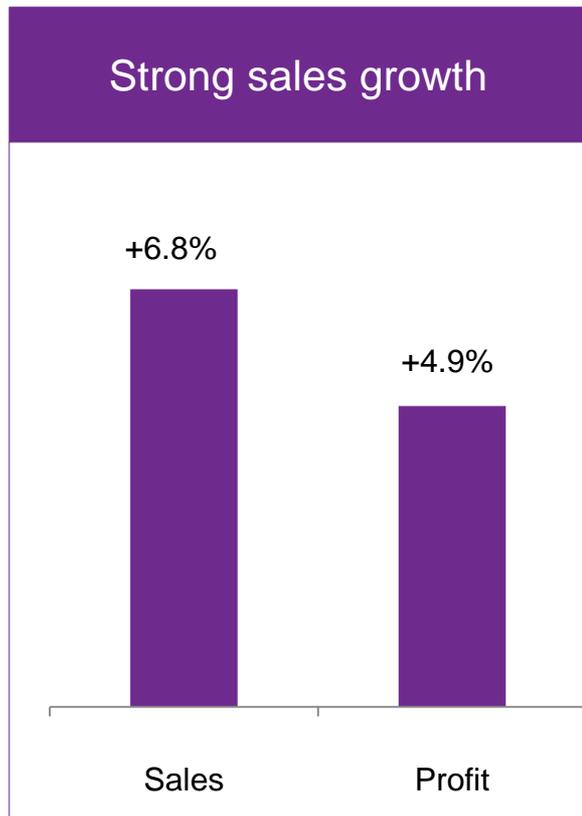
Consistent top line momentum



Constant currency
*Excluding API exit

Personal Care

Strong sales growth & robust margin



Growth in all 3 businesses

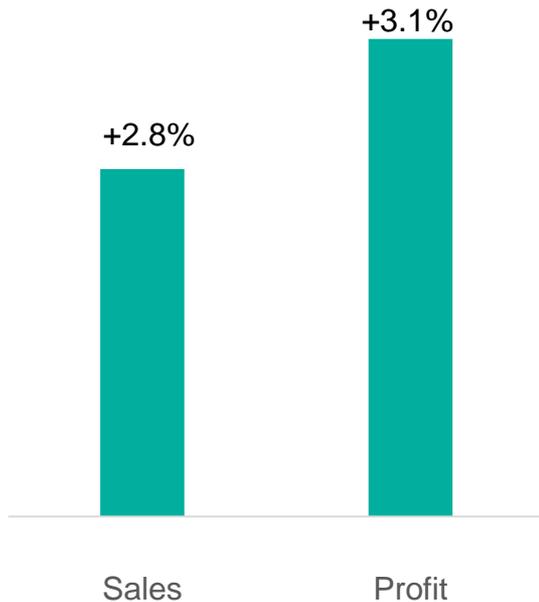
Grow the Core	<ul style="list-style-type: none">▪ High single digit % growth in Beauty Actives▪ Solid growth in Beauty Effects▪ Improved MNC engagement in Beauty Formulation
Stretch the Growth	<ul style="list-style-type: none">▪ Record NPP sales – 43%▪ Increased technology investment<ul style="list-style-type: none">- Actives- R&D- Biotechnology- Digital

Sales and operating profit growth in constant currency
Return on sales is adjusted operating profit divided by sales, at reported currency

Life Sciences

Fast growth & technology-led acquisitions

Growth driven by strong high purity excipient sales



Strong margin despite Plant Impact investment



Strong growth offsets API exit

Grow the Core

- Health Care sales maintained – API contract exit fully replaced
- Supported by 30% growth in high purity excipients
- Mid single digit % sales growth in Crop Protection

Stretch the Growth

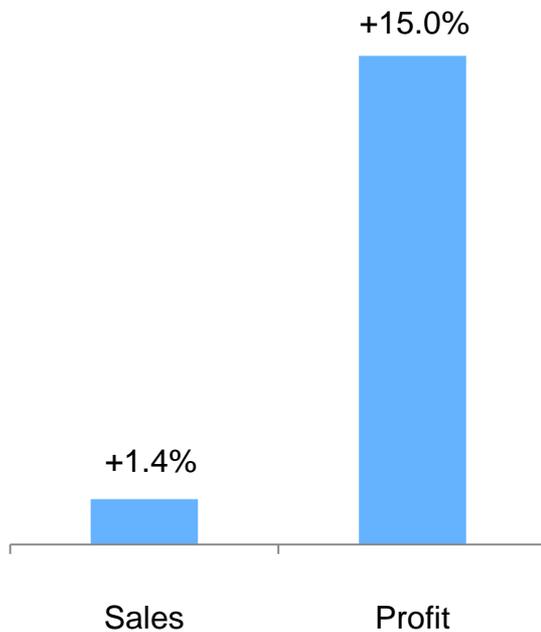
- Biosector establishes access to exciting new Health Care market
- Seed Enhancement profit doubled in 3 years
- Plant Impact acquisition into third Crop market

Sales and operating profit growth in constant currency
 Return on sales is adjusted operating profit divided by sales, at reported currency

Performance Technologies

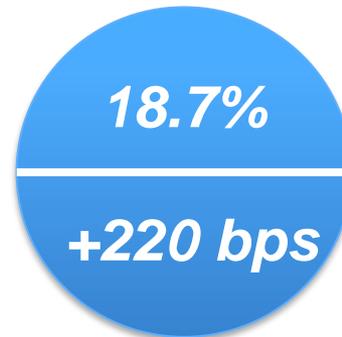
Superior growth in profitability

Third year of double digit % profit growth



Driving 'value over volume'

Return on sales



YOY change

Transition to higher value products

Grow the Core

- Lower margin products exited – volume 8% lower
- Market-leading profitability achieved

Stretch the Growth

- 3 core technology platforms established
- Growth in Energy Technologies – environmentally friendly additives
- IonPhasE integrated

Sales and operating profit growth in constant currency

Return on sales is adjusted operating profit divided by sales, at reported currency

Financial Performance



Jez Maiden – Group Finance Director

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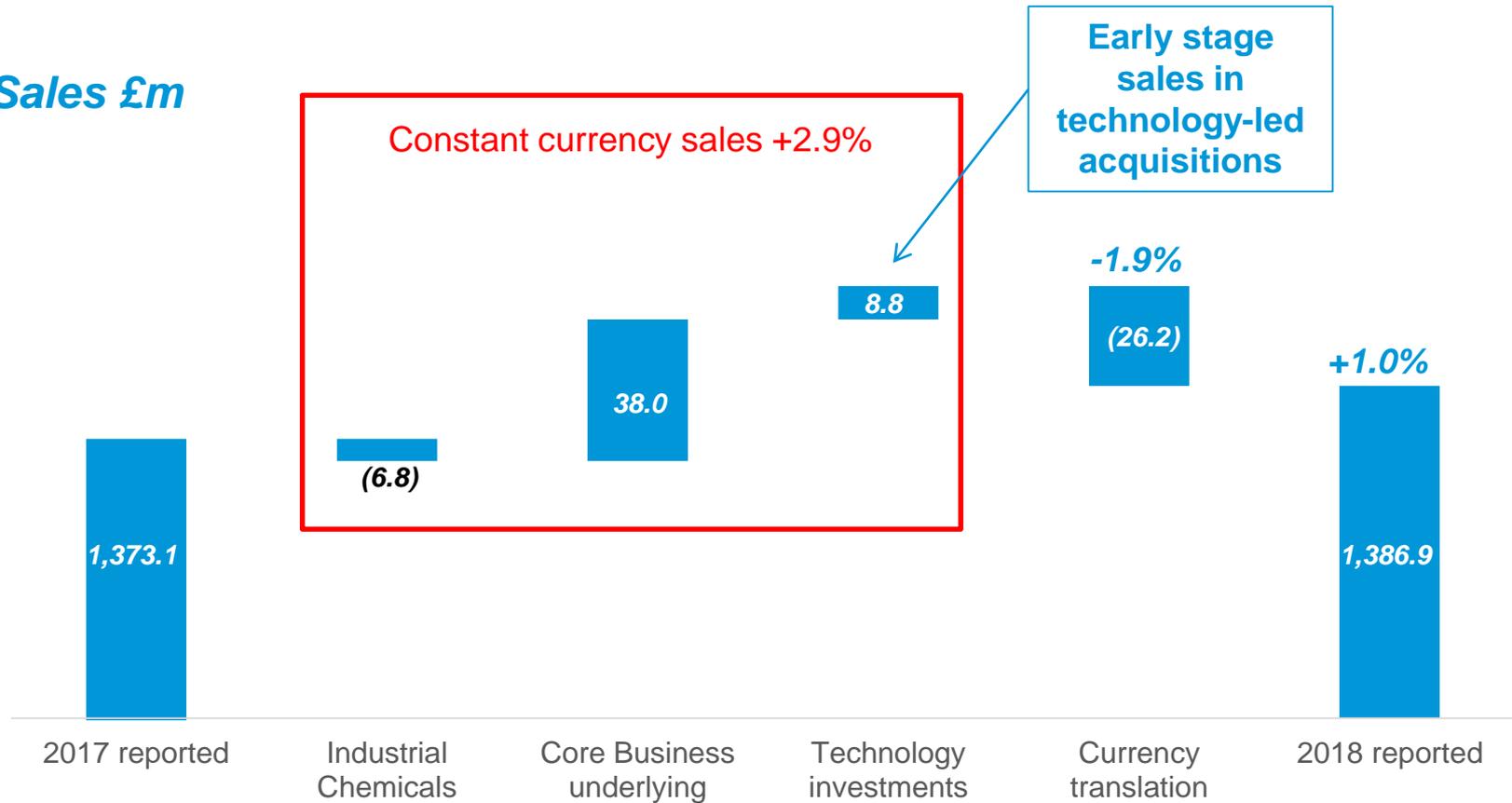
Sustained top and bottom line growth

£m	2018 reported	Reported currency change	Constant currency change
Sales	1,386.9	1.0%	2.9%
Operating profit	342.5	3.1%	5.8%
Net interest	(11.0)	7.6%	5.9%
Profit before tax	331.5	3.5%	6.2%
IFRS profit before tax	317.8	1.2%	
Adjusted EPS	190.2p	6.3%	8.8%
Proposed ordinary dividend	87.0p	7.4%	
Special dividend	115.0p		

Positive percentage indicates favourable variance

Growing the Core

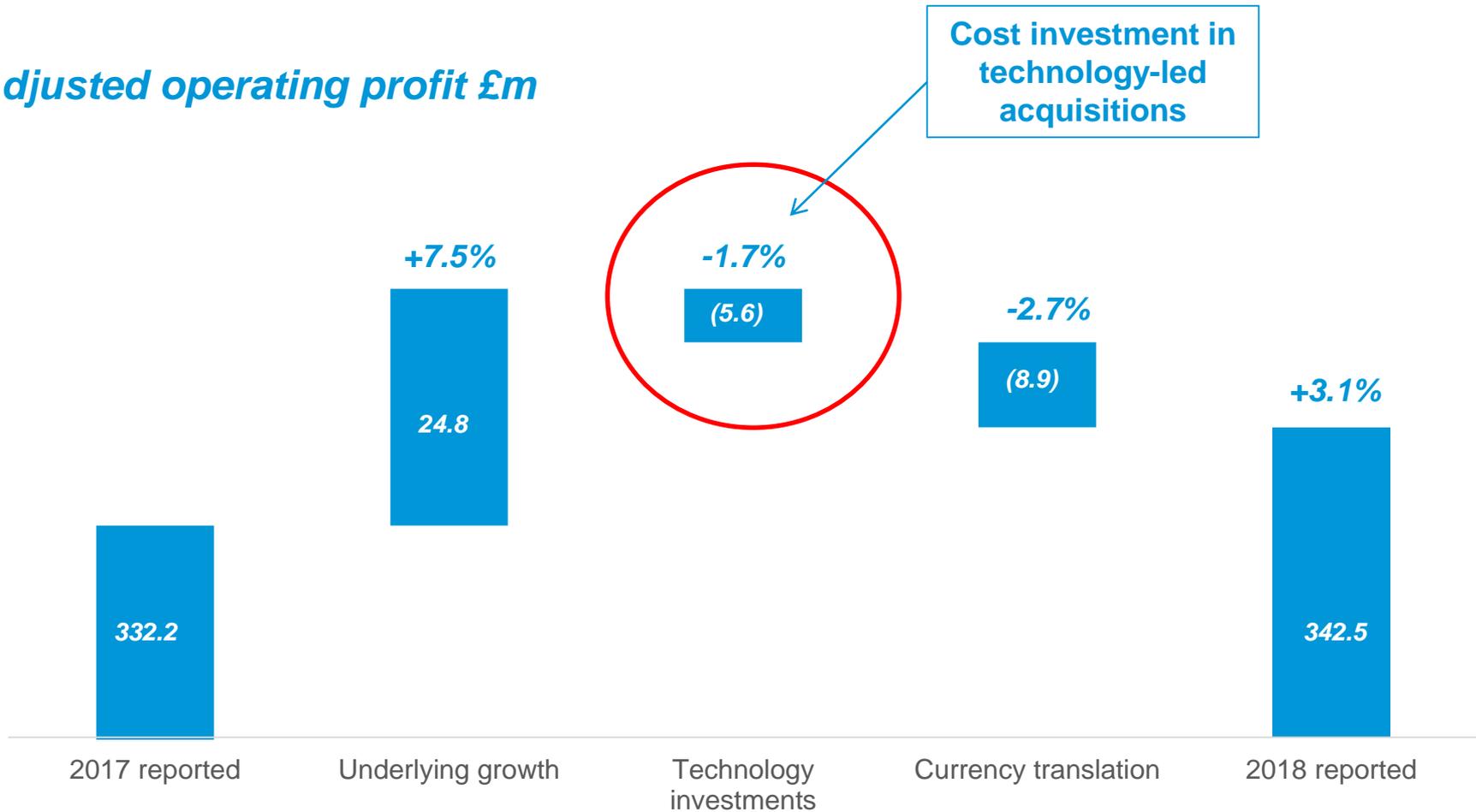
Sales £m



Technology investments are IonPhasE and Plant Impact

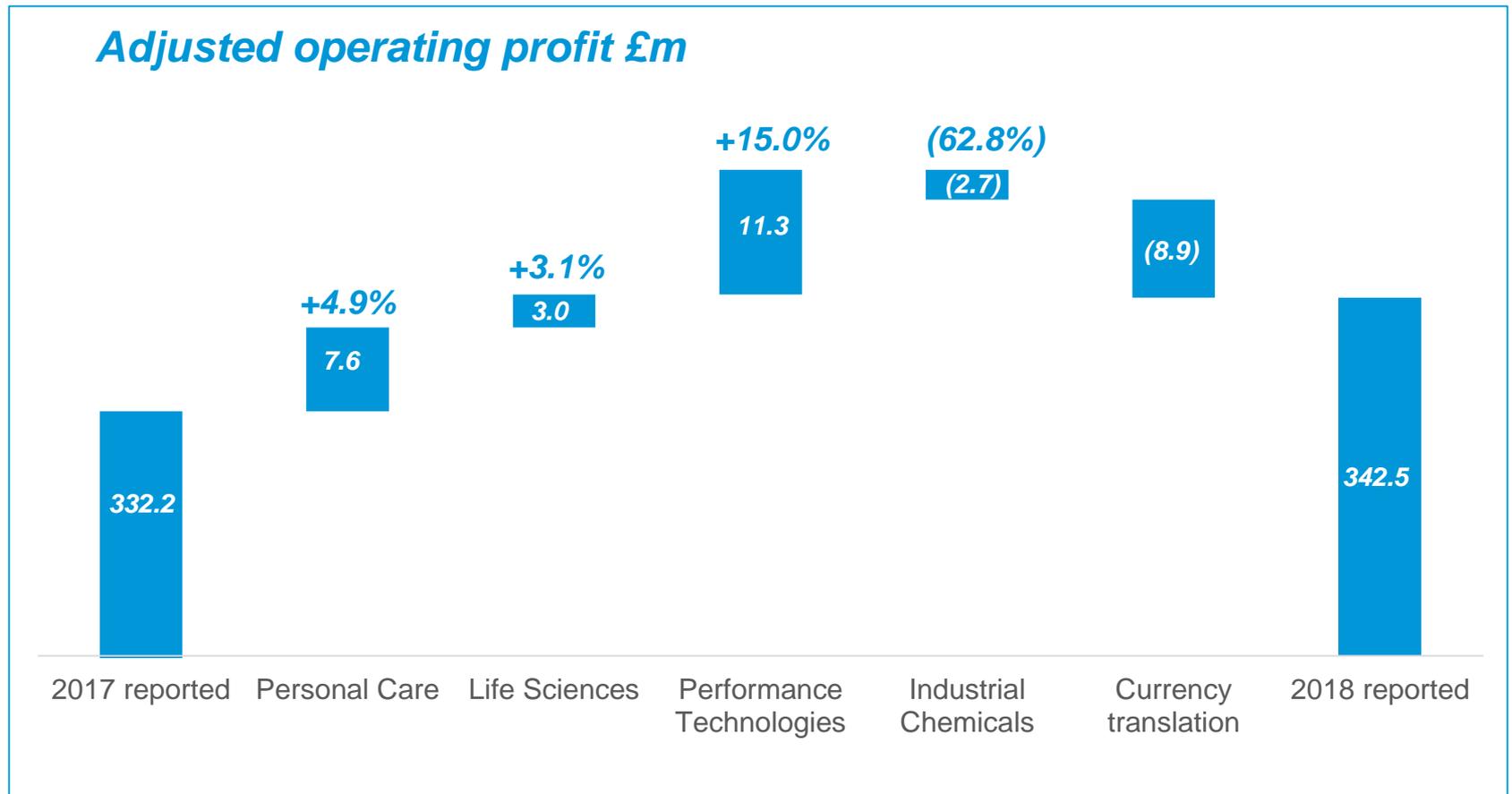
Profit growth ahead of sales growth

Adjusted operating profit £m



Technology investments are IonPhasE, Plant Impact, Nautilus, Cutitronics and SiSaf

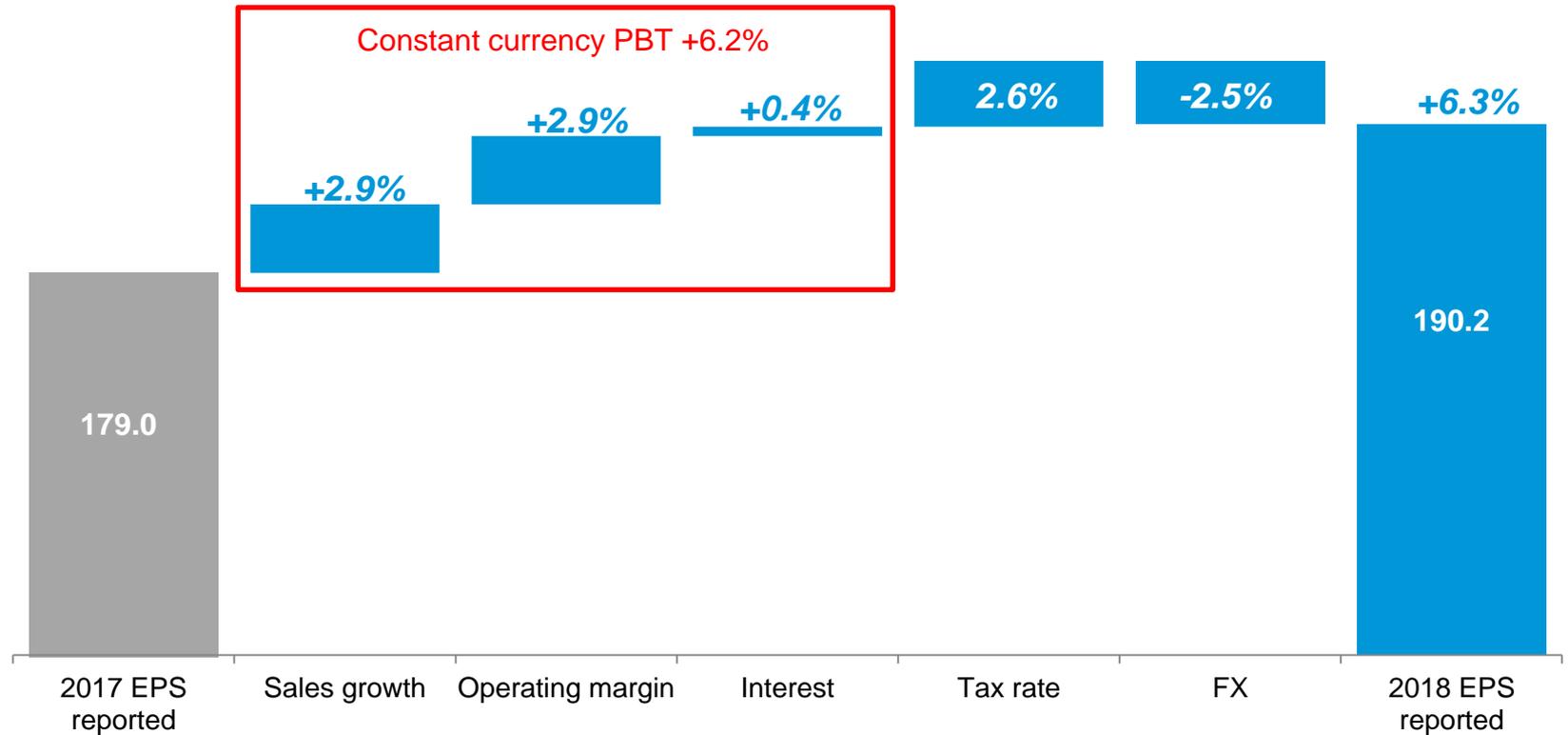
Improved profit across the Core Business



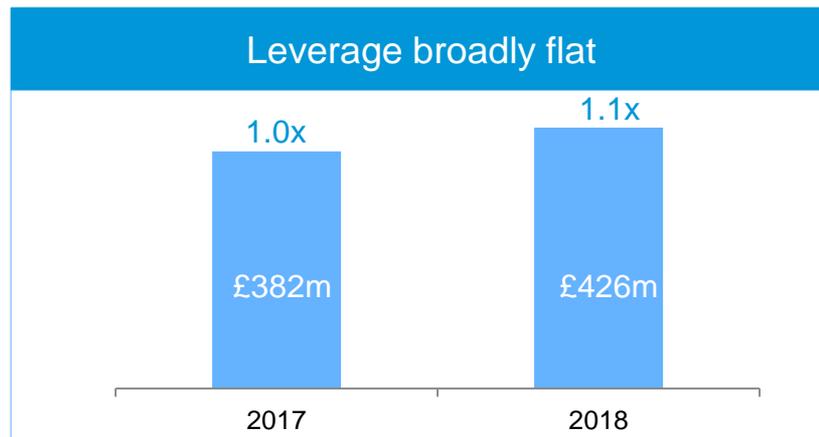
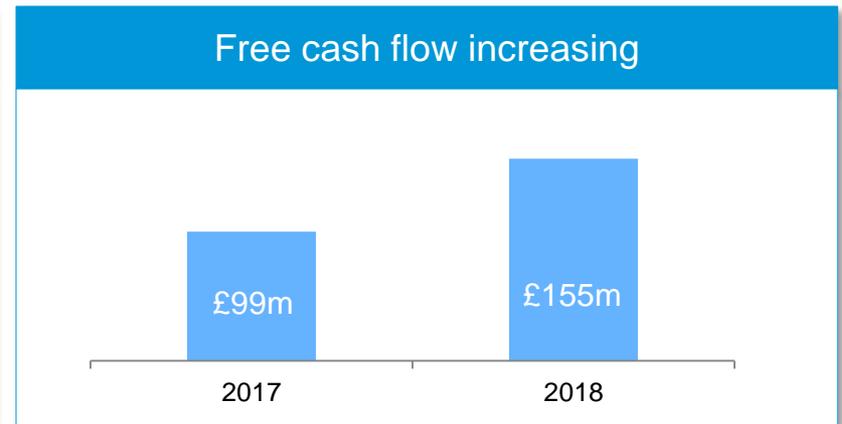
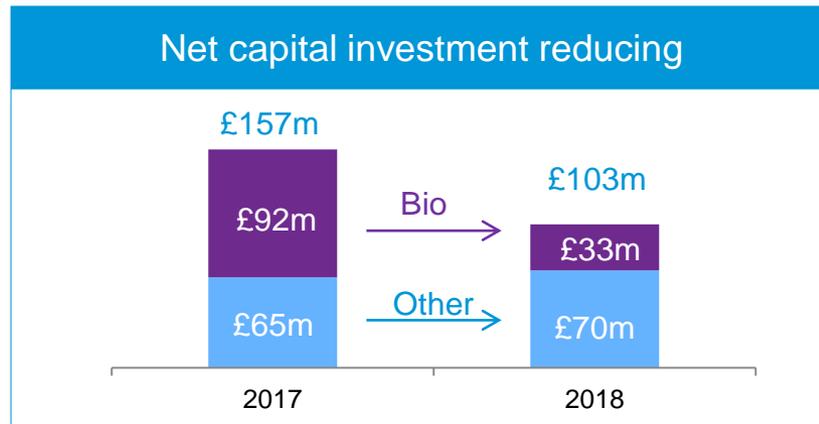
Constant currency

Strong EPS growth driven by sales & margin

Basic EPS, p



Robust financial platform supported by reducing capital investment



Leverage: Net debt / EBITDA. Net debt, EBITDA and free cash flow are defined in Results Press Release (Finance Review)

Pension deficit on IAS19 basis, after tax

Additional financial information

- ECO start up
- Technology investments
- IFRS 16
- Currency translation
 - 2018 average rates: \$1.334/£1, €1.130/£1

Investing for the Future



Stretching the Growth

Relentless innovation



Premium Niches



Sustainability



R&D



Smart Partnering

INVESTING IN INNOVATION



Technology acquisitions



Digitalisation

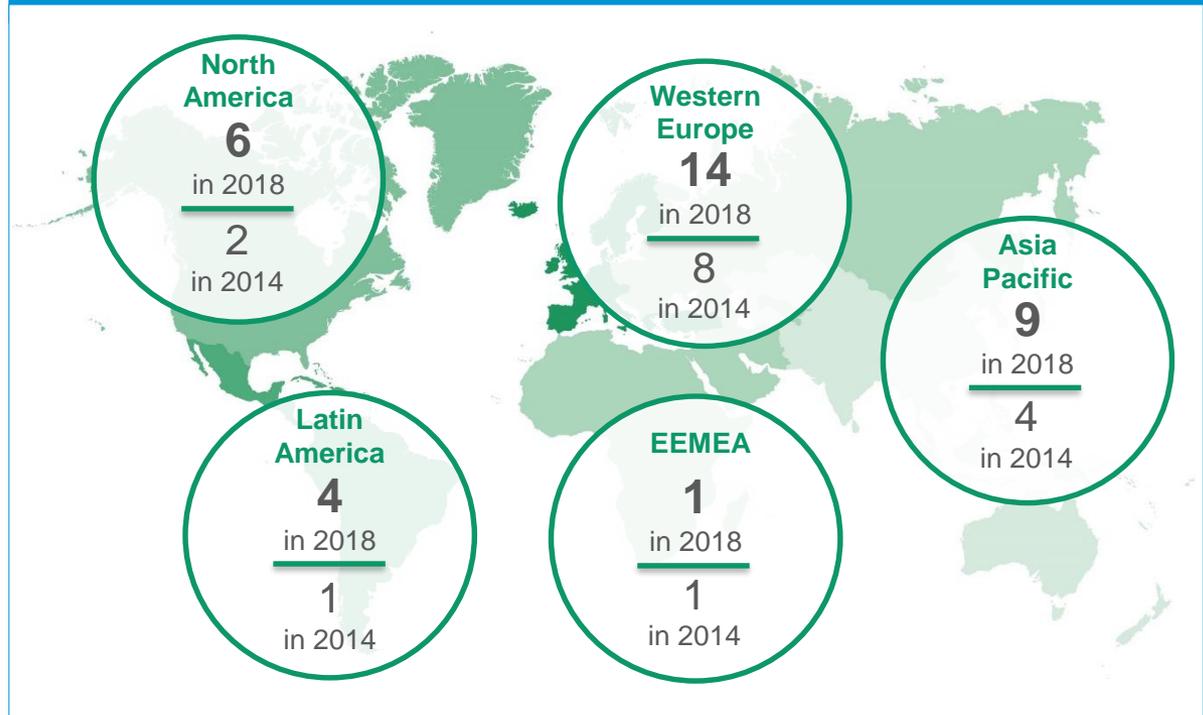
Stretching the Growth across our 3 core sectors

An established, powerful organic R&D model...

Highlights

- Doubled R&D facilities in last 4 years
- Moving closer to customers with local solutions
- 34 laboratories across 17 countries
- Highly co-ordinated R&D network
- Strong innovation pipeline for next 3-5 years

R&D Locations



Accelerating product innovation

...supplemented by a powerful innovation model

Input

Organic R&D

Culture of Innovation



Technology Investment

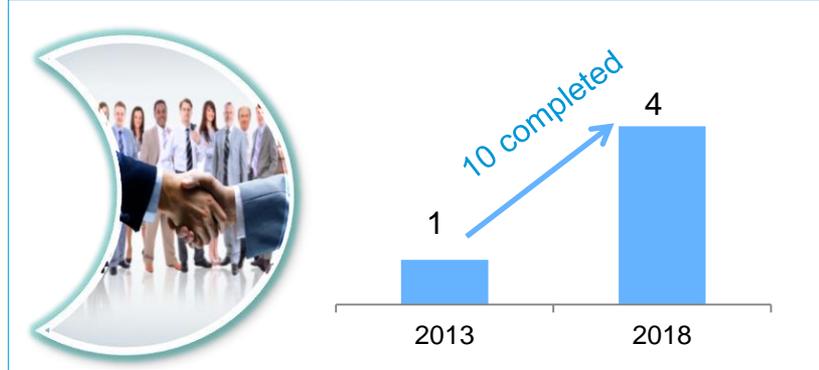
Output

- Growing NPP
- Increased IP
- Higher margins
- Stronger cash generation & returns

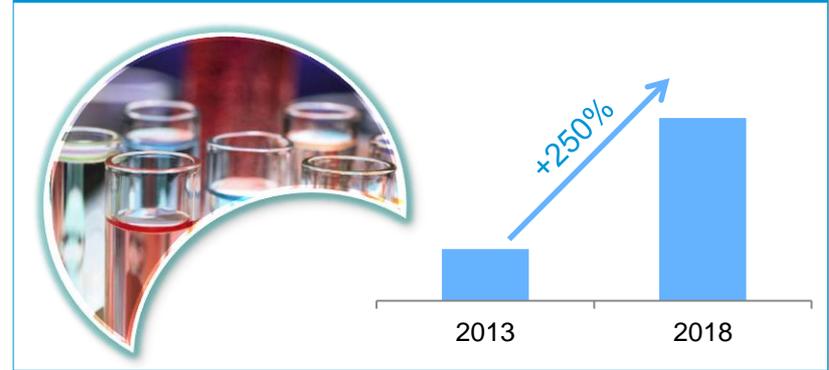
Open Innovation

Croda innovation – keeping a step ahead

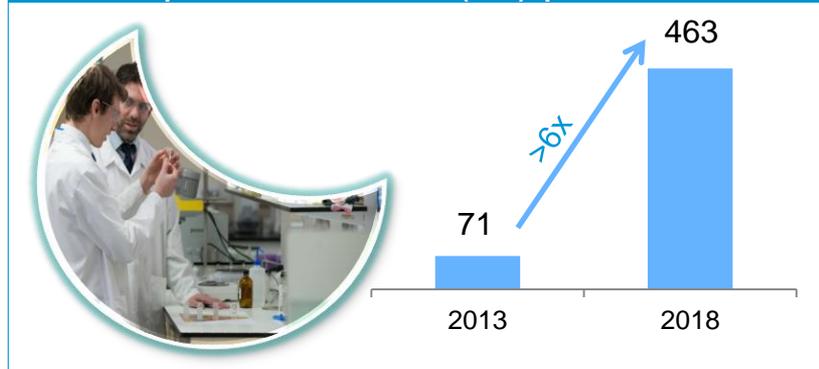
Accelerating number of Technology Investments (TI)



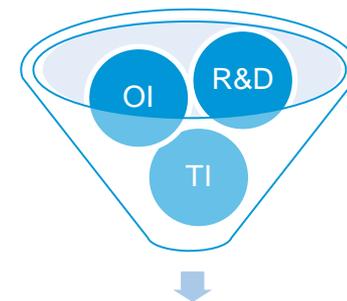
Growing sales from new technologies



Increasing number of Open Innovation (OI) partners



Significant innovation pipeline



>20% current sales*

*Management's estimated value of current innovation pipeline on a risk-adjusted basis over the next 3 to 5 years
Sales from "new technologies" are from technology investments (excl. Incotec) and technology platforms created organically

Innovation in Personal Care

Accelerating in premium market niches

Organic growth - Crystalide™



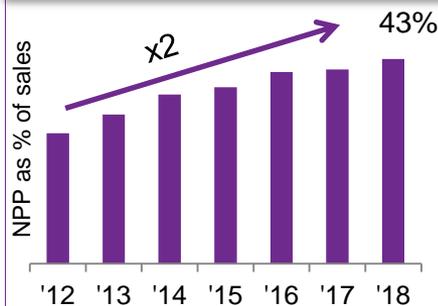
- Preserves skin transparency
- Improves skin surface quality

Infraveil™ IR protection



- Patented new infra-red ageing protection
- Independently validated by recognised experts

Doubling NPP sales in six years



- Skin and hair actives
- Plant cell culture
- Sun care actives
- Biotechnology

Closer to customers in Japan

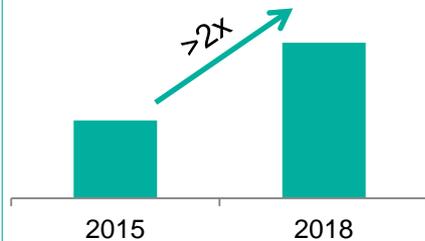


- 80% increase in customer contact
- 120% increase in customer projects
- 21% sales growth in 2018

Innovation in Life Sciences

Investing in high value niches

Incotec profit doubled since acquisition



- Invested in technology & manufacturing
- Acquired technology synergies delivered
- Seed enhancement products gaining new customers

Creating global R&D scale in Crop



- Mid-single digit sales growth
- Expansion in USA, Latam and Asia
- Plant Impact entry to biostimulants market

Fast growth in high purity excipients



- 30% increase in sales in 2018
- Doubling manufacturing in USA
- Investing in new purification technology

Biosector vaccine adjuvant specialist



- Extension to fast growth excipient portfolio
- Human vaccine market 9.0% CAGR
- Veterinary vaccine market 5.5% CAGR

CAGRs are 2018 - 2025

Innovation in Performance Technologies

Improved performance through value add

Introducing sustainable fabric protection



- Superior performance - delivers colour protection, softness & odour control
- Extends fabric life
- Renewable ingredient

Building in fast growth Smart Materials



- Success in electronic adhesives & coatings
- Speciality additives in high value niches
- Will drive stronger NPP growth

Shifting focus in Energy Technologies



- Investment in people & capability
- Speciality additives in high value niches – lower CO2 emissions
- New lubricant testing laboratory in Singapore

Growing our Flow Assurance acquisition



- Sales increased 300% since acquisition
- Strong NPP growth
- Closer to customers with Texas laboratory

Innovation through Digital

Adapting to evolving customer needs



- New services – eg CutiTron™ device
- Precision agriculture collaborations
- Big data supporting field trials

Connecting with new customers



- Creating new channels to market
- Connecting with customers – ingredient data on demand
- Single customer view

Accelerating new product development



- Computerised molecule synthesis
- High throughput screening at MIF & Nautilus
- Better knowledge management/sharing

Delivering with certainty



- Optimising our supply chain
- Improving availability and reducing working capital
- AI in manufacturing

Innovation is delivering returns

Accelerating Innovation

6

Successive years of NPP growth

>6x

Increase in number of technology partners since 2013

10.4x

R&D ROI for every £1 invested in R&D

2,000

New customers in last 2 years

Increasing IP

66%

Increase in number of patents granted in last 2 years

450%

Increase in number of open innovation projects since 2014

£218m

Invested in last 4 years in technology-led acquisitions

>£100m

New sales from technology-led platforms since 2012

Driving industry leading margins and strong cash generation

Outlook



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Confident outlook

Summary

- Delivering strong performance
- Sales and profit growth in all three core sectors
- Investing in Stretching the Growth
- Excess capital returned

Outlook

- Continue to invest for the future
- Improving free cash flow
- Further progress expected in 2019

Additional material



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H1 / H2 sales analysis

£m	H1 2018	H2 2018	FY 2018
Personal Care	247.7	240.1	487.8
Life Sciences	158.6	165.9	324.5
Performance Technologies	235.9	220.5	456.4
Core Business	642.2	626.5	1,268.7
Industrial Chemicals	60.6	57.6	118.2
Group	702.8	684.1	1,386.9
% change	H1 2018	H2 2018	FY 2018
Personal Care	3.9	5.2	4.5
Life Sciences	(2.3)	3.6	0.6
Performance Technologies	(1.7)	1.6	(0.1)
Core Business	0.2	3.5	1.8
Industrial Chemicals	(9.1)	(4.5)	(6.9)
Group	(0.6)	2.3	1.0

H1 / H2 operating profit analysis

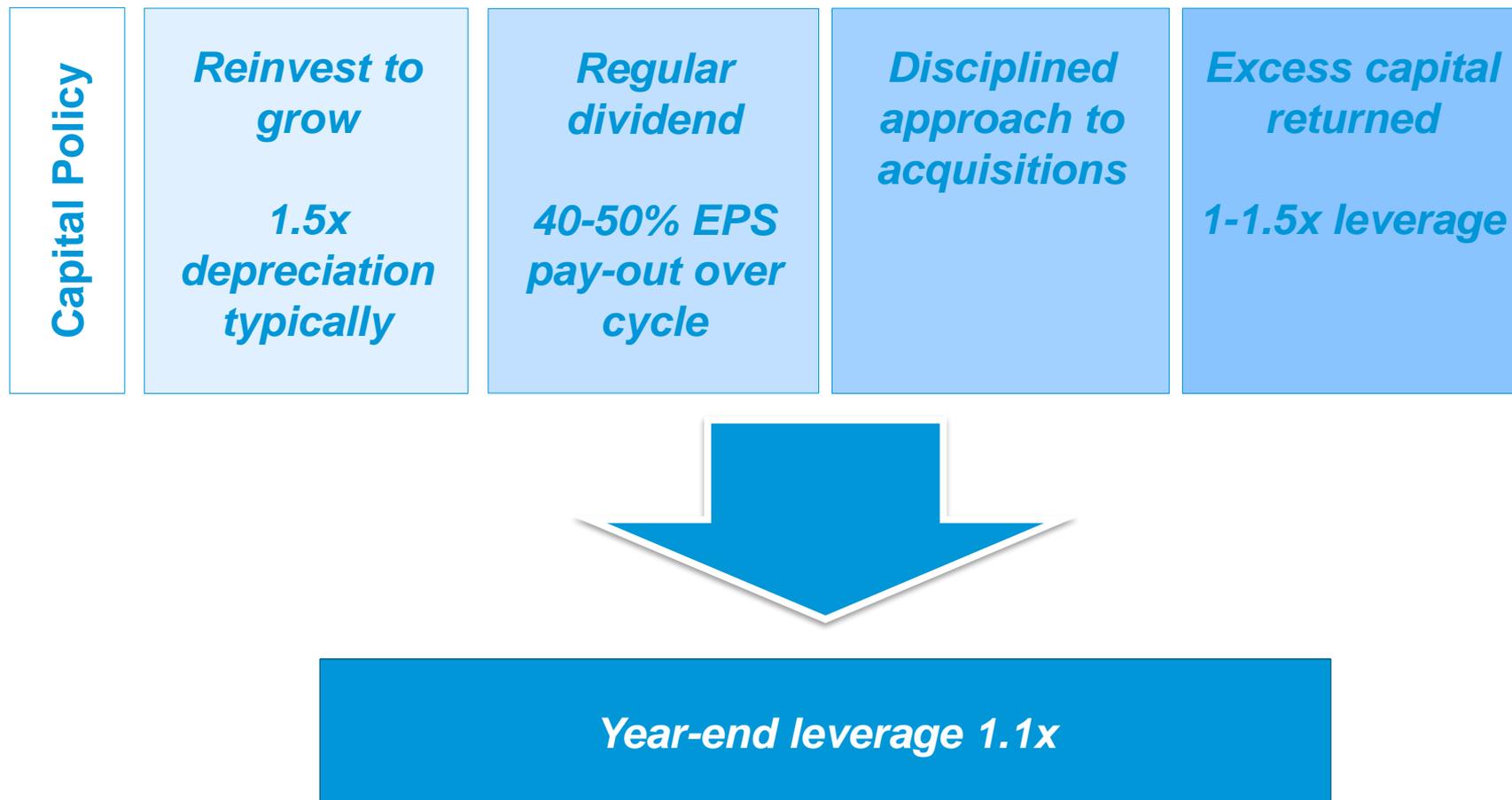
	H1 2018	H2 2018	FY 2018	FY 2017
Operating profit (£m):				
Personal Care	84.4	75.9	160.3	155.5
Life Sciences	47.4	48.4	95.8	97.0
Performance Technologies	45.6	39.6	85.2	75.4
Core Business	177.4	163.9	341.3	327.9
Industrial Chemicals	1.1	0.1	1.2	4.3
Group	178.5	164.0	342.5	332.2
Return on sales (%):				
Personal Care	34.1	31.6	32.9	33.3
Life Sciences	29.9	29.2	29.5	30.1
Performance Technologies	19.3	18.0	18.7	16.5
Core Business	27.6	26.2	26.9	26.3
Industrial Chemicals	1.8	0.2	1.0	3.4
Group	25.4	24.0	24.7	24.2

Return on sales is adjusted operating profit divided by sales, at reported currency

Retirement benefit deficit (IAS 19 basis)

£m	2018	2017
Market value of assets	1,272.7	1,304.8
Value of liabilities	(1,291.2)	(1,335.3)
Deficit pre tax	(18.5)	(30.5)
Deferred tax	6.1	9.4
Deficit post tax	(12.4)	(21.1)

Capital allocation model



Leverage excludes retirement benefit deficit