

Croda International Plc

Half year 2022 results

29 July 2022



Disclaimer

Cautionary statement

This review is intended to focus on matters which are relevant to the interests of shareholders in the Company. The purpose of the review is to assist shareholders in assessing the strategies adopted and performance delivered by the Company and the potential for those strategies to succeed. It should not be relied upon by any other party or for any other purpose. Forward looking statements are made in good faith, based on a number of assumptions concerning future events and information available to the Directors at the time of their approval of this report. These forward looking statements should be treated with caution due to the inherent uncertainties underlying such forward looking information. The user of this review should not rely unduly on these forward looking statements, which are not a guarantee of performance and which are subject to a number of uncertainties and other facts, many of which are outside the Company's control and could cause actual events to differ materially from those in these statements. No guarantee can be given of future results, levels of activity, performance or achievements.

Alternative Performance Measures (APMs)

We use a number of APMs to assist in presenting information in this statement in an easily analysable and comparable form.

We use such measures consistently at the half year and full year, and reconcile them as appropriate. Whilst the Board believes the APMs used provide a meaningful basis upon which to analyse the Group's financial performance and position, which is helpful to the reader, it notes that APMs have certain limitations, including the exclusion of significant recurring items, and may not be directly comparable with similarly titled measures presented by other companies. The measures used in this presentation are defined in Croda's half results statement for the six months ended 30 June 2022.

Market information

Market sizes and growth rates are company estimates informed by a range of third party sources.

Agenda

01. Overview
02. Excellent first half performance
03. An even more resilient growth platform
04. Questions



01 Overview

Steve Foots
Chief Executive Officer



Strong operating model underpinning strategic progress

Highlights

- Record sales, margin and profit
- Growth across all sectors and regions
- Successful inflation recovery

Strong strategy delivery

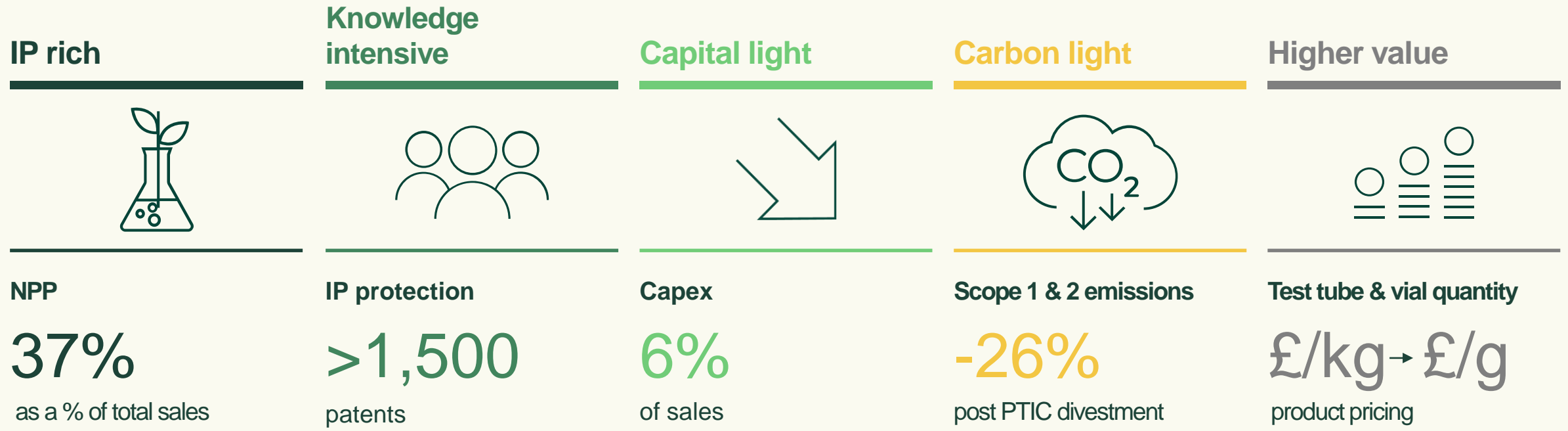
- Divested majority of PTIC
- Transitioning to pure-play business
- Capital redeployment underway

Record sales, margin and profit

Sales	Operating profit	Return on sales	Earnings per share
+20.7%	+24.1%	+70bps	+25.2%
£1,127m	£300.4m	26.6%	155.2p
Strong sales growth in every region & sector	Profit growth across Croda businesses	Continued positive mix	Strong returns to shareholders

Reported currency. Operating profit and earnings per share are on an adjusted basis.

A pure-play Consumer Care and Life Sciences company



Financial profile

More consistent growth

Higher revenues

Increased margins

Increased ROIC

New and Protected Products (NPP) is post PTIC divestment. Capex is management medium-term estimate. Scope 1 & 2 emissions target to be rebased to maintain original challenge.

02 Excellent first half performance

Jez Maiden
Group Finance Director



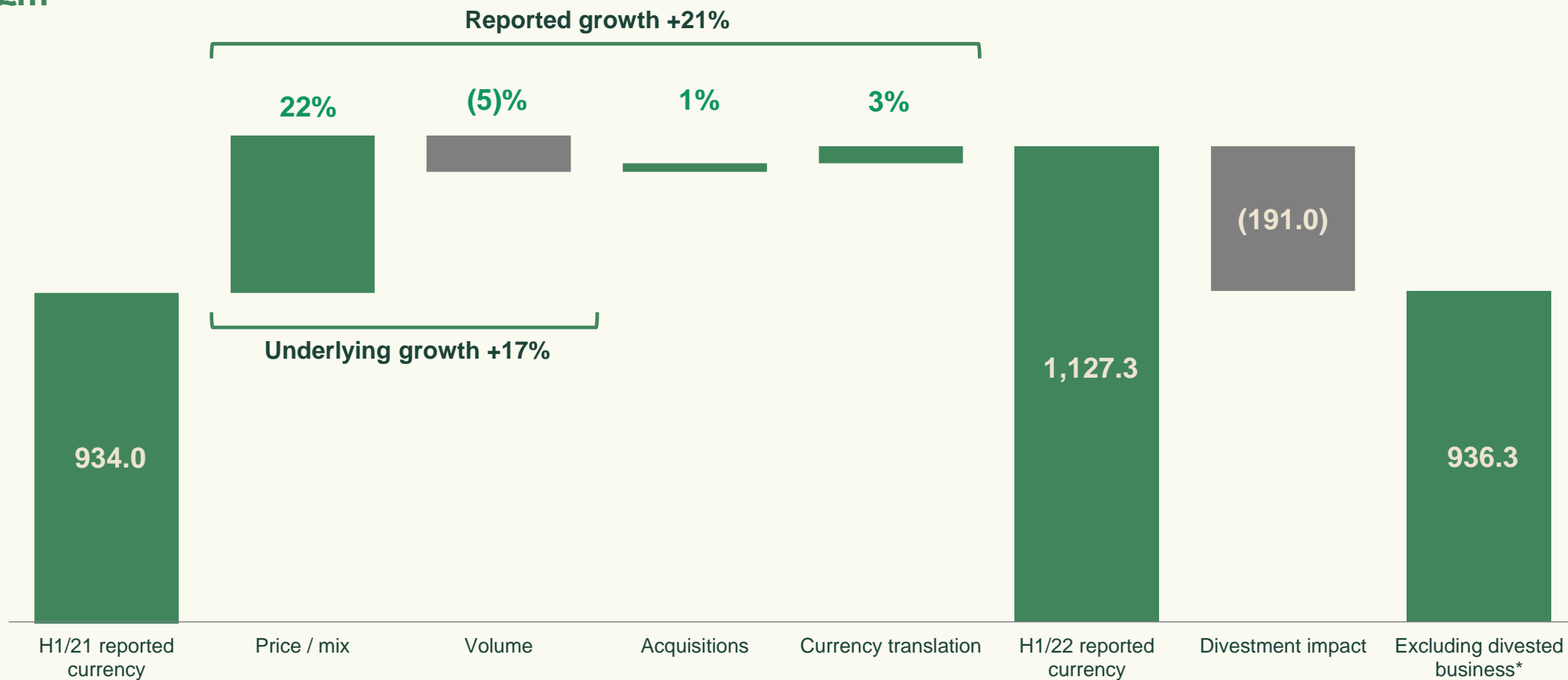
Excellent first half performance

Adjusted results, £m	H1/22 reported	H1/21 reported	% change	% change constant currency
Sales	1,127.3	934.0	20.7%	18.3%
Operating profit	300.4	242.1	24.1%	21.8%
Return on sales	26.6%	25.9%	70bps	-
Profit before tax	288.8	229.5	25.8%	23.6%
Basic earnings per share	155.2p	124.0p	25.2%	22.8%
Ordinary dividend per share	47.0p	43.5p	8.0%	-
Free cash flow	21.1	42.7	(50.6)%	-
Reconciliation to IFRS, £m	H1/22 reported	H1/21 reported		
Adjusted PBT	288.8	229.5		
Exceptional items	4.4	(8.6)		
Amortisation of intangible assets	(17.3)	(16.8)		
Gain on business disposal	360.6	-		
Reported PBT	636.5	204.1		

Reported currency except where stated.

Sales growth driven by pricing and mix

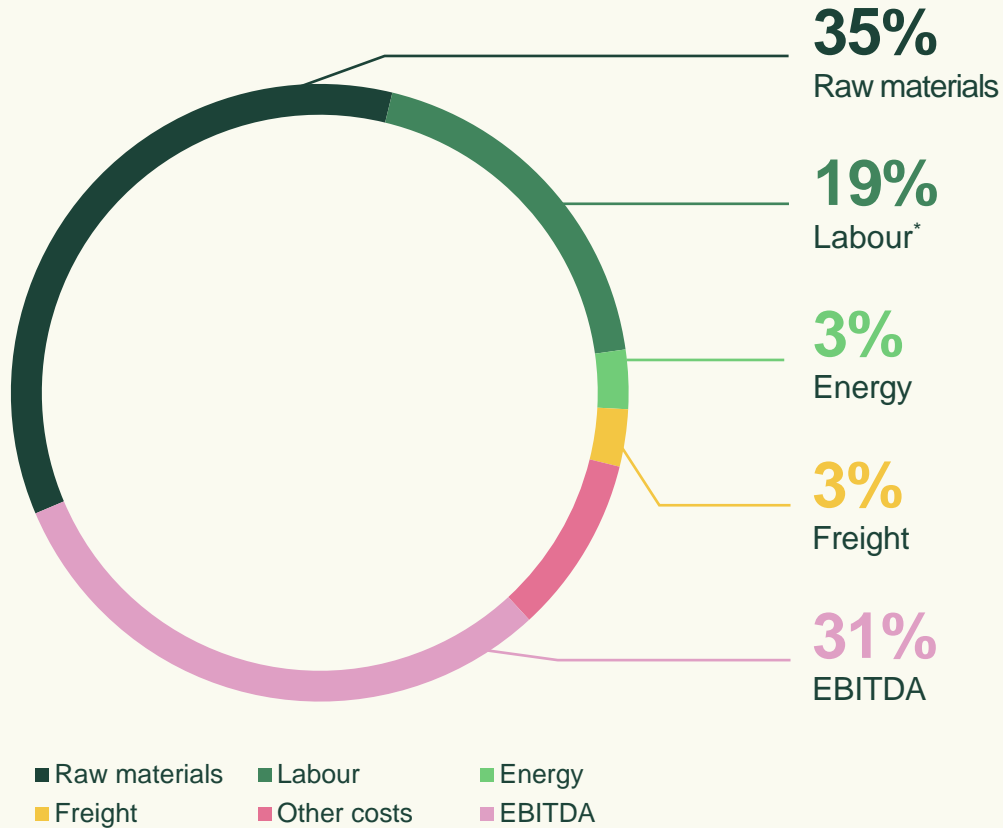
Sales, £m



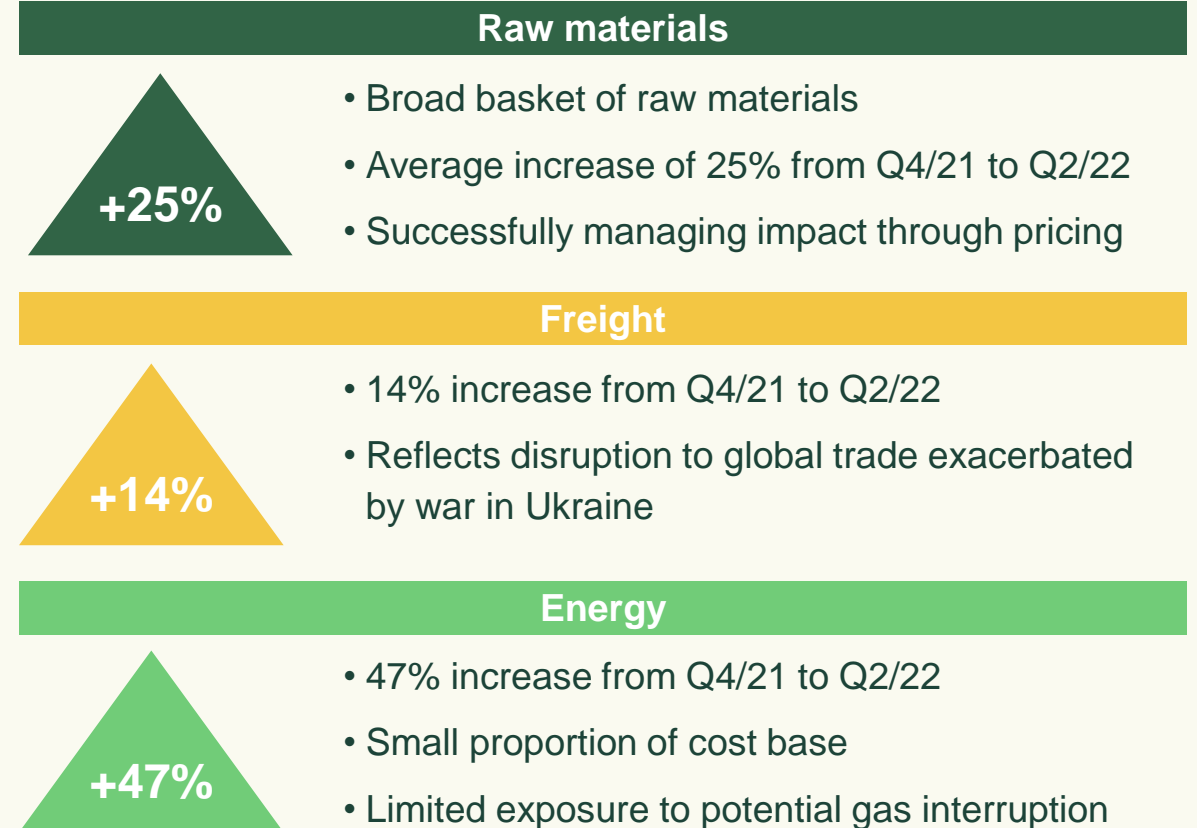
Reported currency except where stated. *Had divestment occurred on 01/01/2022.

Continued recovery of unprecedented inflation

H1/22 sales analysis



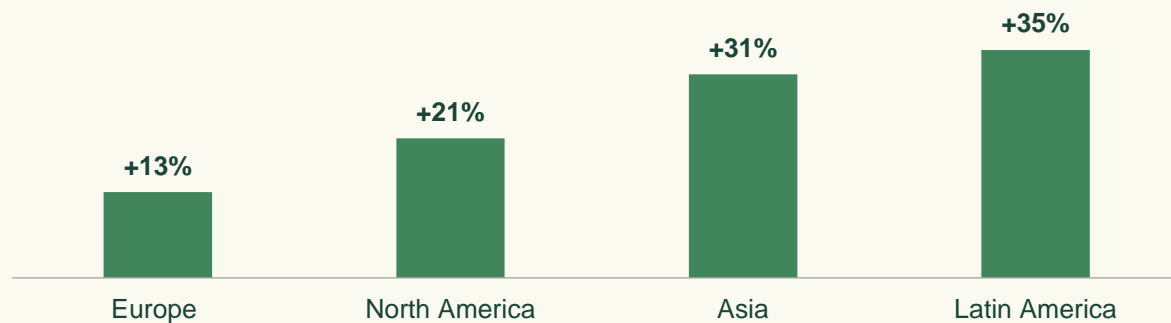
Inflation in key input costs



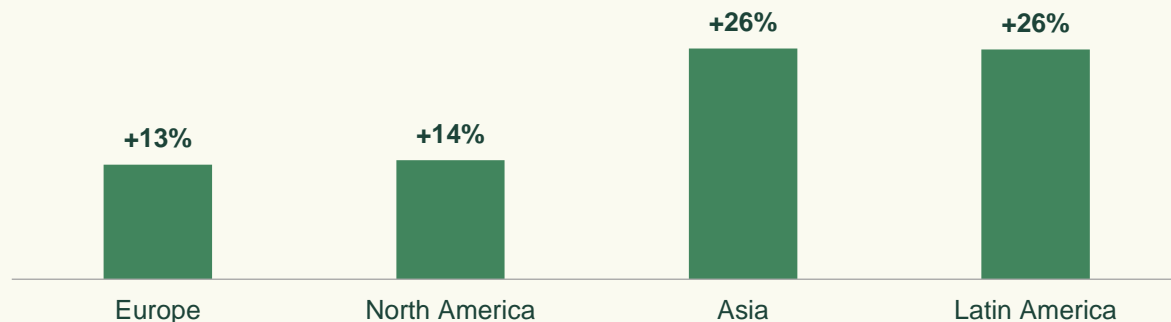
Reported currency. *Labour excludes variable remuneration charge.

Sales growth across all regions

Reported sales growth



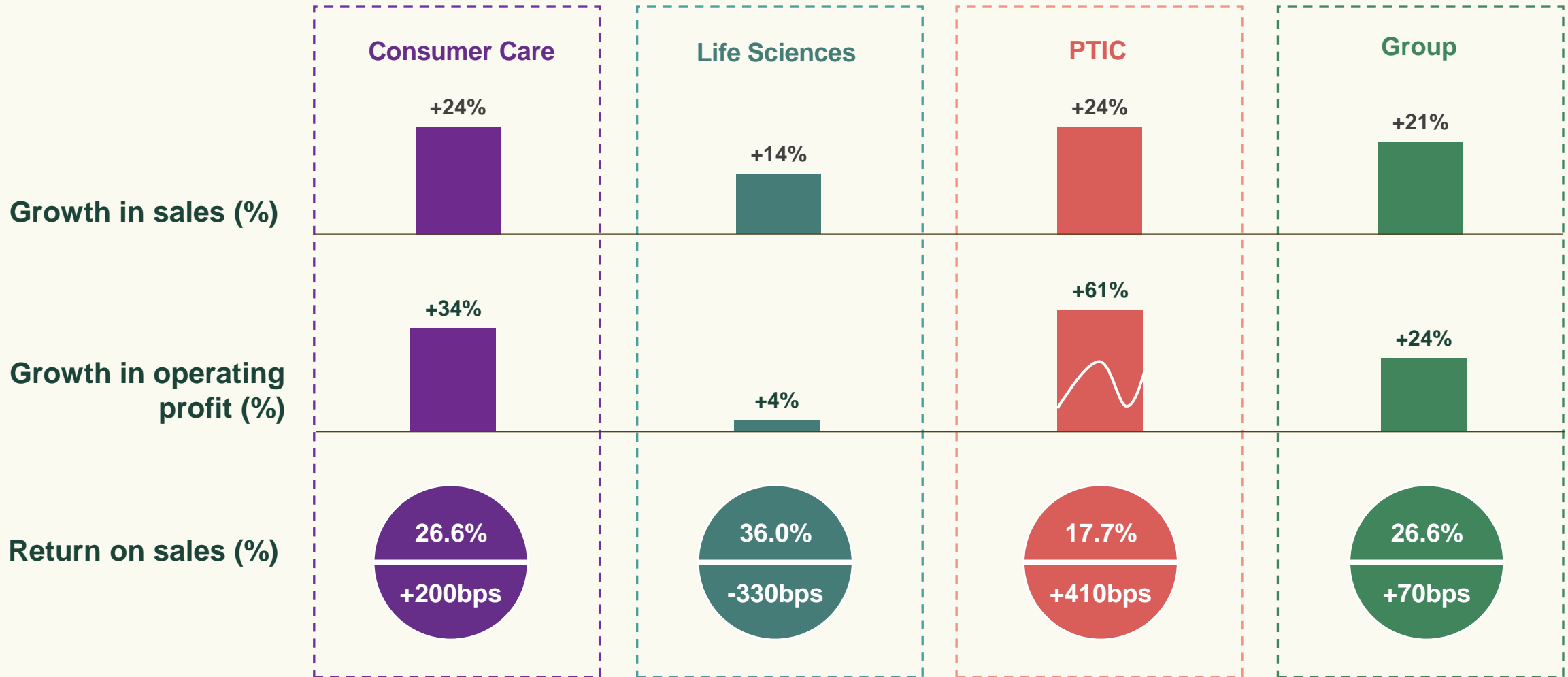
Underlying sales growth



Reported currency except where stated. Underlying growth excludes currency translation and M&A.

- Strong regional recovery over last 18 months
- Limited impact from lockdowns in China
- Continued strong growth in North America
- Latin America led by excellent crop demand
- Double digit growth in Europe despite impact of Ukraine

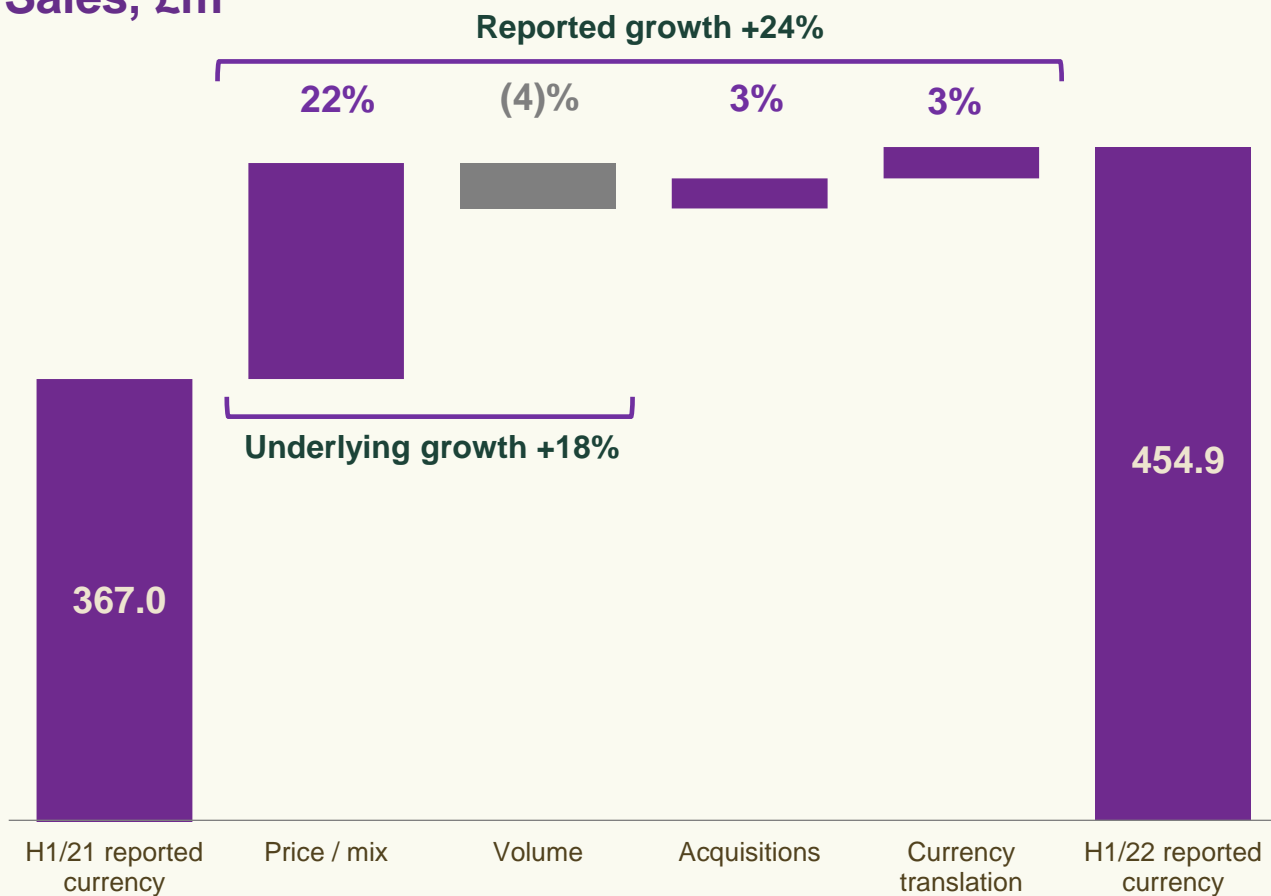
Sales and profit growth across all sectors



Reported currency. Operating profit is on an adjusted basis.

Strong Consumer Care performance

Sales, £m

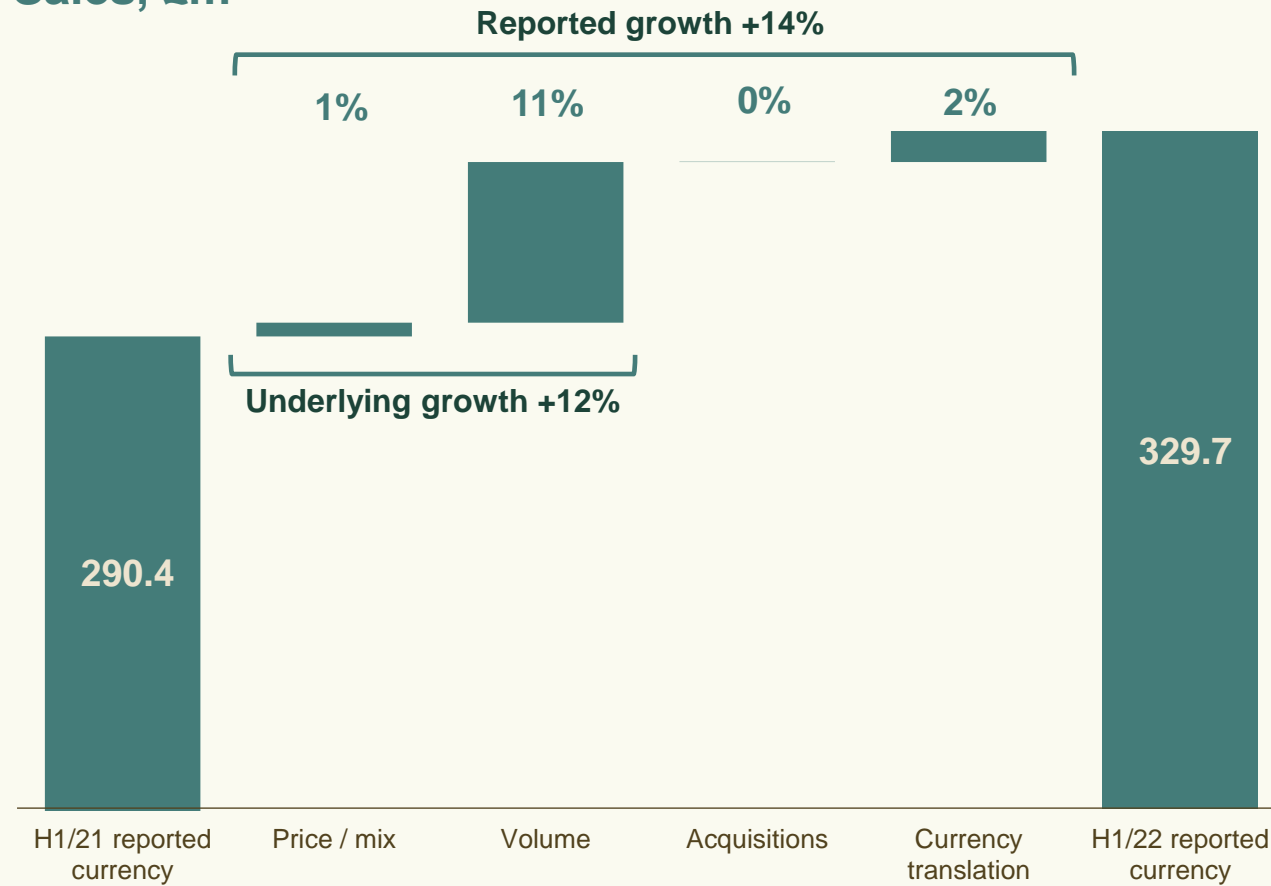


Reported currency except where stated.

- Standout performer
 - Successful inflation recovery
 - Slightly lower volume: de-marketing & 2021 customer stocking
- Sales growth in all four business units
 - Growth led by Beauty Care
 - F&F synergies underway
- Return on sales increased by 200bps to 26.6%

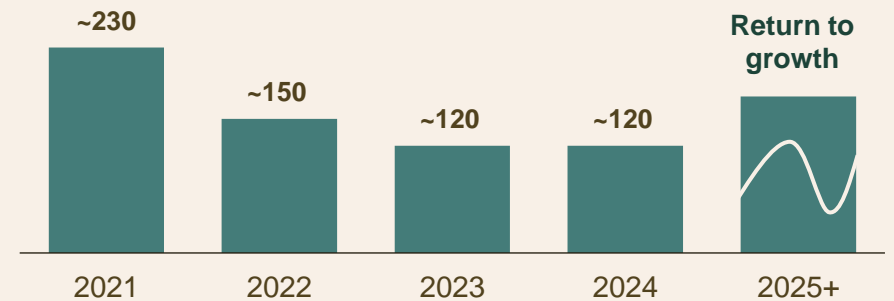
Life Sciences building on exceptional prior period

Sales, £m



- Further progress after outstanding 2021
 - Continued strong growth in Crop
 - Health Care platforms growing (excluding lipids)
 - Mix effect on return on sales (36.0%)
- Lipid systems moving from COVID to pipeline
 - Peak COVID sales in 2021 (\$190m)
 - Expected to moderate through 2024
 - Progressive offset from exciting pipeline

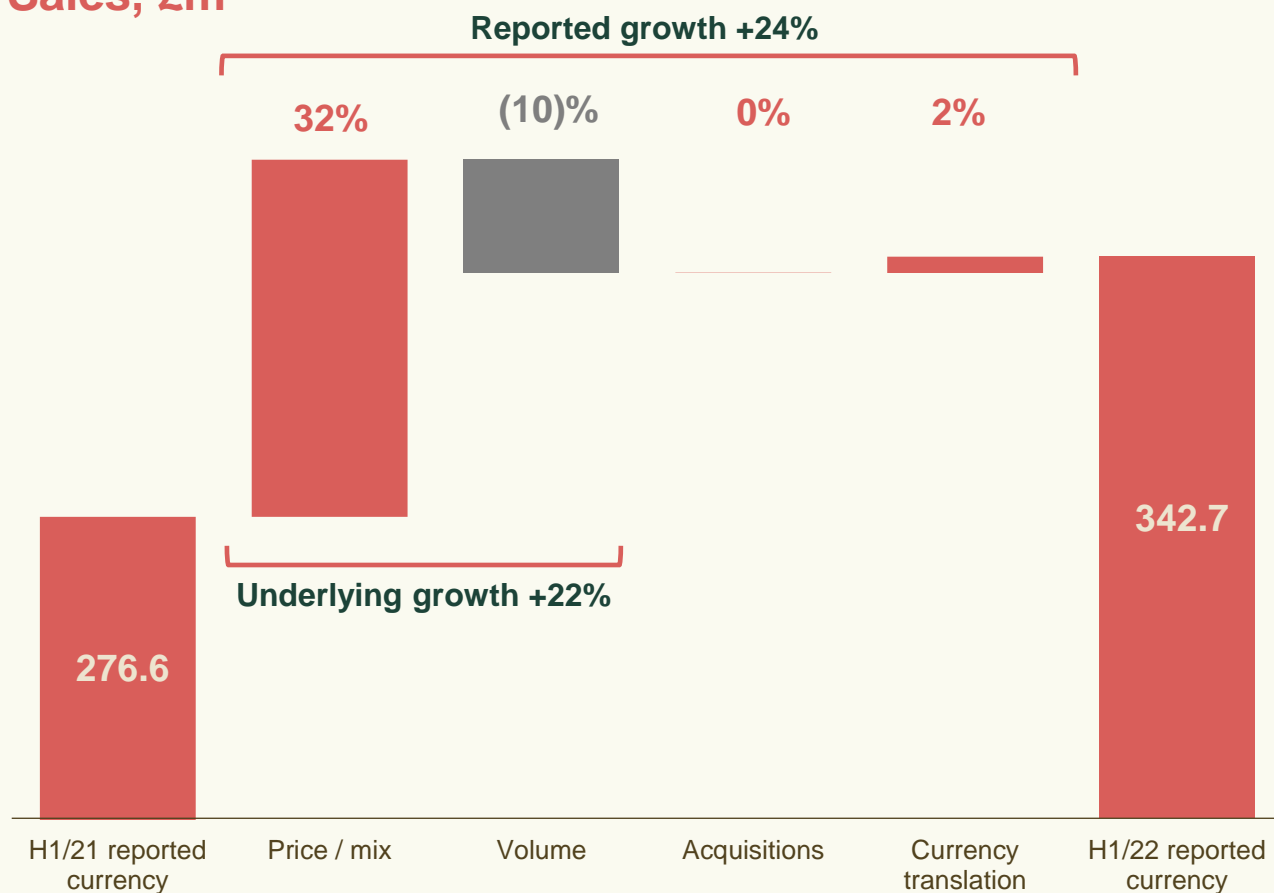
Total lipid sales by year, \$m*



Reported currency except where stated. *Lipid sales are management forecast.

Divestment of majority of PTIC

Sales, £m



Reported currency except where stated. *Impact on Group, had divestment occurred on 01/01/2022.

- Successful divestment on 30 June
 - Principal divestment completed: €775m gross proceeds
 - Sipo sale discussion continues (€140m)
- Retained Industrial Specialities business

Estimated impact of divestment

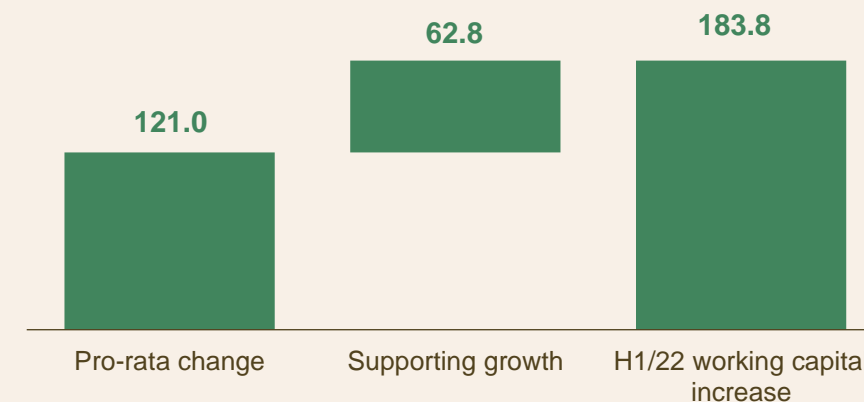
£m	H1/22 reported	Divestment Impact*
Sales	343	(191)
Adjusted operating profit	61	(39)

Lower free cash flow reflecting working capital investment

Cash flow, £m	H1/22	H1/21
Adjusted operating profit	300.4	242.1
Depreciation and amortisation	43.5	38.2
EBITDA	343.9	280.3
Working capital	(183.8)	(98.4)
Capital expenditure	(61.8)	(81.6)
Interest & tax	(73.4)	(56.9)
Other	(3.8)	(0.7)
Free cash flow	21.1	42.7
Dividends	(78.8)	(71.8)
Acquisitions	(14.2)	(55.5)
Business disposal net of cash	613.4	-
Other cash movements	(22.1)	5.4
Net cash flow	519.4	(79.2)

- Strong EBITDA growth
- Working capital primarily reflecting inflation
 - Stable inventory volume
 - H2 improvement expected
- Capex in line with guidance
- Net debt £331m (leverage 0.6x)

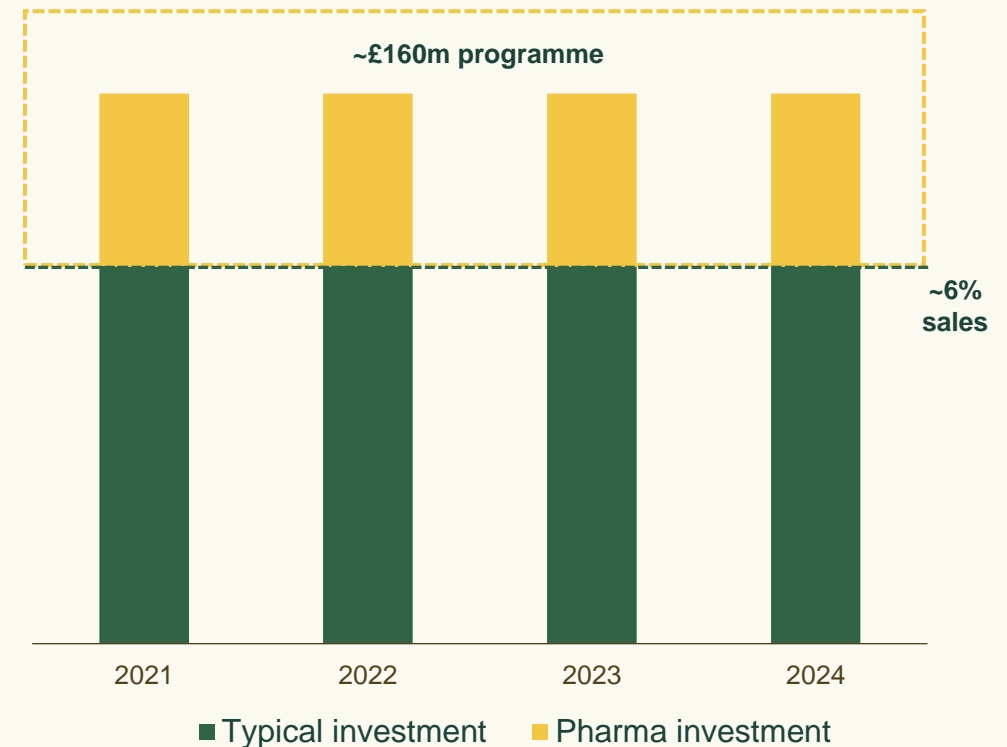
Working capital change, £m



Reinvesting proceeds of divestment

- Divestment enables capital allocation to faster growth, higher return markets
 - Rich seam of growth opportunities
 - Reinvest in capex for organic growth
 - Complement with selective M&A: technology adjacencies ('buy and build')
 - Regular dividend growth for shareholders
 - Maintain appropriate leverage
- Typical investment capex ~£100m pa
- Additional £160m pharma programme (2021-2024)

Organic capital investment programme



03 An even more resilient growth platform

Steve Foots
Chief Executive Officer



Attractive portfolio for more resilient growth

Consumer Care: >5% sales growth + synergies, >25% ROS



Beauty Actives

- Innovation leader
- Defensive, premium markets

Beauty Care

- Broad portfolio
- Sustainability trend driven

Fragrances and Flavours

- Highly responsive
- Fast-growth markets

Home Care

- Targeted IP
- Niche customer-driven projects

Life Sciences: high single digit % sales growth, >30% ROS



Health Care

Crop Care

Consumer & Veterinary Health

- Excipient and OTC delivery
- Broadly independent of macro

Patient Health

- Fast-growth pipelines
- Broadly independent of macro

Crop Protection

- Collaborative innovation
- Broadly independent of macro

Seed Enhancement

- Leading innovator
- Broadly independent of macro

Core attributes of business: 1.5x GDP sales growth, ROS >20%, ROIC >2x cost of capital

Supported by: Industrial Specialties

Consumer Care

Growth through sustainable ingredients



Bio-based ingredients



L'ORÉAL
ESTÉE
LAUDER
COMPANIES

Croda commitment: 75% bio-based raw materials

- Global ambition to move away from fossil-derived ethylene oxide feedstock

Enables customers to meet their commitments to fossil-free formulations

Positive impact sourcing



Croda commitment: no deforestation, peat or exploitation (NDPE)

- Croda investment in palm derivatives supply chain

Enables customers to market purpose-driven brands

Sustainable manufacturing



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Croda commitment: decarbonising to deliver 1½°C science-based target

- Developing customer Scope 3 data for every Consumer Care product

Enables customers to reduce Scope 3 emissions

Sustainable innovation



Croda commitment: all R&D projects assessed for their sustainability impact

- 88% product launches aligned with UN SDGs; biotech to enable portfolio transition

Enables customers to meet their own sustainability commitments

Sustainability + Innovation = Growth

2030 commitments unless otherwise stated.

88% of products launched in 2021 were aligned with United Nations Sustainability Development Goals (UN SDGs).

Growth through a strong sales pipeline

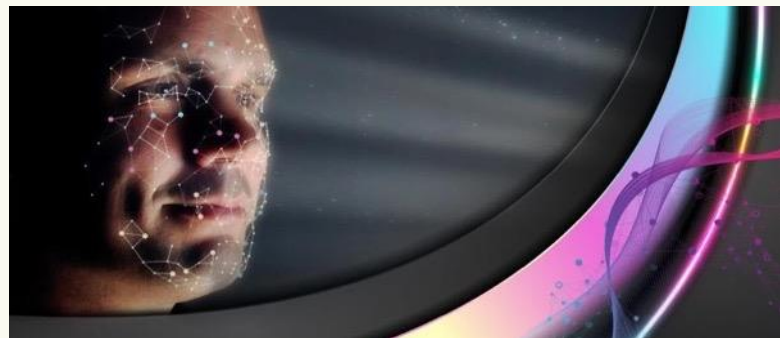


Beauty Actives



Encapsulated retinol

Enhanced anti-aging effect through encapsulation



BB-Biont®

Enhanced wellbeing through reduced acne scarring

ECO sales growth is management estimate. EM is emerging markets.

CRODA Smart science to improve lives™

Beauty Care



Mineral sunscreens

Accelerating demand in North America and Asia



ECO® surfactants

Continued growth of fossil-free alternatives

F&F



Encapsulated fragrances

Enhanced sustainability through encapsulation



Building on strong EM presence

Expanding in Brazil, South Africa and Indonesia

Growth through future innovation pipeline



Sustainable actives



- Actives derived from 'blue' biotech
- Anti-dandruff, anti-aging and anti-inflammatory
- Developed by Nautilus, marketed by Sederma

Sustainable surfactants



- Biotech-derived glycolipid surfactants
- Performance driven
- Complements existing ECO range

Sustainable fragrance molecules



- New bio-based fragrance ingredients
- Improved sustainability proposition for customers
- Meeting non-fossil needs

Growth through focused investment



Biotech



New biotech applications laboratory

'Big bet' projects

- Increasing investment
- 5 R&D centres
- 2 production facilities
- >50 specialist scientists
- Benefits all business units

Sulfate-free surfactants



Carbon-neutral surfactant expansion

3x capacity

- £30m completed investment
- Carbon neutral expansion
- 'Clean beauty' trend
- 2 x sales since 2017
- Benefits Beauty Care & Home Care

Expansion in China



New facility, Guangzhou, China

On-stream 2024

- £40m future investment
- New Guangzhou facility
- Botanicals & fragrances
- 'In China, for China'
- Benefits Beauty Actives and F&F

Fabric care biopolymers



Consumer Care expansion, Singapore

6x capacity

- £40m ongoing investment
- Singapore and UK
- Faster China & EM growth
- >3x market growth
- Benefits Home Care & Beauty Care

Site decarbonisation roadmaps delivering customer Scope 3 benefits

An even more resilient growth platform







	Beauty Actives	Beauty Care	F&F	Home Care
Trend	Science and sustainability	Green; clean; conscious	Fast and responsive	Carbon benefits-in-use
Portfolio	16,300 combinations	23,250 combinations	36,500 fragrances	2,500 combinations
Footprint	100 countries; >40% EM		120 countries; >80% EM	>70 countries; >40% EM
Pipeline	Sustainable actives	Sustainable surfactants	Fossil-free fragrances	Probiotic cleaning
Resilience	<i>Winning in premium</i>	<i>Winning share</i>	<i>Winning with agility</i>	<i>Winning in niches</i>

Portfolio data is product / customer combinations except where stated.

Life Sciences

Growth through biologics



Market	Opportunity	Croda product class
Proteins and monoclonal antibodies	<p>\$300bn biologic drug market; 12% CAGR</p> <p><i>>5,000 clinical trials of monoclonal antibodies (mAbs) underway</i></p> <ul style="list-style-type: none"> • Enable targeted therapies for diseases previously only treated for symptoms 	<p>Speciality excipients</p> 
Vaccines	<p>\$25bn treatment vaccines market; 8% CAGR</p> <p><i>>1,500 clinical trials of treatment vaccines underway</i></p> <ul style="list-style-type: none"> • Create an immune response to an already contracted disease 	<p>Vaccine adjuvants</p> 
Nucleic acid therapeutics	<p>mRNA market expected to reach \$35bn by 2035</p> <p><i>>180 clinical trials of mRNA drugs and vaccines underway</i></p> <ul style="list-style-type: none"> • Teach cells to make proteins which fight a disease 	<p>Lipid systems</p> 
Biopesticides and RNA	<p>\$5bn biopesticide market growing twice as fast as conventional pesticides</p> <p><i>Market for RNAi 'gene silencing' technology expected to be £3bn by 2030</i></p> <ul style="list-style-type: none"> • Enable more sustainable, non-chemical crop treatments 	<p>Crop science</p> 

Growth through strong biopharma sales pipeline



Speciality Excipients



mAbs to treat cancer

Speciality excipients for oncology applications



mAb treatment to preserve eye sight

Speciality excipients to combat macular degeneration

RSV is human respiratory syncytial virus.

Vaccine adjuvants



World's only aseptic adjuvant facility

Prophylactic vaccines for multiple diseases



Therapeutic vaccine for HIV

Phase 3 trials in Sub-Saharan Africa

Lipid systems



Preventing respiratory diseases

Prophylactic vaccines for influenza and RSV



Therapeutic vaccines for cancer

Lipids for mRNA-based cancer treatments

Growth through biopharma innovation pipeline



Novel delivery systems



Current example: oral insulin delivery system

Uses speciality excipient with superior solubility

- Alternative to injection
- Prevents breakdown in gut; promotes absorption
- Phase 3 US clinical trial

Immunotherapy



Current example: cancer immunotherapy

Uses vaccine adjuvant systems

- Personalised therapy to trigger T cell response
- Treatment of skin, lung and bladder cancers
- Phase 2 clinical trial in Denmark

Gene therapy



Current example: heart disease gene therapy

Uses lipid systems

- Single course turns off specific problematic genes
- Combats fat build up on artery walls
- World's first gene editing patient trial

Examples are programmes which use current generation delivery systems but illustrate focus of future innovation.

Growth through focused investment



Speciality excipients



Doubled capacity at our speciality excipients plant

Completed:

- Capacity expansion, Penn, USA

Vaccine adjuvants



Rapidly expanding our aseptic facility for adjuvant systems

In progress:

- Rapid expansion, Denmark

Lipid systems



Establishing a second lipid systems scale up site

In progress:

- R&D facility, Avanti, USA
- Scale-up expansion, Leek, UK
- #2 scale up plant, Penn, USA

Investment programme 2021-2024

Croda:

£160m

Governments:

~£75m

Leverage Avanti R&D

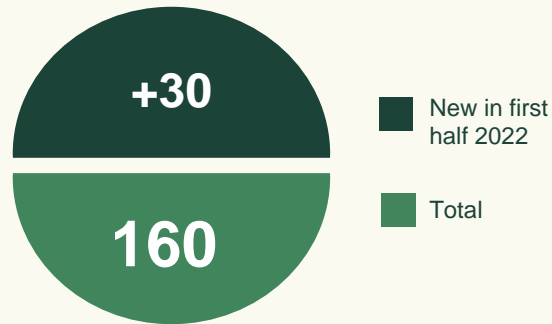
Create second scale up plant

Drive accelerated growth

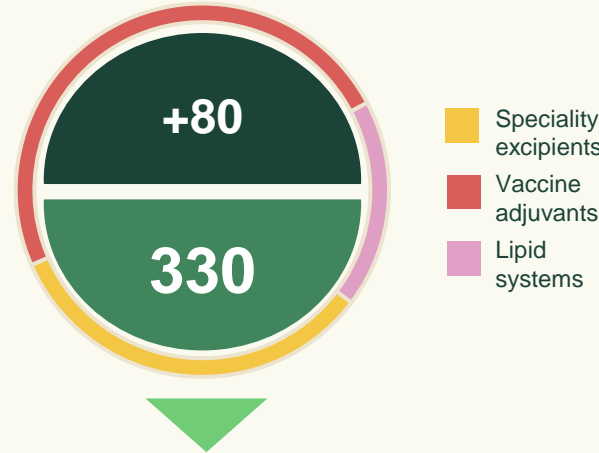
An exciting biopharma pipeline



Customers



Programmes



Non-Covid



New applications



Speciality excipients

- Monoclonal antibodies
- Oncology and immunosuppressants
- Adjacencies, eg cell media



Vaccine adjuvants

- Next-generation adjuvant systems
- 15 of 24 WHO-listed diseases
- Immunotherapy



Lipid systems

- Vaccines
- Oncology drugs
- Gene editing

5 October 2022 – Health Care investor seminar, London Stock Exchange

Summary

Outlook

- H1 profit ahead
- Full year profit modestly ahead of previous expectations
 - More resilient Consumer Care platform
 - Growing in Crop
 - Exciting platforms in Health Care

Resilient growth platform

- Powerful operating model
- Increased focus
- Greater innovation
- Strong pipeline of opportunities

04 Questions

05 Additional financial information

IAS 19 retirement benefits

£m	30 Jun 2022	31 Dec 2021
Market value of assets	1,107.6	1,340.1
Value of liabilities	(999.5)	(1,332.2)
Surplus pre tax	108.1	7.9
Deferred tax	(27.2)	(2.1)
Surplus post tax	80.9	5.8

Currency exposure

Currency translation

- Favourable profit impact in H1/22 as Sterling weakened
- H1/22 average rates:
 - US\$1.301 (HY/21: US\$1.388)
 - €1.189 (HY/21: €1.152)
- Average annual impact:
 - £1.4m per \$cent pa
 - £1.1m per €cent pa
- US\$ and € represent approximately 70% of currency translation exposure

CRODA