

Press Release

22 December 2021

Agreement to sell majority of Performance Technologies and Industrial Chemicals businesses; completes Croda's transition into a dedicated Consumer Care and Life Sciences company

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

Croda International Plc ("Croda" or the "Group"), which uses smart science to create high performance ingredients and technologies that improve lives, today announces that it has signed a definitive agreement ("the transaction") to sell the majority of its Performance Technologies and Industrial Chemicals ("PTIC") businesses ("the divested business") to Cargill Velocity Holdings Limited, a wholly owned subsidiary of Cargill Inc ("Cargill" or "the acquirer") for an enterprise value of €915m (approximately £778m) on a cash-free, debt-free basis. The transaction follows a comprehensive strategic review of PTIC, announced in May 2021, to determine the best ownership structure to ensure the future success of the business.

The divested business, which represented 77% of PTIC's 2020 revenue, is comprised of five manufacturing facilities, including the Gouda plant in the Netherlands, the Hull plant in the UK and Croda Sipo in China (a joint venture in which Croda owns 65%), together with additional laboratory facilities supporting key aspects of the divested business' activities in Smart Materials, Energy Technologies and Industrial Chemicals. The consideration of €915m includes 100% of Sipo in the divested business. If the sale of 100% of Sipo cannot be realised, Sipo will be excluded from the sale, reducing the consideration by €140m.

The retained parts of PTIC will provide integral support to the Group's Consumer Care and Life Sciences sectors. These retained activities will become the Industrial Specialties ("IS") sector and play a key role in Croda's integrated model. Going forward, IS will generate additional revenues from a new supply agreement, whereby Croda will supply certain ingredients from its retained manufacturing plants to the acquirer. Similarly, the acquirer will enter a supply agreement to provide Croda with certain ingredients from the divested business' manufacturing plants.

The divestment delivers Croda's transition into a focused Life Sciences and Consumer Care company with these two sectors accounting for well over 90% of the Group's 2020 adjusted operating profit following completion. Croda intends to reinvest proceeds from the transaction into faster growth areas, increasing its exposure to health care and further developing its position as a sustainability leader in consumer care and crop care markets. The Group's priority is to use capital released through the transaction for organic capital expenditure and take advantage of the significant growth opportunities available in these markets. This will be supplemented by potential acquisitions of disruptive technologies in existing and adjacent markets. The Group will maintain its long-standing capital allocation policy, retaining an appropriate balance sheet and returning excess capital to shareholders if leverage remains below the target range of 1-2 times Group EBITDA and if sufficient capital is available to fund investment opportunities.

Croda and Cargill are currently working together on the process to separate the two businesses, with completion of the transaction expected in Summer 2022. The transaction is subject to receiving customary regulatory approvals but is not subject to approval by Croda's or Cargill's shareholders.

Steve Foots, Chief Executive of Croda, said: "Today's announcement completes our transition into a pure-play consumer and life sciences company. We will focus our capital and resources on delivering sustainable solutions and scaling our consumer, health and crop care technologies, leading to consistent sales growth and an even stronger profit margin."

"Cargill is a company with a distinguished history and strong values. Under its ownership, the divested business and our talented, hardworking employees can look forward to a bright future."

Colleen May, President of Cargill's Bioindustrial business said: "The bioindustrial space is a priority for Cargill, as we strive to support our customers with innovative, nature-based solutions that deliver real-world benefits. Combining our diverse, global supply chain and deep operational expertise with Croda's extensive industrial business capabilities and broad bio-based portfolio will spark a new wave of innovation and create tremendous value for our customers."

The person responsible for this announcement is Tom Brophy, Group General Counsel and Company Secretary.

About the divested business

The divested business is an excellent, world-leading business, with approximately 1,000 employees. It delivers industry-leading margins across the cycle through well invested manufacturing, innovation and sales operations, supported by a dedicated and experienced global team. The business has a highly attractive portfolio, offering customers innovative, sustainable solutions in advanced technologies, and is focused on fast-growth markets in the circular plastic economy, electric vehicles and other renewable technologies. This strong technology portfolio supports leading market positions in automotive, polymer and food packaging applications.

Financial details

In the Group's reported results for the year to 31 December 2020 ("2020 Actual"), PTIC revenue was £470.0m and adjusted operating profit was £48.6m¹. In the 12 months ended 30 June 2021 ("2021 LTM"), PTIC reported revenue was £504.5m and adjusted operating profit was £55.9m.

The results for the divested business have been derived on a 'carve out' basis from PTIC's performance, including the full value of trading which will in future be shared between Croda and the divested business under planned supply agreements. For the divested business, 2020 Actual revenue was £361m (2021 LTM: £382m) and adjusted operating profit was £39m (2021 LTM: £49m). Gross assets of the divested business at 31 December 2020 were £320m and the 2020 Actual depreciation and amortisation charge was £12m.

Taking account of value to be retained by Croda under future supply agreements and dis-synergy costs remaining with Croda which were previously allocated to the divested business, the estimated impact of the divestment on Croda's 2020 Actual reported results would have been to reduce revenue by £298m (2021 LTM: £322m) and adjusted operating profit by £36m (2021 LTM: £45m).

¹2020 reported numbers have been restated for the earlier change in sector reporting definition adopted in the 2021 half year results. Adjusted results are stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition.

About Cargill

Cargill's 155,000 employees across 70 countries work relentlessly to achieve Cargill's purpose of nourishing the world in a safe, responsible and sustainable way. Every day, they connect farmers with markets, customers with ingredients, and people and animals with the food they need to thrive.

Cargill combines 156 years of experience with new technologies and insights to serve as a trusted partner for food, agriculture, financial and industrial customers in more than 125 countries. Side-by-side, it is building a stronger, sustainable future for agriculture.

About Croda (www.croda.com)

Established in 1925, Croda is the name behind sustainable, high performance ingredients and technologies in some of the world's most successful brands: creating, making and selling speciality chemicals that are relied on by industries and consumers everywhere.

Croda is a FTSE 100 company with over 5,600 passionate and innovative employees, working across manufacturing sites and offices around the world with a shared Purpose to use Smart Science to Improve Lives™. As part of this Purpose, and with around two thirds of its organic raw materials already from bio-based sources, Croda has committed to be the most sustainable supplier of innovative ingredients, becoming Climate, Land and People Positive by 2030.

Further information

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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 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 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, and are used on a consistent basis for external reporting.