

Business review – Consumer Care



Performance in 2024

Consumer Care	2024 £m	2023 £m	Change	Constant currency change
Beauty Actives sales			3%	6%
Beauty Care sales			(3)%	0%
Fragrances and Flavours sales			15%	18%
Home Care sales			9%	13%
Total Consumer Care sales	920.0	886.1	4%	7%
Adjusted operating profit	160.2	160.3	(0)%	4%
Adjusted operating margin	17.4%	18.1%	(0.7)ppts	
IFRS operating profit	128.4	127.8	1%	

Consumer Care grew sales by 4% on a reported basis or 7% at constant currency. Sales growth was driven by an 11% increase in sales volumes, reflecting more stable customer inventory levels and demand. Price/mix was 5% lower as we took advantage of lower raw material costs to reduce prices in certain business units, with the margin that we make on raw materials in our sales prices stable. Acquisitions added 1% from sales of ceramides in H1 following the Solus Biotech acquisition, whilst foreign currency translation was a 3% headwind.

Adjusted operating profit increased 4% with the second half adjusted operating margin down slightly on H1 due to the mix impact of continued strong F&F sales, but significantly ahead of the same period last year due to higher sales volumes and robust cost control.

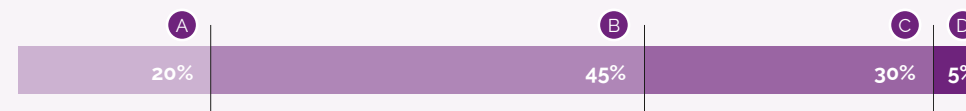
In Consumer Care, our leadership in innovative and sustainable ingredients, and the breadth of our ingredient portfolio, customer base and geographic reach are our key strengths. With the continued fragmentation of Consumer Care markets, our leading position with local and regional (L&R) customers is a particularly important source of competitive advantage as these customers win share.

Business units

- A Beauty Actives** is a leader in peptides – the most effective ingredient for preventing skin ageing, biotech-derived ingredients, botanicals and ceramides for rapid skin moisturisation.
- B Beauty Care** comprises 'effect' ingredients – such as hair care proteins and mineral sunscreens, and formulation ingredients which make up the structural chassis of customer formulations, many of which are differentiated by their sustainability profile.
- C Fragrances and Flavours (F&F)** goes to market as Iberchem, with its wide range of fragrances and niche positioning with L&R customers, Parfex, for fine, premium skin care and natural fragrances, and Scentium for Flavours.
- D Home Care** is focused on two technology platforms which provide improved efficacy and sustainability – fabric care, with proteins that increase the lifetime of clothes; and household care, with sustainable surfactants.

Sales

£920.0m



Strategy

In Consumer Care, we aim to be the most responsive and sustainable supplier of innovative ingredients. Our strategy is:



Consumer Care is making a significant contribution to the UN Sustainable Development Goals. For details see page 6 of the Sustainability Impact Report.

Strategic progress

Innovation – our key differentiator

Our Innovation pipelines are expanding as customer demand increases for our innovation-led approach:

- NPP sales grew 11% at constant currency and improved to 43% of total sales (2023: 42%)
- We are developing and launching more new products including:
 - Luceane, obtained from the bio-fermentation of a marine micro-organism, and proven to reduce premature skin ageing by five years in one month, as well as immediately reducing skin fatigue
 - New hair care ingredients derived from ceramides, currently used for skin care, such as Shingo'HAIR DryPure which promotes scalp health
- A rapid increase in application-focused innovation, driven directly by customer requests, which often results in the creation of new formulation ingredients, such as new emulsifiers and surfactants that are PEG-free

Localising innovation delivery

With a direct sales force and innovation centres close to customers in key countries globally, our business model is optimised to support customers of all sizes. We are localising the delivery of innovation to meet the specific requirements of consumers in each region, and to enhance our intimacy with L&R customers who are continuing to grow strongly. Our prices are normally higher to smaller customers because we provide them with additional support, so less concentration in our customer base is providing more opportunities for us at good margins:

- Sales to L&R customers increased 11% in constant currency
- They now represent 80% of Consumer Care sales (2023: 77%)

Widening the gap in our sustainability leadership

With sustainability continuing to influence customer buying behaviour, we are seeking to leverage our leadership position through the creation of new sustainable ingredients and verification data to prove our claims:

- Demand is increasing for our ingredients that are differentiated by their sustainability characteristics including strong double-digit percentage

increases in sales of ECO surfactants and mineral sunscreen dispersions

- Sector-leading product-level carbon footprint data is now available for ~1,500 product codes in Beauty Care and ~600 in Home Care, enabling customers to make informed decisions about the carbon footprint of their formulations
- We are increasing transparency and traceability of our natural raw material supply chains, building customer confidence in ingredient integrity

Driving fast growth in Asia

Whilst Consumer Care grew sales in every region, Beauty sales were strongest in Asia, up 10% (at constant currency and excluding sales of ceramides acquired in July 2023):

- The key Asian markets of China, India and South Korea grew 11%, 18% and 26% respectively at constant currency, leveraging our excellent relationships with L&R customers and investment in R&D and sales in recent years
- Asia remains the primary focus of Consumer Care investment with selective expenditure in new manufacturing capacity. A new surfactants plant in Dahej, India is due to be commissioned in early 2025, and a new facility will come on-stream in Guangzhou in 2026, initially to support the continued growth of fragrances in China

Extracting value from recent investments

We are committed to capturing the full potential of recent acquisitions, including Solus Biotech in South Korea, which completed in July 2023. Whilst its biotech-derived active ingredients, such as ceramides, are excellent additions to our portfolio, growth rates should be higher. We have accelerated implementation of our integration plan:

- Integrating the business with our South Korean operations and exiting all distributor agreements
- Accelerating global sales by leveraging Croda's global selling network, with dedicated business development leads in each region
- Developing ceramides that are easier for customers to formulate



Taking ceramides beyond skin care

Shingo'HAIR Drypure is a new ceramide innovation from our team in South Korea. The biotech-derived active enhances scalp health, thereby promoting strong and healthy hair. It's a great example of how the rapid moisturisation qualities of ceramides can be used beyond skin care.

100%
natural origin

78%
increase in hair shine

Business unit commentary

F&F

F&F led the way with sales up at 18% in constant currency and the business delivering higher sales growth than competitors. This excellent performance reflects its leading position with higher-growth L&R customers. Growth was well balanced across both Fragrances and Flavours and was driven by a combination of higher sales with existing customers, market share gains and new technologies. Focus areas for innovation include micro-encapsulation with new patents filed in year, and odour-neutralising fragrances that are biodegradable. Capital continues to be allocated to this business to sustain growth, with a new R&D centre now open in Dubai, the expansion of fine fragrances at our dedicated facility in Grasse in France, and ongoing construction of a new manufacturing facility in China which will be in partnership with Beauty Actives.

Beauty Actives

Beauty Actives grew 6%, in constant currency, driven by a 16% increase in sales to Asia (excluding acquired ceramides) including double-digit percentage growth in China where the business has excellent relationships with L&R customers which are winning market share. Whilst peptides drove the sales growth, new product development is also focused on biotech-based ingredients and ceramides, leveraging the combined expertise of teams in France and South Korea.

Beauty Care

Beauty Care sales were flat with a 9% increase in sales volumes offset by lower price/mix, and the margins that we make on raw materials in our sales prices were higher than the prior year. Beauty Care grew in all regions at constant currency other than Europe, with sales in North America benefitting from regained business that we lost in 2022 due to our inability to meet all of the demand for certain ingredients at the peak of the restocking. Performance also benefitted from our focus on contract manufacturers as an additional route to independent brands, who we can support through our expertise in trends and formulation. We are accelerating innovation to enhance portfolio differentiation, with NPP sales growing 6% at constant currency and a significant increase in projects undertaken in close collaboration with customers to meet their precise performance requirements and specific growth opportunities. To underpin consistent plant utilisation, we are also managing sales volumes at the lower end of the Beauty Care portfolio where there is less differentiation, for example through greater flexibility in pricing for certain product/customer combinations.

Home Care

Home Care grew 13% at constant currency with strong volumes and good growth in all regions driven by demand for its innovative ingredients differentiated by sustainability and strong performance claims.