Croda International Plc: Iberchem site visit

12 May 2022
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 presentation. 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.

Market information
Market sizes and growth rates are company estimates informed by a range of third-party sources.

Company growth rates
Future growth rates are management estimates.
Agenda

Presentation
Unlocking the potential of F&F
1. Iberchem organic growth plan
   - Why we win
   - Customer-driven R&D
2. Sales synergies
   - Plan on track
   - Full formulation capability
3. Parfex growth plan
   - Fine and natural fragrances
   - Customer sustainability benefits

Summary

Iberchem site visit

Meet the team

1. Iberchem growth plan
   José Balibrea
   Managing Director, Iberchem
   17 years in the Company

2. Sales synergies
   Richard Butler
   Senior Vice President, F&F
   34 years in the Company

3. Parfex growth plan
   Alexandre Levet
   Sales Director, Parfex
   10 years in the Company

José Balibrea
Managing Director, Iberchem
17 years in the Company

Richard Butler
Senior Vice President, F&F
34 years in the Company

Alexandre Levet
Sales Director, Parfex
10 years in the Company

María Ángeles Lopez
Fragrance Development Manager, Iberchem
15 years in the Company

Magali Bonnier
Research & Technology Director, Croda
10 years in the Company

Guillaume Audy
Sustainability Director, Iberchem
7 years in the Company
Unlocking the potential of F&F

Richard Butler – Senior Vice President, Fragrances and Flavours
Created 8 growth businesses – all targeting >1.5x GDP growth

**Consumer Care**
- Beauty Actives – ~£150m sales
- Beauty Care – ~£400m sales
- Fragrances and Flavours – ~£180m sales
- Home Care – ~£50m sales

**Life Sciences**
- **Health Care**
  - Consumer & Veterinary Health
  - Patient Health
- **Crop Care**
  - Crop Protection
  - Seed Enhancement

Approximate 2021 sales by Consumer Care business unit.
The leading tier 2 F&F company

Iberchem is uniquely positioned:

- Unrivalled geographic reach
- Customers value breadth of portfolio
- Consolidation reducing tier 2 competitors
- Customers want independent supplier
Strongly differentiated in the tier 2 landscape

Tier 1
- Customer diversity
- Tailor-made products & proactive marketing proposal
- Cost effective R&D
- Global Reach
- Compliance

Tier 2 & 3
- Customer diversity
- Tailor-made products & proactive marketing proposal
- Cost effective R&D
- Global Reach
- Compliance

- Focused on large accounts
- High R&D costs
- Agility and pace
- Tier 1-like services
- Scale
- Lack of global reach
- Specialised product portfolio

Limited relevance
Strong relevance
Opportunities in new customer segments

A typical Iberchem customer
- Local family-owned companies
- Flexible and agile business model
- Fast to customer
- Rely on suppliers for trends/regulatory

A typical customer of a tier one F&F company
- Large international corporations
- Complex internal structure
- Working with core-list system
- Trend/regulation setter

A typical existing Croda ingredient customer

Product imagery from company websites
Compelling offer for all customer types

Our unique combination offers Tier 1 strength
- Global reach
- Strong R&D
- Sustainability

Combined with Tier 2 agility
- Direct selling model
- Local customer intimacy
- Responsive and focused

Full formulation capability
- Unmatched ingredient portfolio
- Unmatched formulation expertise
- True Brand partner capability

Winning with MNCs / regional majors
- Confidence and credibility
- Local manufacturing
- Alignment on Sustainability

Winning with SMEs
- Personalised solutions
- Brand support services
- Regulatory support

Winning with Indies
- Creative input
- Trend data
- Full formulation offer
Attractive long term market trends

Global fragrance market

Expected to reach $58.8bn in 2024

5.6% global CAGR

Driven by
Emerging Markets

Macroeconomic trends
- Growing middle class and increasing urbanisation
- Superior growth rates in Emerging Markets
- Increasing fragmentation in mature markets

Consumer trends
- Conscious consumption and proximity buying
- Natural flavours and fragrances

Fragrance market CAGR 2020-2024

New market trends
- Developing niche brands, value for money and private label markets
- Increasing demand for beauty, health, nutritious, and hygiene products

Manufacturer trends
- Expansion of online channel
- Reformulation over innovation

Euromonitor market data
Three growth drivers plus acquisition opportunities

1. Iberchem organic growth plan
   Double-digit % CAGR

2. Sales synergies
   €48m by 2025

3. Parfex
   €40M sales by 2025

4. Acquisition opportunities
   Selective technology or geography
1. Iberchem organic growth plan

Jose Balibrea – Managing Director, Iberchem
Iberchem: 37 years of successful expansion
A global fragrance-led company with distinctive positioning

- **€206m** revenue
- **€43m** EBITDA
- **+15%** sales growth (CAGR 2010-21)
- **21%** EBITDA margin

**Sales by division**
- Flavours 23%
- Home Care Fragrances 37%
- Personal Care Fragrances 40%

**Sales by region**
- Asia 31%
- Europe 20%
- Middle East 20%
- Africa 21%
- LatAm 8%

**Headquartered in Murcia, Spain**
- >1,000 FTEs
- Present in ~120 countries

**15** manufacturing and warehousing facilities

**40,000** Fragrance references (ex-Parfex)

**19,000** Flavour references

**10** Creative and R&D centres

**53%** male
**47%** female

~36y average age of the employees

All financial data is 2021A including Parfex except where indicated.

Smart science to improve lives™
Excellent financial track record

Consistent top line growth across the cycle

- €206m revenue in 2021 including Parfex contribution from June 2021
- Consistent revenue growth despite recognised headwinds
- Driven by:
  - Emerging markets positioning
  - Focus on fragrances for Consumer Care applications
  - Portfolio breadth and agile business model

Strong profit growth and attractive cash profile

- €43m EBITDA in 2021 (21% o/sales)
- Consistently attractive margins despite cost-effective offerings
  - Strong margin in 2020 and 2021 despite COVID-19 impact
- Capital-light model
  - Good cash conversion\(^{(2)}\) – over 80% EBITDA in 2020 and 2021

EBITDA includes IFRS 16 impact from 2019 onwards. Cash conversion defined as ((EBITDA – capex) / EBITDA).

CRODA
2022-2025 investments for growth; capital light model retained

~ €70m capital investment by project

50% capital investments on three significant projects:
- F&F-Beauty Actives shared facilities in China (€20m)
- Creation and production centre for Parfex (€10m)
- Expansion capabilities in Spain (€5m)

Investment in talent – for the next stage of development
- Perfumery school and new graduates programme
- Complemented with selective recruitment

>1,250 FTEs by 2025
Why we win

Jose Balibrea – Managing Director, Iberchem
Unrivalled agility and pace

1. Wide product portfolio
   • 40,000 fragrance references
   • 19,000 flavour references

2. Global platform
   • 120 countries
   • >75% sales to emerging markets
   • >20% sales to China

3. Fast to customers
   • 4,000 customers
   • +1,400 new customers over the last 5 years
   • Top 10 customers = 21% revenue

4. Customer-driven R&D
   • +280 new fragrance references/month
   • +75 new flavour references/month

40,000 fragrance references excludes Parfex
1. Wide product portfolio

<table>
<thead>
<tr>
<th>Category</th>
<th>Fragrance References</th>
<th>Flavour References</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal care and perfumes</strong></td>
<td>52%</td>
<td>39%</td>
</tr>
<tr>
<td>Baby care</td>
<td></td>
<td>Beverages</td>
</tr>
<tr>
<td>Deodorant</td>
<td></td>
<td>28%</td>
</tr>
<tr>
<td>Facial care</td>
<td></td>
<td>Sweet</td>
</tr>
<tr>
<td>Hygiene</td>
<td></td>
<td>24%</td>
</tr>
<tr>
<td>Bath &amp; shower</td>
<td></td>
<td>Savoury</td>
</tr>
<tr>
<td>Hair care</td>
<td></td>
<td>9%</td>
</tr>
<tr>
<td><strong>Perfumes</strong></td>
<td></td>
<td>Others</td>
</tr>
<tr>
<td>Haute parfumerie/Natural</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mass market fragrances</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Functional fragrances</strong></td>
<td>48%</td>
<td></td>
</tr>
<tr>
<td>Air care</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dishwashing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laundry care</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surface cleaner</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Company information for 2021A sales.
2. Global platform

Source: Company information for 2021A sales.

Smart science to improve lives™
3. Fast to customers

- **Strong customer intimacy**
  - 11-year average relationship among Top 50 customer list
  - Eight of these with >20-year relationship with Iberchem
- **Focused on customer niches not targeted by larger competitors**
- **Low concentration**
  - 112 customers above €500k sales per year/34 customers above €1m sales per year
- “Fast-to-customer” model well suited to mid-size customers
- **Tailor-made products**
- Growth strategy targeting: i) Own brands; ii) Larger regional & independent brands

**Diversified and loyal customer-base**

**Top 10 customers = 21% 2021 sales**

4,000 Customers

+1,400 New customers in 5 years

Growing number of customers AND sales for existing customer accounts

Active customers are those with accounting sales during 2021 (ex. Parfex)
4. Customer-driven R&D

1. Identification and data capture
2. Knowledge management
3. Study trends and tastes
4. Product development
Customer-driven R&D

Maria Angeles Lopez – Fragrance Development Manager, Iberchem
Our approach to R&D

Vision
Strategic business partner to our customers offering fragrance development, formulation advisory, marketing and technical support

Customer fragrance development

Supported by extensive insight
Extensive insight on latest market trends and full formulation
Quick to respond to market demands

Customer-driven
Customers fully updated on latest trends
Bespoke development leveraging 40,000 references

Dynamic
Customers can receive a tailor-made fragrance in 15 days
Enables them to be disruptive and fast to market

New technologies R&D
Developing out-of-the-box fragrance services

Malodour neutralisation
Fragrance microencapsulation
Sustainable fragrance ranges
Unparalleled commercial support to regional customers

Extensive customer support with a “local” approach at every stage

- Same language
- Availability
- Understanding of local tastes

- Macro vision and trend identification
- Category expertise
- Local and regional consumer knowledge

- Application and technical advice
- Local collections and quick sample delivery
- Support in ramp-up of industrialisation

- 15 production sites globally
- State-of-the-art ERP (SAP)
- Stock availability

Strong customer intimacy allows Iberchem to grow with and within its customer base

Growing WITH the customer
Exposure to customers based in high growth regions

Growing WITHIN the customer
Proven ability capture larger share of customers’ F&F spend
Capturing the most recent trends

**Identification**
- Proactive data capture (60%)
  - Trade fairs
  - Conferences
  - Intelligence from local subsidiaries
  - Suppliers’ new launches
  - Close market monitoring
- Customer request (40%)
  - Product renewal
  - Bespoke end-product request

**Research & Development**
- Knowledge management
  - Molecules analysis
  - Raw materials database update
- Product development
  - Adaptation to different applications
  - Final product application
- Study olfactory trends & tastes
  - Phase 1: Sensorial
  - Phase 2: Applications

**Product deployment**
- 280 new codes per month in Fragrances
- 75 new codes per month in Flavours

On-trend fragrances developed with raw materials procured at current prices provides a natural hedge against inflation

Deeply embedded innovation ethos, driven by active market listening and scientific approach to new development

Source Company Information
1. Including (i) new creations, (ii) re-formulations and (iii) existing codes variations

Smart science to improve lives™
Formulation-driven approach

- Well established culture of innovation
- 10 R&D centres and 280 R&D technicians
- 2019: invested in state-of-the-art applications laboratory
- 22 Perfumers, 9 Flavourists
- Allows rapid commercialisation of value for money fragrances and flavours and supports customer intimacy

State of the art and recent R&D laboratories

1. New Development
2. Instrumental Analysis
3. Fragrances Applications
4. Perfumers Room
5. Testing Cabins
6. New Technologies
Iberchem organic growth plan – key takeaways

- Wide product portfolio
- Global platform
- Fast to customers
- Customer-driven R&D
  - Unparalleled commercial support to regional customers
  - Capture the most recent trends
  - Formulation-driven approach
2. Sales synergies

Richard Butler – Senior Vice President, Fragrances and Flavours
Three sources of sales synergies totaling €48m by 2025

1. Geographic expansion
   - Europe & the Americas: 75% Croda, 28% Iberchem
   - Asia, Middle East & Africa: 25% Croda, 72% Iberchem

2. Customer cross-selling
   - Croda to Middle East, Africa, Indonesia, India
   - Iberchem to Western Europe, North America, Japan, Korea
   - Sell fragrances to Croda customers
   - Sell Croda ingredients to F&F customers

3. Full formulation capability
   - Claims
   - Sensory
   - Fragrance
   - Indies – reduce time to market
   - Regional leaders – diversify brand offering

Supported by investment in capex and talent

Smart science to improve lives™
Encouraging progress in 2021

- **700** Sales visits
  - 370  Consumer Care
  - 330  iberchem

- **50** New customers
  - 22  Consumer Care
  - 28  iberchem

- **1,300** Samples requested
  - 500  Consumer Care
  - 800  iberchem

- **240** Projects created
  - 100  Consumer Care
  - 140  iberchem

Consumer Care excludes F&F

Smart science to improve lives™
1. Geographic expansion in action

**Leveraging the Croda network in Brazil**

The market opportunity:
- Second largest fragrance market globally worth $5.6bn
- No pre-existing Iberchem presence

Capturing the opportunity:
- New Iberchem R&D laboratory
- Local Iberchem sales presence
- In-country production operational in 2023

**Further expanding in China**

The market opportunity:
- Fastest growing Personal Care market globally
- Increasing market fragmentation

China Personal Care market ($bn)

Capturing the opportunity:
- Combined botanicals/fragrance facility
- ‘In China for China’
- Capturing cross-selling synergies
2. Customer cross-selling in action

Regions where Croda is stronger
A region where both companies have a significant presence
Regions where Iberchem is stronger

Logos from company websites.

Smart science to improve lives™
3. Full formulation capability in action

A recent project with a large regional Personal Care brand owner and contract manufacturer in Turkey

Customer seeks to develop a new facial care range
- Iberchem, Beauty Care & Beauty Actives engaged

Croda researches the key trends in the relevant market with examples
- Wellness
- Hygiene
- Nature
- Sustainability

Fragranced base formulations supplied to meet the identified trends
- Skin cream
- Skin gel
- Face mask
- Cleanser
- Facial scrub

Customer benefits from a total solution at pace
- Fragrance creativity
- Ingredient claims
- Market trends

**Wellness**

**Hygiene**

**Goodness of Nature**

**Sustainability**
Full formulation capability

Magali Bonnier – Research & Technology Director, Croda
Different types of formulation ingredients

Functional ingredients
- Surfactants
- Thickeners
- Oils
- Conditioners

Actives
- Claims
- Delivery systems
- Sun care
- Hair care
- Skin care

Fragrances

Aesthetics
- Film former
- Fillers

Others
- Preservatives
- Antioxidants

Formulation Academy to share our expertise with customers
Delivering improved performance through science

1. Formulation technology
   Stability – Viscosity - Rheology

2. Claims
   Skin
   • Color/Pigmentation
   • UV protection
   • Oiliness
   • Hydration/moisturisation
   • Ageing
   Hair
   • Conditioning
   • Color/damage
   • Shine
   • Strength

3. Sensory
   • Sensory panel
   • Consumer testing
   • Hair salon for consumer data

4. Fragrance
   • Formulation stability
   • Evaluation of fragrance performance during product usage

Global network of innovation centres to monitor trends and develop customer prototypes
Full formulation capability in action

**Overnight memory mask** – Fights the signs of fatigue, ensuring skin is revitalised and ready to face the day ahead

<table>
<thead>
<tr>
<th>Ingredient</th>
<th>Functionality</th>
<th>%</th>
<th>Supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deionised water</td>
<td>&gt;50%</td>
<td></td>
<td>Non-Croda</td>
</tr>
<tr>
<td>Glycols</td>
<td>Reduce moisture loss</td>
<td>12%</td>
<td>Non-Croda</td>
</tr>
<tr>
<td>Glycerine</td>
<td>Reduces moisture loss</td>
<td>10%</td>
<td>Non-Croda</td>
</tr>
</tbody>
</table>

**Functional ingredients**

<table>
<thead>
<tr>
<th>Ingredient</th>
<th>Functionality</th>
<th>%</th>
<th>Supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crodamol ISIS</td>
<td>Moisturiser</td>
<td>5%</td>
<td>Beauty Care</td>
</tr>
<tr>
<td>Crodamol SSA</td>
<td>Emollient</td>
<td>5%</td>
<td>Beauty Care</td>
</tr>
<tr>
<td>Volarest</td>
<td>Rheology modifier</td>
<td>2.5%</td>
<td>Beauty Care</td>
</tr>
<tr>
<td>Euxyl</td>
<td>Preservative</td>
<td>1%</td>
<td>Non-Croda</td>
</tr>
<tr>
<td>ViscOptima</td>
<td>Emulsifier</td>
<td>0.5%</td>
<td>Beauty Care</td>
</tr>
</tbody>
</table>

**Actives**

<table>
<thead>
<tr>
<th>Ingredient</th>
<th>Functionality</th>
<th>%</th>
<th>Supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prodzia</td>
<td>Anti-fatigue active</td>
<td>3%</td>
<td>Beauty Actives – Sederma active</td>
</tr>
<tr>
<td>Phytessence</td>
<td>Soothing anti-irritant</td>
<td>2%</td>
<td>Beauty Actives – Crodamor botanical</td>
</tr>
<tr>
<td>Moonstone</td>
<td>Radiance and luminescence</td>
<td>1%</td>
<td>Beauty Actives – Crodamor botanical</td>
</tr>
</tbody>
</table>

**Fragrance**

<table>
<thead>
<tr>
<th>Ingredient</th>
<th>Functionality</th>
<th>%</th>
<th>Supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>35.14942</td>
<td>Fragrance</td>
<td>1%</td>
<td>Iberchem</td>
</tr>
</tbody>
</table>

**Iberchem fragrance 35.14942**

**Night Therapy**

**Oily skin**

- Top: Floral, Green, Fresh
- Middle: Floral, Powdery, Ozonic
- Bottom: Musky, Sweet, Floral,

**Velvet Touch**

**Normal skin**

- Top: Fruity, Green
- Middle: Fruity, Floral
- Bottom: Floral, Sweet, Musky

**Night Repair**

**Dry skin**

- Top: Fruity, Sweet
- Middle: Fruity, Floral
- Bottom: Floral, Musky, Sweet
Capturing the power of sensory and emotions

- Emotions can be induced during the use of skin care products
- Using neuroscience to understand how emotions are generated by different textures and fragrances
Adding value to customers through our formulation expertise

**Croda’s unique positioning**

<table>
<thead>
<tr>
<th>Primary label claim</th>
<th>Formulation ingredients</th>
<th>Sensory benefits</th>
<th>Fragrance</th>
<th>&gt;1,500 market-ready full formulations</th>
</tr>
</thead>
</table>

**Indies**

Limited formulation capability

**Croda offer:**
- Complete formulations - Proven label claims
- Regulatory compliance

**Larger customers**

Regular upgrade to product range

**Croda offer:**
- New concept formulations
- New ingredients for existing products

**Enhancing Croda’s full formulation capability**

<table>
<thead>
<tr>
<th>Formulation Academy</th>
<th>Data generation</th>
<th>claims substantiation</th>
</tr>
</thead>
</table>

Product imagery from company websites
Sales synergies – key takeaways

- Geographic expansion
- Cross-selling
- Full formulation capability
  - Delivers improved performance
  - Captures the power of sensory and emotions
  - Adds value to customers
3. Parfex growth plan

Alexandre Levet – Sales Director, Parfex
An increasingly naturals-focused brand in premium markets
Excellent reputation for fine fragrances

- Established in 1985 in Grasse; historical origin for the Industry
- Fragrances for premium personal care and fine perfumery markets
- Promoting natural raw materials that are available in Grasse

Employs c.100 people
Selling fragrances in >50 countries

What makes Parfex different?

Excellent brand
- ‘Made in Grasse’ – access to premium customers
- >50% sales from fine fragrances
- Fastest growth with premium skin care customers

Combines traditional values with modern approach
- Innovation – first in the industry to implement automation
- Speed to market – 5 working days lead-time
- Organisation – a Tier 3 company operating as a Tier 1

2021 sales by region

- Europe - 40%
- Middle East - 40%
- Asia - 12%
- RoW - 8%
Parfex growth plan – what will it deliver?

**Sales**
- Double digit CAGR from 2021-25
- €40m total sales by 2025
- Currently delivering to plan

**EBITDA**
- Expanding EBITDA margin
- Fastest growth with premium customers – increasing margin opportunity

**Investment**
- New natural and fine fragrance creation centre
- Production expansion; increased automation

Source: Historical sales as per audited annual accounts.
Parfex growth plan – how will it deliver?

1. **Sales teams**
   - Parfex present in 50 countries
   - Iberchem present in 120 countries

2. **Manufacturing network**
   - Utilise Iberchem to produce Parfex fragrances globally

3. **Croda brand**
   - Leverage Croda reputation and relationships to access premium customers

4. **Co-development**
   - Increase fine fragrance & premium skin care offerings
   - Natural, sustainable & biodegradable fragrances

5. **Efficiencies**
   - Routes to market
   - Purchasing
   - R&D
   - Operations

**New Creation Centre & Production at Grasse, France**
- Triple size of the facility
- Fine perfumery
- Natural fragrances
Customer sustainability benefits

Guillaume Audy – Sustainability Director, Iberchem
Climate Positive – sustainable fragrance solutions

Sustainable fragrance options

- Nat2Nat
- Vegan
- Cosmos Ecocert
- Biodegradable
- Upcycled
- High intensity

Fragrance technologies

- VernovaCaps
- VernovaPure

On-site operations

- zerowaste
- SAP
- ISO
- ecovadis

Smart science to improve lives™
People Positive – communities and education

**Our commitment:** to be the most sustainable supplier in Emerging Markets

1. Train local teams to become sustainability ambassadors
2. Educate customers on benefits of sustainable fragrances
3. Define commercial opportunities
4. Create tailor-made solutions to address opportunities
5. KPIs to measure progress

**Improving lives in local communities**

- Water supply project, Ethiopia
- CAFFCI, China
- ‘Blind South Africa’
- STEM outreach
- SOS Children: Digital Gap
Summary

Richard Butler – Senior Vice President, Fragrances and Flavours
Three growth drivers creating a >€400m business by 2025

Growth drivers

1. Iberchem standalone organic growth plan
2. c€48m sales synergies by 2025
3. Parfex growth plan

Margin

Margin broadly in line with peers
- Agile model
- Lean corporate centre

Investment

Investment drives synergies
- Sales force
- Geographic expansion

Underlying sales are constant currency values adjusted to exclude acquisitions and disposals in the first year of impact
Key takeaways

- Strong market differentiation
- Agile business model with extensive portfolio
- Global R&D capability driving innovation
- Customer proximity underpins speed to market
- Exciting organic growth trajectory
- Further upside from sales synergies
- Leveraging Croda’s full formulation capability
Questions