

24 July 2019

Croda International Plc 2019 Half Year Results



Disclaimer & 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 in constant currency. Adjusted results are stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation 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

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.

Non-statutory terms are defined in the 'Alternative Performance Measures' section of the Finance Review in the Half Year Results Statement.

The Core Business comprises Personal Care, Life Sciences and Performance Technologies.

Our performance

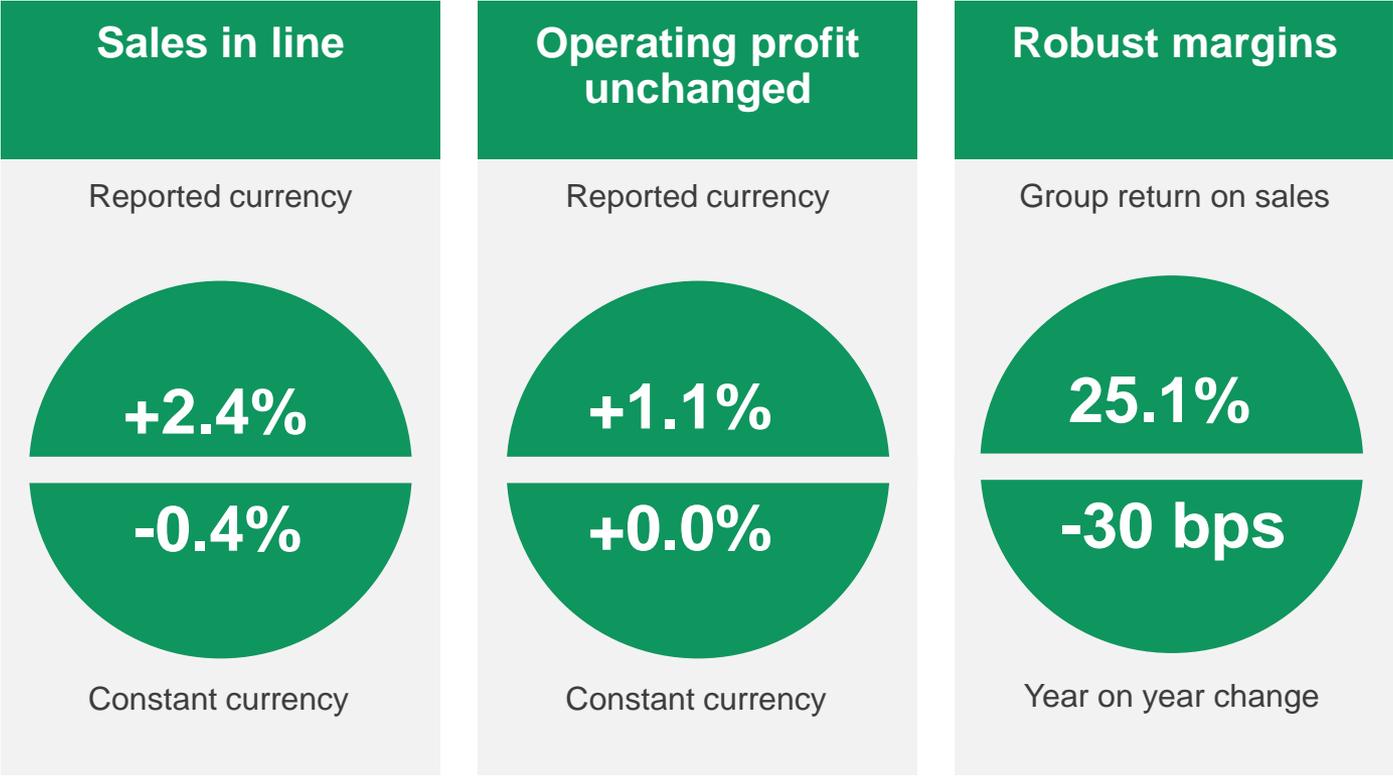


Steve Fouts – Group Chief Executive

Resilient performance despite subdued market conditions

- Core Business sales in line with prior year, despite subdued market conditions & strong comparator
- Operating profit unchanged, with stronger gross margin
- Profit before tax slightly lower, due to higher interest charge
- Improving cash generation – free cash flow up > 50%
- Healthy innovation pipeline – NPP sales increased to 28.3%

Core Business sales & operating profit unchanged



Continued progress in most consumer markets

Return on sales at reported currency

External factors impacting first half performance

External factors



US / China trade dispute

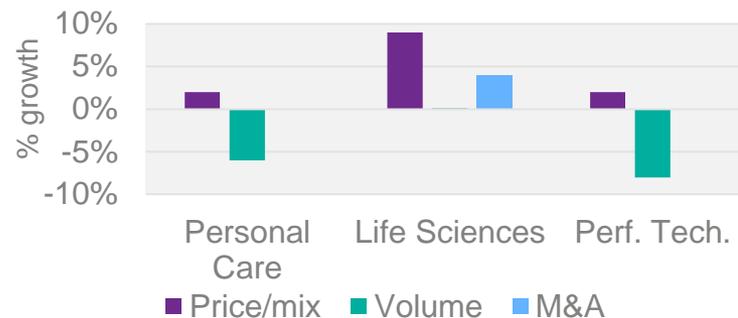


China Daigou legislation

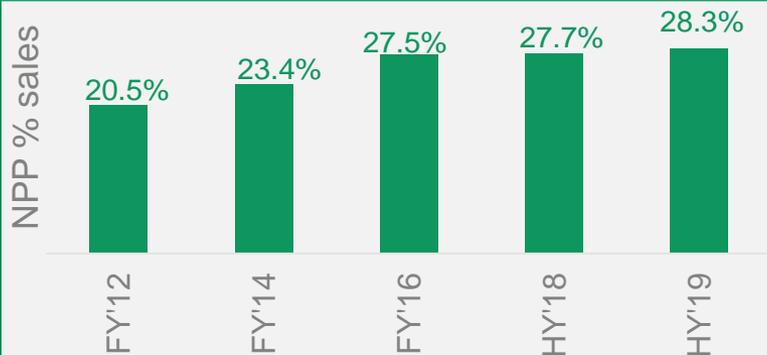


Automotive slowdown

Strong price/mix effect



Innovation stronger than ever



Increasing customer engagement

| | '19 v '18 |
|----------------------|-----------|
| NPP pipeline | ✓ ✓ ✓ |
| Sample enquiries | ✓ ✓ ✓ |
| No. of projects | ✓ ✓ ✓ |
| Product launches | ✓ ✓ ✓ |
| Customer interaction | ✓ ✓ ✓ |

Financial performance



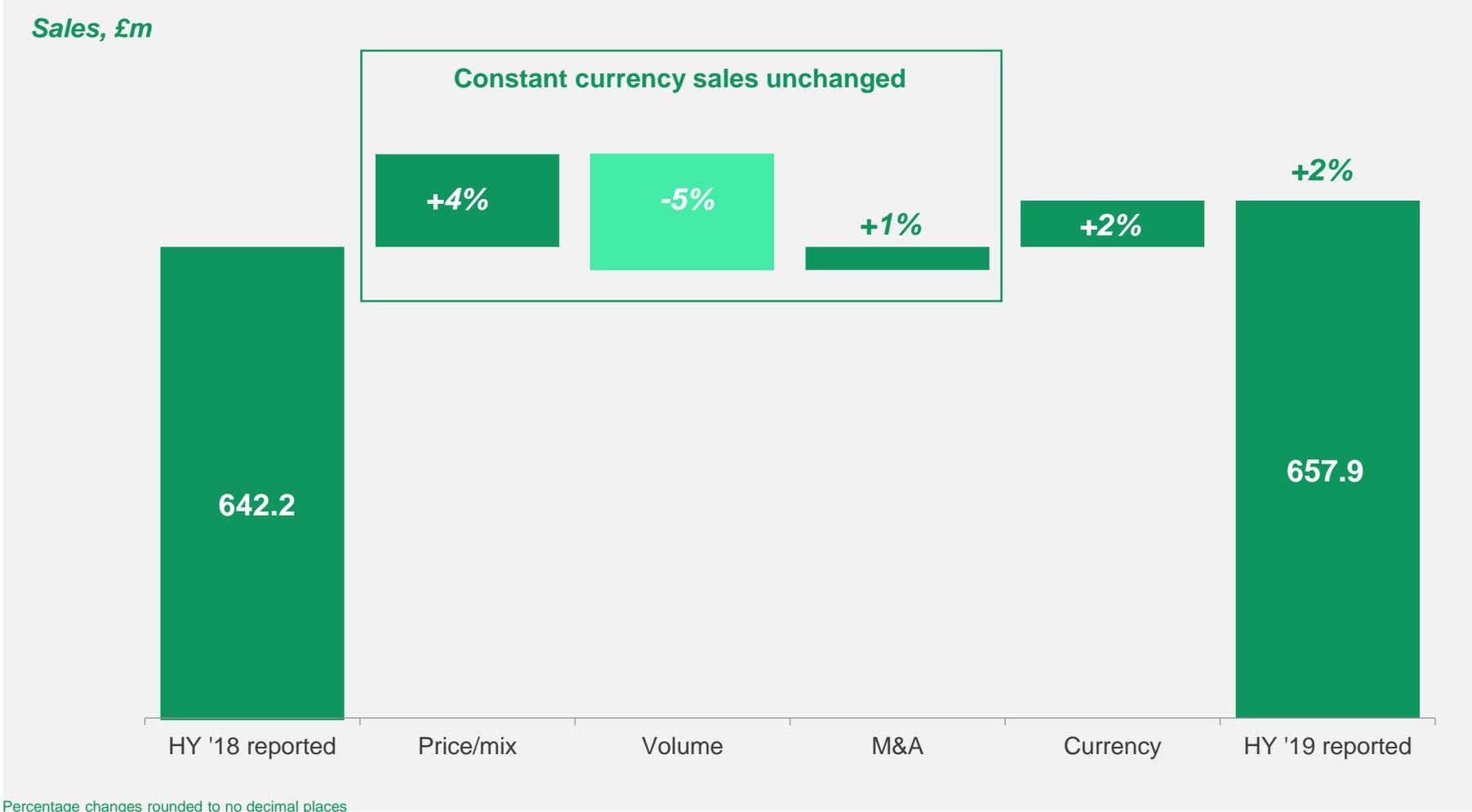
Jez Maiden – Group Finance Director

Sales and operating profit in line with prior year

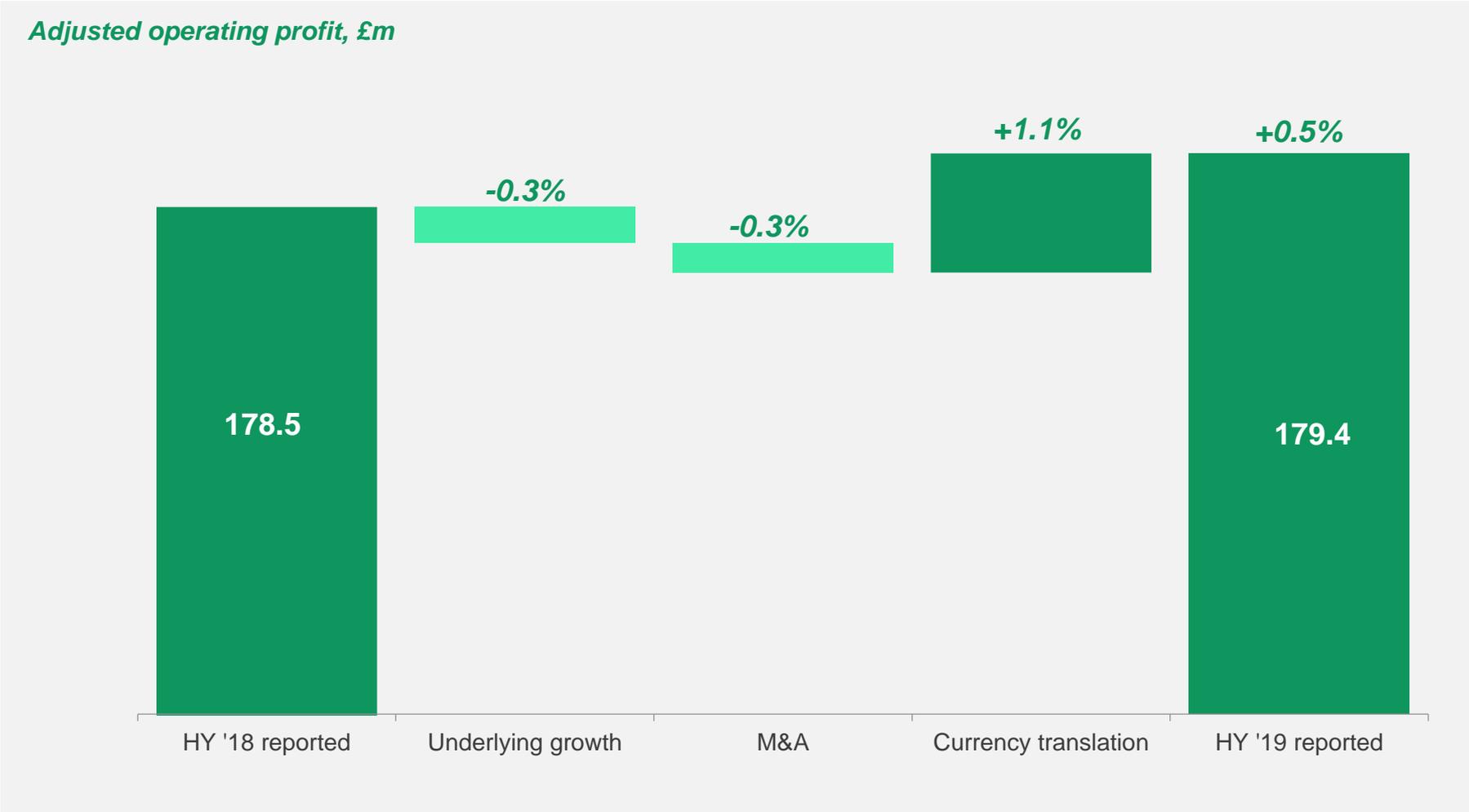
| £m | 2019 reported | Reported currency change | Constant currency change |
|-----------------------------------|------------------|--------------------------------|--------------------------------|
| Sales | 714.7 | 1.7% | (1.0)% |
| Adjusted operating profit | 179.4 | 0.5% | (0.6)% |
| Net interest | (8.8) | (151.4)% | (142.9)% |
| Adjusted profit before tax | 170.6 | (2.5)% | (3.5)% |
| IFRS profit before tax | 166.2 | (2.7)% | |
| Basic adjusted EPS | 98.2p | (2.0)% | (3.0)% |
| Ordinary dividend | 39.5p | 3.9% | |

Positive percentage indicates favourable variance

Constant currency sales unchanged in Core Business



Continued strong margins underpin Group operating profit



Profit progress in Life Sciences. Leading margins in Personal Care & Performance Technologies

Adjusted operating profit, £m

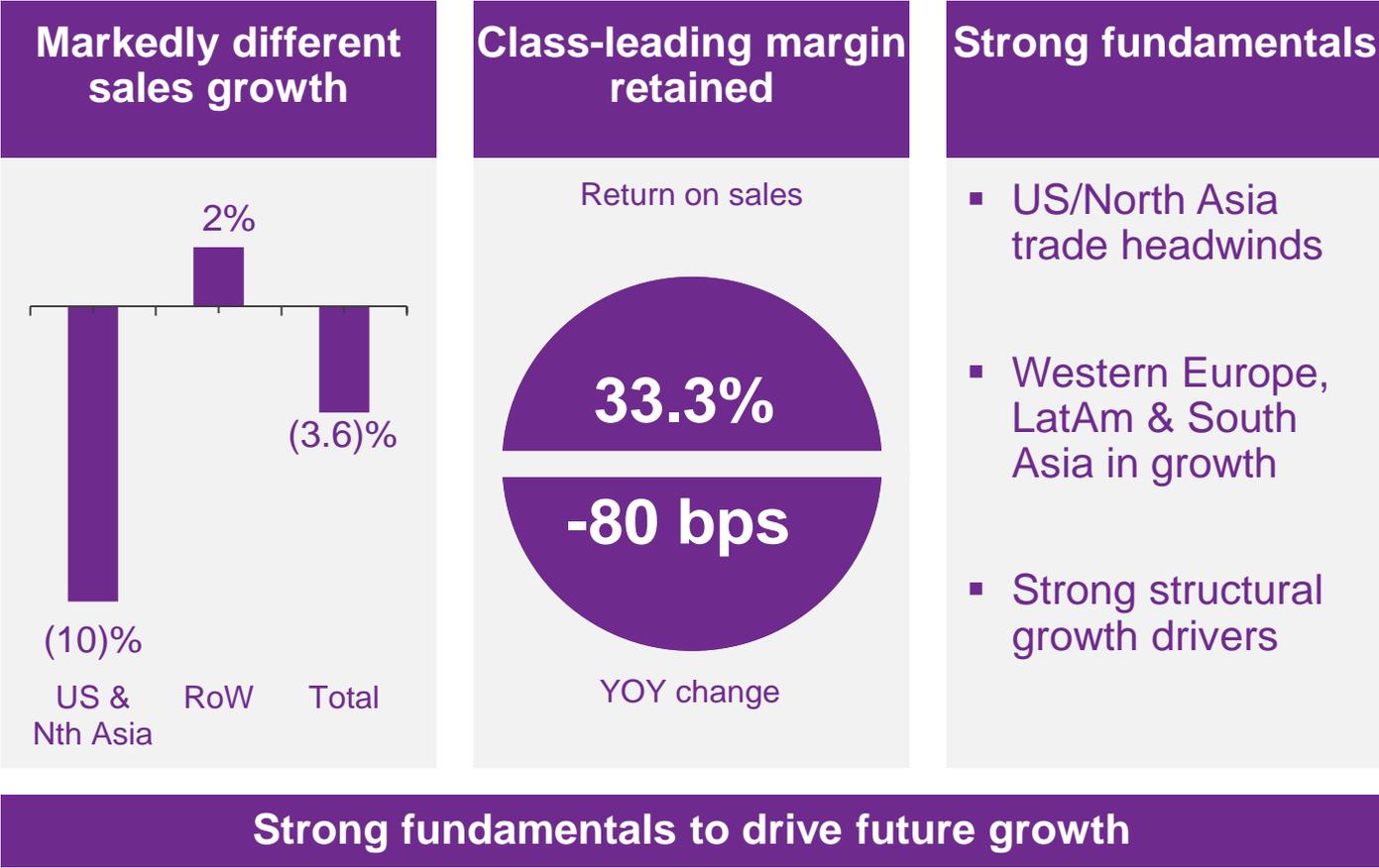
| | | | | | | |
|-----|-------|-------|-------|-------|---|-------|
| ROS | 25.4% | 33.3% | 30.6% | 18.0% | - | 25.1% |
|-----|-------|-------|-------|-------|---|-------|



Return on sales in reported currency

Personal Care

Two different market environments



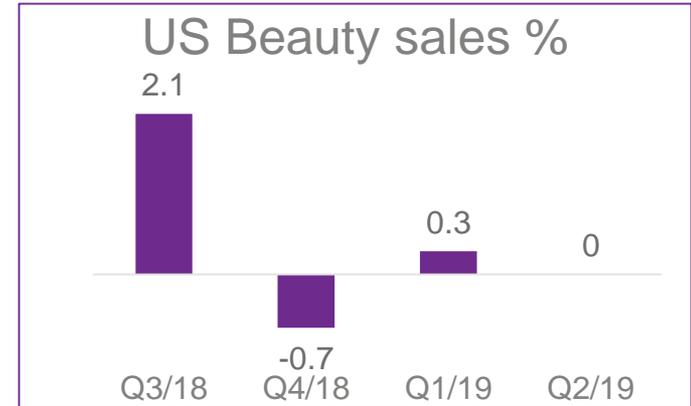
RoW: Rest of World (Western Europe, Latin America, South Asia, Eastern Europe/Middle East/Africa)
Return on sales in reported currency

Personal Care

US & North Asia trade headwinds

Key factors

- US/China trade dispute
 - Reduced consumer confidence in US/North Asia
 - US exports to China hit by higher tariffs
 - Unpredictable customer destocking
- Chinese Daigou legislation
 - Impact on local Chinese sales
 - Japan & Korea knock on impact
- Reduced China cosmetic import duty
 - MNCs doing well

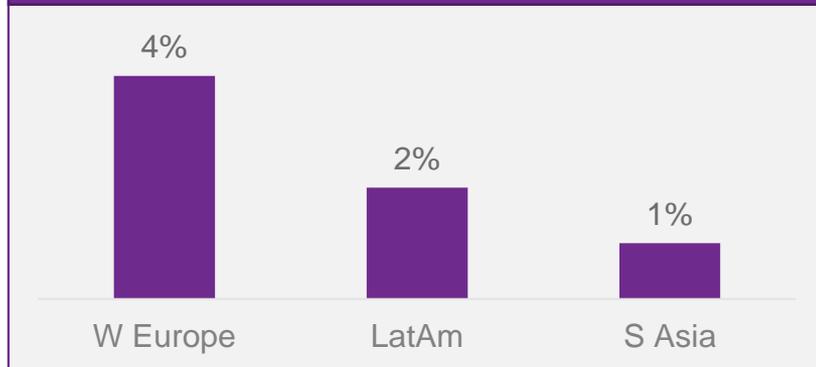


Source: US Beauty growth from IRI

Personal Care

Europe, South Asia & LatAm in growth

H1 growth



Beauty Actives

- Robust prestige cosmetic market
- Leveraging recent expansion of R&D & manufacturing capacity
- Strong innovation pipeline – claims data driven

Beauty Effects

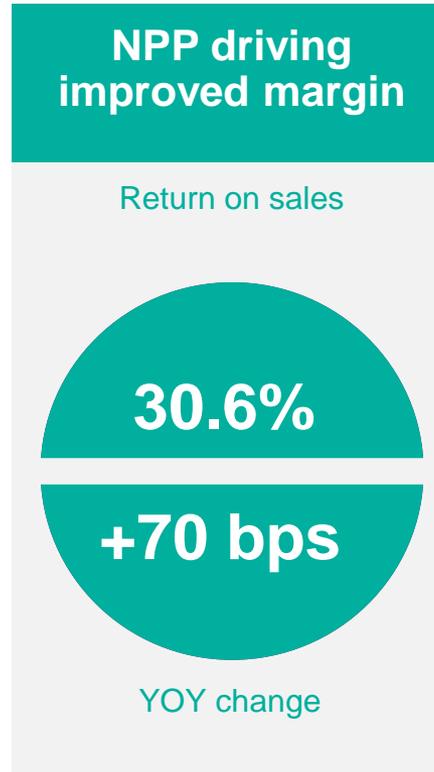
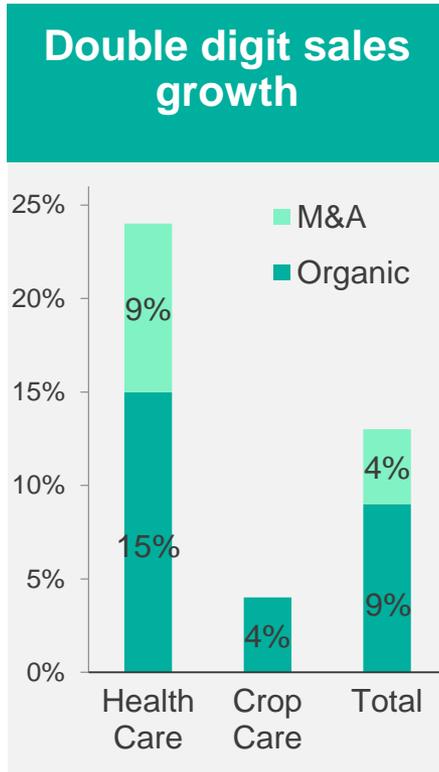
- Growing in Europe & LatAm
- On trend for millennial consumers
- Expanding range of technologies – eg colour cosmetics

Beauty Formulation

- Subdued sales – both NPP and heritage products
- Strong MNC relationships
- Greater formulation capability for local/Indie customers
- Will leverage biosurfactants

Life Sciences

Excellent performance growing sales & margin



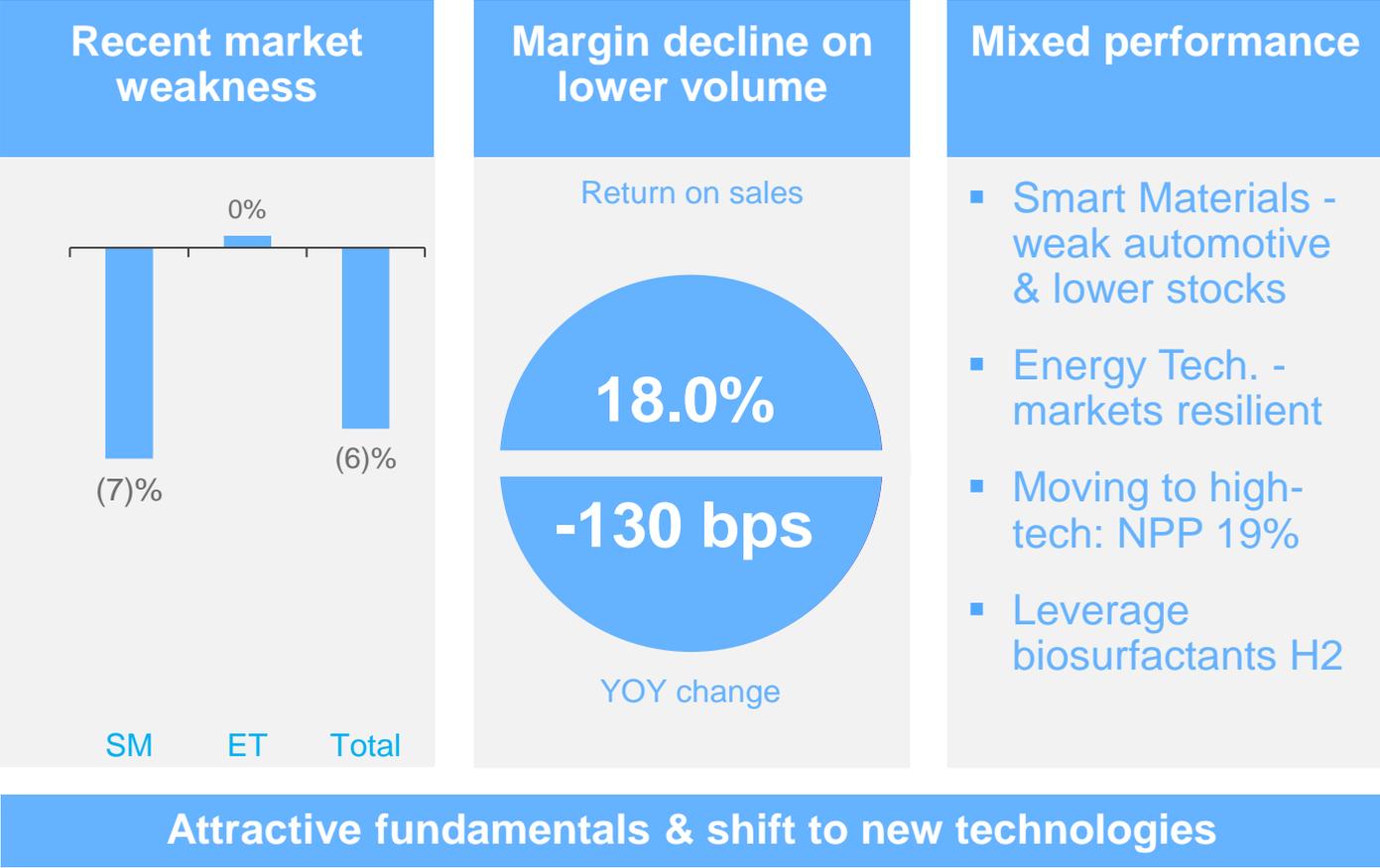
- ### Technology-rich attractive platforms
- 19% profit growth
 - NPP at 29%
 - Health standout performer
 - Integrating Biosector
 - Crop footprint offsetting mixed markets

A strong business getting stronger

Return on sales in reported currency

Performance Technologies

Soft markets in developed regions



SM is Smart Materials, ET is Energy Technologies. Total includes small Home Care & Water business
 Return on sales in reported currency

Improving cash generation, lower capex

| £m | H1 2019 | H1 2018 |
|--------------------------|----------------|--------------|
| EBITDA | 209.9 | 203.0 |
| Working capital | (27.9) | (57.9) |
| Net capital expenditure | (41.5) | (54.8) |
| Lease payments | (4.3) | (0.5) |
| Non-cash pension expense | 1.5 | 3.4 |
| Interest and tax | (43.2) | (31.0) |
| Free cash flow | 94.5 | 62.2 |
| Dividends | (216.1) | (60.5) |
| Acquisitions | 0.3 | (15.5) |
| Other cash movements | (8.9) | 4.4 |
| Net cash flow | (130.2) | (9.4) |
| Leverage | 1.5x | 1.0x |

Strategy with 'Purpose'



Steve Foots – Group Chief Executive

A Purpose led organisation

A Purpose led organisation

Smart Science
to Improve Lives™

Our priority UN SDGs



Recognised Sustainability leader



Making choices

-  Expanding Life Sciences
-  Strengthening Personal Care
-  Refining Performance Technologies



Geographic expansion



- China
- R&D
- People

Capital investment



- Drug delivery
- Doubling capacity
- New technologies

Innovation



- Aligned to UN Sustainability Goals
- Banzai – cocoa yield enhancement

Acquisitions / investments

Biosector



Strengthening Personal Care



Increasing presence in Asia



- Investment
- China
- R&D

Connecting with Digital



Enhancing Formulation expertise



- Scaling Beauty Actives/Effects
- New textures lab in Paris
- One-stop shop in formulation

Smart customer partnerships



Refining Performance Technologies



Geographic expansion



- Home Care
- Sustainable ingredients
- US

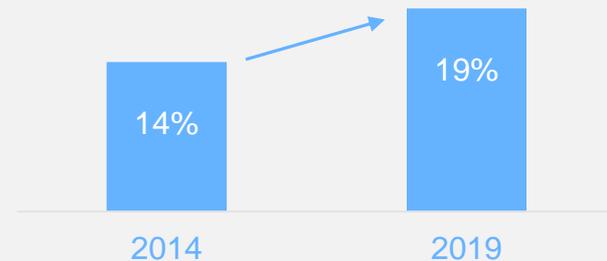
Moving to High Tech



- Flowsolve™
- Maximising energy efficiency
- 10 fold sales increase

Accelerating innovation

NPP sales %



Technology acquisitions



- Rewitec
- Renewable energy applications

Investing to maximise our positive impact...

Increasing efficiency of drug delivery



High purity excipients capacity expansion

Extending wind turbine life



Acquisition of Rewitec

Adjuvants for vaccines



Acquisition of Biosector

Avoiding land use through plant stem cell cultures



New Amberstem™ Beauty Active from Butterfly bush cells

Improving farmer livelihoods through increased yields



New Incotec seed coating facility in Malaysia

Focusing on diversity and inclusion



Supporting different work lifestyles

...and minimise environmental impact

Increasing renewable heat capacity



CHP to burn landfill gas in US

Reducing petrochemical feedstocks



100% bio-based surfactants

Increasing solar power capacity



New arrays in Germany & US

Revolutionising processes to increase efficiency



Nanofiltration in the UK

Protecting biodiversity on our sites



UK woodland improvement

Reducing water use



Cooling infrastructure in UK

Short-term market challenges

Well positioned for growth

Clear strategy in place

- Aligned with megatrends
- Sustainability leader
- Clear growth strategy:
 - *Expanding Life Sciences*
 - *Strengthening Personal Care*
 - *Refining Performance Technologies*

Outlook for H2

- Strong pipeline & robust business model
- US remaining subdued/ progressive Asia recovery
- Based on challenging conditions remaining unchanged
- Expect slight improvement in H2 vs PY comparator

Smart Science to Improve Lives™

Additional material



Sales growth

| | H1 2018 | H2 2018 | H1 2019 |
|---------------------------------|---------|---------|---------|
| Personal Care | 9.3% | 4.1% | (3.6)% |
| Life Sciences | 2.3% | 3.3% | 13.0% |
| Performance Technologies | 1.7% | 1.1% | (6.0)% |
| Core Business | 4.7% | 2.8% | (0.4)% |
| Industrial Chemicals | (7.0)% | (3.6)% | (7.4)% |
| Group | 3.6% | 2.2% | (1.0)% |

Income statement

| £m | H1 2018 Reported | H2 2018 Reported | H1 2019 Reported |
|--|---------------------|---------------------|---------------------|
| Revenue | 702.8 | 684.1 | 714.7 |
| Adjusted operating profit | 178.5 | 164.0 | 179.4 |
| Net interest | (3.5) | (7.5) | (8.8) |
| Adjusted profit before tax | 175.0 | 156.5 | 170.6 |
| Exceptionals, acquisition costs & intangibles | (4.2) | (9.5) | (4.4) |
| IFRS profit before tax | 170.8 | 147.0 | 166.2 |
| Currency impact: US\$ | 1.375 | 1.293 | 1.294 |
| € | 1.137 | 1.123 | 1.145 |

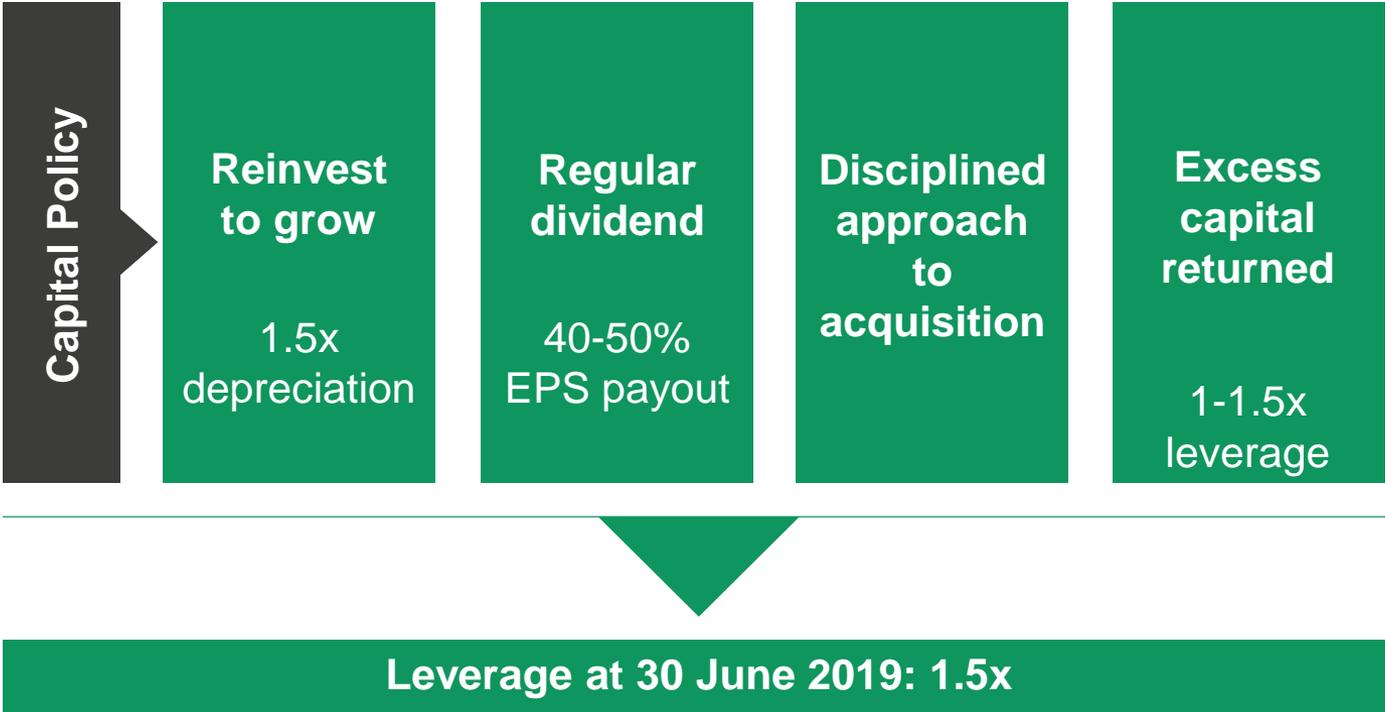
Positive percentage indicates favourable variance

Retirement benefit analysis (IAS19 basis)

| £m | 31 December 2018 | 30 June 2019 |
|-------------------------------|------------------|--------------|
| Market value of assets | 1,272.7 | 1,376.4 |
| Value of liabilities | (1,291.2) | (1,432.1) |
| Deficit pre tax | (18.5) | (55.7) |
| Deferred tax | 6.1 | 12.4 |
| Deficit post tax | (12.4) | (43.3) |

Positive percentage indicates favourable variance

Capital allocation model



Leverage excludes retirement benefit deficit