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Operator: Good afternoon. Welcome to the Croda first half 2025 results fireside chat. I have here with me Croda CEO, Steve Foots, CFO, Stephen Oxley, and Head of IR, David Bishop, with me. Steve will make some introductory comments and then we will move into the Q&A. Before I hand it over to Steve, if anyone likes to ask a question at any stage, please either use the Q&A function to write your question down, or you can just simply email it to me. Steve, the floor is yours.

Steve Foots: Thanks, Lisa. And afternoon, everybody. Yeah, just a few quick highlights from me and then we'll get straight into questions. A solid start to the year, solid numbers. Reiterating guidance 7% revenue growth, first off, we think is good in this climate, and 12% PBT. I think the encouragement, though, behind that is broad-based growth in all of our businesses and all geographies as well. And that broad-based growth is driven by many customers. It's lots of local and regional customers. So it's not one or two customers driving the growth, it's in every region of the world. So we're really pleased with that.

I think the tough trading environment, which you're seeing not just with us, we expect that to continue, let's be honest, certainly for – into the second half of the year. We don't expect any improvements. And we don't really expect any further deterioration or significant deterioration. So we're not expecting the industry per se to step up with the trading improvement. And as a consequence of that, we're doubling down on efficiency program, our efficiency program, which Stephen can talk about. So big mantra in Croda is I think growth is coming back, which is great. We want to accelerate that. And while we're doing that, we can make Croda structurally more efficient by doing lots of good things in the back office operations and supply chain, which we think is going to make us a much stronger company. So I'll stop there and then let's take your questions.

Operator: Sure. Thank you, Steve. So let's jump in with a debated topic from this week, price mix, which was negative in the first half. Can you just share and walk us through where this negative pricing has been seen and how you think about it for the second half of the year?

Stephen Oxley: Yeah. Lisa, let me start. I'm actually going to start just with the mechanics of what do we mean by price mix, so everybody's clear on that. And then maybe you can pick up why we're doing this and discuss the strategy behind it. So let me start with price mix. So you saw the benefit of the volume coming through in the margin bridge and then the offset, partial offset, on price mix, but a net really good contribution to improving margin. And that's what we want. So when we talk about price mix, two things. So mix is business unit mix. So that could be, for example, crop versus farmer F&F versus actives. That's very clear.

When we talk about price, that's the average selling price within one of the business units. So take beauty as an example, a broad range of products with an average selling price. What we have chosen to do, which Steve will talk to, is the need to bring volume back into the manufacturing side, so post the disposal of PTIC and post destocking – post COVID destocking. So a deliberate strategy to bring volume in. That volume is coming in with more basic products that obviously has a lower price. That means that the average selling price for that particular business unit, crop or beauty, has come down relative to last year.

What we are not seeing is erosion of price on the existing book of business. In other words, there is a direct correlation between the volume that we brought in and the benefit of that on the margin with a bit of price give for that particular product that's coming in through the door. That's really, really important. So sequentially, we are not seeing, and we won't see from here on, a reduction in price. There is obviously a reduction in price in ASP versus the comparative period last year. Now, we want to see further volume coming into the business to go back – to get back to where we've been historically. Then we can optimize the portfolio. And we're saying that that will take

another six – sorry, another 18 months to the end of 2026 to reach that point. Lisa, can I check – can you still see us because the screen has just gone off here?

Steve Foots: Yeah.

Stephen Oxley: We can see and hear you.

Stephen Oxley: No, that's good.

David Bishop: Perfect.

Stephen Oxley: Okay, so that's the financial explanation. And I'm taking any further questions on that. But maybe Steve just the strategy. Yeah.

Steve Foots: On the pricing, nothing's changed. To what we said for the last 12 months, that the commercial pricing policy has been in place for many years. The only thing we changed, if you remember, was earlier last year we said with leverage the way it is, which we've never – I've never seen in 35 years down to the levels that we saw, it's logical that you want to try and take some incremental business on volume. So that's what we've been doing. It's in the undifferentiated part of beauty and crop. Represents about 5% to 7% of group revenues. It's targeted on about ten customers in beauty and about four customers in crop. So very targeted. And what we're seeing is the benefit of that coming through in terms of the execution of that.

So it might seem like it's an unusual mix for Croda, but in the circumstances it's – we think it's good. And net-net, it's giving us that margin improvement as you see in probably the margin bridge. So it's doing the right thing. It's a short-term need to do that, and it's temporary. And once we get rolled forward 12 months, we'll have the plans at full occupancy, and then we'll demarket in the normal way, and we'll refine the margin from that.

Operator: Thank you. That's very helpful. And maybe just following on from that, maybe it's worth to the audience to sort of explain. If you look at your portfolio today, which – what do you consider to be differentiated? And what portion do you consider to be non differentiated in your portfolio?

Steve Foots: Well, most of it's differentiated to different degrees. You can see with the margins that we make on the product. The only area that remains undifferentiated is consistent with what we've said for quite some time now, which is the bottom part of the beauty care business, and – that and the same bottom part of the crop business. If you think about it, every company has some sort of differentiation. And ours is in those areas. So we're pretty clear on that. And you can see actually through the rest of the portfolio, a lot of this growth is coming in local and regional where actually it's not a pricing issue, it's more about – it's a speed issue, getting them on the market as quickly as we can.

Operator: Thank you, Steve. And how much of a portion of a portfolio would you allocate to less non-differentiated You've allocated to segments, but is that 5%, 10%, 20% of total sales?

Steve Foots: The non-differentiated, it's about 5% to 6% of group revenues.

Operator: Yeah. So actually very small. Okay. That's super helpful. Let's then move to the sort of second area which has received a lot of attention this week, which is your – a material step up in your efficiency ambitions. But before we actually dive into the opportunity here, can you talk a little bit about how and where costs have gone into the business over the last few years?

Steve Foots: Let me talk first because I think it's best to see it through a framework of how has the margin gone from 24.5%, 25% down to 17%. And it's in – if I can sort of highlight that in three buckets, and they're all equal weighting. So bucket one is 2.5% of that is leverage that we've just talked about. And we're dealing with that by the actions we're taking. 2.5% of that as well as costs.

We put a lot of cost in the business because we wanted to fuel the growth. And then the other 2.5% is really investments. So that's the strategic CapEx and M&A we put in and the ensuing depreciation costs and running costs of that. So this five-point plan is trying to address all of that through growth and efficiency and trying to get out – trying to take out the cost base down to a normal level and fast grow all the portfolio, including the acquisitions. So probably best to pass to Stephen to explain a bit more about that and answer specifically where the cost has gone in and where we're taking it out.

Stephen Oxley: Yeah. And Lisa, I can take any – take specific questions on areas. But what are we trying to do? We're dealing here with structural inefficiency in the group. So the group's, as you know, grown over many, many years, changing the portfolio with investments that we've talked about. But we've not addressed the structural cost base in the way that most other companies have. And what I talked about on Tuesday was areas like procurement being right across the whole business as opposed to being local. In my world of back office, enabling functions. If we're in finance, we're in HR, we do need not – we do not need to have payroll or paying an invoice. Doing it different ways in every single country. We can just optimize and automate that.

And then really importantly in manufacturing, logistics and warehousing. Again, we've not optimized or driven for efficiency either particularly within individual manufacturing sites, but particularly how we look at that total footprint. So, for example, in Asia, we import 45% of the product that we sell from the US and Europe. Expensive production. As you know, we've invested in plants in Asia. The last plant we're commissioning in the second half of the year. We will move more and more production to Asia, close to the customer, cheaper production, which means we can take out cost in our high cost location.

So we've gone through the business cradle to grave. We've identified opportunities. Much of that started obviously, before I joined. But I've taken a fresh look at that. And I think there's an opportunity to take more out. Hence, Lisa, more than doubling the savings target from £40 to £100

million run rate at the end of 2027. Because some of this is more structural, it's going to take a long – a slightly longer time, obviously, to get this out. So, as Steve said, it's about growth, putting customer and innovation at the fore of what we do. But then at the same time running the business efficiently. And if we do both of those, that's we're going to get – how we'll get the margins back up to historic levels. And our ambition is to get back to the mid-20s, obviously.

Operator: Yeah. That's super helpful. And, of course, you set up the phasing for these savings over the next three years. And you've outlined the key buckets within that. But what do you consider to be more low-hanging fruit and maybe quicker achievable? And what maybe prove a little bit more challenging and take more time towards the end of the cost efficiency period?

Stephen Oxley: Yeah. So, look, when you do these sorts of programs, what we're doing at Croda is no different to what others have done. All right, so the immediate low-hanging fruit. Procurement is always the – is the easiest. Why buy categories from a highly fragmented supplier base where you can consolidate quality and price. So that's an easy win. We just haven't done that across much of the business. The secondary that I talked to is heads. And we have to be really careful with heads obviously. But when we have clear over resourcing. So, for example, Spans and Layersis not optimal. Where we have low performers in the business, where we just have people that are surplus to requirements. Obviously, we can deal with that.

Now in some parts of the world, like the US, that's quicker than getting cost down – and more cheap to get costs down in Europe. But that's right on the plan and we're working through that now. Where we're rejigging, Lisa, product manufacture from one location to another, that does take more time because that often will involve requalifying product on a customer formulation. That's fine to do, but it takes a little bit more time to work through.

Operator: That's super helpful. And then how should investors think about the net retention of that through time? And how does it feed into the investment costs and the inflation that we will see in a normalized environment? Let's assume a normalized environment.

Stephen Oxley: Yeah. So what I set out on Tuesday, and you'll see it in the presentation, is the phasing of the £100 million, so £25 million this year, £60 million next. Sorry, £35 million next, £25 million after. So that builds to a £100 million run rate. And we've set out the cash cost of implementing that. It drops through. So that £100 million obviously drops through to the bottom line. And you'll see that in the margin bridge, which we will present each reporting period. Now, of course, we have other costs that will go for or against us. So we highlighted FX. We will absolutely continue to have inflation in the business. My simple rule of thumb is that we'll have inflation running about £15 million. We've said that there'll be some – an incremental costs as those remaining plants come online at the back end of this year. That could be more in another perhaps high single digit millions of pounds. But the program about – I outlined will obviously more – way more than compensate for that, which is why we'll see an acceleration of margin.

Operator: That's great. That's very helpful. And maybe final question on that. How are employees incentivized across Croda to actually partake in these efficiencies? And how are the – maybe a little bit more broadly, how are the KPIs aligned with delivery of the company's sort of underlying targets?

Steve Foots: Well, let me start. The top 500 have done the same thing and always have been in Croda, which is bottom line growth. And I think that's really important that we get every part of Croda involved in this. And I think as we update our five-year plan, more and more of our KPIs will be on the growth and efficiency. So in growth, of course, it's profitable revenue growth that we want everywhere. We'll be looking at making sure that's good quality growth. And then on the efficiency and program, it's around the cost control. But more around the returns. So it's earnings and returns driven. So it's more and more around the return on investment that we put in. And I think you'll

see that will feature more highly in our remuneration programs as we go through the next two or three years. But, Steven, any other comments on that.

Stephen Oxley: So that we're doing a refresh of our management information and KPIs. And then alongside that, with the board and ultimately with you as shareholders, we're refreshing the three-year remuneration policy. So on the KPIs, we split, obviously, between financial and non-financial. And we're aligning focus and performance around Steve, as you said, sales and margin growth. Putting return on capital very much at the fore of that as a financial KPI as well. A real focus on cash – free cash flow generation. I think the discipline – we're a growth company, but the discipline around managing the balance sheet for me is very, very important, and cash generation.

And then secondly, some really important financial – so non-financial KPIs. So customer service, customer feedback, innovation, critical. We're a chemicals business, so safety is always going to be at the heart of what we do. And then finally, very importantly, through any period of change is employee engagement. So those are the internal KPIs that we, as an exec team, focus on and down into the organization. And then in terms of the REM policy with the board, the decision that we want to make into the LTIP, the long term incentive plan, is very much to put a return on capital in as a key element of the plan. So that drives real alignment in my mind, Lisa, with our shareholders.

Operator: Yeah. That's fantastic. Thank you very much for that. Shifting a little bit, we talked about the pricing. We talked about the efficiencies. If you build that through the P&L, the question is, how – what is that worth on a margin basis? And this comes from a question in the audience as well. So you've sort of outlined over the mid-term your ambition to get EBIT margins to 20%. If not, at some point 25%. Could you just help us visualizing the path towards that? And maybe alongside that, what market conditions may have to be in place for that?

Stephen Oxley: Yeah. So look, we are not assuming that markets come roaring back. All right. And that's what Steve was very, very clear with. So a lot of this is self-help. So we're assuming modest sales growth. So think kind of mid-single digit sales growth. I think there's upside for that, but let's be cautious on that. Plug in then the sorts of savings that I've talked about. But let's be clear. Our ambition is to get back to historic levels of margin. What I'm not doing today is setting out our mid-term guidance. But let's be clear, that is our ambition. All right. And with the transformation plan, the growth plan that we've got, we will see sequential improvement in margin from here. You'll be able to track that quarter by quarter, or at least half by half.

To get back – what I said on Tuesday was to get back over 20% quickly. So see progression next year, high teens. And you'll see that beyond. But let's be clear, our ambition is to get back to that historic level. And you will see that half and half. Now, if the world improves and we get more of a lift in our sales, then that will clearly come more quickly. But let's get momentum. And I want to get into a pattern of executing quarter on quarter, half on half, and you see progression in returns and profitability.

Operator: Wonderful. Let's move to the next topic. For the sector{?} – the beta topic was free cash flow this week, and we've seen quite a lot of chemical companies reporting maybe what would be considered an underwhelming free cash flow generation. But just taking it back to Croda, how should we think about free cash flow generation from here? Because your CapEx is coming off elevated levels. And also in the light of your efficiencies and your procurement program, how should we think about that working capital management?

Stephen Oxley: Lisa, spot on. So let's just kind of stand back and look at free cash flow at a macro level. So we're at – right at peak CapEx. So we've set £135 million of CapEx for this year, and that enables us to complete the last two plant builds. One in India, a multi-purpose plant, and the pharma plants in the US. That's done. And then we're down into a world of sort of more maintenance and modular CapEx. So we've been spending at 9% of sales, industry norm. And

Croda norm is sort of 5% to 6%. That's what we'll get back to next year. So that will kind of have an incremental benefit on cash flow of, what, £20, £30 million a year. We'll have profit and margin improvement clearly generating more cash.

And then the final area, as you mentioned, Lisa, is working capital. Look, I think just as we've identified areas for structural improvement in the cost base, a lot of that automatically drives improvement in working capital. If we're running our plants efficiently, we've got an efficient distribution footprint, that will take out working capital. I think it's fair to say that we've probably not had the focus on cash and working capital as a growth business that others perhaps might. That doesn't mean to say we move away from being a growth company, it just means we have discipline in how we manage our assets. And look, and I think there is an opportunity right across working capital, whether it's inventory receivables, better discipline on payables. I think there's an opportunity for many tens of millions of cash, permanent cash, inflow. Is it £100 million? We'll see. It will take a little while to get that out. But I'm clear that there's that opportunity ahead of us.

Operator: Thank you. That's very helpful. And as we're not talking about free cash flow, let's talk about capital deployment. Talked about the CapEx cycle on the growth basis coming to an end, but you have a strong balance sheet. You have stated that you do not intend to undertake meaningful M&A in the future. How would you like to direct your capital allocation and your balance sheet efficiency? How should we think about that as an investor?

Stephen Oxley: Yeah. All right. Let me take that as well. So I'll set out or summarize the existing capital allocation framework. Not rocket science. The four usual buckets. The point here is bringing real discipline to how we apply that. So we've talked about CapEx organic investment. That's the first call that's coming down. We've talked about dividends. We have a long history of a good progressive dividend and we want to maintain that. That's really important. We are obviously at the moment out of our sort of policy of distribution. We're above that. We will hold the dividend and grow back into that policy, Lisa.

I've been absolutely clear that we have invested significantly, and therefore there's no further M&A. The only small caveat or caveat on that, and this may be a few millions, is if we see an opportunity to accelerate R&D, bring in some IP, then, of course, we will do that. What does that then leave as we get particularly into next year will be much more cash available. And we will not hoard cash. The balance sheet is strong. We're bang in the middle of the EBITDA range of one to two. We will deliver, obviously, over time. And my expectation, therefore, is that we would look to return that surplus cash to the shareholders and look at current share price. It's pretty obvious how we'd go about that, quite frankly.

Operator: Okay. Great. And maybe just following up, you said no big M&A. But if there's something that could be interesting on a very bolt on basis, we may look at it from an IP or technology, but what should an investor think about? Is it somewhere in consumer care, life science? Where do you see any potential small gaps?

Steve Foots: Yeah. And those on the call, it's very – we're very technology driven, so we have a list of technologies that we want to acquire into or actually build into as well. So a lot of that is with open innovation programs, which is effectively for free, virtually for free, with the funding we get. So these are small – as you said, small, millions of pounds. But it's right across the three chains, whether it's beauty, particular luxury end of beauty, or pharma, particularly drug delivery. But also we're quite interested in crop as well, with a big move to bio pesticides and the like. There's some interesting technologies we want to research our way into there as well. So all of that is we wouldn't disclose any of that because it's small, but it's either buying brain power or IP. That would be what we would be looking for.

Operator: That's great. And maybe just a final one. Coming back to you're opening to new sites in the second half. You've done Solus Biotech a year – two years ago and a number of other acquisitions. For how long does this now enable you to grow? Because we talked about you don't

actually need to do much substantial M&A because you have capacity and the footprint. But what growth does this actually underwrite?

Steve Foots: Well, the two things with the strategic – well, there's two things we've invested in, strategic CapEx, which is primarily Asia, Asia manufacturing and India and China. And also there's, in pharmaceutical CapEx, in North America. All of that is for future growth. We've got plenty of capacity there to expand. Then, of course, you've got the M&A, which is trying to get us into better technologies for faster growth. So ceramides in Solus is a good example. And the F&F business has got great growth. And you start to see that because it's pointed to the fastest growth markets in fragrances, emerging markets. So we've got all of that.

And back to your question, we've got plenty of growth ahead of us. We put a lot of money to use. And when we look at capital, as Stephen said, the ramp's gone now. And we're not approving much capital this year apart from some CapEx for growth in F&F. So you're starting to see us coming down to what I'd call traditional normal levels that you saw in the 2010, 2018. But it's probably around 6% of sales is where we get to on a normalized basis.

Operator: Okay.

Stephen Oxley: And to put some numbers around it, so if I think about that – if we do see any IP or technology opportunities, we are literally talking about a few million. It'll be well less than £10 million. That's important. And then as a feature of the CapEx investment, so that's 6% – 5%, 6% of sales, that will be very small individual projects. So, the example, Steve, that you mentioned there, we approved last week a small bit of extra production capacity in F&F, which is obviously growing fantastically. That's got a four-year payback. So those are the sorts of small, modular, easy to implement, easy to build, fast payback, support growth. That's the sort of projects that we want.

David has just written me a little note here that says, I said, "We'll hold the dividend. We will progress the dividend. But as you've seen, it's popped up by a penny. So technically it is progressive. But we're not going to send the dividend through the roof whilst we're outside of the policy." Thank you, David, for the clarification.

Operator: Fantastic. Maybe let's move towards the divisions now. And maybe let's start with life science. Dr. Thomas Riermeier has recently started as a new head of life sciences. How would you say is he thinking differently about the life sciences portfolio and the strategy? I know it's early days, but just to give a bit of flavor of what's to come.

Steve Foots: Although we don't call them Doctor in Croda, by the way, we just call him Thomas. So we're fine with that. We keep him grounded in Croda. But yeah. No, he's great. He's very strategic, but he's very commercial as well. And he's Croda commercial. I mean that in the – in a good sense. So he's come in and it's a slight emphasis change. Look, what we'll come out with is the pharma solutions business that he calls it is the mRNA lipid vaccine project business for the future with all of these clinical programs that are going on. We're very excited about that.

All we're saying on that at the moment is, look, the American policy decisions at the moment are just pushing things out a bit to the right. It's like a temporary blip, mainly because of funding issues in the pipeline, the long-term pipeline, from university and startups where funding has been more regulated. The FDA bit at the front where they're slowing down some of the drug delivery, the clinical programs hitting the market, is – there's some of that – evidence of some of that there as well, but not a huge amount.

So actually the other point in there is when we look at Avanti, which is the world class preclinical sampling machine for all of this, they're growing double-digit year-on-year for four years. And the interesting thing is that's not slowing down. So we're really excited about where that goes. And actually quite a lot of more recent sampling is going into China. So we see China as a big growth

potential in this area as well. That's the pharma solutions business. Very project basis. We've got to let the science do its thing and the – and Big Pharma to get through the clinical programs.

The rest of it is quite interesting. The rest of it is a pharma ingredient business. And that's the nuts and bolts business in Croda. It's been in Croda for years. We're putting a bit more emphasis in innovation and new data just more focused, more broadly. It's a very good returning set of businesses there. So that's things like in consumer health, it's things like oral care, ingredients into toothpaste, medicated shampoos and the like. We're also looking into bioprocessing aids, like the Lonza type production, where we can help people like Lonza make these mammalian actives in a quicker, more efficient way. Again, all of this pointing to more nearer term growth. And also these sort of high purity excipient areas, which is more the injectable business that many know Croda. That's still growing very well.

So whilst we have to wait for mRNA and lipids to really get the sizeable growth, that will come. Inevitably it will come. We're just pointing some effort to get short and medium-term revenue growth coming through the rest of the business. And just in framing that, the pharma ingredients business is £200 million out of £300 million. It's a significant part of the business. And it's good to see that coming through already. We've got 10% per year revenue growth in there, three successive quarters of growth. So the pharma portfolio has got a nice balance to it is what we're trying to say. And it's got good growth. So it's just getting that balanced growth coming through.

Operator: Wonderful. So let's dive in a little bit to that. So if you now go to the first half, can you just unpack for us how the different subsegments sort of have performed within pharma? And was it already in the second quarter that it was a slowdown in pharma ex-consumer health related to what's happening with the US policy or were there are other dynamics? We would just be understanding the granularity of that.

David Bishop: Lisa, I don't think we've really seen the impact of that US regulatory environment in our numbers. But it's clear that that regulatory environment is having some impact on customer confidence. So we're really flagging it from the point of view of the market rather than related to Croda's performance in the year to date. If you look at the relevant parts of the portfolio, as Steve said, consumer health, which is a subset of pharma ingredients, grew 10% year-on-year. And that's an area that's been slow. That was destocking late into the cycle. The good news is that it's now seen three consecutive quarters of slow recovery. And with Thomas in post since the 1st of April, that's accelerated with the actions that we are taking.

In terms of the excipients, we said that the excipients into biologics, protein delivery, have continued to grow. On the flip side, excipients into small molecules, the more traditional market for excipients, is slower. So that's held back the growth in pharma a little bit. And then if you look at the newer technologies in pharma solutions, as Steve described it, as we've said, lipids are continuing to grow double-digit for drug research, both on a year-on-year basis and compounding since 2020. The smaller vaccine adjuvants business, the £25, £30 million of revenue that we make principally out of Denmark is another area where growth has been slower. So if you look at the various subsegments, that's what totals up to the 5% year-on-year growth in H1.

Operator: Okay. Great. And we briefly touched upon the step up in interest for lipids in China. What pipeline opportunities are you seeing in China? And would you say that some of these lipids are already involved in sort of later stage trial. Are we looking really here very early stage? Thank you.

Steve Foots: Yeah. Well, we're in tiny market shares in China in pharma and crop. And we've been very successful in China. It's about 10% of group sales in China. But a lot of the growth in recent years has been in beauty, and that will continue. So I think the shift is quite pronounced and it's been evident for about 12 months now. A lot of our projects are in early stage, it's fair to say. But we get decent revenue streams for that. But the Chinese government are moving very quickly at taking refinance resources away from civil projects, infrastructure, bridges, roads, buildings more

broadly, and they're moving it into science. So we see this as quite exciting. And you see that evidence in pharma.

So I think all we're saying is, for Croda, that this is a strategic shift for pharmaceutical industry. But for Croda, it's positive because we're on the ground there with R&D, and sales and marketing people. So we'll just scale that up a bit more. So mainly early stage. But they have a potential to move quite quickly there. And it may be just mRNA future drugs, some of the early ones could come from China, whereas many have expected them to come from America. But it looks more interesting for us.

Operator: Okay. Wonderful. And, of course, it's – pharma has a lot of different applications and the peers are global. But could you just give us some sort of idea of who you consider to be peers in this segment, and why you think that Croda is so competitively positioned in this market?

Steve Foots: Well, yes, it's an easy question. It's a difficult answer. That's a problem because in each of the segments that David's described, the competitive environment is very different. So rather than give you lots of different names that people can go and research into, I think it's hard. There isn't one. In lipids, there's two or three players. There's not a huge amount. In consumer health, it depends on the categories of products that we've got. And again, nobody really covers more than probably 10%, 15% of our range there. So it's some of the traditional manufacturers that get involved, but it's in pharma, in the lipid end, it's the ones that we've talked about before.

So I think we don't see – when you look at the pharma portfolio, it's more about growing the market than actually competitive pressures. Because once you're in these products in pharma, even in the consumer health area, they're very sticky, very difficult. We've been in some of these products for 50, 60 years. So once you're in, the next thing is how do you get into more? And how do you create that white space to create new opportunities? And it's much more sticky in this space. So that's the emphasis, is on what new technologies can we get into new formulations as well.

Stephen Oxley: Lisa, I think just to add in the lipid space, if you compare us to kind of a Merck or Evonik, what we have at the front end is Avanti. And Avanti is the go-to firm globally for the library of lipids. So we talked on Tuesday, we've got 2,000 lipids. We've added 130 this year alone to that. And that will continue to compound. So you go into any research lab, they'll have the Avanti list. And that's the starting point. The opportunity for us, and this is why we bought the business, is then to scale downstream. And, of course, that's the capability that we've built through the pandemic and then since. And the objective clearly is to build out from Avanti, which others can't do. And nobody else has that library. And then get into further down the clinical development cycle. That's the differentiator.

Operator: Okay. And final question on sort of the pharma segments within life science. And it's also a question from the audience. Has anything fundamentally changed around the profitability that you can extract from these pharma assets as a whole? If I remember a couple of years ago, we were talking about potential in pharma, excluding consumer health, having a profitability starting with 30, if not above that. Has anything changed there?

Steve Foots: No. We would say no. The makeup of the portfolio is what's driving our thinking. I think the focus – if you see a pharma solutions business where we've invested heavily ahead of growth, of course that's got a slower return, then the consumer health and excipient portfolio has got a very high return. So the emphasis on returns and growth with profit – I'm talking about profit, is things like the Lamar site in North America where how do we get – how do we cover depreciation and up costs? We transfer production from Avanti. So we make that really pure R&D and we put that in there. And we've got other revenue streams that we can talk about in consumer. That's what we're trying to do there.

And so all of that is part of the plan that we would expect. So there's no big change there. The speed, obviously, of returns in pharma solutions is determined by the clinical programs. So if these

come forward faster than we think, then, of course, the returns will come forward earlier because these are big lucrative projects for us.

Operator: Wonderful. And then maybe a question on crop protection. We've seen the segment we're covering now for three, maybe four quarters sequentially. Where are we in this crop protection rebound cycle? And thinking beyond that, how should an investor think about the mid-term growth for crop protection?

Steve Foots: We are on our way back. It's been driven. So yeah, we've come out of this really very painful two-year lull period. And actually what's interesting is it's Europe that's driving the growth. Europe has been very strong for us. Sort of what we expected. And then as the second half comes into play, we'd expect America to come back a bit more. So Europe's coming out a bit first, I think, in the crop cycle. We expect America next. And then beyond that, later in the year, probably Latin America. They're the three areas. So I think a lot depends on where we get to next year around commodity prices, disposable income and the like. But we're coming from such a low base that we expect continue – obviously continued growth there well into next year. But it's in that order geographically for those three regions.

Operator: And midterm?

Steve Foots: Yeah, midterm, look, anybody who's followed Croda for years, from – well, since buying crop from Uniqema, this business has been very stable for us. It has wild fluctuations quarter to quarter because of climate. And I'm sure those fluctuations will be probably bigger as we go forward quarter to quarter because of climate change. But over an annualized period, it always screens for about mid-single digit revenue growth. So once it gets back to its normal level, that's when you start to see sort of it gets back to that type of revenue growth for Croda in very privileged positions with our delivery systems there.

Operator: Okay. Well, we talked quite a bit about life science. I suggest we move to consumer care. Let's have a look at one of your strongest performing segments over the last couple of years, which has been F&F, specifically defined fragrance segments has seen high teens local currency growth of last two and a half years. How should we think about the growth cadence from here? And is there any regions that you think offer extraordinary potential? And maybe often we'd like to compare Croda F&F business with that of a Givaudan, a Symrise, an IFF, but you're actually quite a different player in this market. So how is your route to market here different? What is unique about Croda's fine fragrance business?

Steve Foots: Well, we bought it because we like the business model. It's direct, responsive, and to lots of small and local customers in emerging markets. So it always screened for about 10% revenue growth. I think fair to say that's the first point. Second point is the fragrance industry has gone through a very strong period where you've seen some trading down and more fragrances going into the end product. So we're benefiting from that. But I think the third thing, which is probably really important, is Croda has been able to open the door with our strong relationships with a lot of customers. And Iberchem have been benefiting from that as well. So there are three sort of meaty points.

The last thing I would say would be they're very well positioned in emerging markets and some of their biggest growth has been in the Middle East and North Africa where they have very strong positions. And you're seeing significant – there's a lot of money there. Significant improvement in things like moving to fine fragrances. So maybe half their business now is in fine fragrances. So it's moving the quality up as well. But really like the business, very good management team, and very responsive. And it's run in a private equity. It's had a private equity model behind it for 20 years. So we really placed low-risk fast growth revenue company.

Operator: And maybe can we just jump in on this a little bit because I remember a conversation from a couple of days ago where you discussed about how amazing the potential speed to market of

this segment is, specifically F&F, and how you can offer your customer quite quick on the shelf production. Is it worth just highlighting something about that?

Steve Foots: Yeah, that's the – the USP really is the ability to reference fragrances quickly and respond to that quickly. They get samples out within the day, so they can move very quickly with that. So it's that speed and intimacy and directness that sort of sets them apart. And they're in – virtually all of their businesses is to provincial customers, local family businesses, regional businesses. So they have that trust in that customer relationship because of that.

Stephen Oxley: And, Lisa, to that, I was out there a few weeks ago with customers as well, meeting customers in our creation center, we call it. And literally the speed here is incredible. So from first concept with a customer and working on a particular fragrance, concept to ship is seven days. We've got robotic production. So we develop the fragrance or the scent and produce it, getting it out the door at a good price. That's the differentiator. And that's why that business is winning so well in the market.

Operator: Great. And talking about the rest of consumer care, the very big beauty care and beauty active segments, what are the key trends you're seeing in the market today? And how is Croda positioned to benefit from what we see to be faster growing local and regional customers?

Steve Foots: Yeah. Greater fragmentation. The customer base is a structural change that we've seen now for a few years. But 81% of our business now in there is local and regional. It wasn't that long ago, three years ago, it was 70%. So the big shift is not so much in the product and claim trends, which have been around for a while, it's more in the fact that there's a lot more customers, small and local, that are really getting products to market in a thoughtful, but in a very clever way. So the product quality and the claims that they make on the market is very significant.

And I think the other thing I would say is we've always talked to you about this Chinese model where we've had the ability to get Proya, and Kans, and Chicmax, these fast growing things on the market. Croda is propelling them to do that. We're starting to see this everywhere. It's in Japan now. It's in many parts of Europe, Brazil. And when we compiled the data for our presentation with you on Tuesday, we could have shown you lots of examples from many of those places where we're winning business and we're propelling customers that probably many people haven't heard of before. So I think all we're saying is we're expecting that to continue as the next two or three years roll on because it's a lot easier now to get – to make shampoos and conditioners. You can get on the market in weeks rather than in months and years. So that's the – I think that's the big thing there.

Operator: Yeah, sure. And can we talk a little bit about the service model that you tend to provide to the different set of customers? I imagine that you service in L&R quite differently from a multinational, probably partially vertically integrated player. How does that work? And how do you actually maintain these long term critical partnerships with your customers?

Steve Foots: Yeah. So I think the big difference is that we're very intimate with the local players in our research labs. So the model is if they want to get a skin cream on the market anywhere, let's say it was in Japan, they'd come into our laboratories and we'd help them with formulating the ingredients. And we'll make the skin cream with them. And they may come in wanting to put a pentapeptide in there for anti-wrinkle claims, but when they go out we can put four or five other ingredients in, including a fragrance. So the opportunity to sort of increase the wallet size of a customer coming in by giving them other ingredients is quite significant. And so that principle is – it's quite local application, technical service really in many ways, finding solutions. So you need that because you're educating them as well.

And, of course, on top of that we're giving them the safety data clearance data, the toxicity data. We're giving them advice on where to make the products. So they see Croda as more of a partner,

a management partner, to get them on the market quickly rather than an ingredient supplier. And that continues. So part of our plan for many years now has been just to continue to invest in each of these countries with local R&D, local commercial strength. And you're starting to see the benefit of that. Our total sales – our sales year to date are up 11% in beauty – in consumer care, 11% with local and regional. So we're really pleased with that.

Stephen Oxley: And, Lisa, then if you compare that to the other end of the scale with the MNCs, whether it's in beauty or crop, we have a GMAC program, their global account management program, that deals with those customers globally. And obviously how they differ is that you get a lower average price with the really big players compared to the local players. But the big player has a lot lower cost to serve versus that wraparound service that Steve talked about. But yeah, I think 81% local, regional, very sticky, lots of very, very small customers.

Operator: And we talked about these L&Rs. And they've clearly been outpacing some of the bigger beauty players out there for some time. What do you see these large beauty players doing right now? Do you see them stepping up their innovation, trying to step up their efforts?. But what are you seeing your multinational customers do to try to potentially recapture that audience that has shifted towards L&Rs?

Steve Foots: When you mentioned LNER, I thought you talk about railways there.

Operator: Not yet.

Steve Foots: In the real sense, they'll come back. They're responding. They respond mainly with innovation. And the leaders in there, and you know who they are, they'll respond very quickly with increasing innovation. That's what they'll do. And they'll also probably use their balance sheet to try and acquire some of the more interesting ones for them that match their direction of travel. So, yes. And the other thing, I think we talk a lot about local and regional. We can't forget about

multinationals. They're really important to Croda and – because we give them a lot of good new product development as well. So I think our relationships there are very good, and our job there is to obviously capture the growth with local and regional. But also to make sure that our partnerships are strengthening as well with the multinationals to help them too. But you will see increased innovation from them, no doubt.

Operator: Okay. And finally, within beauty care and beauty actives, it's quite a broad portfolio that you have. Health care solutions, quite a broad portfolio, surfactants, peptides, botanicals. And this morning there was a discussion about the growth across different considered peers. But some are peers and some are not really peers. Is it worth highlighting who you consider to be the peers in the space within beauty actives and beauty care, if you can give us a rough idea?

Steve Foots: Again, it's different because within beauty care it's by category the different peers. And within actives, it's a slightly different set of peers there as well. But overall I'll just make the point. The overall beauty business is growing just over 3%. And so it's not – and that's with a pretty weak – a weak North America in there as well. But all the other regions are growing well. Look, I think in beauty care it's lots of local customers, by and large, because a lot of our business is local and regional. So there's a lot of distributors in there as well. So IMCD and Azelis, we compare our business quite a lot with them because a lot of this is distribution of product locally.

But in the multinational space it's different because it's a bit more – a bigger volume. So BASF, maybe a little bit of Evonik and people like that. But mainly the weight of our business is distribution, so it's the distributors. And there is a bit of – quite a lot of local companies as well in there, which are unique for certain countries. So we'd say that. In the active space, we've obviously got ceramides now and we're one of two players there with Evonik. And in peptides, we're one of probably two or three recognized players there. And Lucas Meyer were one of those. And they're more of a competitor in some of the portfolio, but not a huge amount. And probably nobody else.

Givaudan is not a direct competitor to the peptide and ceramide business. They don't make peptides or ceramides. So they do other actives. But a lot of what they describe as actives, we would describe it probably the higher end of beauty care as well. They're more effects rather than active. So it's a combination of that. So it's just careful to compare apples with them [inaudible]. But in the end, look, it's something – there's something about watching out for competition. There's something about creating new white space for Croda in this area.

And the big area that we've invested in is ceramides in this because there's a compatibility and a symbiotic strength with peptides because they go in the same formulations. And a lot of people want claims for peptides, but they also want claims for ceramides. So we're starting to see that growth come through in not just existing brands, but in many new product launches that are containing ceramides too. So we see that's a good way of leveraging some of the beauty care business as well, like we described with the model we've got with local and regional.

Operator: Fantastic. I have a couple of questions from the audience around raw materials gross margins, so I suggest we just quickly come through that. Would you mind just giving us a view of what you're seeing in the raw material environment today for you? And also how we sort of square the fact that pricing may be a little bit negative still in the second half, or price mix, let's call it that, versus raw materials, what the outlook is and what that means for gross margins?

Stephen Oxley: Yeah. So, look, we said raw materials are broadly flat. They're up a little bit, but it's pretty small compared to kind of recent past. So not a lot going on there. What I don't expect on price is sequential reductions in pricing. Obviously, when we get to the second half, we'll be comparing second half last year, so we'll see more of that volume increase that we've talked about. But prices overall stable sequentially. And in terms of margin, look, if you look at the gross margin of the business, go back over several years, gross margin is actually pretty stable, which I think talks to the quality of the book of business overall.

Operator: Wonderful. And maybe as a final question, and it's overarching, we talked about your acquisitions. We talked about your new sites coming online. But let's talk a little bit about R&D. Over the conversations from last couple of days, we talked about selectively stepping up or focusing on some specific R&D efforts. Can you maybe highlight some areas where you're investing more time or allocating more headcount, and maybe highlighting what that could mean for some of the subsegments?

Steve Foots: Yeah. The R&D intensity has always has always been very stable. I think the increase has been we're now at about 4% of sales in both consumer and life sciences. But I think the big two or three points, more and more of our effort around customer innovation projects, bilateral projects with particularly a lot of these local and regional players and some of the multinationals, that's rewarding because it's getting us moving with lots of formulations pretty quickly. You can see that all across the beauty space and the F&F space as well. So that's gaining traction. And a lot of that's becoming more local as we described before. I think that's – so getting more decentralized with R&D.

Sticking to beauty, I think the other big point is this whole biotechnology area is getting a lot more interesting for Croda. KeraBio is probably one of the best launches you've seen in the industry for over a decade. KeraBio is world class bond building technology for hair with biotechnology. So that's hitting the market now for Croda. And then at the other extreme on pharma, you've got some great – we've got some great programs obviously in the whole lipid space. And Avanti are bringing out 130 new products for the first half of this year. So, again, there's a lot of capability there.

And I think the other thing that we talked about in pharma is this whole area of what I call bioprocessing. So we've launched new products like [inaudible] and things like that in there, which has really got great potential there too. So it's a combination of local customer led projects, customer centric projects we call them, and some really quite interesting new product launches as well, which are driving the industry. And in the middle of all of that description is crop moving to

bio pesticides and herbicides with technology that we probably wouldn't want to broadcast with you. But there's some interesting delivery systems there for that too.

Operator: Wonderful. I think that brings us to the end of the firechat today. I would like to thank Steve, Stephen, and David for all their insights. And I wish everyone a good weekend.

Steve Fouts: Okay. Thank you

Stephen Oxley: Thanks, everybody.

David Bishop: Thanks, everybody.