Personal Care

Personal Care delivered a strong performance in 2018. In constant currency, sales grew by 6.8% and adjusted operating profit by 4.9%. Growth was driven by a 4% volume increase and almost 3% price/mix growth, reflecting richer innovation, with New and Protected Products (NPP) increasing to 43% of total sector sales (2017: 41%).

Whilst growth was strongest in the first half of the year, momentum was maintained through the second half against tougher prior year comparators. Demand was strong across all three business units and in all regions. Growth by customer group was broad-based, with a notable improvement in sales to multinationals, driven by a stronger innovation pipeline.

In reported currency, sales increased by 4.5% to £487.8m (2017: £466.6m) and adjusted operating profit was £160.3m (2017: £155.5m), a rise of 3.1%. Return on sales declined slightly to 32.9% (2017: 33.3%), reflecting a small margin dilution from the broader basis of customer and business unit growth, together with transactional currency impact of a stronger Euro on Europe-manufactured sales into US dollar denominated markets and increased investment to deliver the Stretching the Growth programme.

Our strategy of Growing the Core is successfully delivering. Beauty Actives saw sales rise at high single digit percentage. Several new products were launched, including Crystalide™, a new peptide that preserves skin transparency and improves skin surface quality, and PoreTect™, an eco-designed active ingredient that brings firmness, tone and density to the skin. The trend towards more sustainable and ethical sourcing of ingredients supported growth in plant cell products and botanical ingredients, which included the launch of ‘Green Caviar’, a sustainable skin hydration ingredient produced from algae.

Beauty Effects is a high value business, with similar returns and innovation to Beauty Actives. It focuses on creating ingredients for instant impact skin effects, particularly popular with the millennial generation of consumers. Also, in 2018 we expanded the Solaveil™ solar protection range, with the launch of Solaveil XT-200, an inorganic UV active and a better performing, sustainable alternative to traditional organic UV filters.

Beauty Formulation continued to improve sales momentum, with mid-single digit percentage growth. A commercially sharper approach, together with improved engagement with multinational customers, has seen the successful development and differentiation of our heritage ingredients portfolio, with Croda ingredients being formulated into several major multinational customer relaunches. New ingredients included Cropure™ Mango Butter, an excellent natural moisturiser extracted from mango seed, and Cithrol™ PGTL, a 100% bio-based, efficient and versatile water in oil emulsifier which allows our customers to formulate creams with excellent sensory performance.

Regional growth was strong across Asia, North America and Europe, with signs of improvement in Latin America. Japanese Beauty trends were the standout area of growth, driving strong local sales.

As part of our Stretching the Growth strategy, we have 28 active open innovation projects and several smart partnerships, including with pigments innovator Glassflake. This saw the launch in 2018 of the Moonshine™ range of colour cosmetic ingredients in Beauty Effects. We commissioned a €10 million capacity expansion in Beauty Actives, doubling R&D and manufacturing capacity. Technology investments included a marine biotechnology company, Nautilus, which sustainably uses microbial biodiversity to create novel actives and ingredients, and our second investment in Cutitronics, a digital device company. Good progress has been made integrating Nautilus and Enza Biotech, our 2017 acquisition, into the Croda R&D network. As part of our digital programme, we have invested in a high throughput robotics laboratory at Nautilus and are developing online tools to meet the needs of a growing number of agile ‘Indie’ brands. A new range of green ECO ingredients will be launched later in 2019.