

M6

# Croda International Plc: Iberchem site visit

12 May 2022



# Cautionary statement

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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



**María Ángeles Lopez**

Fragrance Development  
Manager, Iberchem

15 years in the Company

### 2. Sales synergies



**Richard Butler**

Senior Vice President,  
F&F

34 years in the Company



**Magali Bonnier**

Research & Technology  
Director, Croda

10 years in the Company

### 3. Parfex growth plan



**Alexandre Levet**

Sales Director,  
Parfex

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

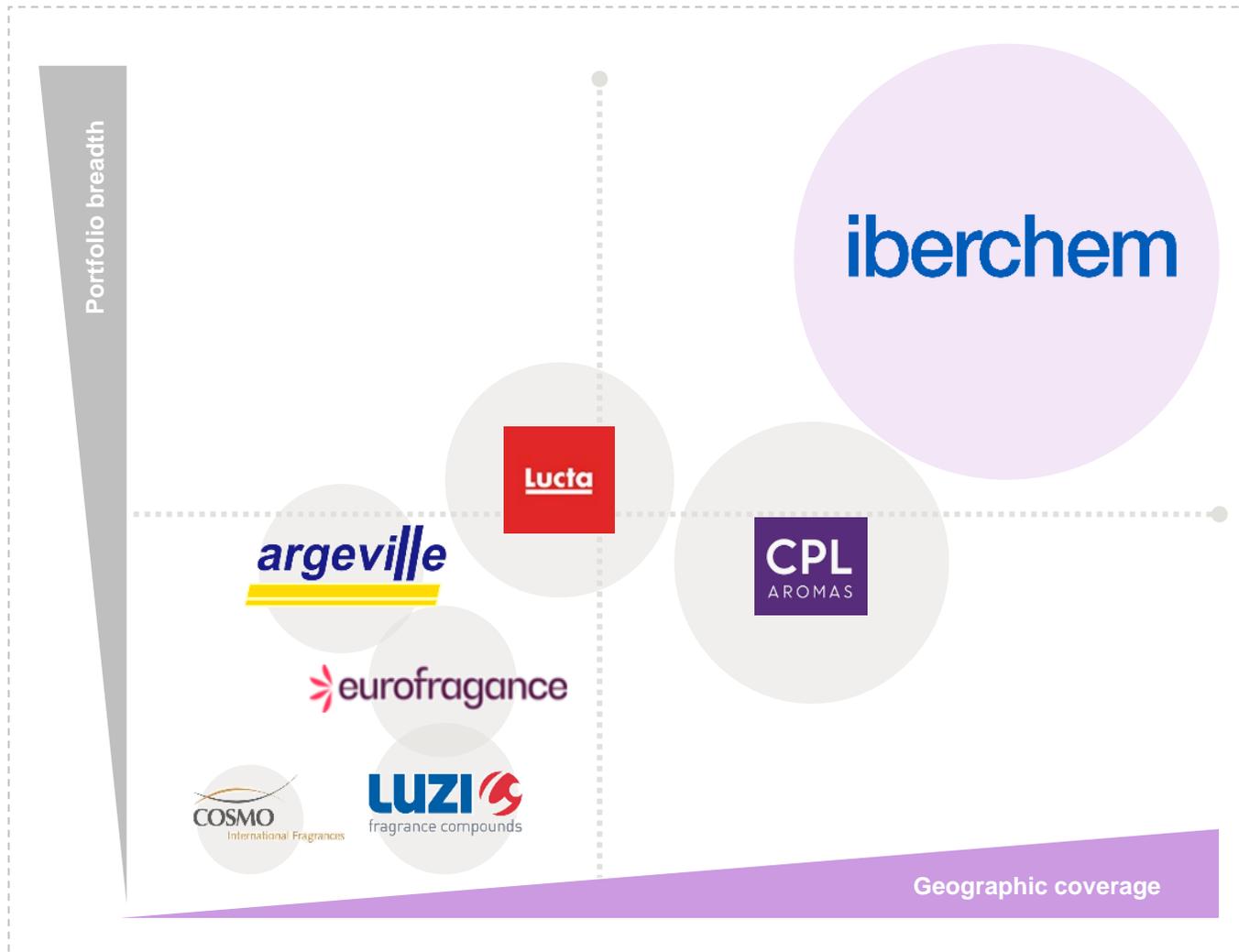


Seed Enhancement

Supported by:  
Industrial Specialties

Approximate 2021 sales by Consumer Care business unit.

# The leading tier 2 F&F company

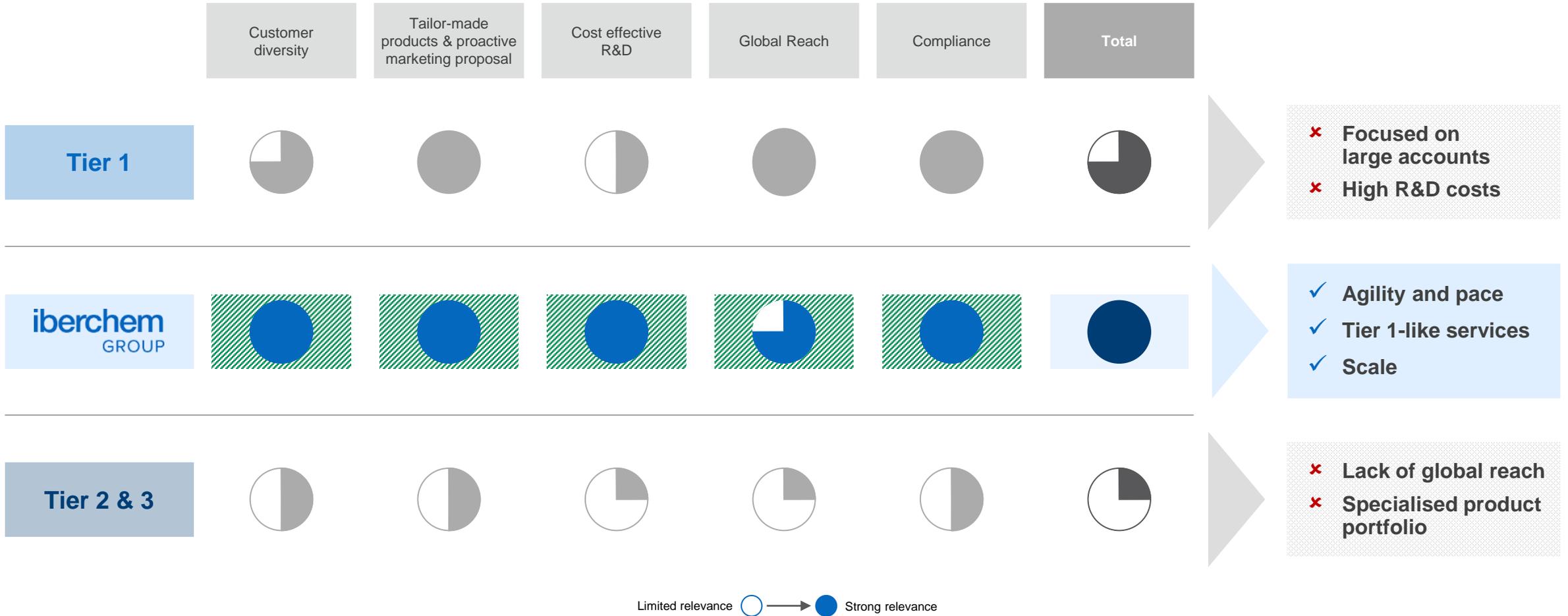


## Iberchem is uniquely positioned:

- Unrivalled geographic reach
- Customers value breadth of portfolio
- Consolidation reducing tier 2 competitors
- Customers want independent supplier

Bubble sizes represent total sales. Brand images from company websites.

# Strongly differentiated in the tier 2 landscape



# 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

# Compelling offer for all customer types

## Our unique combination offers Tier 1 strength

- ▶ Global reach
- ▶ Strong R&D
- ▶ Sustainability



## Winning with MNCs / regional majors

- ▶ Confidence and credibility
- ▶ Local manufacturing
- ▶ Alignment on Sustainability



## Combined with Tier 2 agility

- ▶ Direct selling model
- ▶ Local customer intimacy
- ▶ Responsive and focused



## Winning with SMEs

- ▶ Personalised solutions
- ▶ Brand support services
- ▶ Regulatory support



## Full formulation capability

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



## Winning with Indies

- ▶ Creative input
- ▶ Trend data
- ▶ Full formulation offer



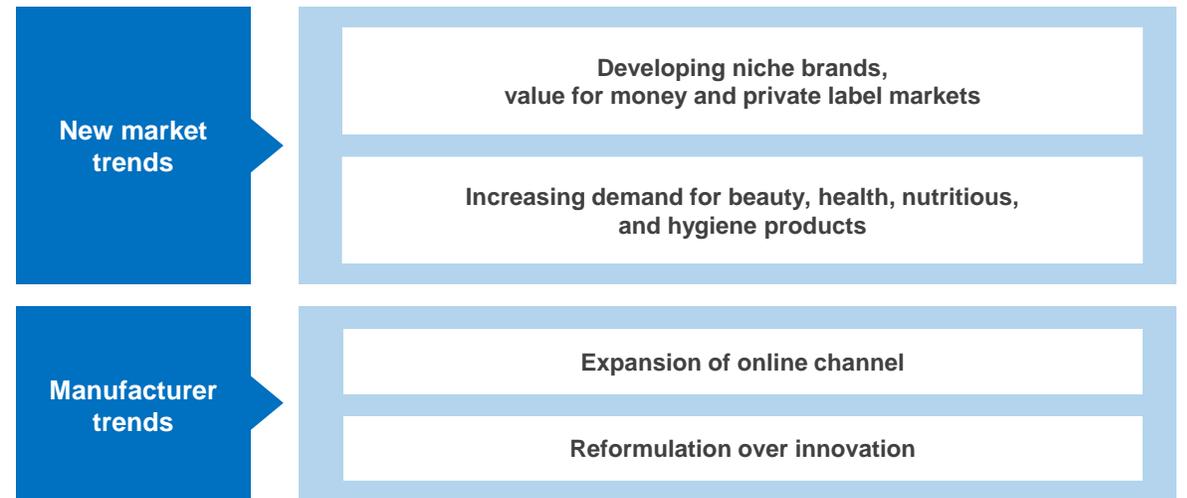
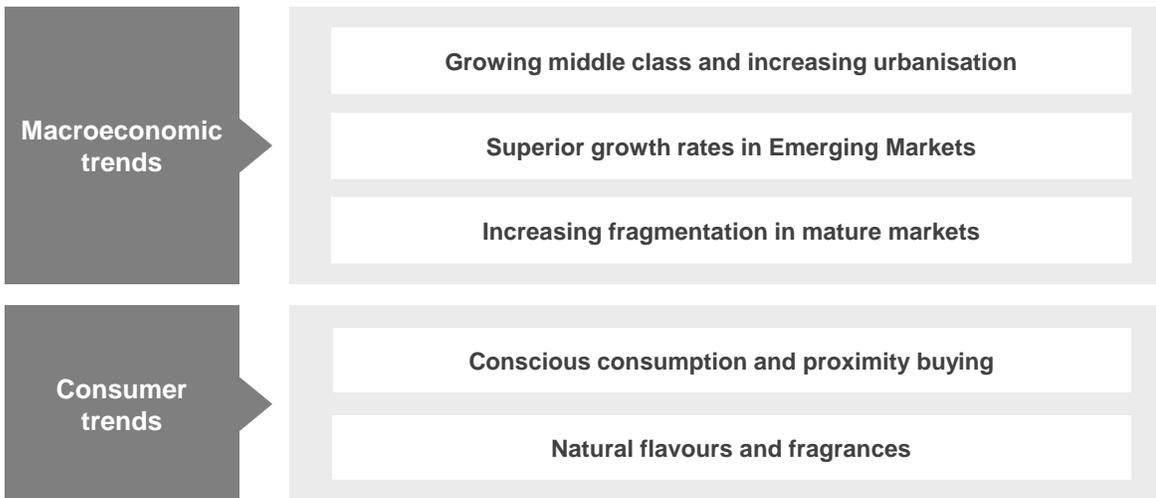
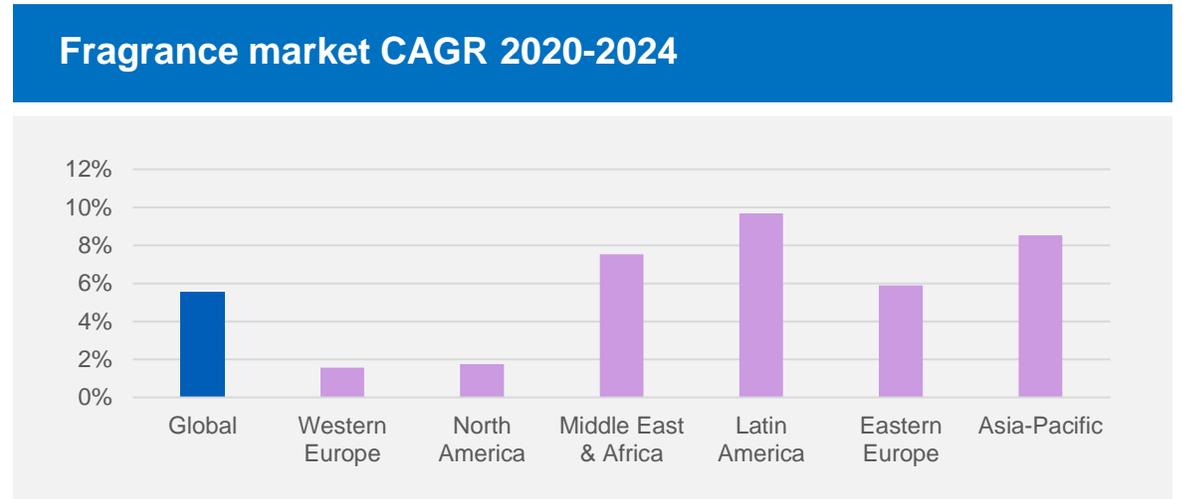
# Attractive long term market trends

**Global fragrance market**

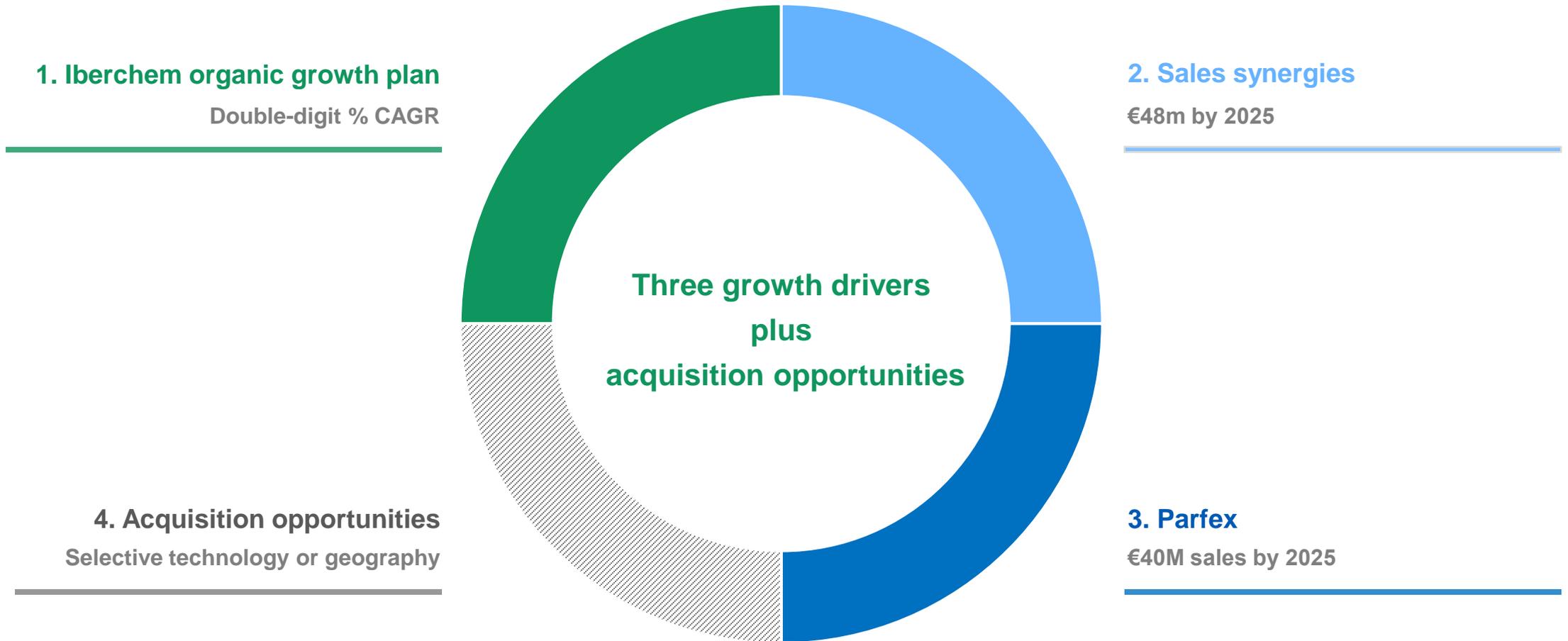
Expected to reach **\$58.8bn in 2024**

**5.6%** global CAGR

Driven by **Emerging Markets**



# Three growth drivers plus acquisition opportunities

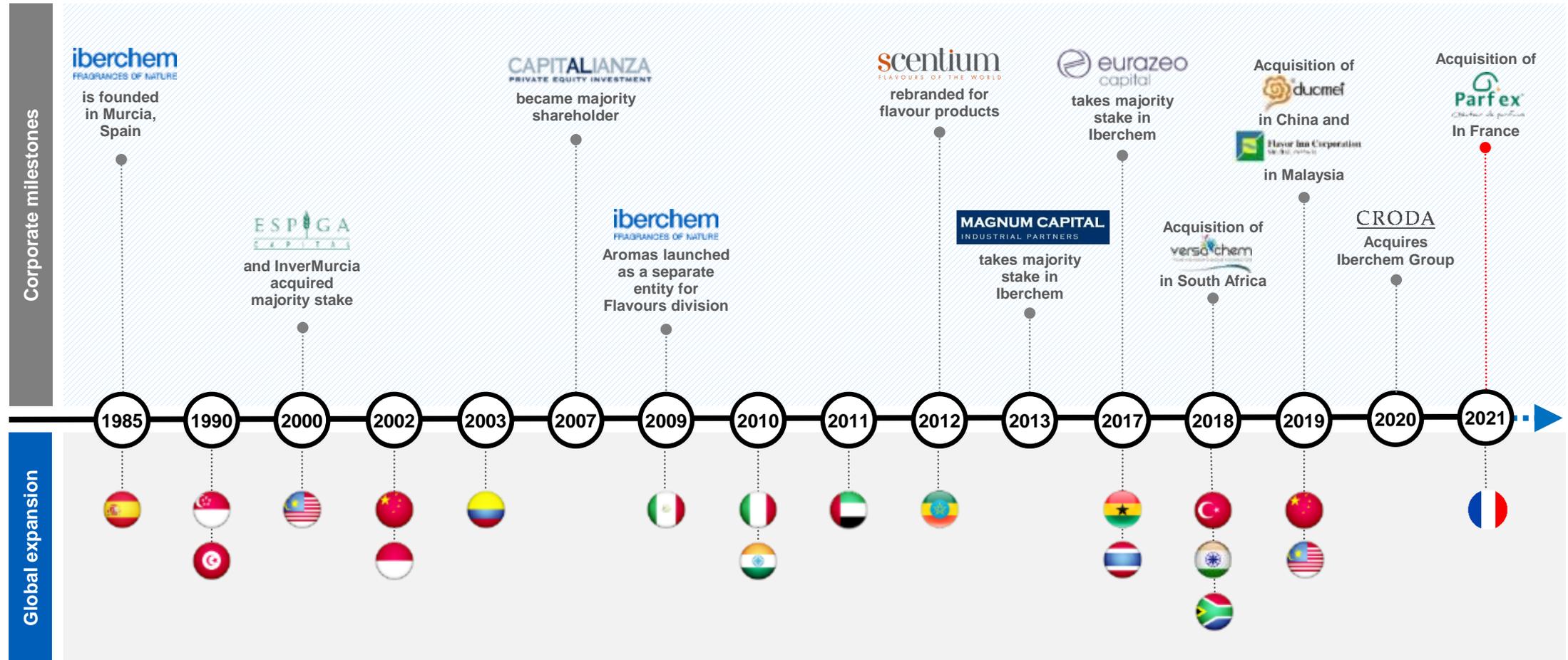


# 1. Iberchem organic growth plan



Jose Balibrea – Managing Director, Iberchem

# Iberchem: 37 years of successful expansion



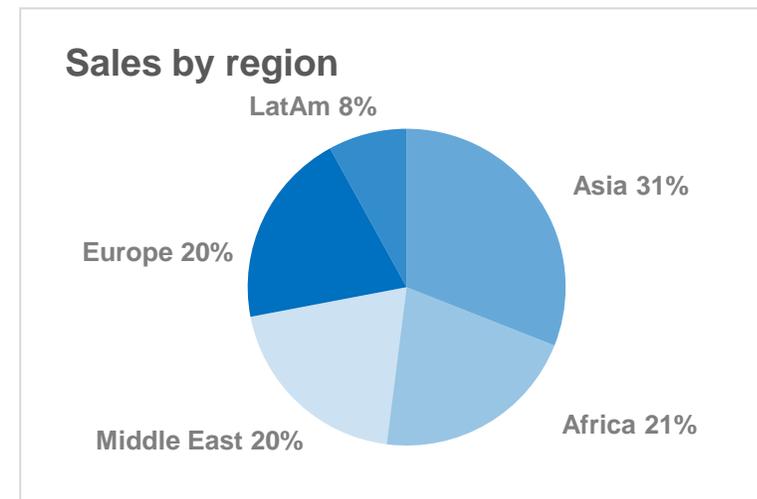
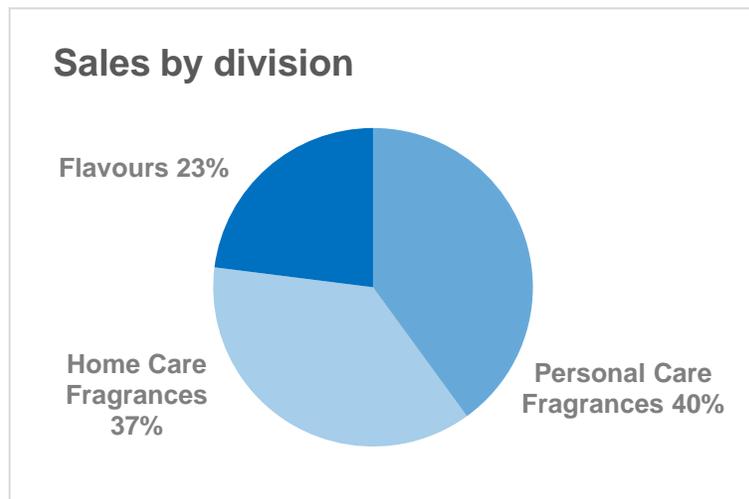
# A global fragrance-led company with distinctive positioning

**€206m**  
revenue

**+15%**  
sales growth  
(CAGR 2010-21)

**€43m**  
EBITDA

**21%**  
EBITDA margin



Headquartered in  
**Murcia**  
Spain

Present in  
**~120**  
countries

**>1,000**  
FTEs

**15**  
manufacturing  
and warehousing  
facilities

**10**  
Creative and  
R&D centres

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

**19,000**  
Flavour  
references

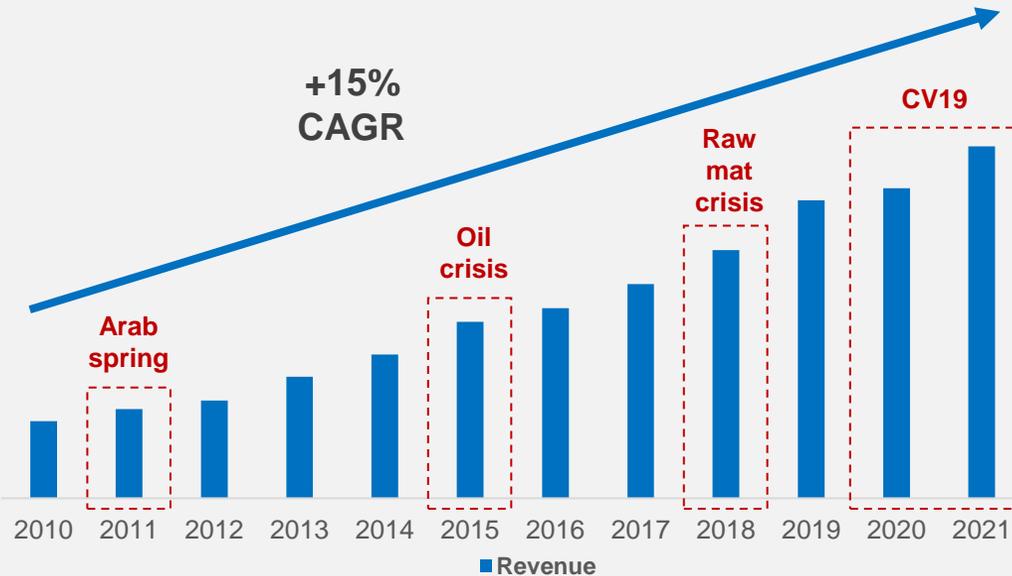
**♂ 53%** | **♀ 47%**

**~36y**  
average age of the employees

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

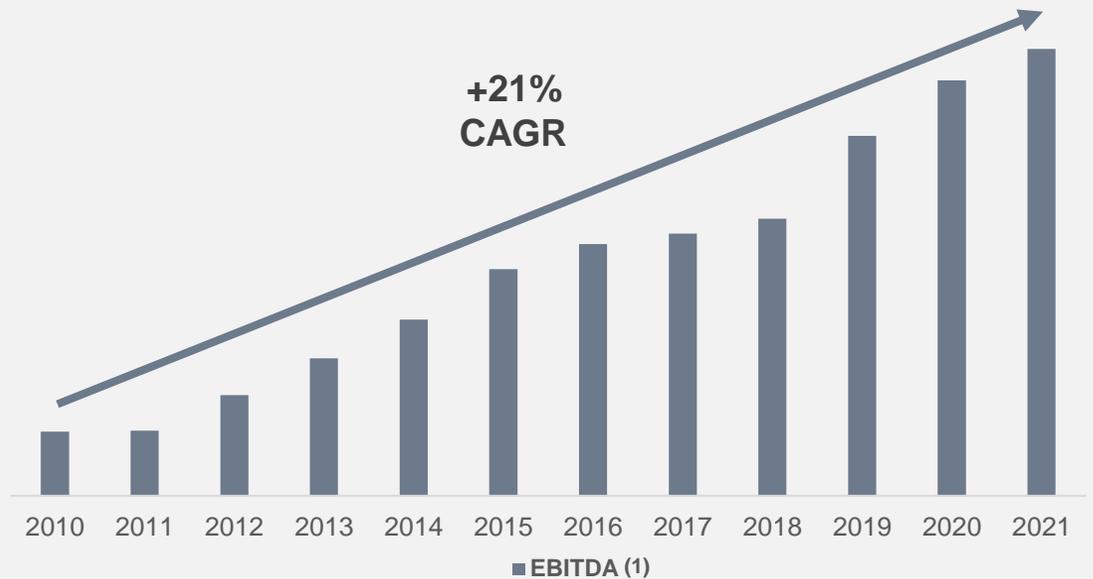
# Excellent financial track record

## 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<sup>(2)</sup> – over 80% EBITDA in 2020 and 2021

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

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

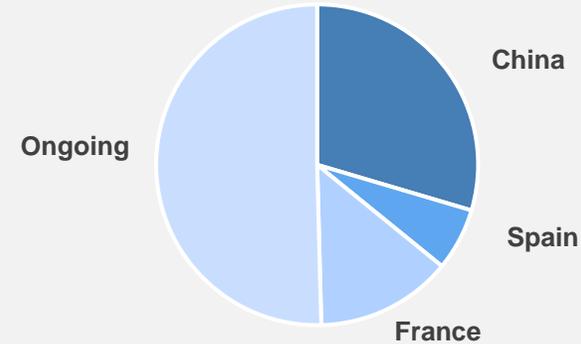
~ €70m

CAPEX  
in 2022-2025

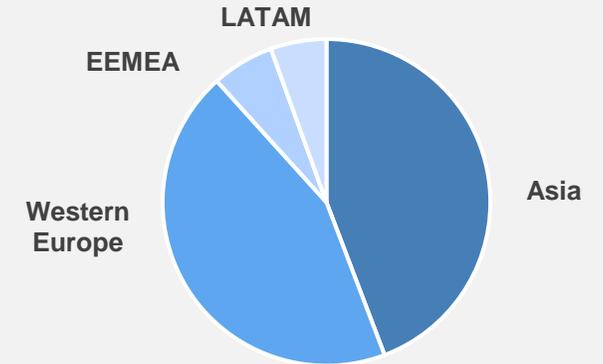
~ 5%

CAPEX over sales  
2022-2025

~ €70m capital investment by project



~ €70m capex by region



## 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)

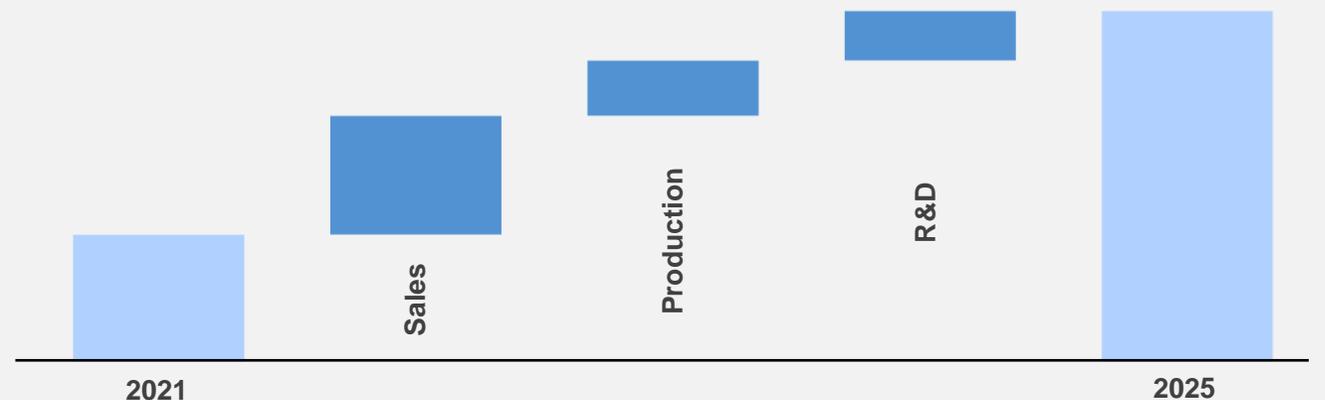
## Investment in talent – for the next stage of development

- Perfumery school and new graduates programme
- Complemented with selective recruitment



>1,250 FTEs by 2025

New recruitments 2022-2025 by function

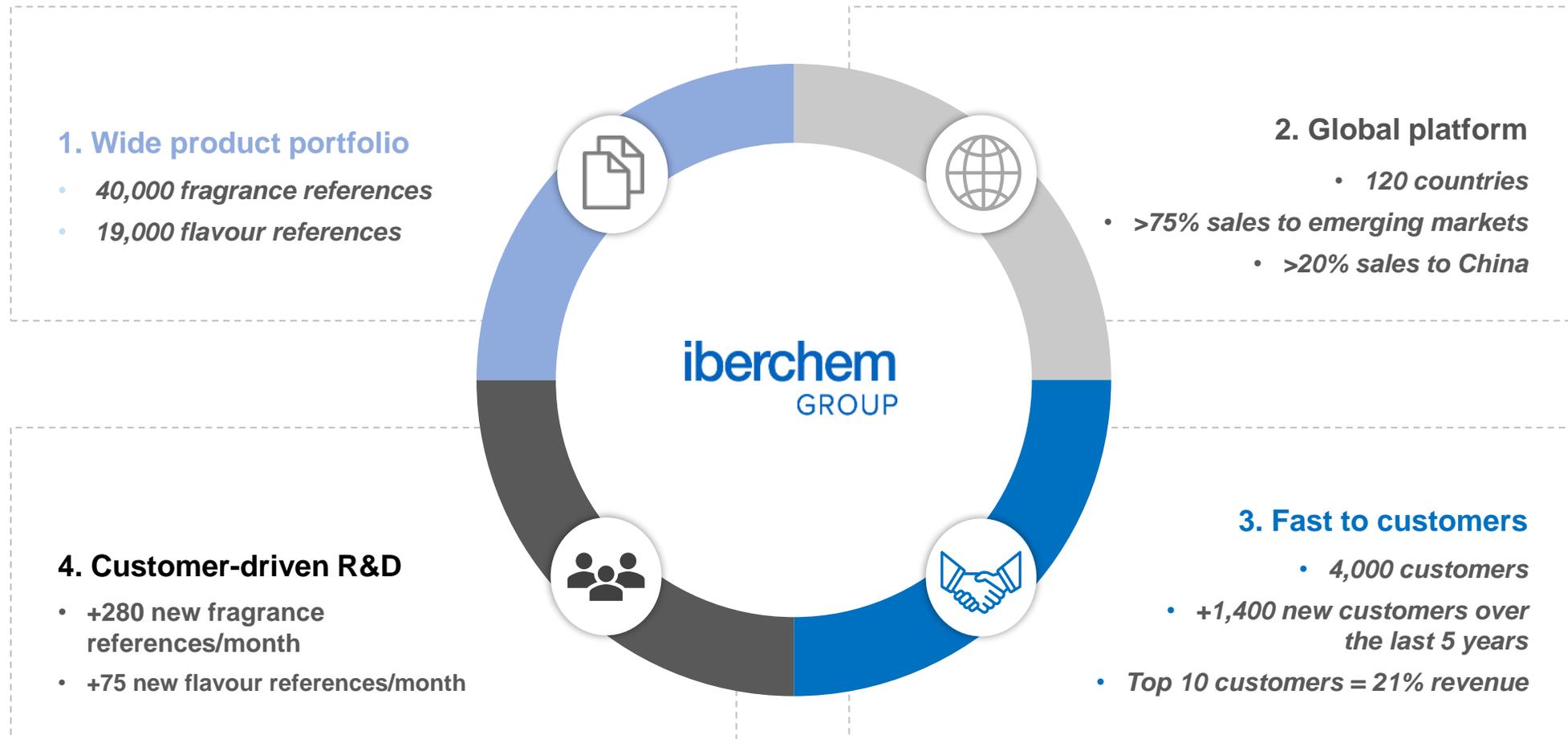


# Why we win



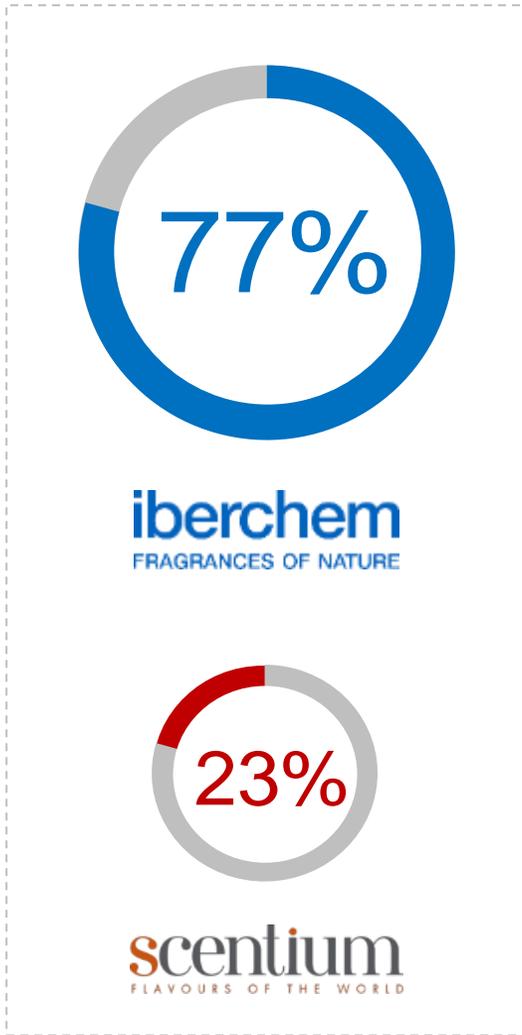
Jose Balibrea – Managing Director, Iberchem

# Unrivalled agility and pace



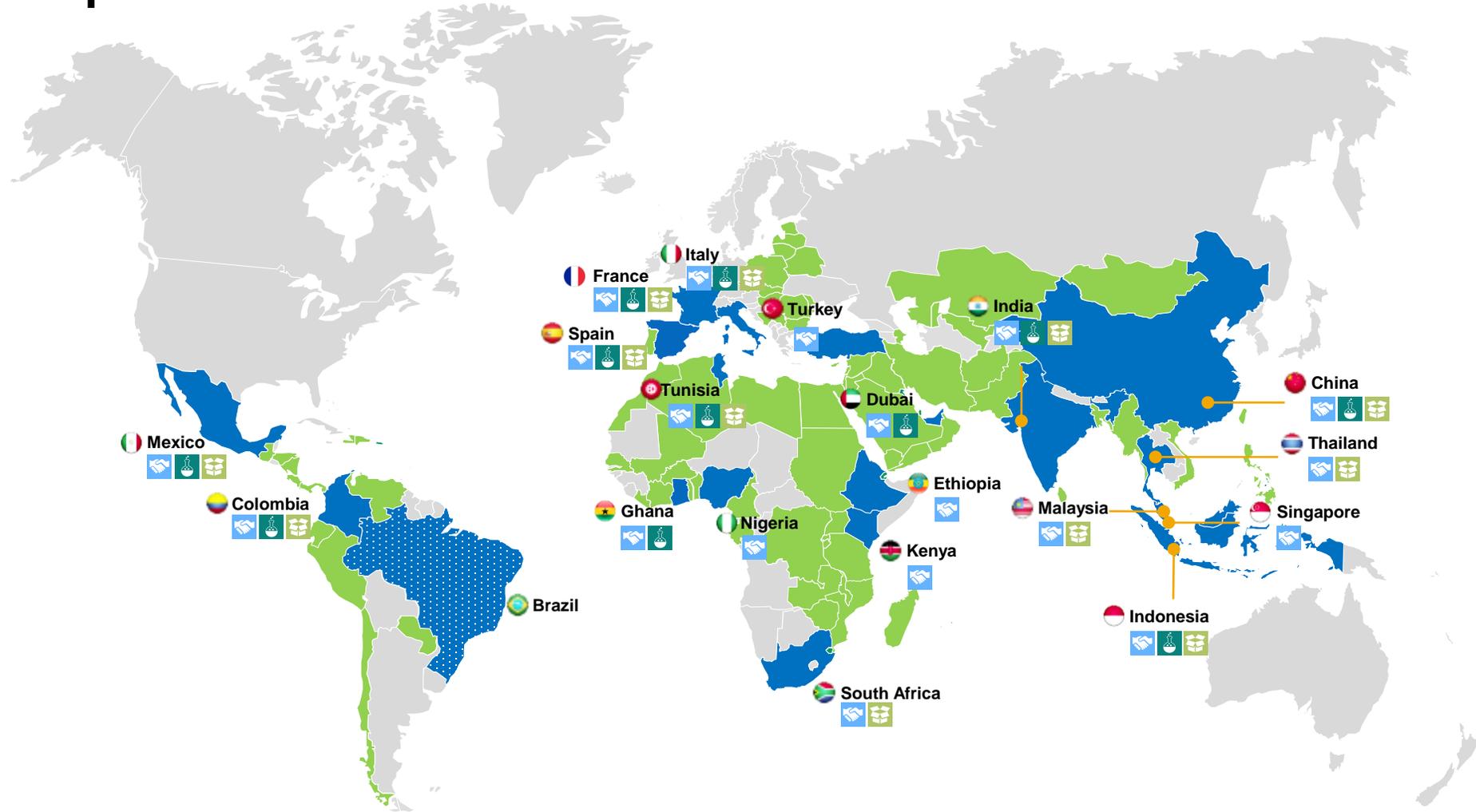
40,000 fragrance references excludes Parfex

# 1. Wide product portfolio



Source: Company information for 2021A sales.

## 2. Global platform



● Denotes local presence   
 ● Denotes indirect presence through sale of products   
 ● Denotes expanding presence

✋ Commercial office   
 🧪 Creative centre / R&D   
 📦 Production / Warehouse

Source: Company information for 2021A sales.

### 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

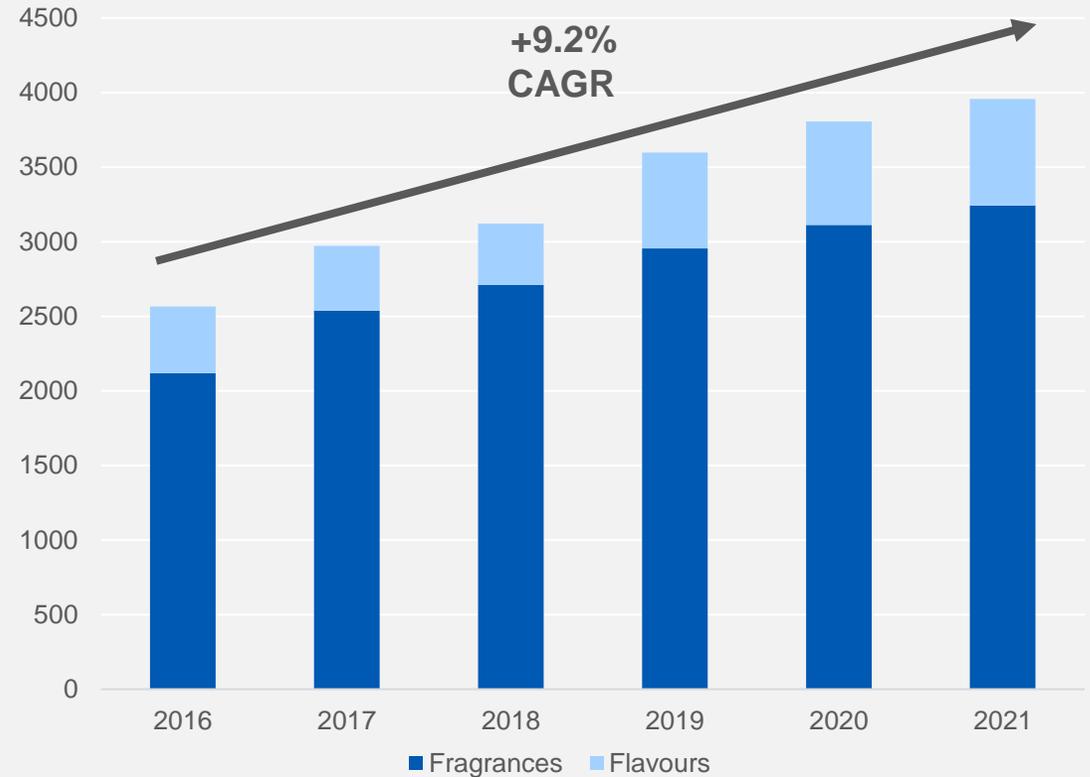
**Top 10 customers = 21% 2021 sales**

**4,000**  
Customers

**+1,400**  
New customers in 5 years

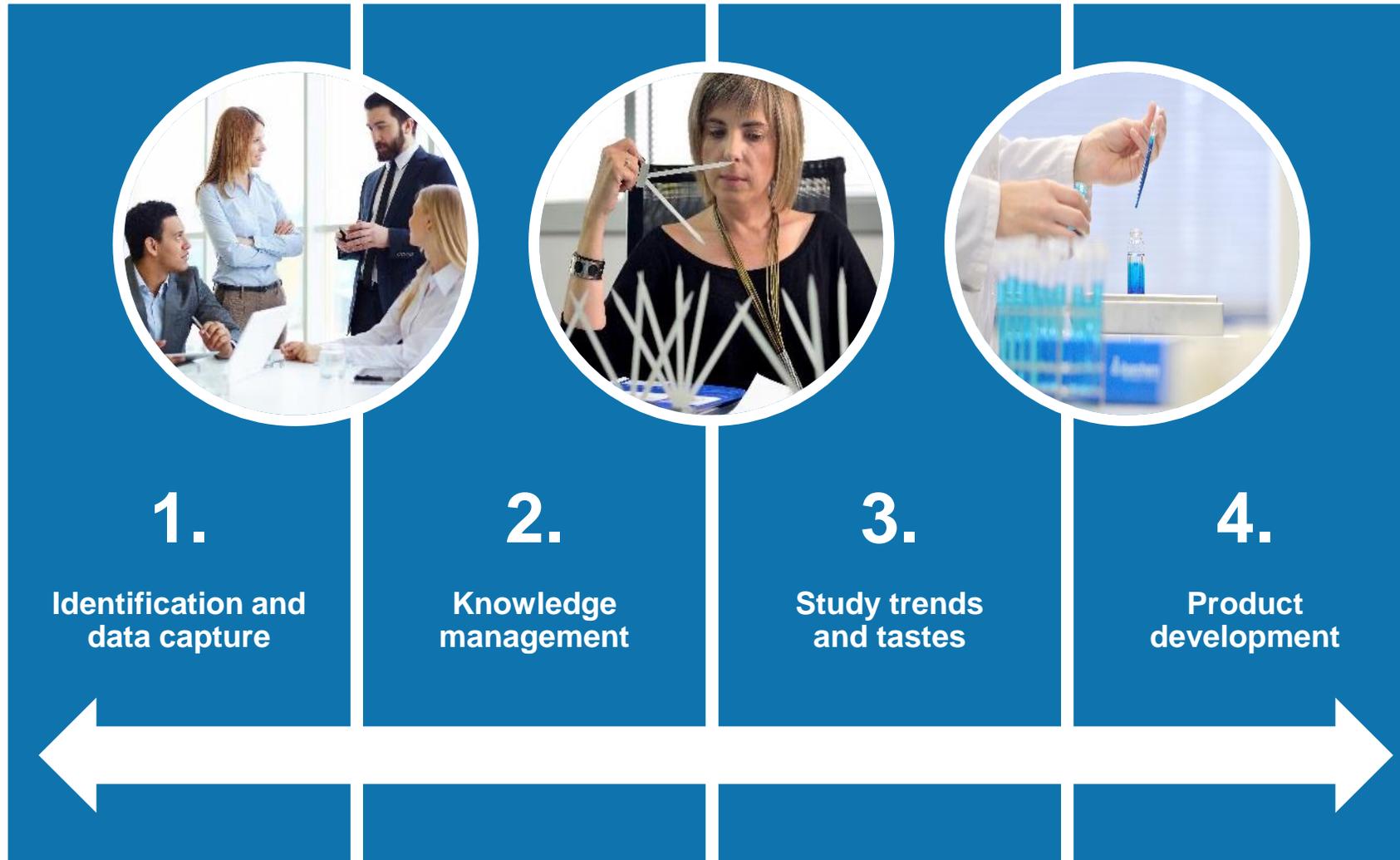
**Growing number of customers AND sales for existing customer accounts**

Number of active customers (ex. Parfex)



Active customers are those with accounting sales during 2021 (ex. Parfex)

## 4. Customer-driven R&D



# Customer-driven R&D



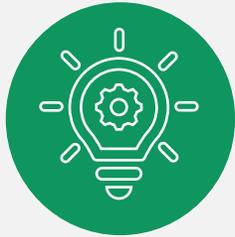
Maria Angeles Lopez – Fragrance Development Manager, Iberchem

# 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

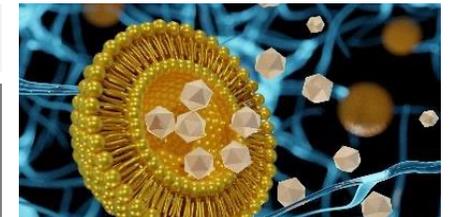


### Developing out-of-the-box fragrance services

Malodour neutralisation

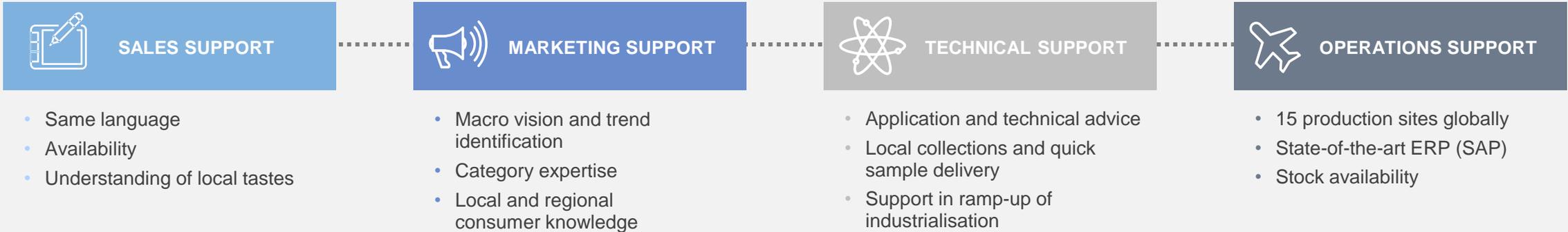
Fragrance microencapsulation

Sustainable fragrance ranges



# Unparalleled commercial support to regional customers

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



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



**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

## State of the art and recent R&D laboratories



- 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

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

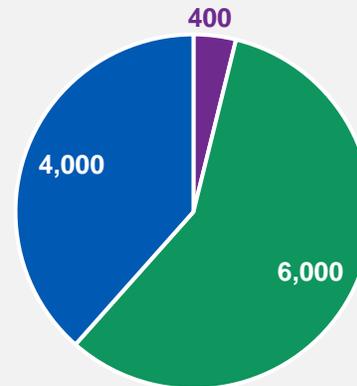
Region	Croda		Iberchem
Europe & the Americas	75%	➔	28%
Asia, Middle East & Africa	25%	➜	72%

Croda to Middle East, Africa, Indonesia, India

Iberchem to Western Europe, North America, Japan, Korea

## 2

### Customer cross-selling



■ Shared ■ Croda ■ Iberchem

Sell fragrances to Croda customers

Sell Croda ingredients to F&F customers

## 3

### Full formulation capability

Claims

Sensory

Fragrance

**Indies**

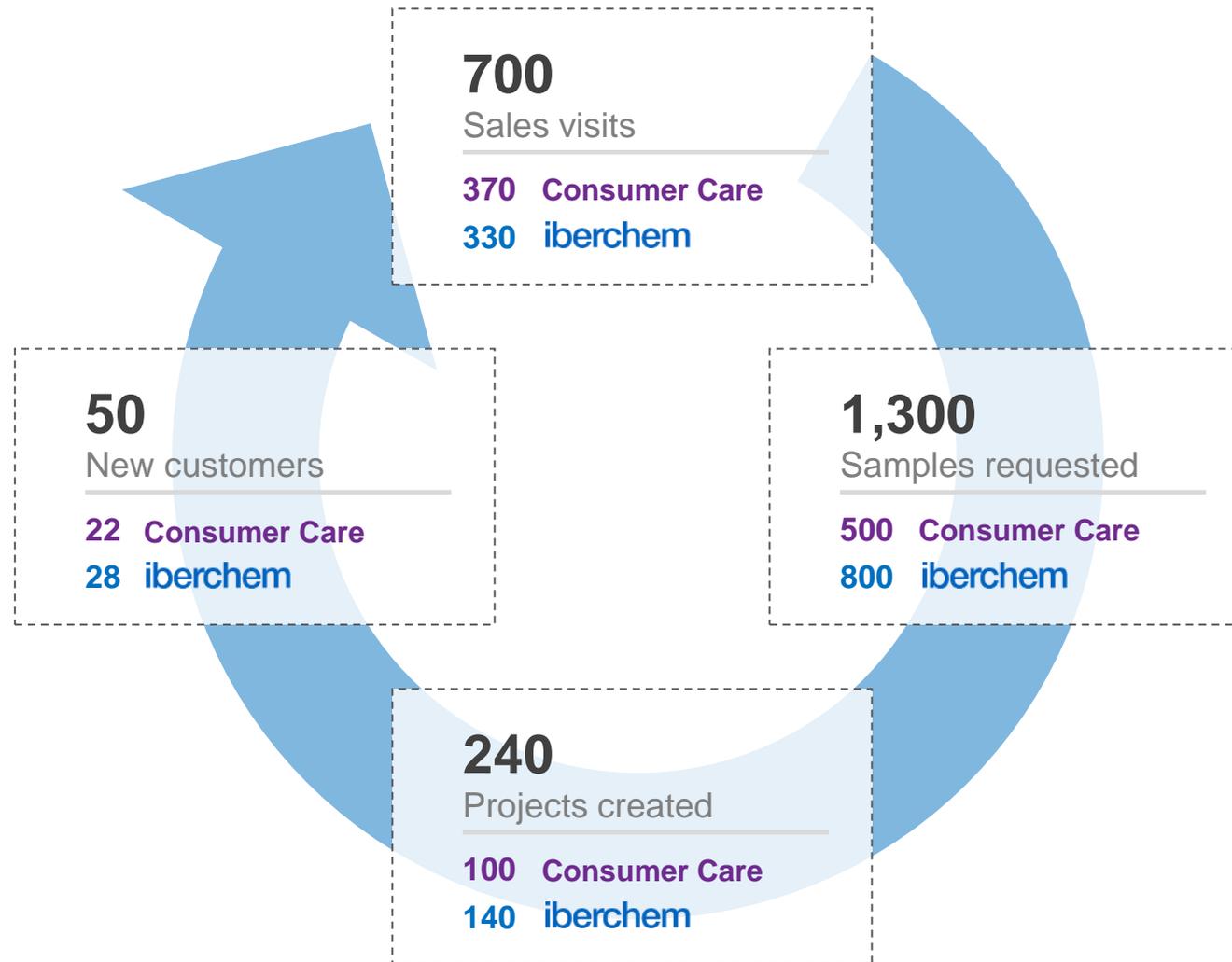
– reduce time to market

**Regional leaders**

– diversify brand offering

Supported by investment in capex and talent

# Encouraging progress in 2021



Consumer Care excludes F&F

# 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:

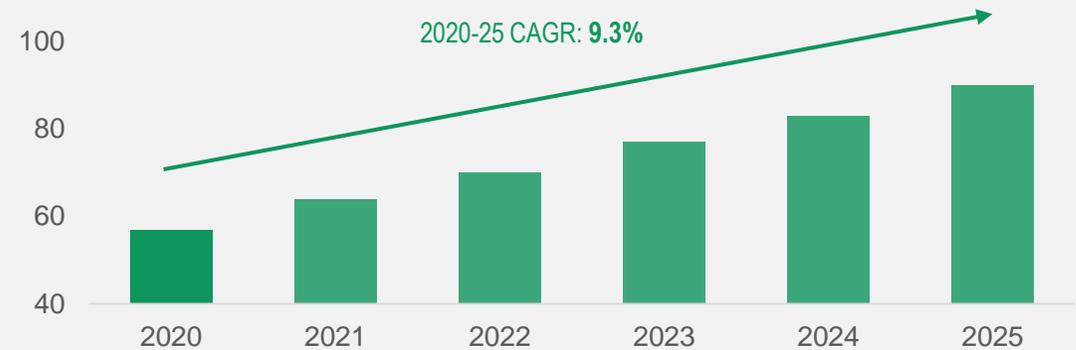
- New Iberchem R&D laboratory
- Local Iberchem sales presence
- In-country production operational in 2023

## 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



Logos from company websites.

# 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

More than ever, wellness remains a super important trend in beauty, cosmetics and personal care. In particular, facial skincare brands have been appealing to discerning consumers who recognise the link between their lifestyle and skin healthy appearance.

Brands are also appealing to consumers who understand the negative impact of stress, emotions and lifestyle on skin's appearance.

- In UK 25%** of adults are interested in 'wellness' products compared to last year's survey. Beauty, wellness, anxiety or face therapy.
- In Brazil 39%** of adults used or used and agreed that wellness topics are important in their appearance.
- In Canada 65%** of adults used or used and agreed that wellness products that promote stress, anxiety relief.

Source: WGS Research - A part of innovation in Retail October 2022

### HYGIENE

Touchless spray formats (application without touching the face with the hands)

Touchless spray formats stand out, by tapping into the increased focus on hygiene and arguably less likely to produce "maskne".

**Beauty Kitchen - SOS SKIN SHIELD**

**Probiotic Action's Clarity in Balance**

"An invisible shield for your face - because you touch your face 16 times per hour. Kills 99.99% of harmful germs, bacteria and viruses in 30 seconds. Keeps germs away for up to 4 hours. Promotes the appearance of younger, healthy-looking skin. Helps to prevent "Maskne" (spots from wearing masks)". (BEAUTY KITCHEN)

"The best solution for several skin conditions, with the push of a button. Probiotic Action's Clarity in Balance is a cutting-edge topical probiotic treatment to achieve clear skin, naturally. Containing 100% pure, living, beneficial bacteria, it replenishes the skin with these helpful probiotics to restore its optimal balance and reduce irritation from allergies, acne, and eczema" (Probiotic Action)

### GOODNESS OF NATURE

Trendy ingredients

Cactus - Algae

**Weluda - Sheer Hydration Collection**

"This breathable facial care collection delivers refreshing, weightless hydration to your skin. Harnessing the water-binding properties found within the prickly pear cactus, it activates your skin's natural ability to balance and retain moisture and leaves your skin feeling fresh and hydrated all day long" (Weluda)

**Avon - Oxypure skin care**

"Is your skin tired and sallow? That's a sign that you need Biotin and oxygen. Discover the new Oxypure skin care line - with oxygen-rich Oxypure complex and algae extract that gives the skin a healthy glow again" (Diverse Beauty)

### SUSTAINABILITY

French skincare category has the highest percentage of sustainable brands out of its beauty and personal care category.

French brands are taking it to the next level by including biodegradable, natural, and organic ingredients in their formulations.

- In the UK 30%** of brands have adopted sustainable practices.
- In China 70%** of brands have adopted sustainable practices.
- In the US 25%** of brands have adopted sustainable practices.

Source: WGS Research - A part of innovation in Retail October 2022

# 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

ELLE DÉCORATION - GALÉNIC PARIS

## LES ORFÈVRES DE LA FORMULE

Une marque chic qui aime à associer sensibilité supérieure et expertise pharmacologique. Facilement ça nous tente. Présentation.

**Flash-back années 70**  
 Pour toutes, à Paris, en 1977. Paris Galénic, pharmacie moderne professionnelle d'innovation, reprend le flambeau de la beauté en créant une marque. Créative, qui offre le savoir pharmacologique au raffinement et au chic des produits de parfums. Les orfèvres de la formule. Chaque formule est une création unique pour offrir à chaque femme un soin personnalisé et adapté. Et ce, depuis 40 ans, pour faire bénéficier au maximum de son savoir, efficace et sûr.

**L'expertise pharmaceutique**  
 La galénique est le savoir des pharmaciens. Dans le domaine de la beauté, c'est elle qui assure la qualité, l'efficacité et la sécurité des produits. Elle est la garante de la haute qualité des produits Galénic. Elle est la garante de la haute qualité des produits Galénic. Elle est la garante de la haute qualité des produits Galénic.

**Le Maître Formulateur**  
 C'est elle qui formule chaque produit Galénic. Elle est la garante de la haute qualité des produits Galénic. Elle est la garante de la haute qualité des produits Galénic. Elle est la garante de la haute qualité des produits Galénic.



**Notre coup de cœur**  
**LA COLLECTION AQUA INFINI**

Apaisante, hydratante, rafraîchissante, elle soigne et protège la peau. Elle est la garante de la haute qualité des produits Galénic. Elle est la garante de la haute qualité des produits Galénic. Elle est la garante de la haute qualité des produits Galénic.

GALÉNIC PARIS

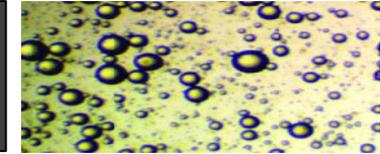
Formulation Academy to share our expertise with customers

# 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

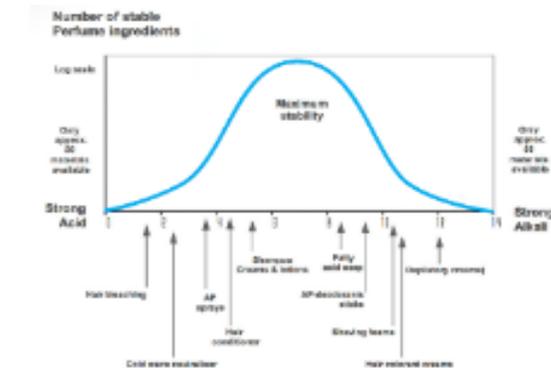
## 3. Sensory

- 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

Ingredient	Functionality	%	Supplier
Deionised water		>50%	Non-Croda
Glycols	Reduce moisture loss	12%	Non-Croda
Glycerine	Reduces moisture loss	10%	Non-Croda
Functional ingredients			
<b>Crodamol</b> ISIS	Moisturiser	5%	Beauty Care
<b>Crodamol</b> SSA	Emollient	5%	Beauty Care
<b>Volarest</b>	Rheology modifier	2.5%	Beauty Care
Euxyl	Preservative	1%	Non-Croda
<b>ViscOptima</b>	Emulsifier	0.5%	Beauty Care
Actives			
<b>Prodizia</b>	Anti-fatigue active	3%	Beauty Actives – Sederma active
<b>Phytessence</b>	Soothing anti-irritant	2%	Beauty Actives – Crodarom botanical
<b>Moonstone</b>	Radiance and luminescence	1%	Beauty Actives – Crodarom botanical
Fragrance			
35.14942	Fragrance	1%	Iberchem

## Iberchem fragrance 35.14942

### Night Therapy *Oily skin*

Floral/Green

0,6%

**Top:**

Floral, Green, Fresh

**Middle:**

Floral, Powdery, Ozonic

**Bottom:**

Musky, Sweet, Floral,

### Velvet Touch *Normal skin*

Fruity/Green

0,5%

**Top:**

Green, Citrus, Fruity

**Middle:**

Fruity, Floral

**Bottom:**

Floral, Sweet, Musky

### Night Repair *Dry skin*

Fruity/Sweet

0,5%

**Top:**

Fruity, Citrus, Green

**Middle:**

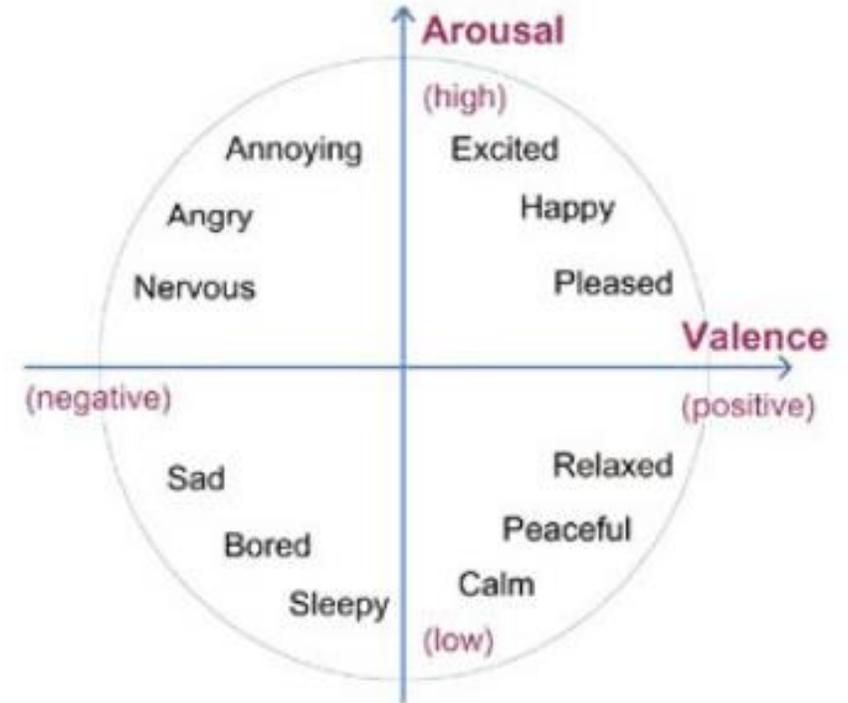
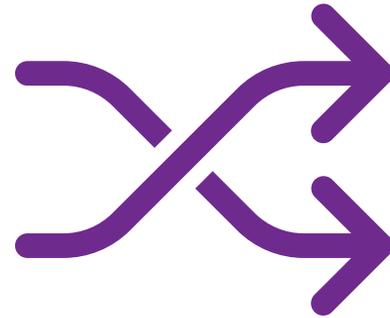
Fruity, Floral, Woody

**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

Primary  
label claim



Formulation  
ingredients



Sensory  
benefits



Fragrance



>1,500 market-ready  
full formulations

### 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

Formulation Academy

Data generation | claims substantiation

# 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?

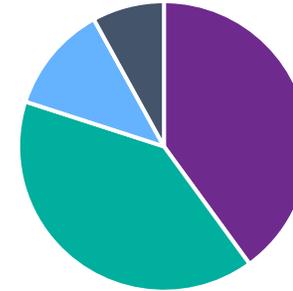
### Excellent brand

- '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

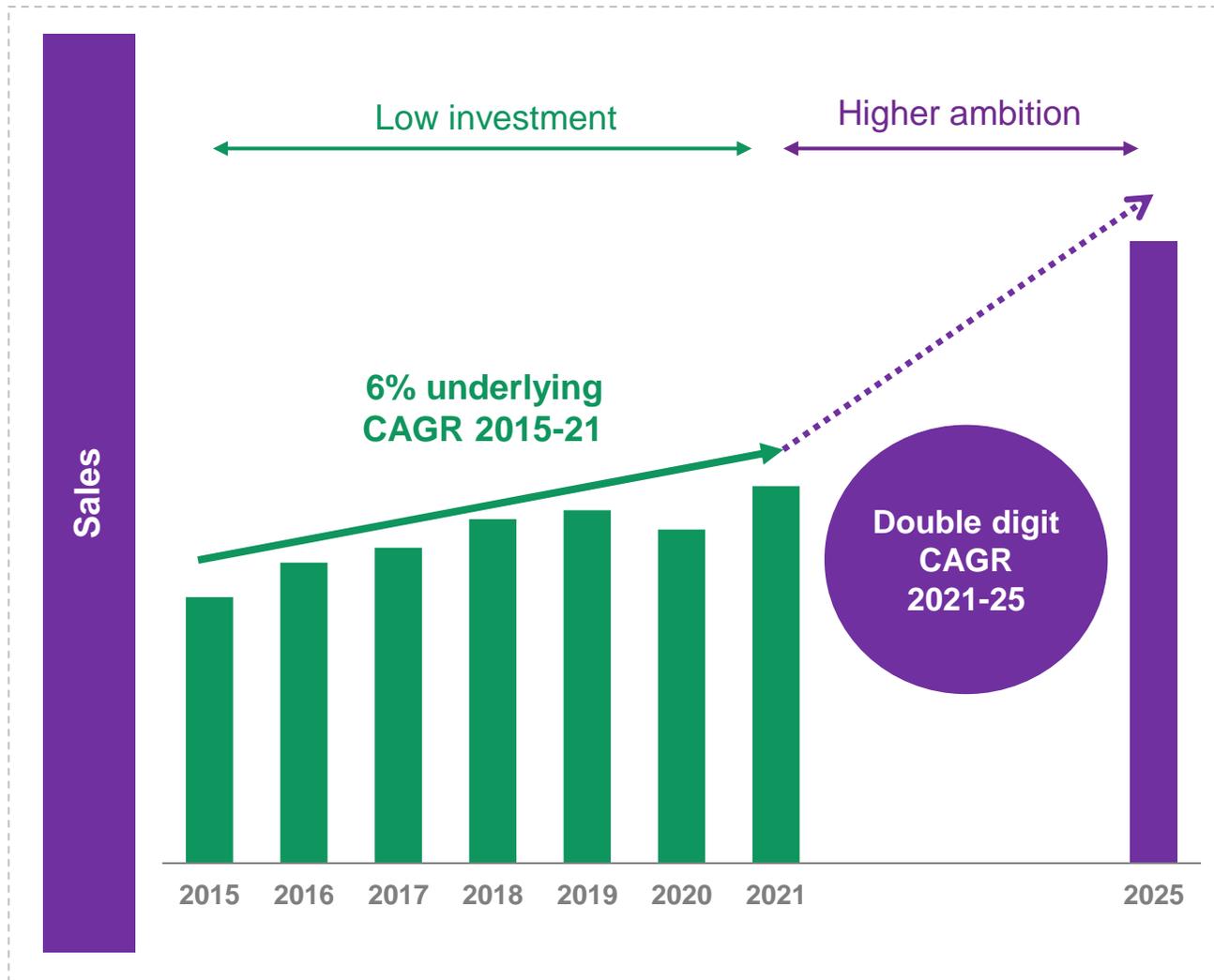
## 2021 sales by region



- 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



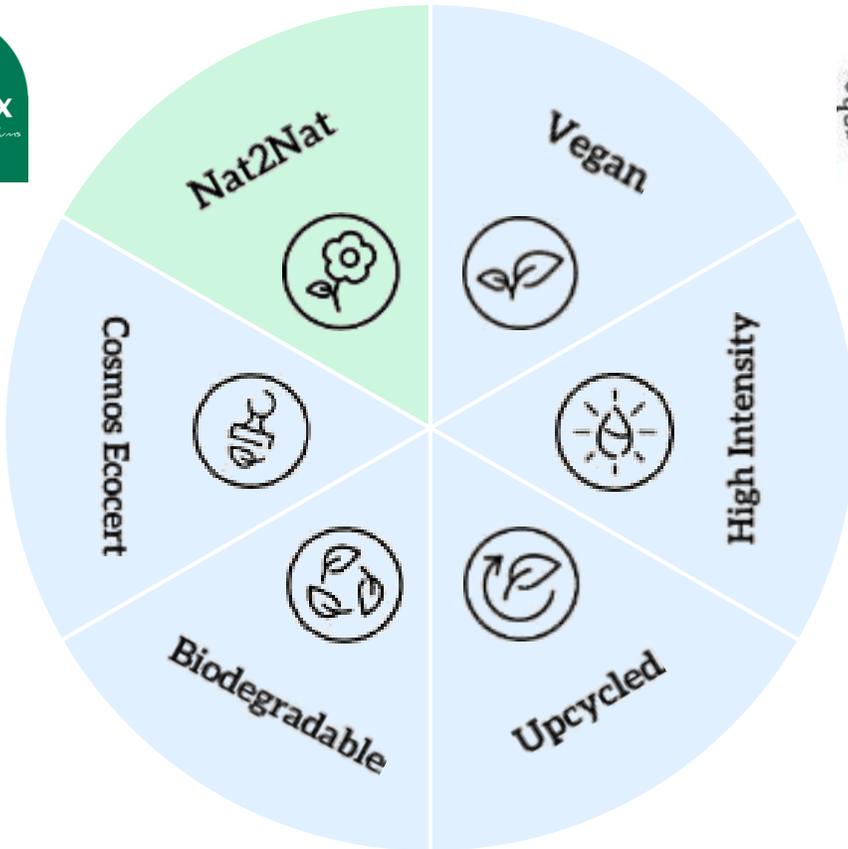
# Customer sustainability benefits



Guillaume Audy – Sustainability Director, Iberchem

# Climate Positive – sustainable fragrance solutions

## Sustainable fragrance options



## Fragrance technologies

VernovaCaps®

VernovaPure®

## On-site operations

zerowaste



ecovadis

# 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'

**CRODA**  
FOUNDATION



STEM outreach

**SOS CHILDREN'S VILLAGES INTERNATIONAL**

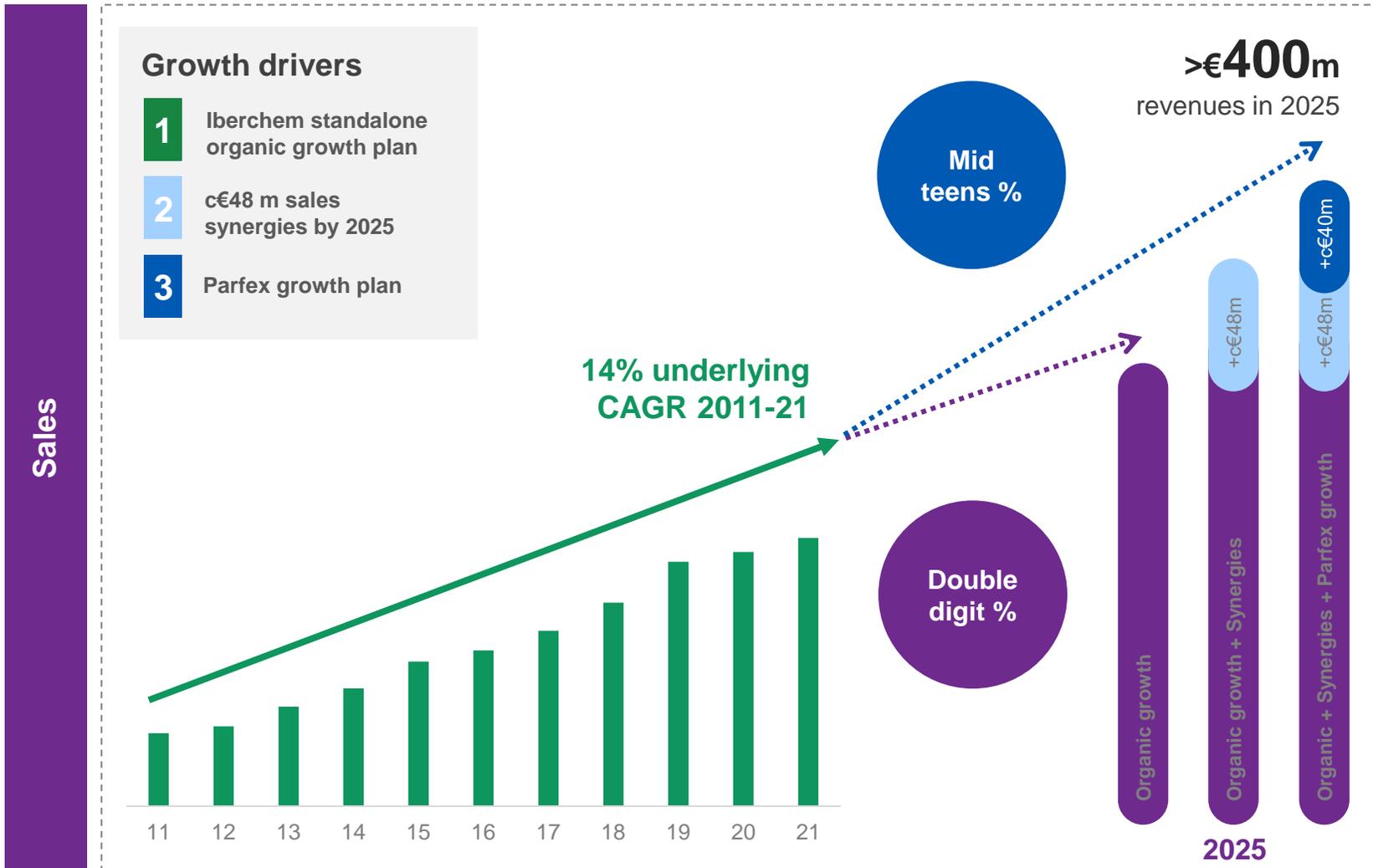
SOS Children: Digital Gap

# Summary



Richard Butler – Senior Vice President, Fragrances and Flavours

# Three growth drivers creating a >€400m business by 2025



## 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

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# CRODA