

# Life Sciences



**Nick Challoner**  
President, Life Sciences

## Sales

**£324.5m**

2017: £322.6m

## Adjusted operating profit

**£95.8m**

2017: £97.0m

## Return on sales

**29.5%**

2017: 30.1%

In Life Sciences we create IP-rich delivery systems for complex health and crop applications. The sector delivered a good performance in 2018, with strong growth in the mainstream business offsetting headwinds from the 2017 exit of the North American API contract and an initial loss from the acquisition of Plant Impact. Sales grew by 2.8% and adjusted operating profit by 3.1% in constant currency. Adjusted for the API exit, sales were 6.7% higher. Demand was robust across Crop Protection, Seed Enhancement and mainstream Health Care. Growth was driven equally by volume increase and improved price/mix, although New and Protected Products (NPP) was lower as a proportion of sector sales due to customer reformulation.

In reported currency, sales increased by 0.6% to £324.5m (2017: £322.6m) and adjusted operating profit fell slightly to £95.8m (2017: £97.0m), reflecting the

adverse impact of the API contract exit and acquisition. Return on sales was only marginally lower at 29.5% (2017: 30.1%).

The strong growth, excluding APIs, demonstrates the success of Growing the Core in Life Sciences. Crop Protection saw good growth. Although the US/China trade dispute has had some impact on North American customers, Latin America appears to have benefited from some switching of supply. Good growth in multinational accounts reflected continued collaboration on the innovation pipeline. The business continued to expand outside of its traditional heartlands of Western Europe and North America, with Latin America benefiting from recent changes to local regulation, our investment in local manufacture and greater customer intimacy, meeting the needs of local customers, which included the launch of a new plant nutrient dispersant to meet increased demand for precision agriculture. The standout success in Seed Enhancement was overall profit in 2018 reaching double the level on acquisition three years previously. This reflected our investment in innovation, reestablishing Incotec as a leader in its space, a stronger portfolio in priming and film coating, and successful new technology platforms, such as encrustment, initially developed for the US corn market, but which has been extended to soybean and rice crops.

The Health Care business successfully replaced the exited API business in a single year. This was driven by high purity drug delivery systems, with 30% revenue growth reflecting increased demand from more complex drug actives and broader excipient applications, but the range of standard excipients also delivered solid growth. As part of our investment and partnering programme with SiSaf, we launched Prosilic®, a novel drug delivery technology providing solutions to pharmaceutical development problems across multiple therapeutic areas.

Life Sciences offers exciting future opportunities through our strategy of Stretching the Growth. Our organic investment programme includes doubling of production capacity for high purity excipients, alongside investment in new purification technologies. We opened new Seed Enhancement innovation centres in

## Case study: Welcome Plant Impact



During 2018 we made the exciting acquisition of bio-stimulant business, Plant Impact, who identify ways to improve the yield and quality of crops. This is by stimulating or moderating plant responses during key growth stages, and developing spray and seed treatments that help growers to unlock the potential of their crops.

China and North America, and enhanced our existing crop laboratory in Brazil. Through smart partnering we launched Aplus™ DRT-6000 for spray drift control in Crop Care, developed in conjunction with the University of Nebraska.

Life Sciences also offers opportunities to grow inorganically, through technology and bolt-on acquisitions. Enza Biotech, acquired in 2017, continued to develop exploratory drug delivery technologies. In March 2018 we acquired Plant Impact, a plant stimulation business which increases yield and performance. Its first major product is being marketed in Latin America and new products are expected to be launched in other global markets from later in 2019, mitigating initial losses from cost investment. Alongside Crop Protection and Seed Enhancement, Plant Impact creates a third technology platform for Croda's Crop Care business.

In December we acquired Biosector, a vaccine adjuvant specialist and a natural extension to our existing pharmaceutical excipients portfolio within Health Care. The acquisition gives Croda access to an industry renowned portfolio of adjuvants, including well-known brands, such as Alhydrogel® and Adju-Phos®, and new technically advanced systems. The acquisition brings a strong innovation pipeline, pharmaceutical certified manufacturing facility and the opportunity to develop sales through Croda's existing sales network.