

Croda International Plc

Results for the three months ended 31 March 2026

Call transcript

Key:

Steve Foots – Group Chief Executive
Stephen Oxley – Chief Financial Officer

Operator

Hello and welcome to the Croda International Q1 2026 Sales Update. Please note this call is being recorded, and for the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register your question. If you require assistance at any point, please press star zero, and you will be connected to an operator. I will now hand you over to your host, Steve Foots, to begin today's conference. Please go ahead, sir.

Steve Foots – Group Chief Executive

Good morning, everyone. Many thanks for joining. So, I'm here with Stephen and David and together happy to take your questions. So, first, just a few overview comments from me. Overall, quarter one sales were, as we expected it, up 1% at constant currency and similar to a very strong quarter last year. And whilst we acknowledge the heightened uncertainty that the Middle East conflict has caused, it had no material effect on quarter one, and there is no change to guidance for full year 2026.

So, breaking our quarter one sales performance down by business sales were up 4% in consumer care driven by beauty actives and F&F. Life Sciences saw sales dip 3%, largely due to crop protection being 8% lower versus a strong prior year when we saw significant restocking. And industrial sales were down 2%, again against a strong prior period.

So, turning to performance on a regional basis, growth was strongest in Latin America and robust demand in agriculture and consumer care. EMEA and Asia sales were as we expected, and North America was weaker due to crop normalising as expected and compounded by continued pressure on lower-income consumers and the poor weather.

Finally, coming to events in the Middle East in more detail. Our key priority has been the safety of our people and serving our customers. It's a small region for Croda, representing around 5% of group sales, most of which are in F&F, and we saw no material impact on sales in the quarter. But with input costs increasing, we are raising prices to fully recover input cost inflation. And we're doing that transparently and in total collaboration with our customers. And as I said, whilst we recognise the elevated uncertainty the conflict has caused and continue to monitor this evolving situation, our outlook for full year 2026 remains unchanged.

And we are confident of delivering an improving performance over the next three years. As outlined in February, combining innovation-led growth and our transformation programme, which remains firmly on track. So, it's all about growth and transformation, which is in our control. So let me stop there and hand over to you all for questions. So, I'll now hand back to the operator for questions from covering analysts. Over to you, Adam.

Operator

If you would like to ask a question, please signal by pressing star one on your telephone keypad. We will take our first question from Matthew Yates from Bank of America. Your line is open. Please go ahead.

Matthew Yates (Bank of America)

Hey. Good morning, gentlemen. Thanks for doing the call. A couple of questions, please. You mentioned the uncertainty around the Middle East. I'm wondering if you could share any order of magnitude decline you've seen in the seven weeks or so since the conflict's been going. Appreciate you said it wasn't really relevant for Q1, but just as we think about Q2, what the most recent data points would point towards?

And then secondly, just around your pricing commentary and your strategy. If I think about the last cycle we went through, coming out of COVID, you push pricing pretty hard, and arguably, it led to some issues in terms of competitiveness and negative impact on neutralisation rates. Does that in any way make you cautious about how you're going to market to pass through whatever order of magnitude inflation this cycle may require? Thank you.

Steve Foots

Yeah. Thanks, Matthew. I'll do the pricing, and then Stephen can talk about the order book. Look, we've got pricing power, and we'll demonstrate it. And we always do. I think I'd say that first. We have an agile pricing model, and we can move with speed as well. So, that's the second point. But our customer relationships are a priority, and we're being responsible and taking a balanced approach. So, we're taking them through that with us. And we're increasing prices to fully recover the input cost inflation. So all of that, I mean, all cost inflation will be recovered. And we're taking a bottom-up approach. So, there's not one blanket increase. And through our transformation programme, we're segmenting customers. We are putting prices up. And we will demonstrate the pricing power, but we'll use that on a case-by-case, one-to-one customer basis.

There's no lag in our pricing. Our prices have gone up and are going up. So, the weight of the price increases started in April in Asia, as you'd expect, and in some of our products in Europe as well. And again, we'll go in May again with price increases if we need to, but obviously, we're monitoring the situation with all of our customers. And we've got an organisation that is very clued to moving quickly but considering our customers as well.

Stephen Oxley

Matthew. Morning. It's Stephen. And just on your question on order book. So, just to remind you, so virtually no impact on the first quarter. The direct exposure to the Middle East, as you can see, is obviously small. So, we did actually see growth in Middle East sales, but it was pretty subdued. Order book is good. Going into Q2, there is absolutely no weakness whatsoever. So, we are encouraged as we sit here heading into the second quarter.

Matthew Yates (Bank of America)

Thank you both.

Operator

Thank you. Our next question comes from Charles Eden from UBS. Your line is open. Please go ahead.

Charles Eden (UBS)

Hi. Good morning. Two questions for me also, please. Firstly, a follow-up on the pricing and I appreciate it is very fluid, and price is moving around almost daily. But are you able to give us any indication of roughly what the pricing magnitudes are that you're looking to pass through

in Asia and in Europe at this stage? I'm not expecting that numbers, but any sort of rough indication.

And then my second question is just on crop. Obviously, a very tough Q1 comp from last year, but with the 8% constant currency decline in Q1, was that in line with your expectations and maybe what are you hearing from customers in terms of the impact of fertiliser prices? What does that mean for Croda? Do you get a bit of substitution? What's the outlook for crop, I guess, for the remaining three quarters of this year? Thank you.

Steve Foots

Yeah. Let's do crop first, and then we'll come back to your pricing point. Look, we think it's rebalance. I call it rebalancing of stock. They've had two years of – they've had four years, actually. Two years of boom and two years of reset. And the stock levels are broadly where they should be. I think that's the point. So, the rebalancing point is they're just fine-tuning stocking. And the comparator was tough because they were still building stock last year. I think when you get behind that, the demand is okay. We think the demand is fine in the crop. We don't think there's any weakness there.

I think your point on fertilisers it has an impact to the farming economics. But actually, on the other side of that, you've got crop prices, commodity prices, food prices going up, not massively, but going up 10%, 15%. So, there's a benefit. That's partly offset that. We don't expect any demand change through that. The fertiliser chain doesn't really impact Croda in the same way. So, our expectation of the year for crop is broadly where we saw it at the start of the year. So, we'll stop there, and then we'll go on to your pricing.

Stephen Oxley

Yeah. Morning Charles, I'll pick it up and just on crop is exactly as we expected. And exactly as we had signalled to investors, and it's consistent with what the tier one players are saying themselves. So no surprises there. On the magnitude of increases, to be honest, I don't want to give that. I think it would be misleading because it is affecting different products in different ways in different regions. But just to remind you, when I think or you should think about raw material impacts, the majority of the business is bio based. That's about 55% by value. The rest is Petro. But where we're seeing the most significant price changes is in EO, ethylene oxide, and PO. But that represents only around 10% of our raw material cost base.

Charles Eden (UBS)

That's very clear. Appreciate the comments, both. Thanks.

Operator

Thank you. Our next question comes from Katie Richards from Barclays. Your line is open. Please go ahead.

Katie Richards (Barclays)

Hi. Good morning, everyone. Just two questions from me, please. One, could you just give us some more colour on the pharma division, please? Because I believe it ended 2025 at quite a strong exit rate. So, I just would like to understand the reason for the decline at constant currency this quarter.

And secondly, could you just give us some more colour on the bridge to the full year results? Because if I annualise the sales this morning, I'm getting to sales for the year of about 1.63 billion. So, that would still be quite about 7% below consensus forecasts as we stand. So, can you talk us through the earnings cadence through the year please?

Steve Foots

Yeah. If you break pharma down, let's do that first. Pharma solutions. It's where we expected it to be at the start of the year. It's a lumpy business. We've said that a few times. All it needs is one or two orders to go into one quarter or the other and you get a big up or a slightly negative. So, it's fine, and it's a tough comp, so you don't need to read anything in for pharma solutions. We're happy where it is. I think pharma ingredients too, it's good in all regions Pharma ingredients except Europe. And actually underneath all of that pharma ingredients, the high purity excipient business, which is the big growth business there is doing very well. But it started weakly and it's better in March with encouraging signs going forward. So, we'd expect, the business to improve from here, what both businesses to improve from here through the next two or three quarters.

Stephen Oxley

And then Katie just on sales. So, obviously Q1 in line with our expectations, I think probably currency is your delta. So, at constant currency, Q1 sales were 446. And we've talked previously about our budget being pretty consistent, quarter by quarter. And if you think about the shape of 2025, the comps get easier as we go through the year. And that sales, and we said before, sales will be broadly flat half one versus half two. So, no change in full-year sales expectations.

Katie Richards (Barclays)

Thank you.

Operator

Thank you. We'll take our next question from Nicola Tang from BNP Paribas. Please go ahead.

Nicola Tang (Exane BNP Paribas)

Hi everyone. Thanks for taking the questions. First just going back on the order book, you mentioned no weakness whatsoever. I was wondering if perhaps there had been some pre-buying or some sense of customers increasing safety stocks or buying in ahead of anticipation of higher prices.

And then the second question, I appreciate you don't disclose profits at the Q1 stage, but I was wondering if you could give any comments on profitability and an update on the cost efficiency program that you have going on. Thanks.

Stephen Oxley

Thanks, Nicola. Morning. So, just going back to order book. Yes, I said the order book is good. In response to Matthew's question, there's no weakness. It is good, and it is slightly higher than I would have expected. So, I read into that there probably is an element of pre-buy customers wanting to get ahead of increases and obviously secure inventory. We're monitoring that very closely. It's not out of control at all. But it does give us confidence going into Q2, but that didn't affect Q1 sales importantly.

And then just you talked about profit and transformation. Likewise, as we think about profit for Q1, we don't disclose, but exactly as expected, which is great to see, the transformation is on track. We're not changing the targets, but we're obviously confident in what we can deliver.

Operator

Thank you. Our next questions come from Sebastian Bray from Berenberg. Your line is open. Please go ahead.

Sebastian Bray (Berenberg)

Hello. Good morning and thank you for taking my questions. I had one on the beauty care developments. I appreciate that the comparative number from last year is distorted because

of pre-buying, but the minus 4% constant currency growth. Is that what was expected at the start of the year, or has something changed here? I'm trying to distinguish between if this was a deliberate choice to begin the marketing all products again. Or if demand was just not as good as had been hoped for.

My second question is on cash flow. Are there any indications how this performed in the first quarter? And if I may squeeze in another one, are there any outages at any of Croda's key competitors in personal care or life sciences at the moment related to feedstock shortages, or is that not visible? Thank you.

Steve Foots

Yeah. Let's take them as in turn then. So, the question on beauty care, then cash for Stephen and then outages for consumer care. We'll do that one. We don't see much on any change in life sciences and consumer care on the competitive base. Beauty care, look, beauty care, it's USA only. Is the weakness. It's on strong comps. We had a weather impact for the first six weeks, which was more minus 29 degrees at our site, our east coast site. Which we started the year softly, but strengthening through the quarter. And I think that's important. So, beauty care is starting to come back.

I think the other thing to make the point on is in the lower income end of North America it's been under pressure. But actually, the premium end has been pretty strong. So, you see some very strong growth in actives and that's consistent around the world. So, I think beauty care started weekly strengthening in March. Order book looks good for quarter two. And it's coming into some weak comps as well. So, we feel beauty care is in a good position. It's a quarter one impact, which is primarily based on those three points by Sebastian.

Stephen Oxley

And just to pick up your question. Just on beauty care for US, you should think that we were lapping particularly a very strong quarter 2025 in addition to the weather and actually also a very strong Q4 2025. So, you've got to frame that first quarter within those two points. Cash, obviously, we're just giving sales update for Q1. As with profit, Cash is exactly on track. You'll remember at year end we put out a working capital saving target of 50 million. It's good to see some of that coming through.

Sebastian Bray (Berenberg)

Thank you.

Operator

Thank you. We're now taking our next question from Artem Chubarov from Rothschild and Co Redburn. Please go ahead.

Artem Chubarov (Rothschild)

Good morning. Thanks for taking my question. I would like to ask about capacity utilisation rates at your shared manufacturing site. So, if I think about the main moving parts of beauty care was down, and crop protection was down, and so was industrial speciality. So, can we conclude that utilisation rates have decreased, or is it a bit more complex than that? And linked to that, how was the price mix volume interplay in the quarter, please? Thank you.

Stephen Oxley

Good morning Artem. Yeah. I'll pick that up. So, the way you should think about this is as we talked about the progress through last year. So, we exited 2025 at around 93% of our 2019 volumes. And we talked about the volume growth slowing. That has continued into the first quarter, but obviously, we're talking about absolute sales growth of 1%. So, it's pretty small, but it's positive. And just in the same way that trend on price mix, so coming down as we went

through 2025 to being quite small in the fourth quarter, that trend continues into quarter one this year. And I would expect that to continue looking forward.

Artem Chubarov (Rothschild)

Thank you. That's very helpful. Thanks.

Operator

Thank you. Our next question is from Lisa de Neve from Morgan Stanley. Your line is open, please go ahead. Lisa, your line is open. Please go ahead.

Lisa de Neve (Morgan Stanley)

Hi. Sorry, I was on mute. I apologise for that. I'm Lisa de Neve from Morgan Stanley. Two questions, if I may. The first question. So, as you're now pushing through these higher prices to offset inflation, how should we think about the volume cadence as we move through the year? Is there anything to call out across the portfolio? That's one. And two, a small follow-up, on the earlier question on pharma. So, should we read it as you expect pharma to step higher through the year beyond the comparables effects? And also, can you tell me if there's any change or any pick up in your pipeline for pharma? Thank you.

Steve Foots

Yeah. Thanks. Let's do the volume pricing. We expect volume growth to continue through the year. We're not expecting volume reduction. And actually, the priority for customers right now and into quarter two is delivery, is consistency and continuity of supply. And there's an acceptance that inflation will go through the value chains that we're in. And that's good. So, no impact to volume is the message there.

I think on Pharma, Pharma was a tough comp. So, we're not seeing any trend changes from quarter four to quarter one. There's nothing in there. So, we expect that Pharma to continue through the normal trend. And then as you come into some easier comps, then obviously that will help. Lots of good stuff in pharma, both in pharma ingredients on flagship, which we're driving increased growth. I think the high purity excipient business in there is very important business that's growing at double digits. So, we've got some really good strength right across the group in liquid injectables and pharma solutions is where we expected it to be. And there's no change to our outlook there. Did you have another question, Lisa, or was that that was it? Okay.

Lisa de Neve (Morgan Stanley)

These are the key questions. Thank you.

Operator

Thank you. Our next question is from Chetan Udeshi from JPMorgan. Your line is open. Please go ahead.

Chetan Udeshi (JP Morgan)

Yeah. Hi. Thanks for taking my questions. The first question was just maybe a bit technical. I was just wondering, because you haven't been reporting your quarterly sales for that long. I'm just curious, what would you say is your normal seasonality these days in Q2 versus Q1? Most of the companies in the sector would typically see second quarter sales higher than Q1 just because of the higher working days, also season of the year. Can you just remind us how does the Q2 seasonality for Croda looks these days with different portfolio?

The second, I'm a bit curious, what would you attribute – like, what would you think are the reasons why you haven't seen any impact in demand in your F&F business in Middle East. You would have thought with less tourists, maybe people going out less. There should have been a reduction in demand. Would you think this is mainly pre-buying? And just in Iberchem

my impression, you're sourcing all of your raw materials from others in terms of the aroma chemicals and ingredients. So, I was curious, you did not mention Iberchem as the place where you were seeing raw mat inflation. So, maybe you can help there as well. Thank you very much.

Stephen Oxley

So morning, Chetan. So, we're expecting, as I said earlier, 50/50 sales split this year. That's pretty consistent I think to previous years, plus or minus a tiny bit. So, that is typical. As I think about profit, that is more second-half weighted. And that's mainly as you think about this year, think about the benefits of transformation accumulating. Obviously, that just affects the second half has a better contribution than the first half as the program develops.

Steve Foots

Yeah. And on F&F, we've seen the continued growth. It continues to grow strongly in quarter one, 10% organic sales growth. It is below expectations in the Middle East to be fair. But that's been fully offset by the strength in other regions. So, Western Europe really well ahead. And also Africa very well ahead. And flavours and fragrances both very healthy. And the team have navigated many crises successfully over the last 15 years. So, speed and responsiveness of that business model is helping maintain service levels. I think on the raw material position, yes, we're expecting raw materials to go up. And we'll deal with that in the same way we're dealing with pricing elsewhere. But it's not material impact in the books as yet. But we'll have a plan for that.

Chetan Udeshi

Got it. Thank you.

Operator

Thank you. As a reminder, if you would like to ask a question, please press star one now. We'll take our next question from Georgina Fraser from Goldman Sachs. Your line is open. Please go ahead.

Georgina Fraser (Goldman Sachs)

Hello. Good morning, team. A couple of questions. I want to revisit the questions around feedstock shortages. Now, you mentioned that you haven't seen any of this yet, but they're burning palm oil as fuel in Indonesia. So, how are you thinking about that risk for the balance of the year managing on your own raw material sides? And then a follow-up question, how would you be thinking about the risks that your local and regional customers face shortages? I would think these smaller customers would be most vulnerable to physical shortages. And then last question, are there any opportunities to ramp up at this point given the tightness in the ethylene oxide value chain? Thank you.

Steve Foots

Yes, all good questions. Our job is to look around corners in crises like this, and particularly on feedstocks and things. We're not seeing anything yet, and we're monitoring that. I think your point on palm oil, we're such a tiny consumer of palm oil in the value chain that yes, we're seeing some of those things, but our demand is so small that we feel we would be comfortable with that. We don't buy palm oil, we buy derivatives of palm oil. So, that's that.

I think local and regional customers, in many ways, it plays to our strengths, which is making sure. I think the important point for Croda is we've got a nice balance to our manufacturing portfolio. And our distribution model allows us to put stock locally. So, the important thing is to make sure we put the stock in the right places, and we're doing that. And then on the eco atlas point platform, economics are more attractive on a relative basis, I think that's for sure. So, there's some tactical opportunities that we'll look to take in the short term, but most likely the approach would be to sell ingredients from Atlas Point outside North America, dependent upon

available capacity at the downstream plant. And a lot will depend on the longevity of the raw material inflation. So, more opportunities would come if petrochemical prices stay high for long.

Georgina Fraser

Okay. Understood. Thank you.

Operator

Thank you. Our next question comes from Ranulf Orr from Citi. Your line is open. Please go ahead.

Ranulf Orr (Citi)

Hi. Morning all. Just a quick follow-up actually, on one of the very first questions around your pricing power and how you see the pricing dynamics evolving? I think it would just be interesting to hear you compare and contrast, maybe a little bit back to 2022, 2023, when I think you have acknowledged perhaps pricing was pushed a little bit too hard. How are you thinking about it differently today? Are you benchmarking versus peers, and how are you ensuring that some of those share losses don't come back through this time around? Thank you.

Steve Foots

Yeah. Thank you. We're doing much the same. The one change is rather it's around customer relationships, and it's all bottom up. So, we're looking at products to customer on a targeted basis to make sure that we don't see any volume shocks and we actually pass all full costs on. So, that's been done in a sophisticated way, but there's no real change to the point that we've got pricing power and we'll demonstrate it. We're doing that with a customer segmentation lens on it.

Ranulf Orr (Citi)

Okay. Thank you.

Operator

Thank you. It appears there are no further questions. I'd now like to turn the conference back to Mr Steve Woods for any additional or closing remarks. Please go ahead.

Steve Foots

Thanks, everybody, for getting up early for us. Quarter one sales in line with expectations. And we're not seeing any material impact from the conflict in the quarter one numbers from the Middle East. And we recognise the elevated uncertainty the conflict has caused. But the full-year 2026 outlook is unchanged. And we're confident of delivering our three-year framework. It's all about innovation-led growth in quarter, and it's about the transformation, which is on track. So, thanks very much. And we'll see you in July.

Operator

This concludes today's call. Thank you for your participation. You may now disconnect.

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