

Croda Full Year Results

Tuesday, 02 March 2021

Steve Foots Good morning, everyone. Many thanks for joining us. Hopefully, the time is fast approaching when we will be able to meet face-to-face again, but in the meantime, I'm joined by Jez and David, as usual. Once we've run through the slide pack, I'm very happy to take any of your questions, as always. In terms of the agenda, nothing unusual. I will run through some of the highlights, before Jez goes through the financials, after which, I'll wrap up with an update on various aspects of the strategy, before we come to Q&A.

It's, of course, been a very challenging year for everyone, Croda included. Despite that, we've navigated a tough environment incredibly well. Testament to our strong business model, clear strategy, and of course, all the people who work for Croda around the world. As a result, the impact of COVID-19 on Croda was relatively limited, with the core business only seeing a small dip in profits, but with robust cash generation.

The global lockdowns inevitably impacted consumer spending and industrial markets. We felt that at the premium end of our personal care business, as well as across parts of the performance technology business. Encouragingly, we've seen a steady improvement since the trough in quarter two. We were back in growth in half two with growth accelerating in the final quarter, giving us confidence as we look to the year ahead. That confidence is reflected in a further increase to our dividend, our 29th successive year of consecutive dividend growth.

This truly resilient financial performance has given us the opportunity to make strong strategic progress during the year. We announced our ambitious 2030 sustainability targets, being climate, land, and people positive, living up to our purpose. We accelerated organic investment to support growth in key areas, such as drug delivery, and we also acquired two businesses, Avanti and Iberchem. Today, over 85% of Croda's profit is coming from life science and consumer markets.

I've spoken before about the importance that we have placed on treating all stakeholders fairly and equally. Throughout the pandemic, we haven't furloughed any employees, nor have we drawn on any government funding. We prioritised the health and safety of our people, as well as the customers, suppliers, and communities that we work so closely with. And equally, we've continued to fulfil our commitment to shareholders by paying dividends.

As I mentioned a moment ago, at a point where the market environment has been at its most challenging, we've taken the opportunity to invest in our future and make investments in sustainability, expanding life sciences, strengthening personal care, and building our knowledge brain in China. I've lived through six recessions in my 30 years with Croda, and we make incredible progress in a recessionary year. We bucked the trend and invested around £1 billion in those four key areas.

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In terms of the financial highlights, core business saw sales grow by 2.3% with an encouraging second half recovery and the contribution from the acquisitions that we made during the year. Our margin was relatively stable, but was inevitably impacted by weakness at the top end of personal care, as well as in performance technology due to COVID. Profits declined 4% due to the mix effect. Cashflow remained robust, helping us to support increased investment in the business.

Turning quickly to the sectors, then. Life sciences has had an outstanding year, growing sales profits and margin to record levels. This was primarily due to healthcare and seed treatment, but we also saw a good performance from our crop protection business too. The highlight and the highlight of the year has been delivering components to the Pfizer BioNTech vaccine, and the critical role that we're playing to aid its continued rollout around the world.

This is a big step forward for Croda, and an even bigger step forward for our intentions in healthcare. As mentioned, personal care was impacted as a result of the lockdowns across all key geographies, with sales in our beauty actives business lower, as a result of consumer spending far less on prestige and luxury items than they would normally. This had an adverse impact on margins. This is simply a business mix issue. Gross margins at the product level remain rock solid.

Encouragingly, we've seen a steady improvement since May with underlying sales in quarter four returning to prior year levels. I will come back to Iberchem later, but needless to say, we see this as a very exciting acquisition, which will add a new growth dimension to our consumer care offer. It finished the year strongly and has stated 2021 strongly as well.

Performance technology sales were resilient, largely due to good demand in our homecare and packaging businesses. Whilst we saw an overall return to growth in quarter four, adverse mix and operating leverage had a material impact on our profitability. Our strategy to refine to grow performance technologies remains unchanged, and we have continued to deploy capital into renewable technologies and further expansion in Asia. With that introduction, let me now hand over to Jez.

Jez Maiden Thanks, Steve, and good morning, everybody. As Steve has said, 2020 saw a resilient financial performance. Sales were up 0.9% in reported currency at £1,390 million and increased by 1.1% in constant currency. Adjusted operating profit reduced by 4% in constant currency to £320 million. This reflected an adverse mixed impact, with lower margin businesses in personal care and performance technologies less impacted by COVID than the higher margin businesses as Steve has described.

It also reflected an increased loss on the eco plant in North America and a higher share based payment charge, reflecting the strong share price performance. Net interest increased to £19

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million, reflecting higher net debt, following the Avanti and Iberchem acquisitions. Adjusted profit before tax came in at £301 million, almost 5% behind the prior year period in constant currency.

With a weaker mix effect, return on sales declined 1.7 percentage points to 23%. With a slightly lower tax rate of 24% and more shares in issue, following the Iberchem equity placing, adjusted earnings per share were 175.5 pence, 5% down on 2019. Having held the interim dividend flat in July, the final dividend is being increased, making the full year proposed dividend 91 pence per share. An increase of one pence over 2019. Finally, the free cashflow remains robust at £177 million, despite funding significantly organic capital investment.

Adjusting profit items charged in the year totalled £31 million. This was driven by the impact of acquisitions, with advisory costs of £11.7 million, and amortisation of acquired and intangibles of £13.6 million. In addition, an exceptional charge of £5.8 million related to unwinding of the discount on Avanti deferred consideration and completion of the 2019 cost savings programme, which delivered nearly £20 million annual benefits, which we have reinvested in resource to grow the business. Profit before tax on an IFRS basis was just under £270 million.

This slide looks at the key bridging items of the change in sales. Core business sales increased by 2.3% in constant currency. This comprised 3% reduction in price mix. With raw material prices broadly flat, it's primarily reflected the weaker product and business mix, due to lower sales of higher value products in personal care and performance technologies, and better relative sales of low value add products, used by consumers during the crisis. Volume was up 1.2% in the year, helped by growth in life sciences. The acquisitions of Avanti and Iberchem added 4.1% sales. Industrial chemicals contributed at 1.2% reduction in group sales, and currency translation was broadly flat.

Sales in all regions were impacted in the second quarter by government steps to tackle the COVID pandemic. It was, therefore, encouraging to see all regions, except Asia, improve performance in the second half year. North America and Latin America returned to growth, with underlying sales up 7% and 8% respectively. Lockdowns were more extensive and impactful in Asia and Europe, but both regions saw flat underlying sales, compared with 2019, in the second half year. Asia was mixed throughout the year, China rebounded, following its first quarter lockdown, but the key manufacturing markets of Japan and Korea remain soft, driven by a reduction in foreign tourism. Overall, underlying sales in the core business, that is before the benefit of acquisitions, were down 6% in H1, but up 3% in H2.

Turning now to look at the sector overview. Personal care was significantly affected by lockdowns. The first half sales were 9% lower, but from a near 20% year on year decline in May, underlying sales in personal care recovered month on month to leave the second half just 3% lower overall. The

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acquisition of Iberchem in November added 9% to the second half sales to give sector full year constant currency sales just 2% lower than prior year.

The standout performer in 2020 was life sciences. With no discernible negative impact from COVID-19, sales grew by 15%. Against the strong comparator in the first half, which saw sales 2% lower year-on-year, all three businesses in life sciences grew in H2 with underlying sales up 16%. The acquisition of Avanti in July added a further 17% to second half sales.

In performance technologies, sales were only 3% lower than the prior year. After a good start to 2020, sales progressively weakened through the second quarter, alongside temporary closures of automotive and industrial customer plants to leave first half sales 6% down. The second half saw a steady recovery with sales just 1% lower than the prior year. So, for the core business overall, underlying sales improved from a drop of 6% in H1 to plus 3% in H2, supplemented by a further 8% increase in sales due to acquisitions.

This slide shows how these sector sales fed through to profitability. In personal care, government COVID-19 measures reduced consumer demand for products associated with going out, while also interrupting prestige sales channels. As a result, sales were better for our at home use beauty formulation products, but with a greater reduction in sales with a higher margin, beauty actives and beauty effects products. The resulting adverse mix impact saw adjusted operating profits reduced by 15% and return on sales just under 29%, which included a small dilution from the Iberchem acquisition. With continued growth in higher value add niches, return on sales in life sciences increased by 160 basis points to 32.2%, and adjusted operating profit was 25% higher, including the benefit of Avanti. In performance technologies, although sales were only slightly lower than prior year, profitability reduced significantly. Adjusted operating profit reduced by only 20% and return on sales was 13%. This reflected the sector's higher operating leverage, lower production at its European sites, and adverse profit mix, with sales more resilient in lower margin parts of the business.

Now let's look at each of the core business sectors in more detail. As previously noted, Q2 was the weakest quarter for personal care, with the near closures of the French cosmetic industry and luxury shopping channels. A steady recovery saw underlying sales back in line with prior year in the fourth quarter. The full year constant currency sales reduction of 2% was driven by a decline in sales price mix of 5%, reflecting the weaker business mix, while volume was just 1% lower and the Iberchem acquisition added 4%.

The adverse mix effect was driven by a double digit percentage sales decline in each of beauty actives and beauty effects, the higher margin segments of the personal care. Beauty effects was impacted through its exposure to social and travel categories, such as sun protection and colour cosmetics. While beauty actives was impacted by the disruption to sales of prestige products.

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This performance was consistent with published consumer sales data for personal care and beauty, which reported declines of 3% in the US and 8% in Europe across 2020. It's also consistent with what our customers have been reporting, as shown here in this extract from L'Oréal. Regionally, Europe and Asia were hardest hit, outside of China, where sales rebounded quickly. By contrast, sales in North America remained robust throughout the year and Latin America improved in the second half.

We've not seen any signs of change in the longer term drivers to growth. We expect personal care profitability to improve when lockdowns lift, luxury channels reopen, and with the significant cross-selling opportunities provided by Iberchem. This is underpinned by our strengthened strategy to grow the strategy, which Steve will take you through in more detail shortly.

2020 saw continued growth in all three life sciences businesses. Crop protection increased sales, net of planned product withdrawals. Seed enhancement delivered double digit revenue growth, delivering its anticipated recovery from a weaker 2019. Underlying healthcare sales rose 11% with continued growth in our established speciality excipients and vaccine adjuvant businesses.

This was complemented by the acquisition of Avanti, which saw over 50% of sales growth year-on-year, including the pre-acquisition period. 2020 also marked the first sales from supplying Pfizer and BioNTech with components for their COVID-19 vaccine. Overall, sector sales growth of 15% in constant currency was driven by a volume growth of 7%, unchanged price mix, and 8% from Avanti. Steve will set out more detail on our expand to grow strategy shortly.

Sales in performance technologies were resilient in what were challenging industrial markets. Encouragingly, fourth quarter sales were 5% up on prior year. There was a marked variation in the performance of different businesses, which adversely impacted profit margin. Smart materials was resilient with sales actually slightly up on the prior year, driven by strong demand in packaging and hygiene markets. Similarly, within home, fabric, and water, hygiene and household care applications saw strong demand, reflecting both COVID-19 and the increased sales from our eco sustainable solutions.

By contrast, the energy technologies businesses saw sales down over 15%, impacted by sharply lower lubricant demand in automotive and reduced flow control additive sales for oil and gas production. By Q4, demand was returning, with energy technology sales back to 2019 levels and smart materials remaining in growth.

But the last two years have shown that the sector remains exposed to the industrial cycle. The refine to grow strategy will see capital redeployed selectively within the sector, reducing exposure to older cyclical technologies, and focusing more on technology rich markets. We're also developing the sector's geographic footprint beyond its traditional European and US markets in Asia, and

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particularly, in China. Performance technologies also has strong sustainability credentials, which we can leverage to meet customers' product needs and help them deliver their green targets.

Now, from 2021, the Group will report under four sectors. Consumer care, life sciences, performance technologies, and industrial chemicals. The new consumer care sector offers the opportunity to selectively deploy more capital, with stronger and more consistent organic growth, geographic expansion, and bolt-on acquisitions. It will comprise our market leading personal care business, recently acquired Iberchem fragrance and flavours business, and the high growth potential of our homecare business.

In 2021, the 2020 results will be restated for these changes, and this table sets out, first of all, how the results were reported in 2020, and then how they will look under the new structure when we restate. In addition, I've shown what the 2020 outcome would have been, had Iberchem and Avanti been owned for the full year. This is the proforma results.

The Group's capital allocation policy remains to invest for growth through organic capital expenditure to provide regular returns for shareholders through an increase in dividend, to acquire disruptive technologies with a focus on consumer and life science markets, and to maintain an appropriate balance sheet, typically within a one to two times leverage target, returning excess capital when we move beneath this.

In 2020, at a time when other companies were cutting back on investment, Croda has continued to execute this policy. We invested £870 million in acquisitions through Avanti and Iberchem, funded 70% through the UK's largest M&A equity placing of 2020, and 30% from cash and debt raised. We invested over £120 million in organic capital expenditure.

This comprised a regular capital programme, together with an extra £30 million to accelerate capture of opportunities in healthcare, scaling drug delivery, doubling our US speciality excipient capacity, and reprioritising £10 million to deliver COVID-19 solutions for our customers. We expect our ongoing annual capital programme to continue at around £90 million or 6% of sales, but with 2021 seeing an extra £40 million deployed, to accelerate delivery of the exciting life sciences pipeline.

With our prudent leverage and dividend distribution policy, the board was able to pay the final 2019 ordinary dividend and maintained 2020 interest, and is recommending an increase to the 2020 final dividend. The dividend cash cost increases by over 10%, following the recent equity placing. I'll now hand you back to Steve to update you on our strategic priorities.

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Steve Foots Thanks, Jez. Turning to strategy then. The framework of our strategy will be familiar to many of you, but at its core, we believe that sustainability, together with innovation, will drive our growth going forward. Post COVID, sustainability trends will increase rapidly, I have no doubt. Markets are changing more rapidly than I've seen in my 30 years in the industry.

This is creating many opportunities. Increasingly, we will all spend more money prioritising health and wellbeing. Sustainability is touching every part of our business, with consumers wanting natural, clean ingredients. And with the increased focus on climate and emissions, demand for renewable technologies in industrial markets has never been greater. We're fully aligned to these trends and our sector strategies remain unchanged.

I'm going to spend the next few minutes talking to you about how we're expanding in life sciences and strengthening our newly created consumer care sector, particularly given the amount of activity that we've seen in those areas and the acquisitions that we've made recently. You're seeing our strategy play out in a number of different ways, notably in the increased exposure that we have to growth markets.

We expect life sciences to grow mid to high single digits, consumer care to grow mid-single digits, and performance technologies to grow at industry GDP rates. Our strategy naturally moves us towards the right hand side of the graph. When you add Avanti and Iberchem, 86% of our profits are coming from fast growth niches in life sciences and consumer care, up from 75% two years ago. We have also significantly enhanced our presence in emerging markets.

Sales in China have roughly doubled in the last year, reflecting both organic investment and the acquisition of Iberchem. With the number of customers and employees also significantly greater, we are well positioned in this important market going forward. And with a third of Iberchem employees focused on R&D and two thirds of Avanti employees in scientific roles, we've significantly increased our innovation resource through acquisitions we've made. And we're also investing in new laboratories and more scientists, particularly in emerging markets, such as China.

Turning to expanding life sciences, then, the top half of this slide will be familiar to some of you. It illustrates the journey that we're on in the life science sector and our ambition to move further away from consumer health towards patient health, where we have three world class technology platforms. Each of which, enhance the performance of the drug active in use. The evolution is supported by a number of key trends.

With a growing elderly population, the spend on healthcare is increasing, particularly in emerging markets. And at the same time, there is much stricter regulation around drug safety and ingredient integrity. And customers want ingredient transparency and traceability as well. Quality and performance will also be critical going forward. The pharma market is increasingly focused on

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biological active based injectable drugs that need speciality excipients to increase stability, shelf life, efficacy, and minimise patient discomfort.

We're leading the way in this area and the COVID pandemic has shortened R&D cycles and created significant opportunities for treatment, as well as vaccines. These trends are reflected in the way that we've been driving forward our healthcare business. Speciality excipients continues to deliver strong sales growth, despite us being capacity constrained in 2020. We continue to build on our leading position in this niche market and are the first multisite excipient providers to achieve global accreditation.

Following the acquisition of Biosector in 2018, we're also the leading supplier of vaccine adjuvants, which help trigger the body's immune response to vaccines. We are coded in for many COVID vaccines, as you would expect. We've seen good growth here with sales up 30%, benefitting with synergies with the Croda selling network.

Through the acquisition of Avanti, we added new drug and vaccine delivery technology through its industry leadership in lipid based systems. Furthermore, Avanti's lipid nanoparticle systems are increasingly attractive for use in complex therapeutic drugs and next generation mRNA vaccines, expected to become a fast growing part of the market.

Overall, the underlying healthcare business grew double digit percentage, with Avanti's strong growth on top. And as we expanded the number of technology platforms in drug and vaccine delivery systems, we're expanding our technical capability too globally, helping to further increase customer intimacy. To support all of this growth, we're making significant investments in several areas.

This investment is targeted in moving from drug discovery and research to operational scale-up inhouse. In simple terms, we're moving from kilogram quantities on the left to low single digit, thousands of kilos, on the right, capturing the additional growth, rather than giving it away to other producers. In addition to the £10 million that we reprioritised last year, we will invest a further £40 million in 2021 to support commercialisation and scale up of our lipids business.

This is complex work, but we have the required expertise and knowhow to do it. We're also investing in Biosector to manage increased demand for their technologies in vaccines. And the significant investments that we have been making in speciality excipients in the UK, US, and Japan, will benefit us going forward. This has doubled capacity in the US and is expected to come onstream shortly. These are some of the highest returning projects we've seen for many years in Croda.

All of this investment and expansion is helping us to capture a wealth of near term opportunities. Most significantly, it has enabled us to play a critical role in the Pfizer BioNTech vaccine, where we

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are supplying the lipid technology. Building on our previous guidance for sales in 2021 of approximately \$100 million, we now expect a minimum of \$125 million into this vaccine this year. We're scaling up production and strengthening our partnership with them and other vaccine customers as well.

Whilst Pfizer is the big one, we are involved in 60 other projects focused on COVID-19, both vaccine and therapeutic treatments across all three patient health technologies. These include a considerable number of projects, utilising our LNP and speciality excipient technologies, and a bigger number of projects utilising our adjuvant chemistry from our Danish acquisition, Biosector. Croda is playing a really important role to support the rollout of multiple vaccines and treatments across the world.

We're fast becoming a vaccine adjuvant powerhouse, supporting many customers from many countries with their rollout plans. But the opportunities are, by no means, exclusively COVID-19 related. MRNA is a pivotal new drug class to solve some of the biggest medical challenges through gene therapy. There is a lot of investment underway from pharmaceutical companies, and I'm confident that there will be more opportunities coming, as this drug class expands into oncology and other infectious diseases.

And finally, we're targeting new product registrations in China, a country where we have traditionally been underweight in healthcare. Kapan, Japan, and India are also important healthcare markets in Asia, and will increasingly, be a focus for us moving forward. So, very exciting times ahead for our life science sector, as we transition away from consumer health to patient health.

Turning to consumer care, then, as we trialed, in conjunction with our acquisition of Iberchem, personal care became consumer care at the start of this year, with five growth businesses, all driven by sustainability and innovation. Each of these businesses has dedicated management and R&D teams, and there is plenty of crossover between them, in terms of innovation. Fragrances, which is, of course, the Iberchem business, and homecare will sit alongside the three personal care businesses.

And the rationale for this is further supported by the correlation, in terms of trends, driving growth in each of these subdivisions, which I've set out on the left hand side of the slide. Furthermore, ingredients, such as biosurfactants, using personal care products, can also be used for homecare. So, we see scope for lots of collaboration on innovation, and this will ensure a more efficient, productive, higher growth business overall.

When we announced our acquisition of Iberchem, we talked extensively about the rationale. Adding fragrances to Croda's business creates a full formulation service for our customers and combined, we will have more to offer our customers across all the geographies in which we operate. So, the

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immediate is to capture those revenue opportunities and I'm pleased to say that things are off to a very good start. The geographical fit of our two businesses is also highly complementary.

We are more overweight in Europe and the Americas, where they have a greater presence in Asia, the Middle East, and Africa, emerging markets, where we want to be stronger. And the result of the opportunity to combine on trend fragrances with Croda's special ingredient, creating a one-stop-shop for our customers and ensuring we are agile and responsive to market needs. We've identified the top ten countries for synergy capture and are targeting around €50 million of opportunities by 2025.

Home care is a very exciting business, too, for Croda, and we're optimistic about its future growth trajectory, given increased consumer sensitivity around hygiene. The business is more than just about sustainable cleaning. Our active ingredients for fabric care provide performance, sustainability, and strong, sensory benefits for consumers, very similar to personal care. There is also a big move to biotechnology, like we are seeing in personal care as well. These similarities will drive opportunities in the future.

The case study on the bottom right shows how an active ingredient at small inclusion levels, like in personal care, can deliver significant benefits. Our product is going into one of Unilever's leading global brands to drive future growth. Another great example where a big sustainability trend, coupled with our great innovation, is creating strong growth.

Innovation will continue to sit right at the heart of our consumer care business, and it is our life blood. It always has been and it always will be. And here are a few examples that bring that to life in personal care. Silverfree, a novel lipopeptide from Sederma, fights hair greying. It can deliver a 30% reduction in grey hair, which, I'm sure, will be of interest to a number of you on the call, including the chief executive. It will be included in shampoos and is coming onto the market soon.

Feminage, a plant based extract, helps to combat loss of skin elasticity, and is manufactured from ethically sourced active ingredients. We have recently acquired a French natural actives business called Alban Muller as part of the continued transformation of the skin actives portfolio into 100% natural footprint. Very complementary and adds growth potential to Sederma and Crodarom.

You've heard us talk a lot about sustainability, and the reason being that over the next ten years, sustainability will be the single biggest megatrend that will transform our business. I have no doubt about that. Innovation has to go alongside that, though, if we're going to be truly successful. We are being inundated with requests about ingredient integrity.

Consumers and customers alike, like never before, want ingredients to be biobased, free from impurities, and ethically sourced. They also want the ingredients to be made with lower carbon

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emissions, and they want increasing transparency about what is in the product, whilst delivering a strong performance benefit. These priorities all place Croda's strengths and direction of travel.

For example, take L'Oréal as a case study here. L'Oréal is targeting 95% of their sourced ingredients to be biobased by 2030. Big statements. All suppliers need to make a 50% reduction in emissions by 2030. We have seen an 80% increase in requests from L'Oréal for detailed information regarding our ingredients. Yet, what L'Oréal is saying to people is, if you can't deliver that, you won't supply them.

But if you do deliver and meet their needs, then there's a lot more business available. So, we are well-positioned and fully aligned with L'Oréal to help them deliver their targets. It is no surprise that with our excellent line-up with them, that they are one of our fastest growing customers.

Croda has made strong progress with its own sustainability agenda over the years. But in 2020, we launched ambitious new targets, really deep and meaningful new targets, to take us through to 2030. It is a restorative strategy, giving more back than we are taking away. We have clearly defined interim milestones, embedded in remuneration, and with decarbonisation roadmaps in place for our biggest sites, this is helping to drive positive results. 67% of our raw materials are now biobased, compared with 63% in the prior year.

So, overall, it's been a strong year of progress for Croda. We have delivered for all our stakeholders throughout a very challenging period. We have made excellent strategic progress with around £1 billion of investment in inorganic and organic growth. Our life sciences business had an outstanding year, and we have created a market leading consumer care platform.

In terms of outlook, the near term is hard to predict, given continued lockdowns in many countries around the world. We are, however, encouraged by 2020 exit rates, profitable growth will be supported by end market recovery, the recent acquisitions that we've made, and the Pfizer BioNTech vaccine contract. Overall, we are well positioned for the year ahead and expect to make good progress. Jez and I are now very happy to take your questions.

Operator Ladies and gentlemen, if you'd like to ask a question, please press star, followed by one, on your telephone keypad. We have a question in from Gunther Zechmann from Bernstein. Your line is now open.

Gunther Zechmann Good morning, Steve, good morning, Jez. Two questions, if I can kick us off. On the outlook, you mentioned the growth under the new reporting structure, life sciences, mid to high single, consumer care, mid-single digit, PT at industry growth rates. Can I just clarify whether that's a mid-term growth guidance or also for 2021? And if it's different for 2021, if you could share with us what your expectations are for the year.

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And then specifically for 21, can you quantify any temporary cost savings that you had from COVID in 2020? You said there was a limited impact from COVID. Is that just on the revenue line? I'd assume there would be quite reduced fares and travel, so if you could give us your best estimate for that as well, that would be very helpful. Thank you.

Steve Foots Thanks, Gunther. Morning, everybody. Just on your first question, Gunther. The way we're looking at it is it's difficult to see that the three businesses won't all improve this year. We expect them all to improve again, for different reasons. Life sciences has had a very strong year, but it'll have a better year in 2021, given the Pfizer contract. But also, the pent up demand in vaccines generally. We've got 60 projects or so we're likely to roll out 21, 22, probably mainly in 22.

But life sciences could have a potentially transformational year this year. We expect it to go from strength to strength, so good news there. And we'll update along the way with the Pfizer project as that develops through the year. I think, on the other two businesses, we're in recovery mode, aren't we? Personal care was impacted by luxury. Effectively, it's all about luxury in Croda.

Luxury's down 14% to 16%, it depends on which stat you want to look at. We're expecting that to come back. How quickly that comes back is something we can't really predict, but it's a function of moderation of lockdown. And as it does come back, we'll see, obviously, a turnover improvement and we'll see the margin benefit coming back there as well. And I think in the industrial markets, you're going to see gradual recovery as well. And our recovery there will mirror most other people's industrial businesses. It's more GDP led there.

But I think it's fair to say that we're very encouraged with where we finished the year. We've had a very strong finish, stronger than we thought, so we're looking ahead with cautious optimism for 2021, but difficult to predict the extent of the recoveries in personal care and in industrial markets, because of these lockdown moderations still to come. And Jez, on the second point.

Jez Maiden Morning Gunther. In terms of the cost savings. Yes, you're right, there would be savings in travel, exhibitions, that sort of area. But pretty modest really. A few million pounds that I think, probably, lost in the roundings, in terms of impact. If you think about 2021, we would accept some small additional costs associated with Brexit. Clearly, we're seeing higher freight costs, we're seeing the impact of just the frictional costs, although it was good to avoid the tariff effect.

In 2020, there was no bonus charge, because profit was down year-on-year, but there was quite a high share based payment charge. So, I think you've got quite a mixture of different costs, but I wouldn't call anything out specifically as having a big advantage to 2020 or 2021. Probably the one that I'll just point you towards, the back of the pack where we've included an aide memoire on the impact of FX.

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So, FX is the one that we will be watching on translation, because obviously, that will be what it will be. Clearly, at the moment, sterling is a fair bit stronger, and at today's rates, if today's rates ran until the end of the year, we'd be about £15 million negative impact on sterling translation of overseas earnings this year. So, there's a handy aide memoire at the back of the pack that, overall, on costs, I think in the roundings, there are some pluses and minuses.

Operator We have a question in from Matthew Yates of Bank of America. Matthew, your line is now open.

Matthew Yates Good morning, everyone. Thanks for the presentation. A couple of questions, please. The first one, hopefully, straightforward, can you just remind me of the sensitivity of the Group tax rate, if the press are right and there's any change in the UK corporate rate going forward? And then the second question is I wanted to ask about Croda's exposure to soft commodity prices. Both in terms of using things like vegetable oils as a feedstock for your personal care business.

So, should we be worried here about any cost inflation leading to a margin squeeze. Then also, in terms of an end market for your ag business within life science, and whether your sales will actually benefit from the higher crop price environment.

Steve Foots Hi, Matthew. Let me answer the second question and I'll get Jez to do the tax. We are seeing raw material inflation, which we haven't seen for the best part of about eight to ten years. So, we are very pleased with that. We like raw material inflation in Croda. Effectively, it's a function of pricing power in your business, can you get your prices up. So, we've initiated quite significant extensive far reaching price increases, and there's no lag in Croda, is the point on raw material increases.

So, we've put significant increases up across all three businesses, and we expect no margin deterioration as a consequence of that. And the good thing with that is everybody's aligned in the industry. When your suppliers and your customers are seeing demand increase coming through at the rate that we're seeing at the moment, then there's an excellent chance that you get your price increases through.

Because your customers, the priority is allocation of demand and getting products, rather than the actual cost of the materials. So, we've been waiting for this for about ten years, so we think the raw material prices will continue to increase through the year. We are exposed to some softer oils. I think the best way of looking at it is rape, palm, and soya oil. We don't buy them. They're the proxies for our raw material index, effectively, for the consumer care business and quite a large part of our industrial portfolio.

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So, we don't buy them directly, but we buy derivatives of them. But our raw material pricing follows the pricing of those products, so we're watching that with interest and we're pleased that we're applying increases across the board there. On crop, I think we don't see any big difference to crop to what we've seen in the last 12 to 18 months. Crop's had another good year for Croda, underlying the crop protection business is up 3%, seed treatment, up 10%. So, we're expecting a continuation of that going forward, so we don't think that's going to have a significant impact on demand. Jez, tax.

Jez Maiden Hi, Matthew. Tax, we came down about one percentage point overall in 2020 to 24% for the effective tax rate. And you can see low profitability in areas like France, which has relatively high tax rates, therefore, benefitting that tax charge. In terms of the UK impact, I would say it could account for up to about a quarter of the profit, given that we've got a bit manufacturing engine based in the UK.

So, potentially, if you saw a four percentage point change in the UK rate, maybe you'd start to see something of the order of 1% on the Group effective tax rate. So, 4% to 5% would probably place it at that 1% of the Group.

Operator We have a question in from Nicola Tang from Exane BNP. Nicola, your line is now open.

Nicola Tang Thanks. Hi, everyone. I wanted to ask about the eco plant. I think you mentioned in the slides you were offline since September, but expect to be back online at some point in H1. Can you give us a little bit of detail on what the issue is and what needs to happen to get it started back up, and the financial impact for 2021. And then the second question was around the Pfizer contract. You've mentioned it in response to Gunther's question, in terms of outlook beyond 2021 and being quite positive on how things can shape up for 2022 plus as well.

I think the Pfizer thing was a three year contract, so based on the terms of that specific contract, and the fact that you're making these big capacity investments, can you talk a little bit about revenue contribution either specifically from this contract, or from lipid delivery in general, basically, beyond 2021? Thanks.

Steve Foots Cracking questions around that. Let me do the Pfizer vaccine question, and then hand back to Jez for eco. On the Pfizer one, the best way of looking at this is we'll guide you on Pfizer through the year and into next year. That partly shifted. It's just going from strength to strength. One of the big things that they're filing at the moment to the FDA is that they've run the data and they've done some brilliant work in both Pfizer and BioNTech, supported by some brilliant work by Croda R&D chemists as well in looking to store this vaccine at refrigerant temperatures, minus 15 to minus 25, as opposed to cold storage temperatures of minus 60 to minus 80.

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That's big news insomuch as in terms of their expansion into emerging markets, as we inoculate the world. That gives them a lot more flexibility to target other countries, as they expand their rollout plan. But Croda's played their part there because a lot of that is a function of lipid purity, and we're deliberately vague with that, by the way. And there's some really clever science to upgrade the lipid purity at pace and at scale, to deliver to Pfizer BioNTech's requirements.

So, that partnership's going from strength to strength, which is great news. Taking a wider view, we're beholden to Pfizer to better understand their rollout demand for 22, 23. It looks positive at the moment, but there are a lot of variables, as they would say, so that's difficult to predict. But it's likely to be, as we see it now, it's likely to be positive from where we are today. So, that's good news.

The expansion programme is to deliver further future growth in the Pfizer BioNTech relationship, but it's also to deliver two other things. We've got 60 other vaccine projects around the business at the moment and are lot of those are exciting. Most of those are classic Croda, though. They're only £1 million to £3 million worth of sales. But a lot of those are here for the next few years, we see. So, we call it a vaccine boom in sales, potentially. We're at the early stages of that.

Difficult to predict on the size of this, 22, 23, but nonetheless, we're very excited about all of that. And I think the most important thing behind all of that is to make sure that we're not just focused on the Pfizer BioNTech partnership in management of capacity. It's looking beyond this at the whole gene therapy market as well. Gene therapy is a big area of opportunity, well beyond COVID-19. There's lots of discussions that we're having around cancer drugs, oncology drugs, infectious disease treatments.

So, I think this is going to be a new drug class that many R&D scientists and the pharmaceutical industry has felt for years, but it looks like it's upon us. So, we had to, obviously, build and think strategically about the longer term opportunities, rather than just the shorter ones as well. So, all in all, hopefully, that answered a few of those sub-questions there. let me pass to Jez on eco.

Jez Maiden Good morning, Nicola. First of all, the plant ran well from the first quarter through until September, so we know that the operation of the plant is good and we've got no problems producing the biobased surfactants. So, the chemistry and the technology works. What we ran into was an issue where the local regulator raised issues about the level of emissions coming from the plant, so we shut it down in September and have done some work to rectify that.

And, indeed, have got permission now to restart the plant this week, so that will be going ahead this week. We will then continue to make some improvements to the plant to continue to further remove emissions from the plant. In terms of impact. Last year, we had two key impacts. We had the

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fact the plant was not running from September, but we had a full set of costs, including depreciation for the year, which we carried through in the first quarter, so that will affect us.

The second area was the increase in costs of raw materials, the bioethanol, where we've been using the same grade as sanitiser material, and clearly, that's been in strong demand, therefore, prices have been higher for that grade. And again, we've been doing technology work to allow us to use a lower grade of bioethanol and a clean it up on the site, which takes us away from that food grade dependency.

So, I would expect, in 21, after a poor first quarter, obviously, to then see progressive improvement in the raw material cost base, in the recovery of fixed costs of running the site, and of course, we can continue to expand the "white" space sales in terms of the bio surfactants. And we're absolutely clear from looking at the policies of people like L'Oréal, Unilever, and others, that this drives towards sustainable materials is with us and will continue.

So, the strategic justification for the plant remains very firmly in place. So, I think in 2021, we will make a smaller loss than the £11 million that we included in the release. But I think we will probably still be in a loss in 21 and looking to be profitable from 2022.

Operator We have a question from Mubasher Chaudhy from Citibank. Mubasher, your line is now open.

Mubasher Chaudhy Hi. Thank you for taking my questions. Just two focused around 2021, please. The personal care division saw a sharp decline in margins in 2020. Could you give us your thoughts on the trajectory looking into 2021, especially given the Iberchem acquisition being brought in? And then also on the organic side of things, how do you think the organic sales growth is linked to the duty free business coming back, i.e., airline travel opening up, versus just lockdowns coming off and face-to-face interactions coming back?

Just some thoughts around the product exposure there would be helpful. And secondly, on Avanti, you've raised the sales guidance. Just some thoughts around that the earn out that's potentially required? How much would you be taking in for that from a cashflow perspective? Thank you.

Steve Foots Good questions. On the personal care margins, let me try and explain that, the half two, half one effect, as well as the overall effect. It's quite unusual for Croda in personal care and quite a few one-offs in there. The major issue is it's a business mix, rather than a product mix issue. So, if you look at the gross margins at the product level, and I'm talking about the three personal care businesses, actives, effects, formulations, the margins are rock solid. There isn't any deterioration there.

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What we have seen is it's a function of the luxury and premium market at the moment, it's down 14%, so our actives and effects business are down more than the formulation business. So, what you're finding is, from a mix point of view, there are higher margins and there are lower sales. So, you've got that double effect on margins and that's carried through the second half. But there's another couple of more one-offs in the second half than anything else.

Firstly, we've had Jez talk about the biosurfactants plant was loss making, particularly in the second half, that that's charged to P&L, of course, for each of the businesses and personal care takes a big weighting on that. So, that's had a temporary drag on margins in that business. And thirdly, we don't normally talk about it, but there's been a very strong share movement in the last few months of last year.

And we have to charge, we have a share based payment charge, which we charge to sectors as well. So, personal care has had that in the second half, particularly in the latter few months, as the share price strengthens. So, both of those are not really to do with underlying trading. Fundamentally, the important thing in this business is the margins are rock solid, and overall, we should see growth coming back strongly, once we get this moderation of lockdown.

So, what we're looking at, what you should look at for us, is the luxury premium end of the market, call it what you want, once that starts to come back, then Croda's business will be firing on all cylinders in personal care. And that is a function of going out, socialising, shopping, travel, going on holiday. And all of that means that Croda's business will come back.

And my sense of it, I'm very similar to the L'Oréal chief exec, we see pent up demand in personal care that we haven't seen for many decades. I think people are joyously desperate to put lipstick on, make-up, put any hair care treatment on they can, apply whatever lotions and creams they can when they go on holiday. People just want to get out. And we're cautiously optimistic, but we remain cautious because we're still in lockdown, just thinking near term, first few months, in Europe and in Asia.

But once we get to full lockdown moderation, we're planning on a fairly significant rebound in beauty care, because I think you've got this significant pent-up demand, I call it, and we've got to be ready for that. Jez, do you want to take the Avanti earn out?

Jez Maiden Absolutely, Steve. Morning, Mubasher. The overall potential earn out was \$75 million. The majority of that has been provided as part of the acquisition accounting, so although you have different accounting charges, according to whether its owners who have left the business or owners who are still in the business, so you still have some of the owners in the business, their charge for the earn out will go through the P&L. But the majority is provided on acquisitions, so there isn't a future P&L effect from that. From a cashflow point of view, yes, the

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proportion that is earned would flow through over the next three years for the performance in 2021 and 22 on the anniversary of the acquisition. So, yes, there will be a cashflow associated with that, which could be up to 75 million. The thing that we always stress is that if the earn out would have earned, in part or in full, the benefits of Croda is much bigger than that earn out.

So, the profit generation and the cash generation from those incremental projects would be much bigger than we would be paying in the way of the earn out. And the earn out only runs to be under 22, whereas we'd expect to get Croda benefit for a number of years to come. So, I think we'd be very happy to see the earn out paid, because the profit benefits Croda and cash benefit would be much stronger.

Operator We have a question from Charlie Webb of Morgan Stanley. Charlie, your line is now open.

Charlie Webb Morning, Steve, morning, Jez. Thank you for the presentation. Just a couple of questions from me. First off, on healthcare, when you look at the Avanti business, Steve, I think you said breakout year, essentially, in 2021 for the life science business. How do you see that Avanti business developing over the next three years? Clearly, there are a lot of, and I'm talking about opportunities in MRNA for vaccine, but also, oncology and therapeutics as you noted.

How big could that business be in three years' time? Are we talking mid-hundreds of millions of in sale type of business? I'm just trying to understand the opportunity in front of you. Clearly, with accelerated investment, it seems like you're pretty confident on the pipeline. I'm just trying to gauge the scale of that potential breakout for Avanti and the biolipids piece.

Then secondly, as we think of personal care, just touching on the growth rates when we think about the comparatives. If we just take the run rate of the first quarter, which I think you're alluding is similar to the fourth quarter, in personal care, and then run that through the ED comps in Q2, Q3, what type of growth rate are we looking at pre any significant reopening? That would be helpful.

Steve Foots Good questions, Charlie. I'm not sure if I've got specific answers for you, but I'll try and give you the tone. Avanti, you're at the point at which we acquired, as you can probably feel the excitement in the Group, because to remind everybody, we've been working with them for a couple of years, so we could see some of the opportunities before we acquired there. Post-acquisition, we can only see more opportunities. So, we're thrilled with it.

Shades of Sederma, but it's probably potentially even bigger than Sederma through the next few years, given the pipeline that we're not talking to you about at the moment. But a lot of that is still the pipeline, so we've still got to commercialise them and we've got to ensure that we can scale up from an operational point of view as well. So, I think it's still too early to try and quote you

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significant numbers, but we will do our best to try and guide you over the next 12 months, 18 months, as new projects come to market.

But potentially, I suppose one of the big questions is how quickly will this gene therapy drug class explode onto the market over the next two to five years? Because a lot of their technology is pointed towards that. But they have got other technologies as well in other areas too. So, very excited, but we remain excited, rather than convert that to numbers for you at this stage. And it's also quite lumpy. As you know, healthcare, you can get big opportunities, and sometimes, you're surprised when they come. So, as Jez said, we'll update you as we go along.

In terms of personal care growth rates, you're right, we've started the year as we finished quarter four, demand is strong. We are seeing the benefit already of increased sustainability trends coming our way, and we can even see some of the renaissance products in Croda are gathering growth potential. But fundamentally, I don't think we should be quoting figures for this year, given the lockdowns are still in place.

Although it's fair to say, our tone is positive in personal care, you can see it from May through to the end of the year. And we're not firing on all cylinders yet. We need the luxury market to start to improve further, so our actives and effects businesses can gather pace. And it, quite simply, is a function of freedom of lockdowns. If we get people in Europe and Asia, increasingly, allowed to travel outside of their houses, they'll start spending money, there's no doubt about it.

Shops, hairdressers, going on holidays. All of that is great for Croda; travel. And people will spend, as well, when they do that, I have no doubt. So, I think we're watching that closely and our business will respond very quickly, as a consequence of that.

Charlie Webb Maybe just one follow-up on life sciences. You've obviously stuck to the mid-term guidance of mid to high single digit, but given more of the portfolio, increasingly today, is now geared towards healthcare, as you say, the pipeline opportunities are exciting in terms of what you see. Is that not a little bit conservative not to upgrade that mid-term guidance? Could this not be a double digit growth business for a few years ahead given these things have changed?

Steve Foots It's a good question, Charlie. You keep asking the good questions, but it's a function of timing for us. We don't want you to get ahead of yourself on Croda, but we think the pipeline is outstanding. But we're feet on the ground in Croda and we have to demonstrate that we can commercialise that pipeline. So, we will do that in our own way, and once we've got firm evidence that that's translating to future extra growth, then we will keep you posted loud and clear.

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But at the moment, we're not changing any targets. And given the volatility out there in the market still today, I think it would be unwise to do that anyway. So, we're cautiously optimistic, but certainly, the pipeline is looking great.

Operator Our next question is from Sebastian Bray from Berenberg. Sebastian, your line is now open.

Sebastian Bray Good morning and thank you for taking my questions. I have three, please. The first is on capex. Given the rate of growth in life sciences, it wouldn't surprise me if a lot of the capacity being added were filled quite quickly. Is it still realistic to think of 90 million as base capex for the Group or are we going to see recurring growth projects in life sciences? My second question is on the acquired Alban Muller. This company sells its own products direct to market. Is this something Croda intends to do as well?

And thirdly, just a technical question on the new consumer care segment. My understanding was that what was moving into this segment is about 40 million of water treatment solutions from performance tech. But the number is a bit bigger than this and there is a small number of sales. I think about ten million that has moved from life sciences. What has moved into this segment? Thank you?

Steve Foots I'll let Jez answer that, but I can guarantee you that there's nothing water treatment in the consumer care sector. I can't think of a market that's completely polarised in its outlook and facets than water treatment and consumer care. Anyway, I'll let Jez answer that. Capex, just work on 90 million is the base capex for the year, that's fine. We tend to screen for about 5% to 6% of capex as a proportion of sales, that's around 6%. So, we're fine with that.

The incremental spend in life sciences is fine and adequate. We may do more than that through 2022, 23, but they will be as a consequence of rapid expansion in drug delivery, primarily. So, core business, we're fine with. And we'll keep you updated on what I call the healthcare capex, because that will be a function of growth anyway. And they are some of the highest returning capexes, well, they are the highest returning capexes in the Group in that area.

Alban Muller is a great little acquisition for Croda. It's driving Sederma, effectively, and Crodarom into a whole sustainability agenda. Lots of opportunities, both at the offensive and defensive end. But it's more the tone that it sets for us, for the industry. They do have a small business that sells directly to the market and there will be no surprise, but we won't be selling directly to the market. It's a very tiny part of that. The big win for Croda is it boosts actives.

We can look at the next generation actives in 100% sustainable ingredients, and it gives us another edge in botanicals as well. There's a big opportunity not just in Europe and America, but there's a

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growing opportunity in China as well. So, all in the round, we think it's a great acquisition. And our French team, who might be on the call, is really excited with this. So, that's good. When our French team is excited about things in Sederma, then we get excited. So, we're really pleased with that. You can ask me about Silverfree, if you want, because that's a great product.

Jez Maiden Shall I take that?

Steve Foots Yes.

Jez Maiden We traditionally had three business units within Performance Technologies, smart materials; and energy technologies; and homecare, and water treatment, which was a slightly odd combination, given, as Steve indicated, they're in quite different markets. Water treatment is actually primarily an oil and gas product area. It's mostly for water treatment for shale gas and so forth, rather than municipal water treatment in there.

So, what we've done is we've taken that homecare and water treatment, we've moved the homecare component into consumer and we'll move the water treatment component into energy technologies, because that's where the rest of what's in the lubricant and the oil and gas product area sits. So, that's how we're breaking it up. £43 million of sales last year in homecare, which is moving to consumer, and that's at average performance tech margins.

We do think the margins can be much stronger in that business. If you look at where the product opportunities are, then the eco product range and they're also in the fabric range that Steve was talking about in his presentation. So, we think that that margin can be much better. But initially, it's dilutive to the personal care combination. And then, as you highlight, we've got about a £9 million product category, swapping from the life sciences to consumer.

And that's really because it's an area of dermatological product, which is really better suited in the consumer market, where the customers operate, rather than treating it as a life science business, where clearly, we've been moving progressively away from consumer health and much more into patient health. So, that's the other piece of the jigsaw that's moving.

Operator We have a question from Sam Perry of Credit Suisse. Your line is now open.

Sam Perry Hi, everyone. Thanks for taking my questions. Two from me, please. Firstly, on speciality excipients, at the capital markets day in 2019, you mentioned that you were on 30 biologics platforms and were targeting getting to 100. How has that progressed and has Avanti accelerated that, largely? And then secondly, on performance tech, you spoke a bit about reducing cyclicality and improving the geographic footprint. Are there any divestment candidates in there that would increase your 86% exposure to consumer markets even higher? Thanks.

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Steve Foots Good questions. On speciality excipients, we're moving very well, between 30 and 100. I don't know exactly where we are, but we launched about six to eight in the last 12 months, even with the headwinds of lockdown. There is targeting existing markets, as well as new markets, for example, China is a good example where there are lots of opportunities there as regulations up and up, and it allows us to then start to sell products.

So, we're well on track and we've got to have new capacity coming onstream as well imminently, literally in the next few weeks, in Mill Hall. And we've also got our Japanese expansion as well. So, we're well set with speciality excipients. The speciality excipients are different to the Avanti lipid nanoparticle technologies. We've got three different technologies now in this drug delivery area. Avanti, you should read lipid nanoparticles and other things. Speciality excipients are sperate to that.

And then we've got these vaccine adjuvants from our Denmark facility when we acquired Biosector. All three of those are actually finding their way into COVID vaccines at the moment in different vaccines. So, we've got three technologies that we're supplying there. But speciality excipients is obviously still a big growth area for the Group and it was growing about 9% in 2021 and it grows, typically, 10% to 20% where we'd love to see that. So, very pleased with that and the product range is expanding, is the point there.

In terms of PT, we look at all the businesses in the same way, through this sustainability lens for the next few years. And that's going to create a lot of opportunities for us, but also, we've got to make sure we're on the right side of markets, rather than the wrong side of markets. So, the team there is looking, in the usual way, is how do we utilise... A big strength in that business, one of the big strengths, is the renewability of the products.

We've got a huge percentage of our ingredients in renewable natural products, so how do we harness that and utilise that into some of these niche markets? So, the job there is to reduce the cyclicity, because we don't want cyclicity. We expect to grow our business year-on-year, whatever the market environment is. And whilst we do that, we're looking to try and reposition products into fast growth markets there as well.

Operator We have a question in from Chetan Udeshi from JP Morgan. Your line is now open.

Chetan Udeshi Morning. First, Steve, you referral to L'Oréal and what they talked about a few times on the call, and I was just looking at the numbers from the second half, and they had very strong growth in their cosmetics business, 20%, 30% growth year-on-year. How do we tie that with what you've said about Croda's growth in your actives business? That was the first question.

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The second was more clarification. When we talk about \$125 million revenue from the Pfizer contract in 2021, is that all incremental in 2021 or is there some, which is already applied last year, so it's more of a continuation of that and not all incremental? And the last question associated with that was BioNTech talking about launching a PEG free vaccine, so essentially, polyethylene glycol, for COVID-19. Is that a product that Croda, at the moment, supplies as part of the four component system for COVID-19 vaccines? Thanks.

Steve Foots Let me do L'Oréal and the PEG free vaccine and I'll pass to Jez on Pfizer. L'Oréal, if you get behind all of their figures, there are lots of moving parts, but what they would state for the market is through the year, minus 14% in luxury and minus 5% in mass. If you look at luxury for Croda, it's mainly actives and effects, and mass, a reasonable amount of formulation business, we correlate pretty well with that. Our formulation business is better than that, so it's a lower negative than that, as is the actives and effects.

So, actually, our performance is a little better than the L'Oréal stats. And the second half is very similar to them as well, when you get underneath it, for their growth rate. So, we're in a good position. We just need the luxury end of the market to come back, but the sales issue and the margins are intertwined. Once sales come back at the top end then margins will as well. So, we feel much more confident about personal care today than we did five, six months ago.

But as I've said repeatedly now, a lot of it depends on this lockdown moderating further, so before we really get back to working on all of our cylinders. So, we're in good shape in personal care. And actually, I think the big thing on L'Oréal, if you really look at one of the slides that we presented thereon, the big move in sustainability, this is real. And L'Oréal will not take supply of ingredients from companies that don't meet their requirements.

And they're starting to do that already. So, we see that as a great opportunity for L'Oréal near term, as well, capturing extra growth. But also, L'Oréal are the market leaders as well, so there are plenty of companies that will follow them into this. So, I think the L'Oréal point is a really important point, not just burying yourself in the stats, it's thinking about the big sustainability trends that are going to lead the industry. No doubt we're well positioned for that.

Vaccines, we don't talk too much about the projects, but we're working on a number of projects with Pfizer, BioNTech, and others, including the one you mentioned. There are different opportunities to offer different things there, but there are also things like, potentially, a powdered vaccine coming out, they've talked about as well, for a different vehicle to administer that. And again, Croda's R&D is heavily involved in a lot of these projects. So, it's great. The partnership is improving, as we said. Jez, just on the Pfizer comparator in quarter four.

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Jez Maiden Sure. Morning, Chetan. The \$125 million, let's call it £90 million, for 2021, we did about £20 million in 2020 of sales, certainly incremental sales benefit, we expect to be 70 million sales.

Operator We have a question from Isha Sharma from Stifel. Your line is now open.

Isha Sharma Good morning, both of you, thanks for taking my questions. I have three, if I may, please. You have earlier talked about being on a price discovery journey in your healthcare business, especially with the speciality excipients. Life science grew volumes by 7% this year, but was flat in terms of price and mix. It would be nice to get some flavour on that, please. Second one would be how easy is it for you to expand capacities?

As I understand it, and I might be wrong, you can easily convert your capacity also for life sciences. I'm just trying to understand that given the promising pipeline, I'm trying to gauge if you are in any way restricted, just by availability and not so much by the expanding demand. And the last one, the underlying road of personal care, you guided earlier, for 3% to 5%. Does that guidance still hold true for a legacy business and the rest coming from Iberchem, or how should we think about the mid-single digit growth in the mid-term? Thank you.

Steve Foots Let's do two and three and I'll get Jez on the price mix. In terms of expanding capacity, hopefully, you've probably heard already, but trying to summarise again for everybody. The big capacity growth in life sciences is these three technologies for delivery. I'm taking each one in turn, specialty excipients, which is something you all know about, high purity excipients. We've future proofed capacity with our American and Japanese expansion, so they're both onstream imminently.

So, we're fine with near term growth, medium term growth there. Vaccine adjuvants, we approved capital investment in our Biosector Danish company quite a few months ago, so that comes onstream in the middle of the year. So, again, we're future proofing capacity there, so we're fine there. Then LNP, we're scaling up as we speak, and we're delivering to capacity to the needs of the vaccine world. But obviously, we're trying to get ahead of ourselves as well.

So, just to give you some flavour on that, in our UK facility, from the start of this year to the end of quarter one, we'll have quadrupled capacity of one of our lipid technologies. So, the pace at which we're moving is significant. And these are not easy things to manufacture. You've seen that in the press with the vaccine manufacturers themselves. The scale-up is tricky. You can get a lot of yield issues. There are quite a lot of single dependencies in the supply chain.

And there are multiple ways of these things falling over in the short-term. But as months go by, the supply chains becomes more secure for everybody and the same for Croda. So, we're in a good

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position there. So, we feel comfortable with capacity for the near term, but continue to invest, as we've shown. Putting another £40 million into further investments to allow us to future proof the growth there. Just on the medium-term view, again, the mid-single digit sales growth, we feel more confident with now with Iberchem onboard.

Routinely, can we generate year-on-year mid-term mid-single digits? Yes, we can. And the homecare business, we shouldn't forget about as well. But that's not because we don't believe, we haven't got the confidence in personal care. Personal care will come back and I think it will come back strongly, once lockdowns are moderated.

But you should see those as medium term targets. I think we're assuming, when everything is back to normal, whatever that normal looks like, and when we're free from any lockdowns, because personal care is sensitive to lockdowns, as you know, that's the issue. So, we've still got that. Jez, just on the price mix, life sciences?

Jez Maiden Sure. Hi, Isha. I don't think there's anything particular that I would pull out of the fact that price mix was flat in the year. It was more of a volume growth story, separate from the Avanti acquisition, which, obviously, we show separately for the moment. I would say that what we probably started to do by the end of the year was to become a bit more capacity constrained in specialty excipients, as the new plant comes onstream, as Steve said, in the next few weeks.

So, what you saw was strong growth across the healthcare piece and solid growth in both seed and crop. So, I think it's just the noise of the mix effect going on there, but we would generally expect price mix to improve over time, as we capture more value, as well as driving volume growth. So, I don't think there's anything particularly unusual that I would pull out for 2020 to indicate a change of view for the future years. We should see both price mix and volume improve.

Operator We currently have no further questions on the line. I will now hand back over to you, David.

David Bishop Thanks, Gemma. I've none coming through on the webcast, so I'll just hand back to Steve to wrap up.

Steve Foots Hopefully, we've answered all your questions and you've got the tone from Croda, as usual. It will be nice to see you all face-to-face next time, and I really hope we can. And I hope, for the men, they can rush out and buy this Silverfree product as well, because it might work wonders for all of us. Let's stop there and we'll see you again in the summer. Thank you.