

Croda International Plc: Half year 2021 results

27 July 2021



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 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.

Sector restatement

Sector results for half year 2020 have been restated to reflect the Group's new reporting structure.

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: these 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.

Underlying sales

Underlying sales reflect constant currency values adjusted to exclude the impact of acquisitions. They are reconciled to reported sales in the Finance Review.

Other definitions

- Return on sales is adjusted operating profit divided by sales, at reported currency.
- Net debt comprises cash and cash equivalents (including bank overdrafts), current and non-current borrowings and lease liabilities.
- The leverage ratio is the ratio of net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) adjusted to include EBITDA from acquisitions is the last 12 month period. EBITDA is adjusted operating profit plus depreciation and amortisation.
- Free cash flow is EBITDA less movements in working capital, net capital expenditure, payment of lease liabilities, non-cash pension expense, and interest and tax payments.

Alternative performance measures (APMs)

We use a number of APMs to assist in presenting information in this presentation in an easily analysable and comparable form. We use such measures consistently at the half year and full year and reconcile them in the Finance Review accompanying these results.

Agenda

- Record performance
- Excellent first half financial results
- Moving to faster growth markets
- Q&A



Record performance



Steve Foots – Chief Executive Officer

Record performance driven by accelerated strategic implementation

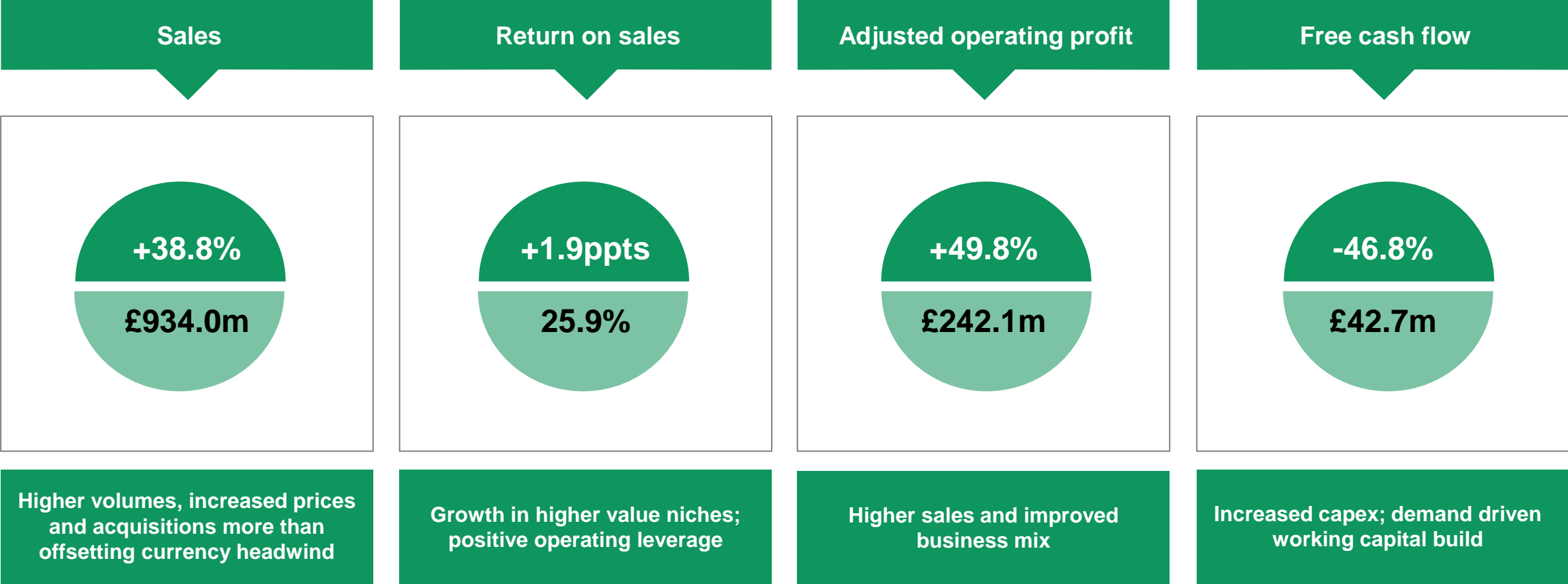
Record performance

- Reported sales up 39% on H1/20
- Underlying sales up 27% on H1/20; up over 10% on H1/19
- Record adjusted profit before tax, up over 50% on H1/20
- Return on sales 25.9% (2020: 24.0%)
- Interim ordinary dividend up 10% to 43.5p (2020: 39.5p)

Accelerated strategic implementation

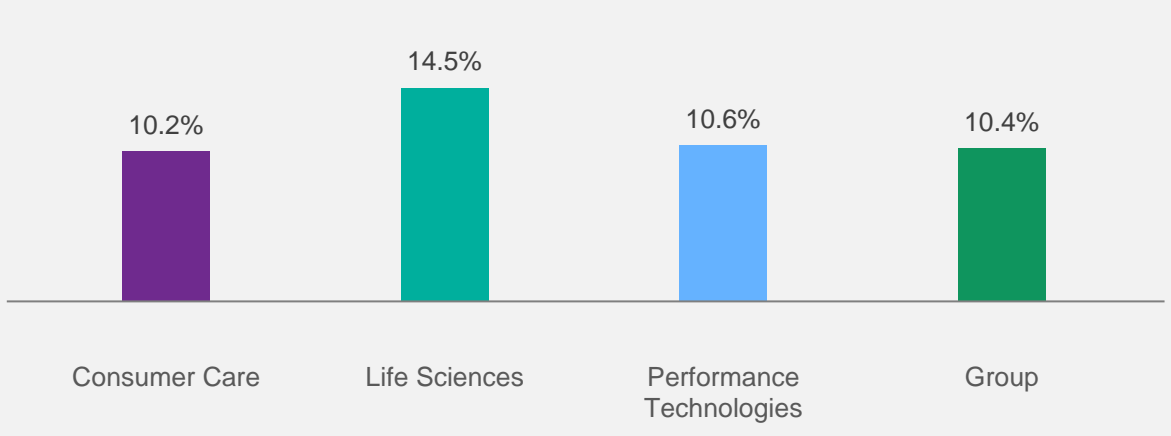
- Strong underlying growth across all sectors
 - Benefitting from significant capital investment over last 12 months, together with increased innovation
- Successful delivery from recent acquisitions
 - Iberchem and Avanti performing well
 - Integration and synergy delivery on track
- Continued success in building the Life Sciences platform
 - Over £40m invested in Health Care capacity expansion in H1/21

Excellent first half results...

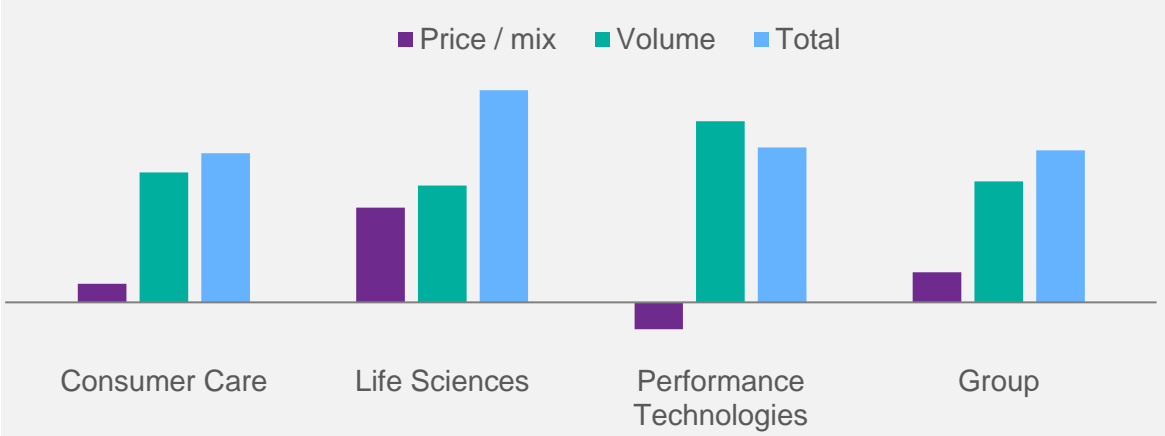


....recovered to above pre-pandemic levels

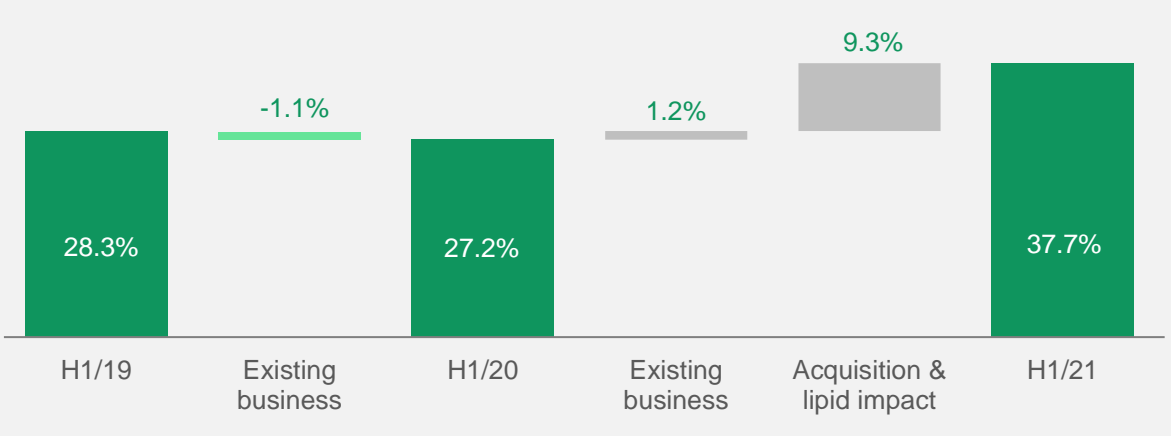
H1/21 underlying sales well ahead of H1/19



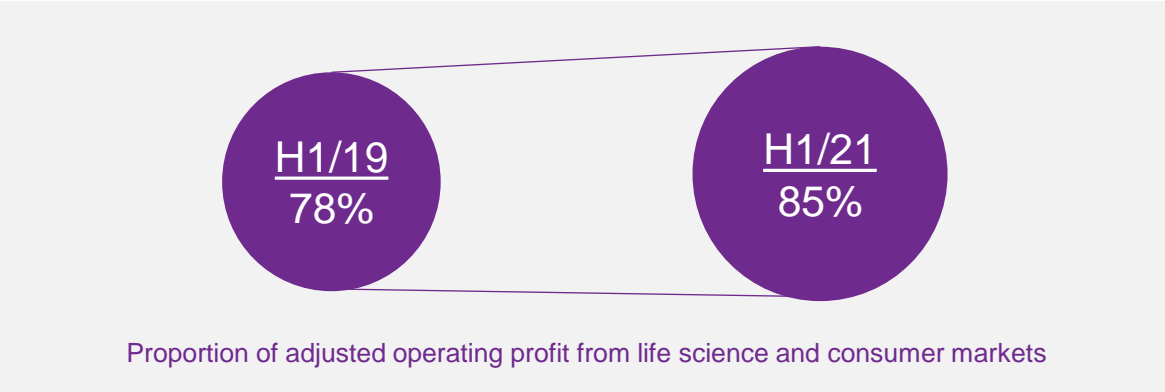
H1/21 underlying volume and price/mix higher than H1/19



NPP as % sales benefiting from recovery and acquisitions



Increased profit generation from life science and consumer markets



Sector sales data is presented on an underlying basis excluding lipid system sales to provide a like-for-like comparison

All sectors delivering strong growth

Consumer Care

- Performance driven by strong improvement in Personal Care, particularly Beauty Actives
- Capturing new market share with sustainable ingredients
- Iberchem and other acquisitions performing to plan; integration programmes progressing well

Life Sciences

- Excellent performance in Life Sciences; underlying Crop Care sales up double-digit percentage
- Outstanding Health Care sales; increased guidance for lipid system sales
- Improving return on sales due to continued growth in higher value-added niches

Performance Technologies

- Performance Technologies recovering strongly; exposed to sustainability-driven niches
- Strategic review progressing well
- 15.6% return on sales, a significant improvement on H2/20 return on sales of 10.9%

Excellent first half financial results



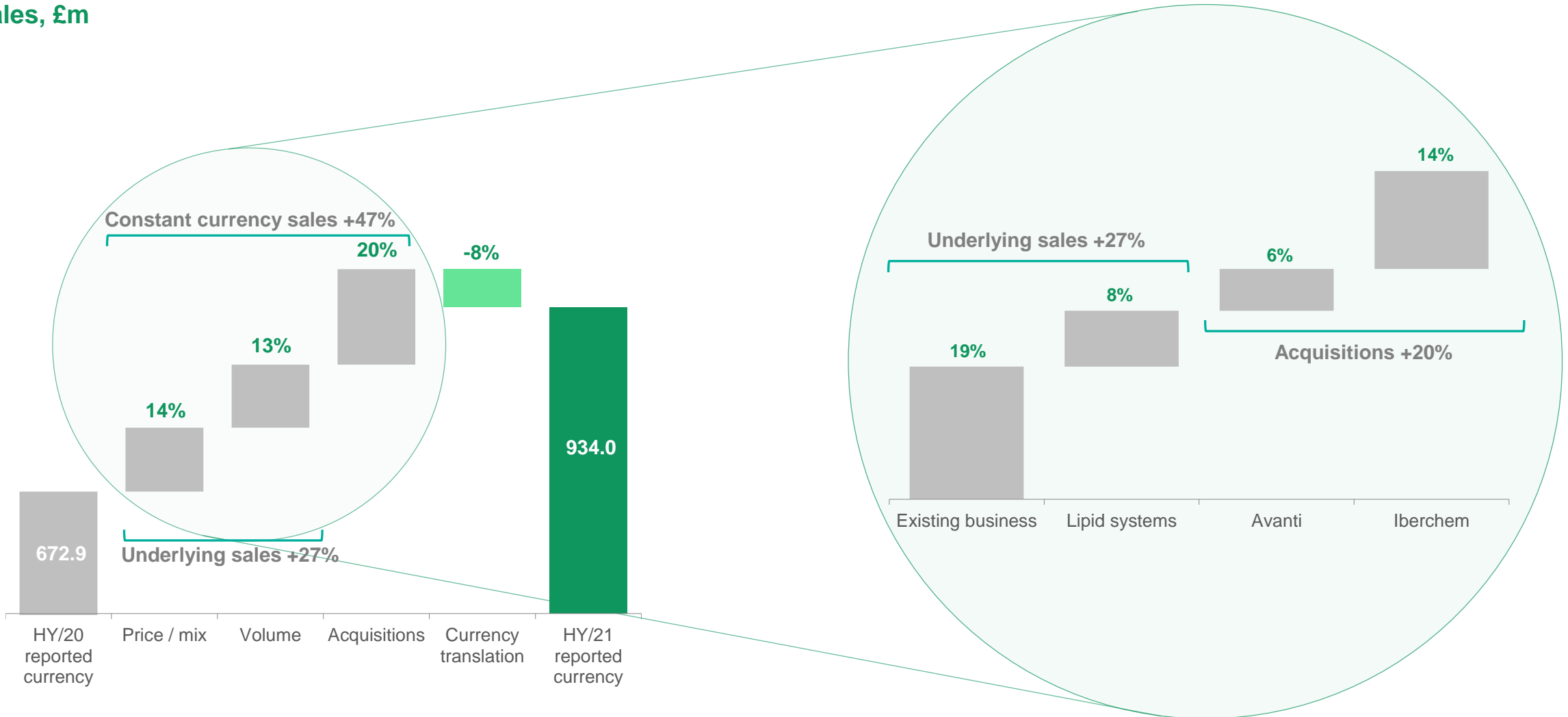
Jez Maiden – Group Finance Director

Record performance supported by continued investment

Adjusted results, £m	H1/21	H1/20	% change	% change constant currency
Sales	934.0	672.9	38.8%	46.9%
Operating profit	242.1	161.6	49.8%	58.7%
Return on sales	25.9%	24.0%	190bps	-
Profit before tax	229.5	152.5	50.5%	59.5%
Basic earnings per share	124.0p	88.8p	39.6%	48.0%
Ordinary dividend per share	43.5p	39.5p	10.1%	-
Free cash flow	42.7	80.2	(46.8)%	-
Adjusted PBT reconciliation to IFRS, £m	H1/21	H1/20		
Adjusted PBT	229.5	152.5		
Exceptional items	(8.6)	(2.7)		
Amortisation of intangible assets	(16.8)	(4.9)		
Reported PBT	204.1	144.9		

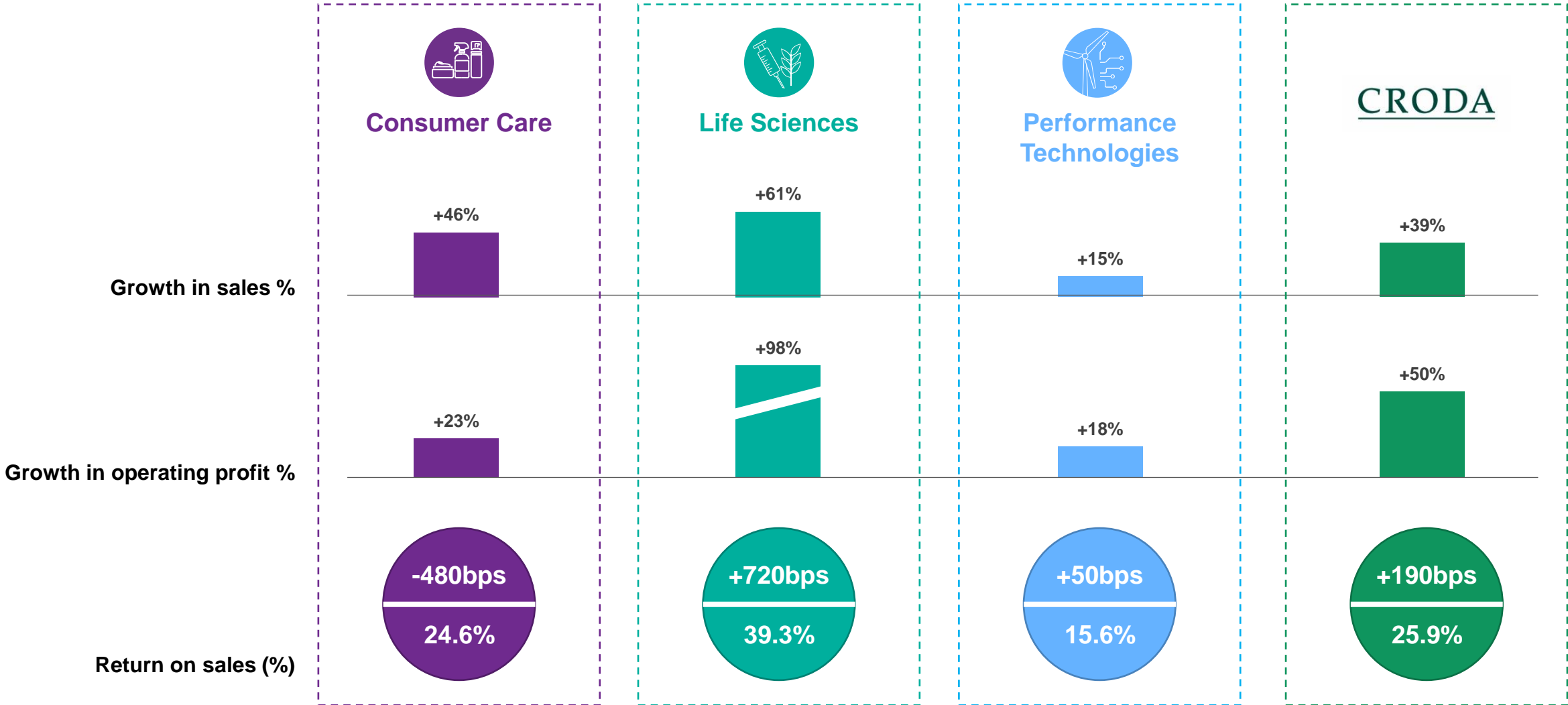
Strong price and volume growth complemented by acquisitions

Sales, £m



Parfex sales reported in Iberchem. Alban Muller's sales contribution less than one percentage point of first half growth

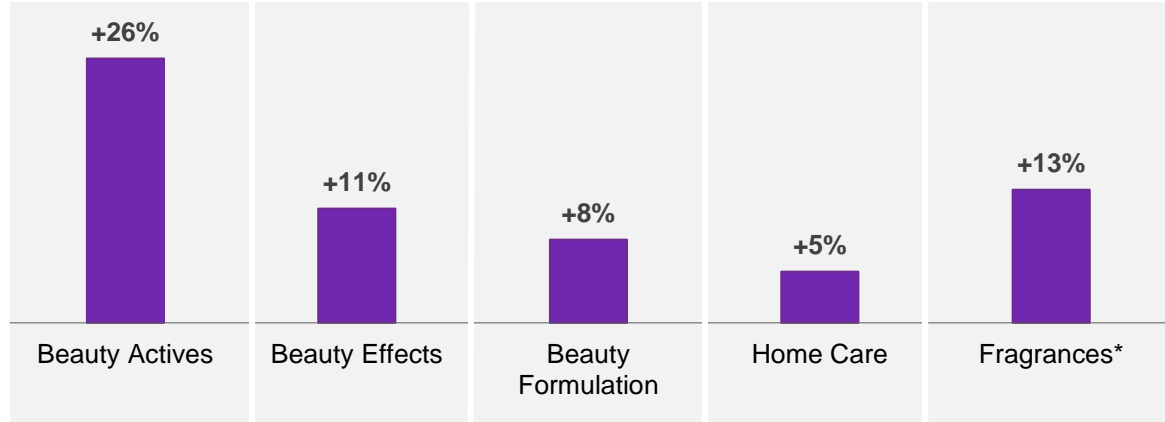
Excellent growth across all sectors



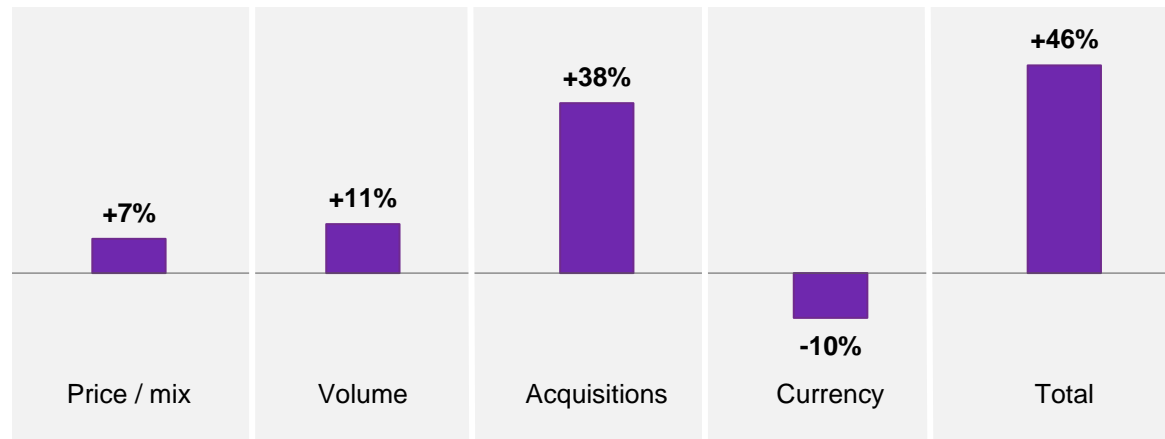
Significant improvement in Consumer Care



Strong sales recovery in all business units



Good volume recovery, price growth and Iberchem contribution



Highlights

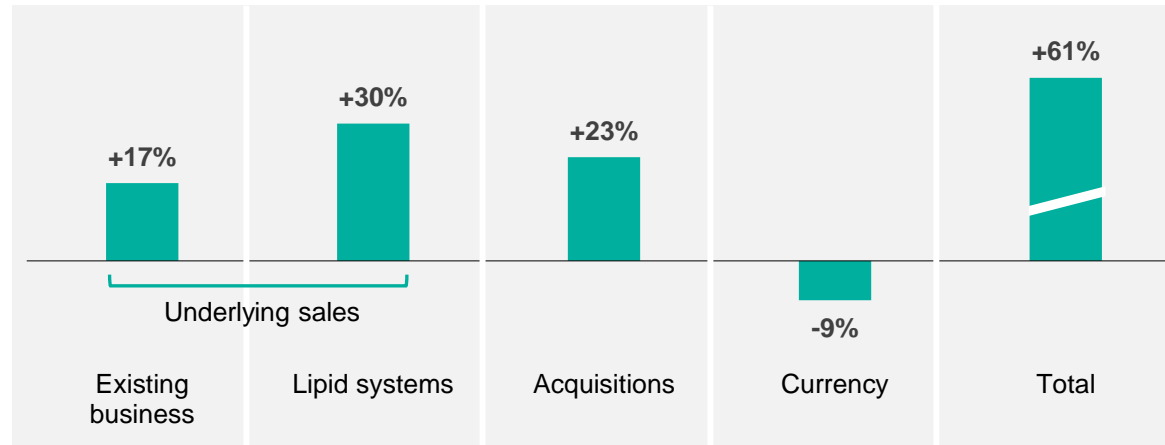
- Rapid Personal Care improvement
 - Resurgence in Actives
 - Good demand in Effects and Formulation
 - Margin improvement from enriched mix
- Personal Care underlying sales +8% on pre-pandemic level
- Slower growth in Home Care
- Iberchem integration progressing well
 - Continuing pre-acquisition growth trajectory
- Lower return on sales reflects dilution effect of Iberchem

*H1/20 comparator is before Croda ownership.

Outstanding performance in Life Sciences



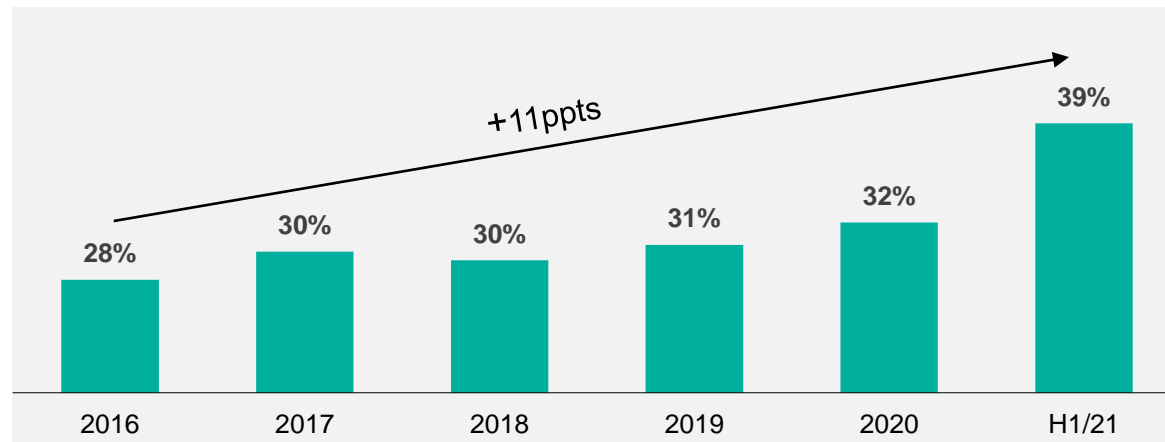
Strong sales growth in the existing business



Highlights

- Sales growth through organic expansion and leveraging acquired technologies
- Outstanding Health Care performance
 - Vaccine adjuvant sales increased over two thirds
 - Speciality excipient sales up over two thirds
 - US\$100m lipid system sales
- 180% increase in Avanti sales year-on-year*
- Exceptional growth and margin – will moderate with demand and new capacity

Continued move to higher value, lower volume niches

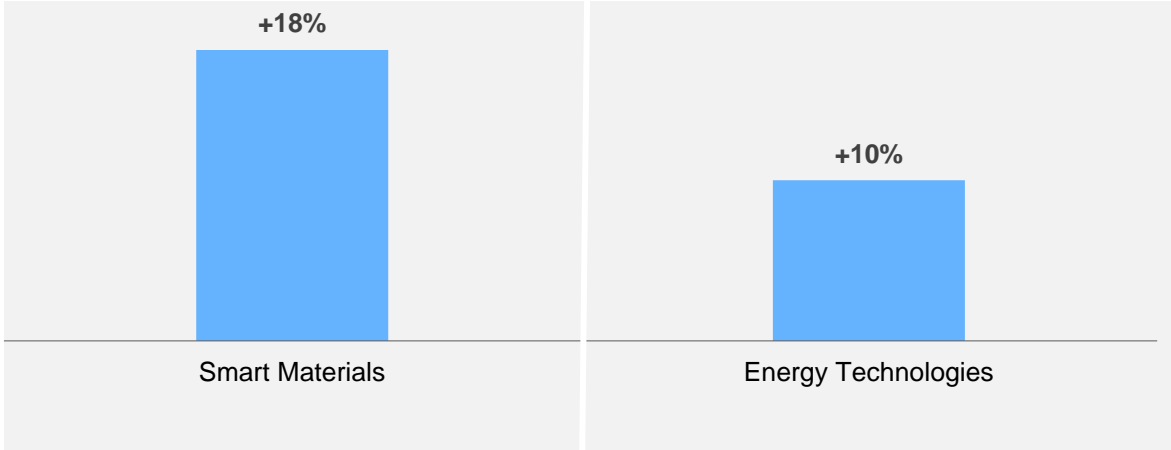


*H1/20 comparator is before Croda ownership.

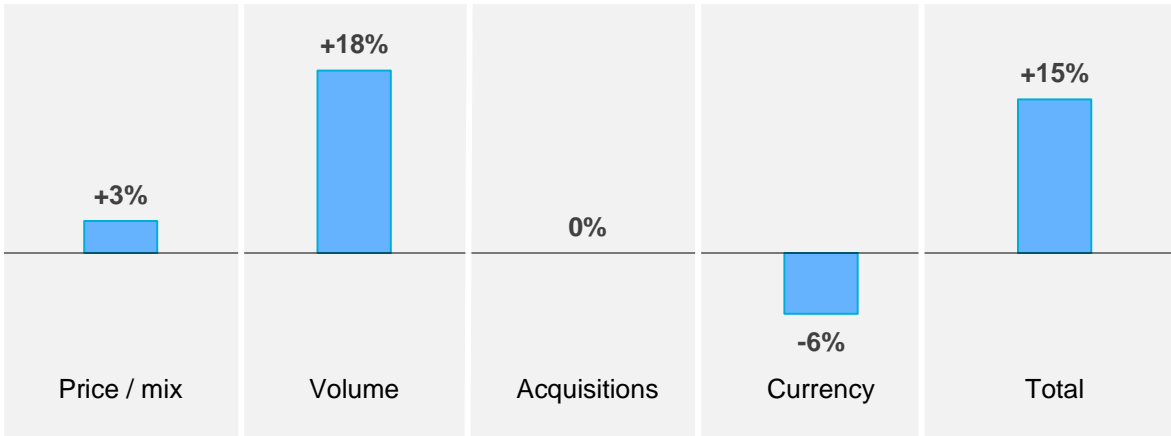
Strong recovery in Performance Technologies



Good sales growth in both business units



Half year sales growth driven by volumes



Highlights

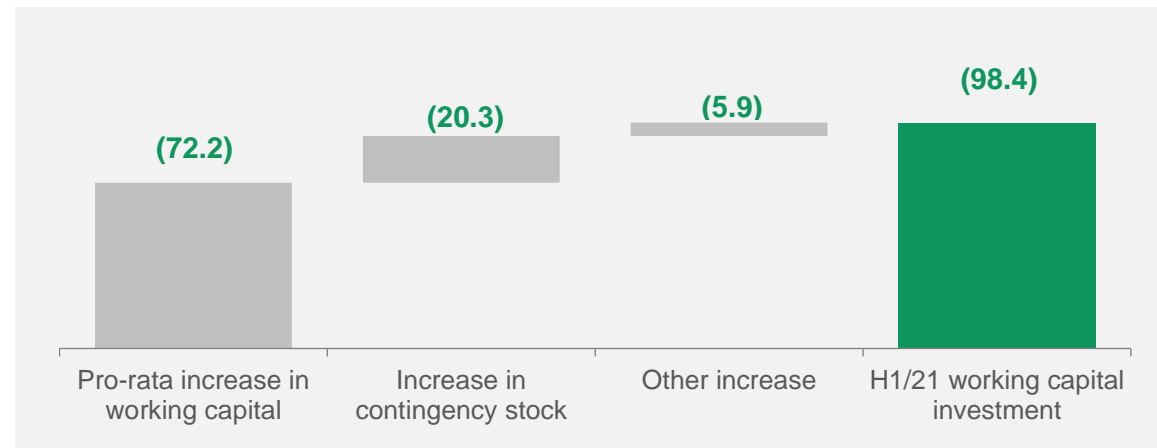
- Continued improvement in sales
 - Recovery in industrial markets
 - Next generation applications
 - Sustainability-driven demand
- Smart Materials – built on improved 2020 sales
- Energy Technologies – progressive improvement plus new EV applications
- Underlying sales 11% above pre-pandemic levels
- Operating leverage driving margin improvement

Lower cash generation reflecting higher investment

Cash flow, £m	H1/21	H1/20
EBITDA	280.3	193.4
Working capital	(98.4)	(13.5)
Capital expenditure	(81.6)	(50.9)
Interest & tax	(56.9)	(48.2)
Other	(0.7)	(0.6)
Free cash flow	42.7	80.2
Dividends	(71.8)	(65.0)
Acquisitions	(55.5)	-
Other cash movements	5.4	(12.4)
Net cash flow	(79.2)	2.8

£m	H1/21	FY/20
Net debt	866.3	800.5
Leverage ratio	1.7x	1.8x

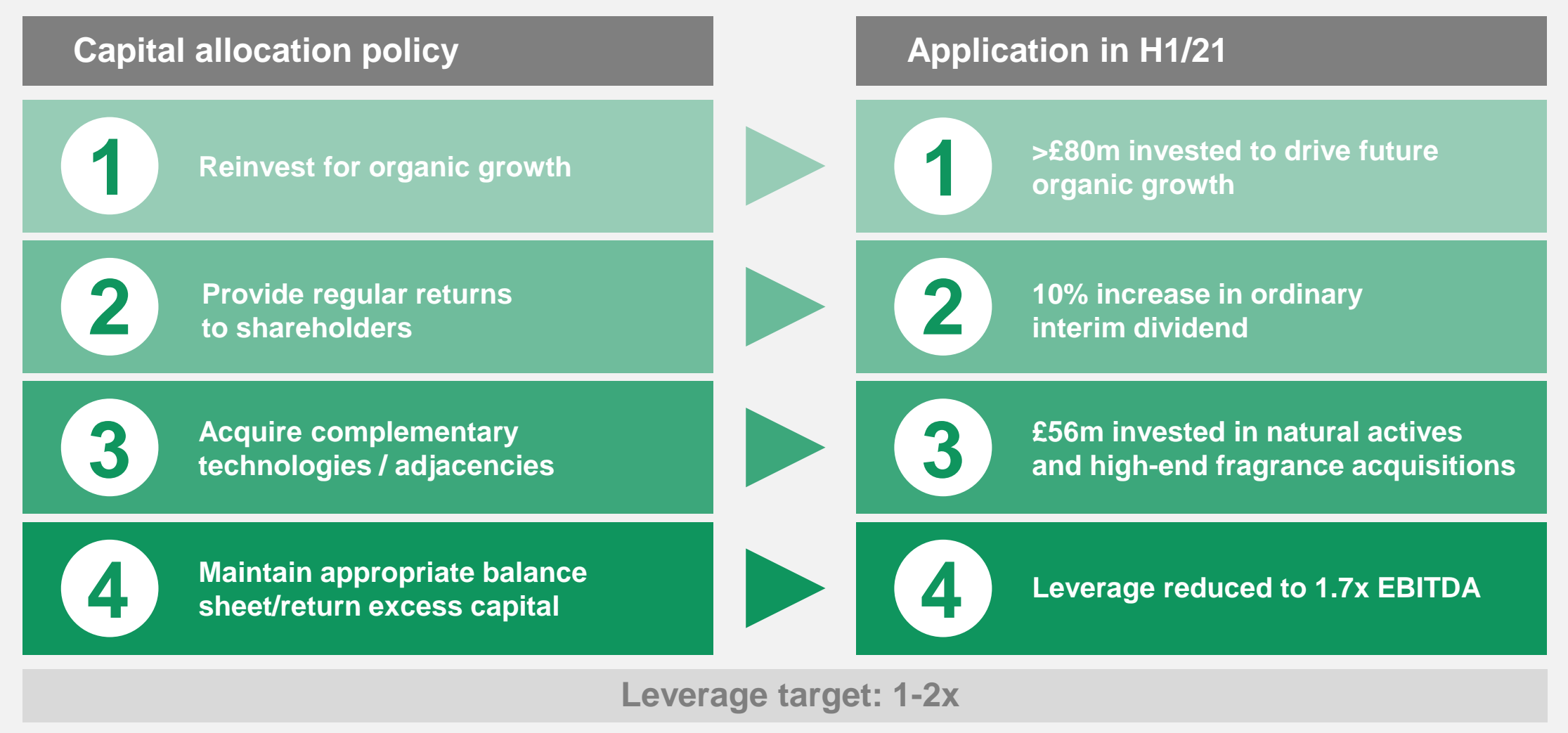
Working capital outflow driven by sales increase, £m



Deploying capital to drive current and future growth

- Capital expenditure of over £80m
 - Targeted investment to drive future growth
 - >£40m invested in Health Care capacity
- £56m invested in acquisitions
 - Accelerating transition to sustainable ingredients

Guided by a clear capital allocation policy

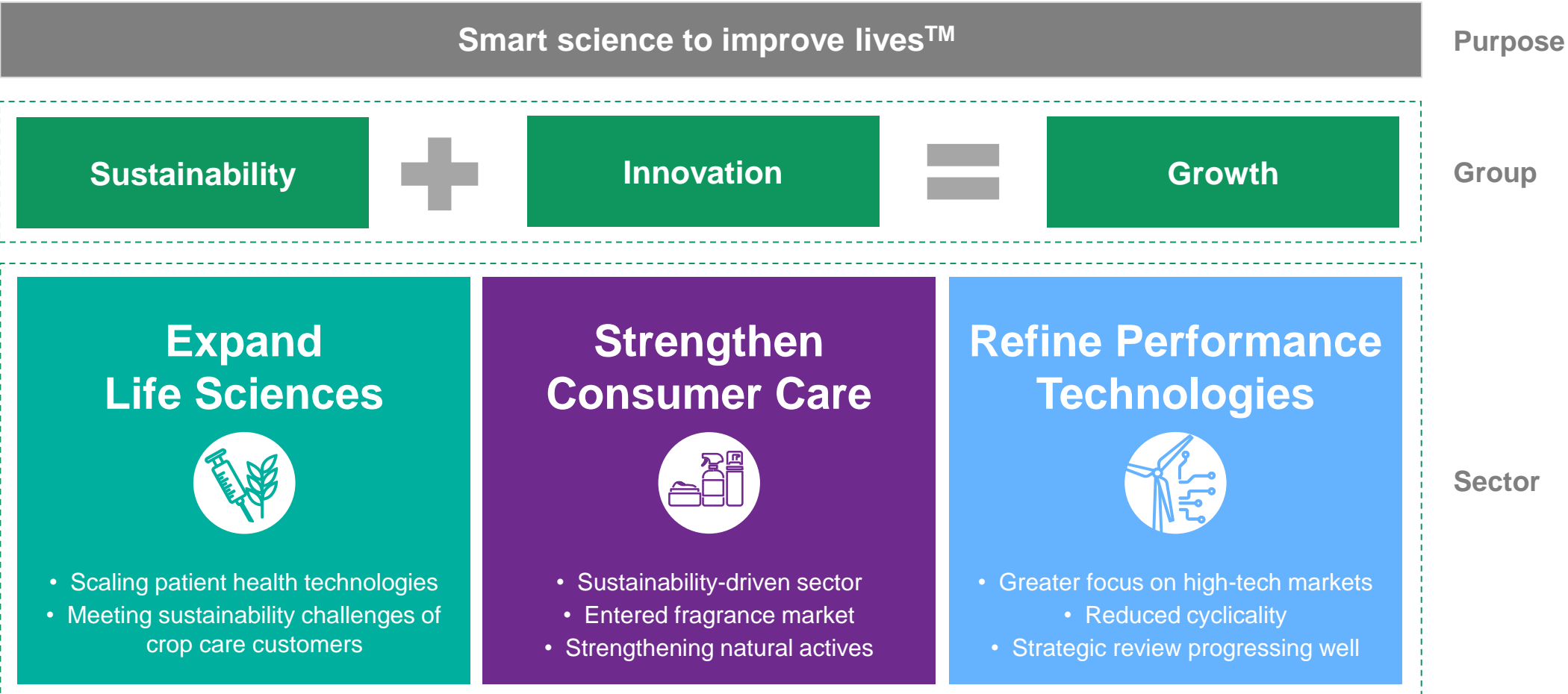


Moving to faster growth markets



Steve Foots – Chief Executive Officer

Rapid implementation of strategic priorities over last 12 months



2021 performance benefiting from prior year investments

August 2020 Avanti acquisition



COVID-19 drugs and vaccines

- 180% increase in sales year-on-year
- Key role in first global applications of mRNA
- At least \$200m sales in 2021
- Supporting 25 COVID-19 projects

Lipid system applications



- mRNA drugs and vaccines
- Non-mRNA technologies
- Next generation gene therapies

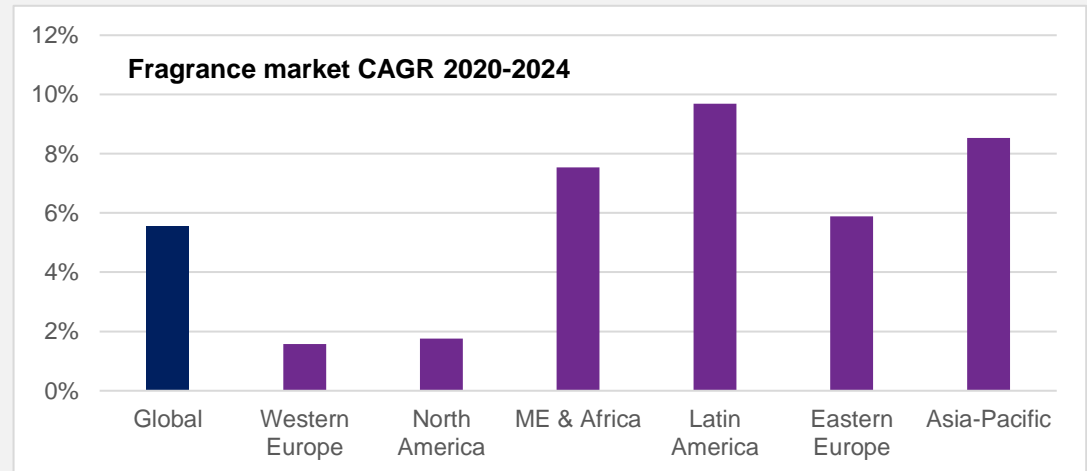
November 2020 Iberchem acquisition



Strong organic growth in H1 2021

- Sales up 13%
- Integration programme progressing well
- Expecting €48m annual revenue synergies by 2025

Access to superior fragrance growth rates in emerging markets



H1/20 comparator sales was before Croda ownership

Fragrance market CAGR 2020-2024; source: Euromonitor 2020

Focused on fast growth markets of the future

Life Sciences

We reach customers worldwide with our ingredients to deliver health care solutions, protect crops and enhance seeds; from our vaccine technologies to microplastic-free seed coatings, we are using our smart science to improve lives everywhere



Crop Protection



Seed Enhancement



**Consumer &
Veterinary Health**



Patient Health

Consumer Care

Our smart science is helping our customers, large and small, to create formulations with improved environmental profiles for thousands of personal and home care products while delivering clear benefits to consumers



Beauty Actives



**Beauty Care
(Effects & Formulation)**



Home Care



**Fragrances
(Iberchem)**

Building a world class drug delivery business...



Patient health

Speciality excipients



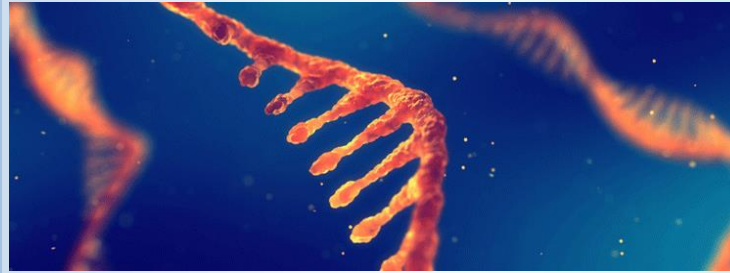
Market estimate

- c\$0.6bn for injectable excipients
- High single digit CAGR

Croda positioning

- Leader in purification technology
- Broadest range of high purity excipients
- “The leading provider of excipients for parenteral formulation by market value” – Kline

Lipid systems



Market estimate

- c\$1bn
- Currently doubling each year

Croda positioning

- Avanti + Croda = world leading position
- Avanti 50-year track record in lipids
- Croda commercial GMP production

Preventative health

Vaccine adjuvants



Market estimate

- c\$0.5bn for vaccine adjuvants pre COVID-19
- Vaccine market doubled 2019-21

Croda positioning

- World class manufacturing
- Market leading quality credentials
- Future opportunities for infectious / non-infectious diseases

...with bigger, bolder innovation projects...



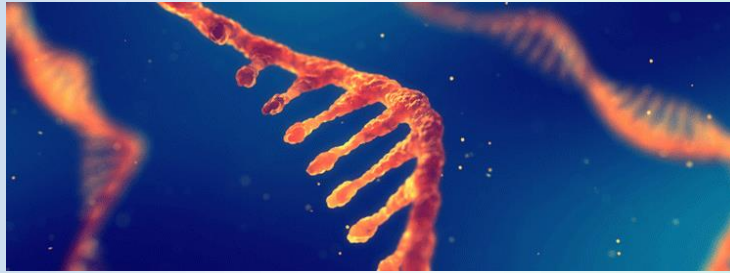
Patient health

Speciality excipients



- Supporting 25 COVID-19 projects
- Biologics = 9 of top 10 selling drugs in 2020
- Expanding speciality excipient portfolio
 - 8 launched in the last 12 months
 - Over 50 products

Lipid systems



- Supporting 25 COVID-19 projects
- 200+ lipid products in phase 1-3 clinical trials
- Similar number in research
- Reinforce leading position through R&D & capacity investment

Preventative health

Vaccine adjuvants



- Supporting 50 COVID-19 projects
- Next generation adjuvant technologies
- Increasing collaboration with Avanti
- Participating in the fight against other World Health Organisation-listed diseases

...and rapid operational scale-up



Avanti, US

- 2x employees
- 2x lipid capacity
- £40m investment
- On stream in Q3



\$185m
(+ up to \$75m)
acquisition

Biosector

€72m
acquisition

Denmark

- 2x capacity
- £5m investment
- On stream now



United States

- 2x speciality excipients
- £30m investment
- On stream now

United Kingdom

- New lipid capacity
- £15m investment
- On stream now

Japan

- 1.5x speciality excipients
(and Personal Care)
- £15m investment
- On stream this year

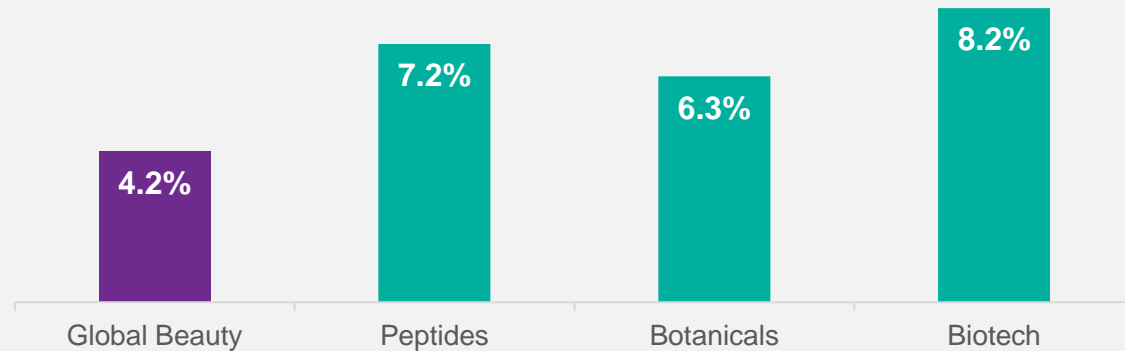


Moving to fast growth consumer markets

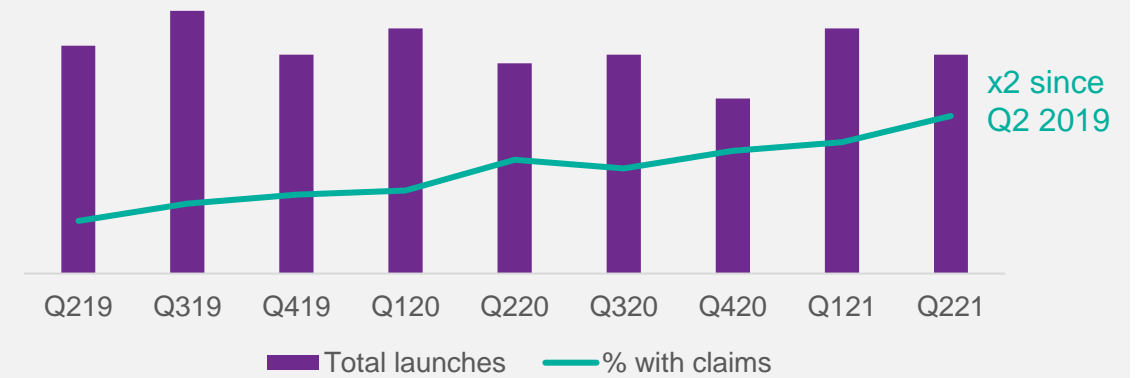


Superior growth rates in Croda's high value technologies

CAGR 2020 - 2025

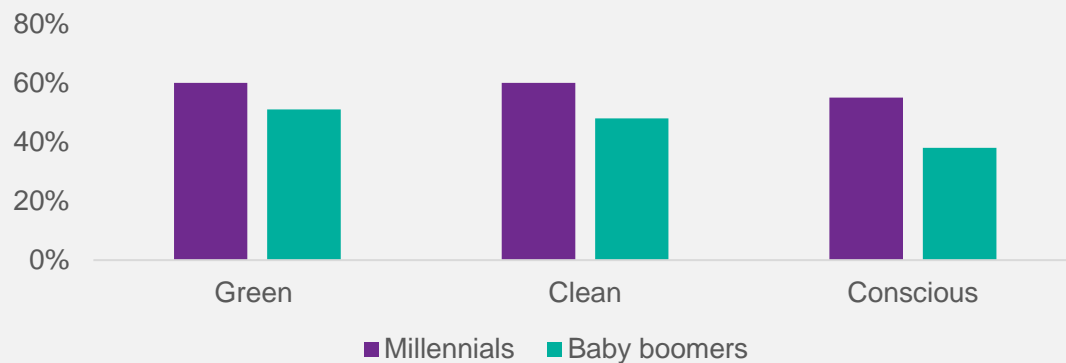


Exposed to accelerating sustainability product launches



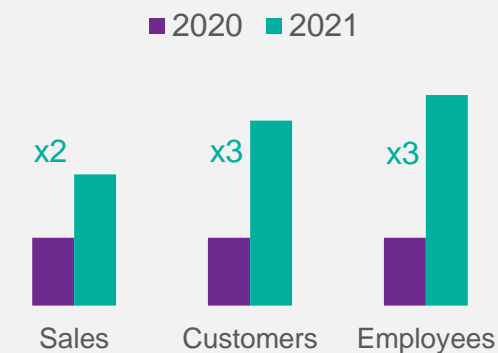
Generational shift driving demand for clean & conscious beauty

Generational segmentation of beauty buyers, 2019

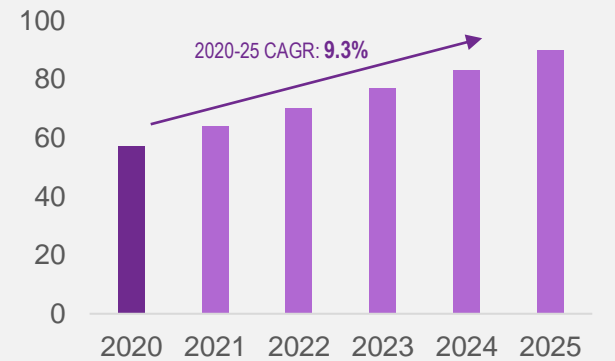


Doubled presence in fastest growth China market

Croda presence



China Personal Care market 2020-2025 (£bn)



Beauty Care sub-category growth; source: Kline, Croda estimates.
 "Generation Z and Millennials drive demand from Green to Conscious;" source: Euromonitor 2019.

Sustainability product launches from Mintel.
 Croda "presence" excludes Performance Technologies and Industrial Chemicals.
 25 China Personal Care market growth: Euromonitor.

Winning with sustainability



Increasing demand for bio-based ingredients



- ECO plant operating well since March
- 10x Personal Care customers
- 2x Home Care customers

Winning market share

Renaissance in mild surfactants



- Clean beauty / Sulfate free demand
- Legislation change
- Renaissance in very mild surfactants
- New specialist, multi-national and 'white label' customers

Winning market share

Leader in biotech-derived skin actives



Market leading Majestem® face and neck skin sagging technology:

- Recreates skin tension
 - Derived from edelweiss cell culture
- 50 Sederma biotech products

New fast growth niches

Innovative proteins for clothes care



- 'Hero' ingredient for Unilever's Comfort relaunch – 'pro-fibre', 'biodegradable' technology
- £20m+ technology investment

New fast growth niches

Winning with innovation



Acquisition of natural actives leader



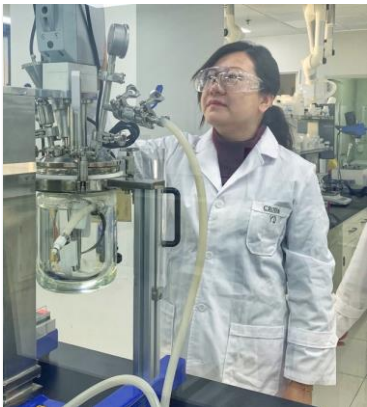
- Croda already botanicals market leader
- €25m Alban Muller acquisition
- 100% natural actives
- Local farmer partners, 'green' extraction

Move to sustainable actives



- Naturals-focused innovation
- Ameyezing™ from Sederma
 - Origins in wild ginger
 - Combats dark eye circles

More innovation power



- More than doubled R&D resource
- Rapidly investing in biotechnology
- New UK biotechnology centre
- Appointed Group Head of Biotechnology

Transformative impact of biotechnology



- Roll-out biotech surfactants in 2022
- Developing biotech-derived platforms
- Opportunities across all core markets
- Enhances sustainability ambitions

Winning with Iberchem



Parfex – moving to ECO fragrances



- €45m fine fragrance acquisition
- Accelerates transition to natural raw materials
- New Creation Centre for "haute parfumerie" and natural fragrances
- Biodegradable fragrances launched

Leveraging mutual strengths in China



- Asia growing as proportion of sales
- Strong demand in China
- Co-locating Iberchem with Croda botanicals expansion

Expanding in Brazil



- New Iberchem team recruited
- New customer applications lab
- Designed new production site
- Croda R&D and back-office support

Opportunities in mature markets



- Increasing market fragmentation
- 'White label' opportunities
- Fragrances in Croda formulations
- Leveraging Croda team in North America

Refining to grow Performance Technologies



Recovering strongly

- Smart Materials: building on increased sales in 2020
- Energy Technologies: outpacing broader recovery
- Supporting sustainability-driven transition
- Rewitec – European wind energy trials; China growth
- New Shanghai innovation centre
- Completing UK polymer investment

Establishing the right ownership structure

- PTIC strategic review progressing well
- Up to 75% of PTIC could form separate entity
- Will be set up to succeed independently
- Strategic review concludes end of 2021
- Expect proceeds of any divestment to be reinvested

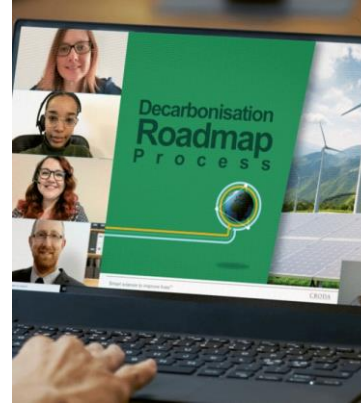
Built on a strong sustainability strategy

Ingredient transparency



- 199 suppliers assessed by EcoVadis
- New Global Head of Sustainable Sourcing
- Meets consumer requirements for ethical sourcing

Decarbonisation roadmap



- Roadmaps for 90% of emissions created
- Benefits customers' scope 3 emissions
- New carbon price to inform internal decision-making

1.5 degree pathway verified



- SBTi verification
- Most challenging 1.5°C pathway
- 3rd chemical company globally

Ranked number one for ESG

BARRON'S

- Most sustainable international company
- #1 of 1,000 companies assessed
- Based on 230 ESG indicators

Summary

Record first half year

- Strong underlying growth across all sectors
- Successful delivery from recent acquisitions
- Continued success in building Life Sciences platform

Outlook for full year 2021

- Continued underlying growth across all sectors
- Customer restocking expected to moderate
- Continued benefits from acquisitions
- At least \$200m lipid system sales
- Expect adjusted PBT significantly ahead of market expectations

Additional information

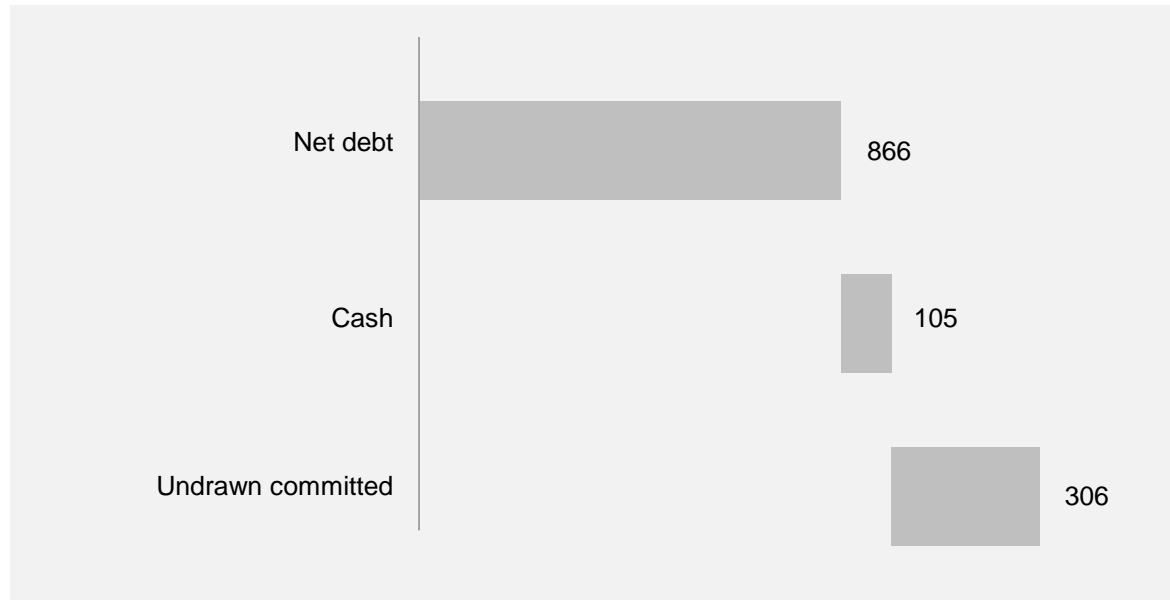
Proforma full year 2020 performance

2020 adjusted results, £m	Sales			Adjusted operating profit		
	<i>As reported</i>	<i>New structure</i>	<i>Proforma</i>	<i>As reported</i>	<i>New structure</i>	<i>Proforma</i>
Consumer Care	475.9	527.8	666.6	136.5	146.5	171.0
Life Sciences	401.6	392.5	410.5	129.4	124.5	127.5
Performance Technologies	416.4	373.6	373.6	54.0	48.9	48.9
Industrial Chemicals	96.4	96.4	96.4	(0.3)	(0.3)	(0.3)
Group	1,390.3	1,390.3	1,547.1	319.6	319.6	347.1

Proforma sales and operating profit show the 2020 outcome had Iberchem and Avanti been owned for the full year, not including changes in allocation of central and indirect costs.

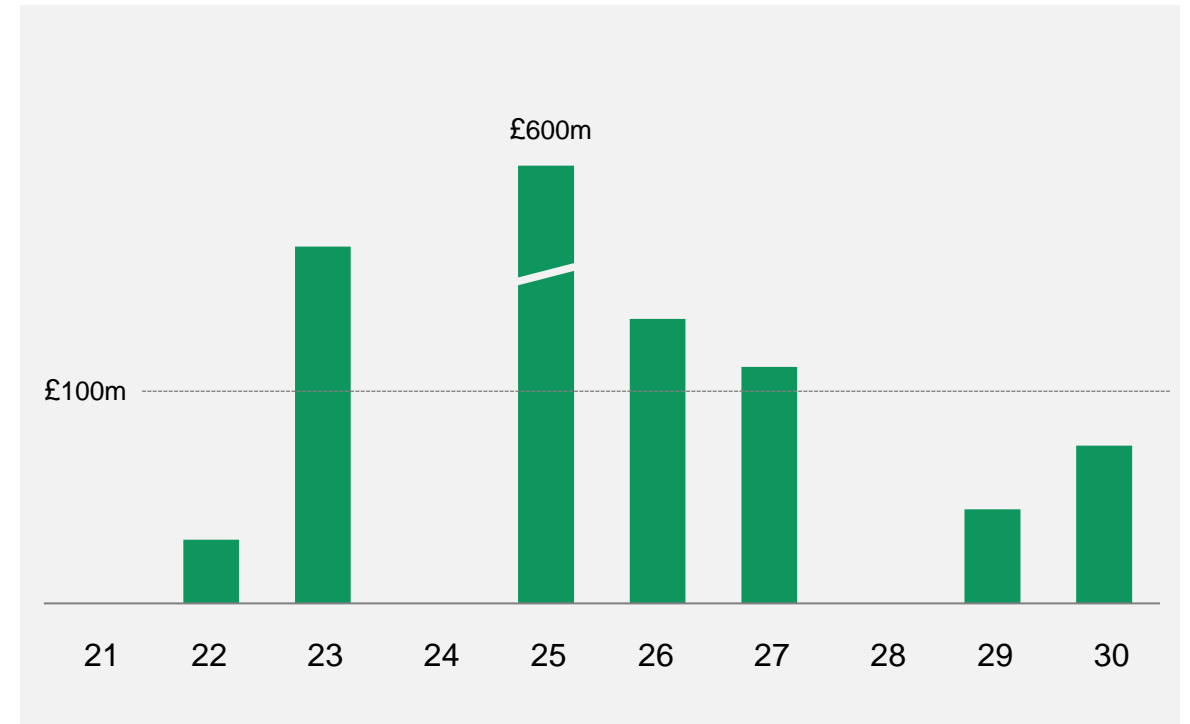
Significant headroom with long maturities

Significant headroom+, £m



Total committed funding: £1,228m

...with long maturities*



*At 30 June 2021. *Excluding leases.

IAS19 deficit on retirement benefits

£m	31 Dec 2020	30 Jun 2021
Market value of assets	1,536.8	1,470.7
Value of liabilities	(1,569.1)	(1,468.9)
Deficit pre tax	(32.3)	1.8
Deferred tax	7.0	(0.5)
Deficit post tax	(25.3)	1.3

Additional financial information

Currency translation

- Adverse profit impact in H1/21; primarily “local” currencies versus GBP
- H1 2021 average rates:
 - \$1.388 (H1 2020: \$1.261)
 - €1.152 (H1 2020: €1.145)
- Average annual impact:
 - £1.3m per \$cent pa
 - £1.0m per €cent pa
- US\$ and € represent 75% of currency translation exposure

CRODA

