

Croda International Plc

Iberchem site visit presentation (12 May 2022)

Call transcript

Speakers:

Richard Butler	Senior Vice President, F&F
Jose Balibrea	Managing Director, Iberchem
Maria Angeles Lopez	Fragrance Development Manager, Iberchem
Magali Bonnier	Research & Technology Director, Croda
Alexandre Levet	Sales Director, Parfex
Guillaume Audy	Sustainability Director, Iberchem

Unlocking the Potential of F&F

Richard Butler (Senior Vice President, F&F)

We will spend the first couple of hours here at the hotel before moving over to the Iberchem site.

Before we look at the agenda just a few points about safety. There are no planned fire drills either here at the hotel today or indeed later at the site. If the alarm goes off here, please exit through the door behind you and either through the door to the right-hand side, you can go up the stairs and exit there.

The safety procedures for the visit to Iberchem we will cover at the end of the presentation this morning, immediately before we head off and I would ask you to listen carefully to these, because this is a manufacturing site.

For those of you I haven't met yet, my name is Richard Butler, I am the SVP of the F&F business within the Croda F&F division, and you may remember that consists of two brands. We have Iberchem and we have Parfex.

I actually have over 30 years' experience in Croda, that may be hard to believe looking at me, but it's true. And over that time have worked in many of Croda's business areas. Immediately prior to this I spent seven years as the head of Global Head of Sales for the Personal Care business and also for the Beauty Care division as well.

So it's a good question - so what am I doing here in the F&F business today? Well actually I was part of the team who some six years ago, when reviewing the Personal Care strategy, identified Fragrances as a gap in the Croda portfolio. I was then part of the team who first engaged with Iberchem back in 2016 and then part of the due diligence team for the eventual acquisition.

And over this time of course, I not only developed a knowledge of the business but also had the opportunity to get to know many of the people.

So as a Croda person in the F&F business, I am the face of Croda in Iberchem and I'm the face of Iberchem in Croda.

My focus really is how we generate value and achieve the synergies. How we leverage the resources in both companies, and do you know that is actually usually a case of just making sure the right person in Iberchem is talking to the right person in Croda.

So the purpose of this morning is for this team to explain how we intend to unlock the potential of the Fragrance and Flavour business. I would first like to just introduce the presenters and explain the agenda.

First, we have Jose Balibrea, Jose is the Managing Director of Iberchem, and he has spent 17 years as part of the leadership team creating this business. He along with Maria Angeles, the Fragrance Development Manager will explain in more detail how the Iberchem growth model works.

The Sales synergies section will be covered initially by me, then I will pass over to Magali Bonnier. Magali is an R&T Director in the Personal Care business of Croda but focused on formulation science and Magali actually worked in the fragrance industry immediately before joining Croda.

And then in section three, Alexandre Levet, the Sales Director at Parfex will give you more insight into this brand, along with Guillaume Audy, the Iberchem Sustainability Director expanding more on the how our activities benefit customers, consumers, communities and also contribute towards Croda's Group commitments.

Okay, so let's get going.

In March, you may recall if you joined us, that David Shannon gave an update on the Consumer Care sector strategy. We looked at each of the SBUs in turn, Beauty Actives, Beauty Care, Home Care and F&F to try and give you a little bit more insight into the specific businesses. Today though is all about F&F, but with a focus on the Fragrance business. That's not to say that Flavours is not important to us, it's just that the Fragrance business has the most potential to unlock through its links into the Croda Consumer Care business and also through its access to Croda R&T resources.

For those of you at our event in London you will remember that I spoke then about how the competitive environment is changing and how that is benefiting us.

Traditionally companies supplying into the F&F market have been separated into three segments. We have the Tier 1 companies that you will be familiar with, the big four, IFF, Symrise, Givaudan, Firmenich, collectively having around 75% market share, global presence and resources typically turning over more than £1bn per annum. The focus of these companies is really on their presence in the - large global brands, the big brands owned by the multinational consumer companies, the MNCs if you like.

Then we have the Tier 2 companies, with some examples here on the slide. These are mid-sized companies, generating sales between £50m and £500m per annum and making up perhaps 15% market share. The upper end of these are multiregional, exactly like Iberchem, the smaller ones just operating locally.

The focus here though is different, it is not the MNCs, it is on the small medium size local customer the SME as we would call it and the Indie customers as well. They offer a balance of service, attentiveness, creativity but are still big enough to be secure business partners.

It's worth mentioning that we have the same attitude in Croda - the majority of the Consumer Care customer base is in the same customer segment, it's in the SME, Indie segment of the market.

Then we have the Tier 3 companies, and this is hundreds of small companies supplying local or niche markets around the world.

This Tier 2 whitespace is growing, and it's growing because of the ongoing M&A activity of the Tier 1 players. But when Tier 2 companies become acquired, they take on the attitude and processes of the new owner. Their typical SME customer no longer feels important and no longer has the personalised approach they valued before. And this is an opportunity for us.

Our geographic coverage, local teams, focus on responsiveness and creativity makes us a natural destination for these newly dissatisfied customers.

So we can see the Tier 2 white space growing, which benefits us. So combining the Iberchem model, customer intimacy, agility, quality, responsiveness - with the resources accessible through Croda, the value proposition to all types of customers becomes compelling.

This is why I personally like to say that we are in effect becoming a Tier 1.5 company.

We have an attitude which values the fast-growing ambitious SME type customer, but it is now combined with the scale and access to technology of Croda. Croda also has existing long-term relationships with MNCs of course and major regional customers, which Iberchem and Parfex, can now benefit from. So collectively we can offer, global reach, we can offer global scale, we can offer

access to new technology and processes, and we also now have the possibility to develop in house raw materials.

But with all of this, we have an ongoing constant focus on the small and medium sized local or regional customers and meeting their needs.

So historically, a typical Iberchem customer would be a family-owned company, supplying into their local market, the example here is a Fine Fragrance customer in the UAE. Whereas we all know the typical Tier 1 customer is best described as anything you might see as you walk through duty free in an international airport. But as we have said before, Croda's Beauty Actives and Beauty Care businesses have a strong existing position in these very brands. So now we have the opportunity to leverage their presence and relationships to build Fragrance sales.

So, in the future we want to be able to say that both actually are typical customers of Croda's F&F businesses.

I do not see us competing head-to-head with Tier 1 companies for core list as it is called position, but we are developing significant business at MNCs.

So what exactly is the value we bring to our customers? Well the proposition of course is different for different customer groups. The key though is that we really are set up to offer something to everyone.

We are not a Tier 1 - and would not want to be seen to have the attitude of some of the Tier 1 companies. But with access to the Croda resources, we now have the power and strength of a Tier 1. This means that MNCs, the traditional Croda customers and larger regional majors, they regard us differently now, especially because the Croda brand is already very strong in these customers.

The fact that we retain the energy, agility and customer intimacy of a Tier 2 means that we appeal to the SME customer base who want to feel valued, listened to and important. To these though, through access to Croda ingredients and support, we can offer more value than was possible before. This is an offer that is unmatched by the other Tier 2 companies.

As well as this though, we also now have the total solution provider capability for those who want it. We can provide the complete fragranced formulation to meet the fragrance trend, the formulation format, whether it's a cream, a bar, a powder and the formulation claim, so skin protection, anti-ageing, hair strengthening for example.

So as a supplier have a compelling value proposition for customers of all types and sizes. And this is unique.

So one of the reasons for our excitement is that we see great potential for our model and the way the external environment is evolving. The market as a whole is forecast to deliver between 5% and 6% CAGR, but as you can see this differs significantly from region to region.

Today our F&F business has strong presence in the fast-growing markets as Jose will explain in just a few minutes. In our growth plan though, we have the opportunity to benefit from Croda's strong presence in the slower growing, but very large Western European and North American markets. Using Croda leverage to gain share in these markets is a core part of the plan.

The trends that we see developing whether macroeconomic, consumer, or customer all suit an agile, responsive, customer intimate business model which looks to localise production and localise support wherever possible. This is core to Croda, and it is core to the Iberchem culture. We feel that the market in general is evolving in our direction.

The business plan then is underpinned by three growth drivers, and we are going to expand on all of these over the next series of slides.

First, the standalone organic growth of the business. And Jose will expand on the business model behind this in just a minute.

Second, we have the sales synergies, the added value that we get by combining the customer bases and sales networks of the two companies. And I will speak about that later on.

Then we have the Parfex growth plan. Capitalising on the power of a French, Grasse based brand, capitalising on a developing expertise in natural fragrances, something of real value in the premium

segments in the North American and Western European markets. This is exactly where Croda's brand presence of course is so strong.

Finally, of course, we also remain open to targeted acquisitions where they can enhance our business position.

So core to our plan is the Iberchem business model and the organic growth this will deliver. I will now pass on to Jose who will give you more insight into how and why this has been so successful.

Iberchem organic growth plan

Jose Balibrea (Managing Director, Iberchem)

Thank you, Richard, and good morning to everyone. For those who don't know me, my name is Jose Balibrea and I'm Iberchem Managing Director. And it's a genuine pleasure for me to have this opportunity today to share with all of you our passion for this great business that I continue to enjoy after more than 17 years.

Let's have a look at Iberchem's recent past for a better understanding of the company today.

Compared to our peers in the F&F Industry, Iberchem is a young but consolidated organisation. In the upper side of this slide, we can see one of the most representative cases of a small group of managers who invested in the company, alongside with private equities for more than 20 years.

Our partnership with private equities, provided us an increasing level of professionalisation over the years, from medium financial players in the early years, to Eurazeo in 2017, one of the largest private equities in Europe, a publicly listed company in Paris. Full accountability and ownership of the P&L, the same as cost control remains in our leadership team as result of our history.

Iberchem is a unique company with an outstanding expansion over the last 37 years. In the following slides I will try to describe to you how our impressive growth history, basically based on organic growth for both Fragrances and Flavours. It was supported by a global and accelerated geographic decentralisation of R&D and production centres from Spain to most of our key markets, increasing intimacy and increasing the service to our customers.

In 2009, we split our business in two division, Fragrances and Flavours. The smaller business unit, rebranded Scentium in 2012, was part of a specific M&A strategy to have access to new markets and new categories. Then in 2018 and 2019 we acquired Versachem in South Africa, Flavor Inn Corporation in Malaysia and Duomei Nanchang in China. So once again, basically we are experts in organic growth, but in order to balance the Flavours strategy, we acquired three companies.

And then for more than seven years we were having a look at the perfect complement for the Fragrance division in the market through an acquisition in France, it was a very clear focus that we needed something special in France, to cover part of the portfolio that I will describe later.

So we had a look at the heart of the fine fragrances industry in the world capital, France, in Grasse. So we achieved this ambition with the acquisition of Parfex last year.

Last, but not least, in July 2020 the fourth private equity suggested the disinvestment in Iberchem at the end of that year. Three largest competitors, mentioned by Richard before, acting as serious bidders for the acquisition. We, the management team supported only one - being part of the Croda family. I'm not sure actually if all the acquisitions are welcomed by the acquired party in M&A field, I can assure you that our transaction was very well received with true enthusiasm by our teams.

We are a global Fragrance led company with distinctive positioning in emerging markets. In the following slides we will dig deeper into these topics. But it is important for you to understand, very few idiots here. First, 15% CAGR growth over the last decade, last year reported €206m of revenues, despite the huge impact of COVID-19, in the Fine Fragrance Categories. We generated €43m of EBITDA, representing 21% EBITDA margin over sales, aligned with the benchmark of the Tier 1 players in the F&F space.

77% Fragrances while 23% Flavours in 2021. A bit lower than 50% of the Fragrances are in Home Care, while more than that in Personal Care and Perfumes.

On the right-hand side, we can see the geographical distribution, we can see that Africa and Middle East represent 41% of revenues, Asia 31% and Lat Am 8%. In total, Emerging Markets represent 80% of the geographical footprint and Europe is only 20%.

With a very quick view at the bottom of this slide, I would like to highlight we attend to 120 markets from the headquarters in Spain, basically our head office here and manufacturing centre is focused on EMEA, Europe, Middle East and Africa. Then we have 10 creative centres – 10 creative and R&D centres and 15 manufacturing centres and warehousing capacity, all around the world. Our platform today is ready for much more. We have 40,000 Fragrances – excluding Parfex and 19,000 Flavours. We will talk about it later.

Last but not least, I would like to mention that it's all about people and people making the difference. We have a fantastic team running this company, with great ambition to reach much more in the coming years.

Gender equality has been something natural since day one. 47% of our team are female, 53% male. If we do not consider production areas, the percentage of females is much more, up to 70% of the total population. I'm sure you will understand this much better in the course of the day with the site visit.

Average age of the employees is 36 years and talent retention super high; considering so many new people joining on board. Most of the heads of department you will have the opportunity to meet today, with more 15, 20 years of experience on board.

Okay, so let's have a look at the figures. So on the left-hand side, sorry we will have a look at the three main indicators here, revenues, EBITDA and cash generation.

So on the left-hand side, 15% CAGR growth over the last ten years, despite important headwinds and macroeconomic impacts, like the Arab Spring, the oil crisis and it's hard to forget the huge raw material crisis in 2018, fuelled by the Citral crisis and extended to the rest of the raw materials. And obviously the Coronavirus pandemic in 2020 and 2021, travel restrictions and social distancing impacted Fine Fragrance categories, but the Iberchem model presented a high level of resilience once again.

Our growth is basically driven by Emerging Markets positioning, a focus on Fragrances for Consumer Care applications, and portfolio breadth and agile business model.

On the right-hand side of this slide, we can see 21% CAGR growth in EBITDA generation up to €43m in 2021. I would like to highlight these two last years of the pandemic, with the super attractive resilience of our company in these two elements, EBITDA and cash generation, up to 80% in 2021, following the definition of EBITDA minus capex.

We have a plan to double the size of the company by 2025. And this plan is consistent with the historical growth of the company and it's part of our commitment with the broader Croda family, and in particular our commitment with the Exec. Be sure we will deliver.

This plan is supported by the key success factors of the business model plus the necessary resources. It's very interesting to see that we have a five-year capex plan with €70m, representing twice the typical capex deployment in Iberchem.

This forms part of the overall Croda capex plan of £160m per year, which partly reflects the redeployment of proceeds from the forthcoming divestment.

Our €70m five-year capex plan includes basically three major projects. The F&F and Beauty Actives new shared facilities in China, with an estimated budget of €20m only for the Fragrance and Flavours side. A new creation and production centre for Parfex, in Grasse, with about €10m budget. And expansion capabilities in Spain with an additional €5m.

Okay, let me go through the basic elements of our success. We already described what we did over the last few years, key to understanding our growth plan moving forward. But let's talk about the, how. Let me introduce with this summary slide the four key fundamental pillars of our model. Why we win.

We have a wide product portfolio, with a collection of 40.000 Fragrance references. Let me be precise, these are the homologated fragrances by customers, we have more than double in terms of activity in terms of registered activity in Fragrances.

Second, we have a global platform present in 120 countries, three quarters of sales in Emerging Markets, we mentioned before, while more than 20% in China.

Third, fast to customer. We are truly fast in providing fragrances to our customers. Our organisation is designed to be agile as part of the value chain, from raw materials procurement to fragrance creation, production and shipping. I hope that you will be able to understand this today in the site visit.

The whole company is designed to be very, very agile as a key success factor. Ready for sampling in a few days, ready to produce with a lead time of five days, plus transit time if needed. 4.000 customers today; 1.400 customers over the last five years joining and our top 10 customers representing just 21% of the sales, which means very low concentration.

Last but not least, the fourth pillar, which we will describe deeply in more detail - we are a customer-driven R&D company. So we are super-fast, and our R&D is really focused on new development. So we have 280 new fragrances created per month and 75 new codes in flavours created per month as well.

Okay, so let's go to the first pillar. We have a wide product portfolio present in all categories and segments of the F&F Industry. If you allow me to use the provocative terminology of my mentor, the former CEO of the company, we are focus on the diversification. 77% of the sales last year in Fragrances while 23% in Flavours.

In Fragrances, 52% in Personal Care and Perfume and 48% in Functional Fragrances. On the left-hand side we can see some of the descriptions in terms of families, 16% Beauty and Personal Care, while 36% Perfumes.

Then if we go to the bottom of the slide, we see that in the Flavours family, basically we have three major categories, Beverage with a very impressive growth over the last few years in Africa, with instant drinks and energy drinks. Sweet, our great expertise since the very beginning. And Savoury, with great contribution over the last 11 years from our team in Italy, with excellent introduction in Natural Flavours, some of them for the most famous filled pasta producers.

Then we also mentioned we have a global platform. In the first slide we recalled your attention to the accelerated global expansion of Iberchem to most of the Emerging Markets. Since the very beginning we decided to decentralise our production facilities to increase intimacy and responsiveness to our customers. In the blue colour we can see markets where Iberchem has local facilities, either production or R&D.

There are some interesting facts, to give you a flavour of this strategy. For example, we were one of the very first European companies of our space with full local production China, early 2000. Today, from our R&D and production centre in Guangzhou, we attend more than 800 local customers with approximately €40m sales in China.

In Southeast Asia, Iberchem was one of the very few F&F players with local production capabilities in Jakarta, in Indonesia.

And another example, in Tunisia since late 90s, we have production capability as well. We are the only F&F player of our profile, with local production capabilities there.

And last but not least, for example in Johannesburg, we have so many good customers bringing attention because we have local production capabilities in Johannesburg.

Another key success factor in the traditional resistance in the F&F industry to decentralise facilities.

Okay, third - fast to customers. Please allow me to dive deeper into this content. I think it's really, really important. On the left-hand side, we can find some ideas that I would like you to remember. Strong customer intimacy, 11 years average relationship with top 50 customers, eight of them with more than 20-year relationships. Let me recall the attention with the number of new customers joining Iberchem, that we will describe in a few minutes.

Focused on customer niches, not so well treated actually by the Tier 1 competitors, with huge cost structures and more in favour of larger customers. We always like to say that we treat our customers always as 'A' customers no matter the current size. And this is a key differentiating factor with our largest competitors.

We have very low concentration. As a matter of fact, 112 customers above €0.5m sales; only 34 customers last year above €1m sales.

This fast to customers model is well suited with mid-size customers. Of course, in our space we always talk about tailor-made products. And our growth strategy is basically supported by own brands and larger and regional independent brands

Top 10 customers in representing 21% of the sales last year. Almost 4,000 customers in total. And we grabbed over the last five years 1,400 new customers, excluding Parfex, to have a very proper comparative.

On the right hand-side of this slide we can see that 9,2% CAGR growth in a number of customers in dark blue Fragrances and in light blue Flavours, excluding Parfex as well.

So basically, as a key message, we are growing in the number of customers and growing within our existing customers as well.

In this final slide I would like to introduce the fourth pillar of our strategy, customer driven R&D; basically, our comprehensive process including, first identification and data capture from the market. Second, knowledge management with huge experience. And it's important, you will see today the School of Perfumery that we have in-house. Third study trends and tastes. And fourth, product development.

Now it's time to pass the floor to Maria Angeles Lopez, our Fragrance Development Manager, another great example of a new graduate who joined the company 15 years ago with increasing level of responsibility and promising career on board.

Thank you for your attention.

Customer-driven R&D

Maria Angeles Lopez (Fragrance Development Manager, Iberchem)

Thank you, Jose. It's my pleasure to be here today to explain our vision and perspectives in a thrilling business that combines art and science. My name is Maria Angeles Lopez and I'm Global Fragrance Development Manager in Iberchem, a role that can be described as a bridge between the Technical Department and Sales Department.

To explain what makes Iberchem unique and why we are different to Tier 1 and Tier 2 competitors, I would say we have achieved to create our own business model in the Fragrance sector.

We have a very fast response to market demands. And as a global company we have an extensive insight on latest market trends worldwide. We translate every day that knowledge into new fragrance compositions, creating more than 50 new references per week to fulfil customer needs.

As a result of this creative force, we currently have in our library more than 40,000 fragrances already validated by our customers and more than double that in our formulation pool.

Our dynamic approach to the fragrance business permits us to develop a whole project in a short time. In just 15 days, our customers can have in their hands a tailor-made creation according to their requirements. The reason for that speed is because Fragrance business is 100% market trend-driven, so our Fragrance guidance and support guarantees our customers to be totally updated in their market segment.

We can also say we have two different levels of R&D. The big picture R&D is related to our New Technologies Department. In there we are continuously developing new ways of supplying out-of-the-box Fragrance services to improve customer's products like malodour neutralisation or Fragrance microencapsulation.

Another R&D area is about Perfumers and their daily creations and market analysis to have an updated and dynamic fragrance collection in order to provide our customers with the latest trends.

The reason why we have developed such a special character in the Fragrance business is related to our historical evolution. Our growth has come from Emerging Markets like Nigeria, Ivory Coast, Senegal, China or Indonesia. These countries had an interesting industrial sector, but they also had a severe lack of technical knowledge and not many suppliers were willing to visit these kinds of countries. So we found an important business gap in there.

Working with these countries naturally lead us to specialise in providing a 360-degrees service to our customers, including, local and specialised sales support; marketing support with trends identification, market positioning for their brand and packaging designed for their products. Fragrance creation together with application and technical advice like product formulation chassis, a service that has been reinforced since we are part of Croda Group. And Magali will explain a little more later. And operations support and stock availability through our 15 production sites.

This means that the same Fragrance can be produced in any of our different centres and managed through our SAP system.

We walk side by side with our customers and we are proudly part of their growth, growing with them and growing within them by increasing the number of sold references.

As our customers trusted us to expand their businesses, our natural motion has always led us to be on the avant-garde of trends and technologies to better serve them.

For that reason, we are always immersed in a continuous market trend research where we analyse global and local markets as well as new olfactive molecules, and we transform that knowledge into freshly developed fragrances for specific customer needs.

We can say that 60% of our workload is related to proactive market research like trade fairs, conferences, everyday contact from local subsidiaries, suppliers' new launches and close market monitoring.

The remaining 40% of our workload is related to working direct requests from our customers.

Our R&D comprises molecules analysis, raw materials database update, product development and study of olfactory trends & tastes from a sensorial and a chemical point of view.

We offer versatility by creating and adapting fragrances for any possible application.

As a result of all this, every month, as Jose said previously, we develop 280 new fragrances and 75 new flavours.

In this next slide I would like to comment on some figures that give support to our customer-centric strategy. We have 10 R&D centres and 280 technicians. In 2019 we invested in our new R&D building in our headquarters here in Murcia from where we coordinate all the subsidiaries and from where we manage the most important projects.

In this building we have six differentiated areas, and the sum of all of them leads us to the motto, 'Creativity through science'. In a while you will have the chance of having the site visit and seeing all of this in person.

Firstly, we have the New Development Laboratory, where the new fragrances are mixed and blended. The Instrumental Analysis Area to be fully updated on the new molecules and olfactive trends in the market and to keep a strict control of our production.

We also have the Fragrance Application Laboratory, where the fragrance meets the final product to guarantee stability and performance. This is the most Croda related area, as together we can provide chassis formulations to our customers.

We have the Perfumers Room, where all our creative people have common areas to share their expertise and new developments. We currently have 22 perfumers globally and 9 flavourists, but our unique internal training method, Jose commented before, continuously instructs new trainees every year leading us to the new generation of perfumers.

We also have Testing Cabins, which is a very important part for the Evaluation Department, because fragrance evaluators check performance and profiles of the new developments and coordinate with perfumers to improve our formulations.

The New Technologies Department, which is a dedicated area for creation and delivery of Fragrance and Flavour solutions like micro-encapsulated fragrances and malodour control technology.

As an example of all this, we have just finished our Vernova caps, the first patent from Iberchem and the second one in the market related to formaldehyde free and biodegradable microcapsules for fabric softeners.

All this structure allows a rapid commercialisation of value-for-money Fragrances and Flavours and supports customer intimacy.

As key takeaways of this first part of the meeting today, I would like to highlight the following points. We have a wide and continuously expanding product portfolio. We operate in a global platform. We are fast, really fast, to customers, and that is one of our main signatures. We have a 100% customer driven R&D with unparalleled commercial support to regional customers. We capture the most recent trends. And we have a formulation-driven approach.

And now I'll hand over Richard Butler to speak about the synergies between Croda & Iberchem. Thank you so much for your attention.

Sales synergies

Richard Butler (Senior Vice President, F&F)

Well thank you Maria Angeles and I hope now you all have a much better understanding of the Iberchem business model and why we are so confident of its continued delivery of double-digit organic growth.

I, along with Magali, are now going to try to give you some more insight into the sales synergies and what we are going to realise by looking in turn at each of the three sources.

So we expect to realise €48m of growth synergies by 2025. We have broken these down into three categories. We have – number one, we have geographic expansion. The Croda Consumer Care business as you can see from the slide, is split 75/25 between the markets of Europe and the Americas vs Asia, Middle East and Africa. You can see that for Iberchem, the reverse is true.

So what we are doing is we are leveraging the Iberchem presence in these emerging and fast-growing markets to increase the Croda ingredient presence. And we are leveraging Croda presence in the large mature markets of Western Europe and North America, Korea and Japan as well, to accelerate Iberchem sales.

Number two, customer cross selling. From the pie chart we can see that we only have 400 common customers between Iberchem and Croda. So we are now using the customer relationships of Iberchem to sell Croda ingredients and we're using the customer relationships of Croda to sell Fragrance. All of these 6,000 customers, Consumer Care customers buy Fragrance.

And then number three, we are creating opportunities through the full formulation offer at customers in all regions. Offering customers support on the product claim, the sensory effect and the fragrance. Magali will talk more about this in just a couple of minutes.

All of this of course underpinned by targeted investment to enable this growth, whether in capex to establish local production or laboratories, or in people, as that's the talent which ultimately is what makes a business work.

Over the next few slides, I will try and bring all of these to life just a little bit for you.

What I am sharing with you here are fairly standard activity metrics we use in Croda. These we know from experience are lead indicators of future business delivery. It's fairly simple, sales calls lead to new business leads, which lead to samples, samples lead to projects, projects lead to new customers or new business at existing customers.

So in 2021, which of course was still a year heavily affected by COVID travel restrictions you can see the progress made. 700 sales calls, 1,300 samples, 240 projects created and 50 new customers.

What is also important in the context of cross selling, is the complimentary levels of activity in both the Croda and the Iberchem sales teams. From a regional perspective the good news is that this activity is well spread across Asia, Latin America and Western Europe.

If we look at geographic expansion, as we have said, one of the attractive features of the Iberchem business was the opportunity for geographic expansion for both Croda ingredients and Iberchem fragrances. Brazil and China were immediately identified as priority markets.

Brazil is the second largest Fragrance market globally, yet Iberchem have to date had no presence there. Croda on the other hand has a well-established business supplying into Personal Care and Home Care customers, including the MNCs, the major regional brands and local indies.

The Brazilian market though is ideally suited to the Iberchem model. Prestige brands of course exist, and they are successful, but the market is really dominated by the mass and masstige segments in Hair Care, Body Wash and Home Care.

Here we have already recruited an experienced business team and they are currently developing new business supplied from here in Spain. We will however establish local production in Brazil by the end of this year.

China, you may recall from March actually, is core to the Croda Consumer Care Sector strategy. Making in China for sale in China. It's also core to the F&F growth plan. Here though, as Jose said earlier, Iberchem have a well-established business and a growing customer base, but demand is soon to exceed the current facility's capacity. We therefore took the decision to invest in expanded production facilities at a new location in Guangzhou and at the same time establish the local production of Botanical Extracts for our Beauty Actives business.

So we talked a little bit earlier about how we track activity and how it is distributed around the teams and around the regions. Here we just have a few examples of customer cross selling successes. I am not going to go into the details of each customer, this is just to illustrate that this model is working everywhere.

So, as I said, Magali will explain more about the value to customers of having full formulation expertise in their supplier. By way of illustration though, this was a real case scenario, it was a meeting which was initiated between an Iberchem salesperson and a large customer in Turkey, a consumer goods manufacturer.

The boxes on the top attempt to explain the typical process with a customer, so in box 1, we uncover what the problem is, what is their challenge, what are they trying to do? In this case the customer team has been asked to develop a new skin care range.

So we then took that internally, we research the key market trends relevant to the target market and those consumers. And in this case identified, wellness, hygiene, nature, and sustainability.

Our formulation teams then select the formulation from the formulation bank, or they create a new formulation concept in line with these trends. These are then fragranced with selections aligned with those market trends and the full formulation samples sent to the customer for review.

So the customer has the benefit of short cutting their in-house development process, we have the benefit of entering into their brand discussions and developing sales across our whole ingredient portfolio.

The slide images below there are from the presentation to the customer team and accompanied the formulation samples, with the details of what they are and why we have selected them.

So continuing on the theme of the value to customers of offering the full formulation, I will now hand over to Magali to explain to you in more depth exactly what we mean by that.

Full formulation capability

Magali Bonnier (Research & Technology Director, Croda)

Thanks Richard. Since we are talking about formulation let me explain briefly where the magic starts.

Depending if a customer request is for a leave-on product or rinse-off, formulators will be selecting a surfactant, emulsifier, or detergent, then adding on emollients and water of course plus a thickener to adjust the viscosity of the formula.

This first category of ingredient is known as the functional ingredients and constitute the main part in terms of percentage weight.

Actives ingredients are the most valuable one as they allow formulator to fulfil claim effect such as SPF for a sun care product or active for anti-ageing claim or hair-scalp treatment.

Last but not the least we have fragrance and aesthetic ingredients. Those ingredients have the capability to elevate your formulation to the next dimension of sensory that will delight consumer.

On the right corner I wanted to show a recent advertisement made by a premium brand that highlighted the art and science needed to make a good formulation. The ad is referring to les orfevres de la formule that mean goldsmith of the formulation which highlight unique importance of the formulation in a product. It was also the first time I started to see some marketing focus on formulation capability as a point of differentiation.

Anyone can now easily understand the complexity of selecting the correct ingredients to achieve the brief, and Croda having a large ingredient portfolio in each of category it is sometimes tricky to know where to start.

Of course, we are regularly sharing this knowledge with our customers by organising Formulation Academy which support our positioning on technical excellence and premium specialty ingredient manufacturer.

So selecting the right ingredients and mixing them all together is only one side of the picture for a formulator. There are 4 follow up key stages.

Stage 1, we need to check if the blend is robust enough and giving a correct colloidal structure as it relates to texture feel and ease of getting product outside packaging. This formulation technology is mainly driven by functional ingredients, as I mention previously.

Stage 2, we need to prove that active ingredients are performing according to the claims they promised to deliver. For example, we generate advanced hair combing data for a conditioning effect or a full in-vivo technical dossier if it is an anti-ageing active from Sederma.

Now come the part that is more related to consumer experience in stage 3. We have to make sure that the formulation can live up to the consumer expectation, so via sensory data or hair salon consumer testing we evaluate that the final texture fit the brief.

Last part but not the least, it is to make sure that the addition of fragrance will not destabilise the first part of the formulation technology. Perfumers are highly trained to create lovely scents but also to design fragrance that have a minimum impact on the formulation while delivering the fragrance performance for each stage of the product use.

This full process is allowing us to offer the full benefit of a formulation to our customer because we understand the synergy of each ingredients-fragrance on the consumer experience.

We carry this expertise via a global network of innovation centres capable of developing prototypes for each regional customer and we monitor trends to suggest best combination of ingredients to achieve the best formulation within local regulation constraints or for sustainability credential.

Simply said I remind new chemist joining technical team that our role is to make sure that we are selling the dream while optimising the ingredients complexity to avoid any nightmares.

I wanted here to share with you an example of how we synergise the formulation and fragrance. We choose an example of recent customer work that Richard mention previously. The inspiration of the

formulation is from Korean trend where you apply a mask cream overnight to remove fatigue signs and refresh your face ready for the day ahead.

As the customer is located in Turkey, we first had to modify the ingredient selection to comply with local regulation and texture preference.

Following previous process, we have highlighted in purple the functional ingredients that form the central part of the formulation. Then add on the active parts that are supporting and delivering the claim of anti-fatigue with Sederma & Crodarom ingredients - highlighted in green.

Finally come the fragrance to olfactively reinforce consumer experience and support the claim. Iberchem and Maria and her team have selected three types of fragrances with different composition. The two fragrances on the side Night Therapy and Night Repair are designed for oily or dry skin so that a smell that conveys efficiency will enhance the consumer journey. Otherwise in the middle a consumer with normal skin just expects a reinforcement of the main purpose for buying this product such as comfort.

By combining the talent of our formulator and perfumer we bring the best out of each player and reinforce the sensory journey that we are proposing to the consumer.

By the way, those three products that are composed of the same formulation with different fragrances will be display during the Iberchem tour so you will be able to test it, smell it and I value your feedback.

Finally, I could not finish that formulation description without giving you little sneak peak of what could be innovation in the field of sensory and consumer. Thanks to recent neuroscience progress, we are capable now of measuring the impact of various texture applied on skin at the emotional level.

When this is associated with the emotion that perfume brings to cosmetic it will unlock innovation around emotional cosmetics and well-being claims. So neuroscience applied to cosmetology will allow new types of claims for different textures and fragrances, and that will open up exciting opportunity for Croda in future.

We have explained how we are leveraging our functional and actives ingredients with Fragrances, now we will explain how the creation of the Formulation Academy and our formulation capability will support the growth of ingredients across the Personal Care portfolio, that as we mentioned represents today around 70% of the business in value.

Croda has accumulated a depth of formulation expertise across all applications. In the past we focused on creating stable formulations that supported primary claims such as skin moisturisation or hair conditioning.

Lately, we have worked hard to understand the sensory aspect of cosmetic and formulations and how that affects the consumer journey. With this knowledge we supported customers to solve formulation challenges, we use formulation data to work on claim substantiation and to start a conversation with our customers about ingredients.

What has changed after the acquisition of the F&F business is that we have a complete formulation capability and have a unique positioning by being able to provide a range of about plus 1,500 market ready formulations across skin, solar and hair applications areas.

This full-service model is very interesting to small indie brands but also to more consolidated medium size brands but for different reasons. The indie example from the left, these are small and very agile companies, marketing and value driven often with limited formulation capabilities. Croda can help them proposing ready fragranced formulations with the right sensory that reflects the company values, with appropriate claims and regulatory guidance. We will not sell the ready-made formulation but can provide advice on contract manufacturers. Croda will sell the ingredient to these companies in fact.

For better established brands, example on the right, we can support them in a different way, to diversify the brand offering by expanding their product range and adding new claims for existing ingredients. This brand just started just making face masks with strong marketing stories. Now they are moving into skin care with formulations full of Croda actives that we will sell directly to them.

Two different types of customers that we will serve in a different way, but both will be taking advantage of our formulation capabilities.

To conclude Richard and my section about sales synergies and formulation capability. We continue to see exciting opportunity for continued geographic expansion taking fragrances into new markets and Croda into Emerging Markets. There are exciting cross-selling opportunities between Croda and Iberchem, leveraging the different customer bases.

And finally, our full formulation capability is a strong differentiator for Croda to deliver performance, captures the power of sensory and emotions to add value to customers.

I will hand over the floor to Alexandre to talk about Parfex.

Parfex growth plan

Alexandre Levet (Sales Director, Parfex)

Good morning, everyone. Introducing myself, Alexandre Levet, so Sales Director at Parfex for the last 10 years, 20 years in the industry, and now one year in the Croda Group.

As a small introduction to Parfex and to who we are, we are showing you a small video.

[video played]

So to go a bit deeper into the explanation. As shown in the video, the company has been created in 1985, so exactly like Iberchem, but with a different goal, more focus on Premium Skin Care and Fine Fragrance. Operating with a similar share between Europe and Middle East and a smaller operation in Asia as you can see on the graph.

We are using the great platform of Grasse to formulate and promote, natural and sustainable formulations to our customers across the world, especially into Premium Skin Care, working for famous houses where we are having a strong and dynamic growth those years.

Operating nowadays into 50 countries, providing tailor-made solution to our customers into the Fine fragrance industry, which is representing half of our portfolio, creating fragrances adapted to the region and culture where we operate.

The company is now counting 100 employees and looking forward to increasing its resource in Grasse the cradle of Perfumery, thanks to new ownership. Parfex is combining the French, Grasse made, traditional values, with a modern approach, we were one the first company to implement robotisation into our production, and as well, one of the first to reach 90% automatisation. A great step forward for the flexibility and speed to market, as we are able to produce into five working days, exactly like Iberchem and capable of delivering, for example to Asian customers, faster than some local facilities.

So here is a focus on Parfex growth plan, how to deliver. So as you can see on the graph, the former management of Parfex was having a conservative approach, we have achieved an average of 6% growth between 2015 and 2021.

So now being part of Iberchem, we will be able to apply their ambitious way of developing the business, developing the structure, which already started some months ago and we can already feel the difference, having a strong Q1 2022 compared to previous years.

This is just the beginning, our ambitious plan is to deliver €40m turnover in 2025, with a stronger activity in natural formulation and keep increasing our presence into the Fine Fragrance market, which will help us to increase our EBITDA margin.

To support this ambitious growth plan, we are tripling the size of our facilities in Grasse to be able to deliver more made in France fragrances to our partners worldwide. This next slide will talk in more detail about how we will accelerate our growth rate.

So now how to deliver the plan. As explained, we will use the Iberchem methodology, we have already increased our resources, with some small capex to expand our capacity, as well as increased our team by 15% in Q1 2022. These first steps helped us to be on plan for 2022 so far.

Now to reach €40m, to deliver the growth, we will proceed with five steps,

So number one, we are starting to capitalise on combined selling network to drive growth in new geographies from 50 countries where we are today to 100 countries where Iberchem is.

Number two, utilise Iberchem manufacturing network as well to produce Parfex Fragrances across the world, which was a major issue for us in the past to stay on the core list of our premium customers, this is another limit that have been unlocked thanks to this acquisition.

At the same time, we have an ambitious capex plan for our Grasse structure, which will multiply by three the capacity of our installations, while increasing our robotisation rate, to keep our speed to market and a high-level service to our existing and future customers.

Number three, we are leveraging Croda reputation and relationships to access more premium end customers to Increase Fine Fragrance and Premium Skin Care offering through creative co-development into Europe and North America.

Number four, we will push our developments into natural certified formulations, biodegradable and 100% sustainable formulations called at Parfex, nat2nat; which is a great alternative for our customers who are looking for sustainable solutions for their product and showing their concern for the young generation.

Number five, we will facilitate the R&D harmonisation of the raw materials across the operations, as explained by Magali, and will leverage the raw material purchasing between the production sites. In addition to that, we are implementing common SAP system, which is a super structuring tool for Parfex, and it will facilitate the synergies within the F&F division.

I will now hand over to Guillaume and he will explain how our natural origin formulations fit into the broader sustainability strategy for Flavours and Fragrances.

Consumer sustainability benefits

Guillaume Audy (Sustainability Director, Iberchem)

Good morning, everyone, I am pleased to say that Iberchem has made significant progress in sustainability since we officially launched our programme two years ago.

Given the nature of its products and its presence in Emerging Markets, the Fragrance division has great potential to contribute to Croda's Climate, Land and People Positive strategy.

So let's start by exploring how fragrances can advance Croda's ambition to become climate positive.

First on the list are Parfex' bespoke nat2nat renewable fragrances, which perfectly complement and enhance Iberchem's Green Future portfolio of sustainable products. Very quickly, we have created the Green Future portfolio to help our customers choose which sustainable Fragrance suits best their needs. We have for instance vegan and biodegradable fragrances, and fragrances made with upcycled ingredients. We also have cosmos Ecocert fragrances, which are in a nutshell, certified natural organic fragrances.

Finally, we have our high intensity fragrances, which are based on the principle of fragrance compaction. As they are more concentrated, they use less energy during production and reduce packaging and even carbon emissions during transportation. Those are a perfect alternative for companies looking to address their Scope 3 emissions. We are also about to start working with Deloitte to quantify the benefits of these fragrances.

At the beginning of the month, Iberchem launched Vernova caps, its own biodegradable fragrance encapsulation technology. Iberchem is only the second company in the industry to offer such capsules. Our Fragrance Technology director, Michael White and his team are also about to launch Vernova pure, a biodegradable version of our malodour neutralising technology.

In terms of operations, Iberchem recently achieved for the second year in a row the zero-waste certification at its head office. We are also on our way to renewing our ecovadis certification.

Finally, we are currently working on a coding system on our SAP platform to offer our perfumers some guidance at the time of formulating a fragrance. I won't lie to you; it is laborious work as our perfumers work with over 3,000 ingredients. Still, for them to know with a simple click if an ingredient is, for instance, renewable or biodegradable, will be extremely helpful to be more agile when creating sustainable scents.

Let's move on to the second part, how Iberchem has the intention of becoming the most sustainable Fragrance company in emerging countries and contributing to Croda's ambition to become People Positive.

One of the most important things that I recall from my studies at Cambridge Institute of Sustainability Leadership, is that when it comes to sustainability-related issues is that yes, we are all in the same storm, but no, we are not all in the same boat.

So I think it perfectly illustrates why I believe education is crucial for Iberchem given its presence on Emerging Markets, and why I can expect a faster response from the segments addressed by Parfex and, finally, why Parfex plays an important role in accelerating our progress in sustainability.

So before selling tonnes and tonnes of biodegradable fragrances, Iberchem first needs to go on an education journey with many of its customers. As you can imagine, biodegradable fragrances are not a top priority in countries such as Nigeria or Ethiopia.

Therefore, we are currently working on an internal education programme, to make sure that all our employees, and especially our sales team become sustainability ambassadors. For them, just like I'm doing today, to transmit why we must switch to sustainable Fragrance alternatives.

Then, as you can see on the screen, what's left for us to do is define commercial opportunities, create tailor-made solutions, and define some KPI to measure our success.

Obviously, a company cannot aspire to become a sustainability leader only by selling sustainable products. We also need to be involved in the communities where we operate. Thanks to Croda, we have definitely accelerated this part of our programme by integrating for example Iberchem in Croda's STEM educational activities.

Also, thanks to a grant from the Croda Foundation, we are now working on a project in South Africa that aims to benefit unemployed blind and partially sighted people. This beautiful project will skill young blind people. Training will be provided for about 40 individuals to set up and incubate at least 10 micro-entrepreneurs and also will place at least 20 participants in development programmes.

In parallel, Iberchem continues its collaboration with the NGO SOS Children's Villages. For instance in 2019, we provided drinking water to Kelafo in Ethiopia after the village was flooded. More recently, we also helped reduce the digital gap in education during the pandemic, also with SOS Children's Villages.

So those are just some examples of the many initiatives we currently have, and our intention is to increase such actions in a near future so that we can become the most sustainable Fragrance company in Emerging Markets and become People Positive.

So back to you Richard.

Summary

Richard Butler (Senior Vice President, F&F)

Okay, so Guillaume and Alex thanks very much for giving us that deeper introduction to Parfex first of all, and also of course the evolving importance of sustainability to customers and climate and communities. All projects very in line with Croda's own Climate and People Positive commitments

So now it just leaves me to summarise just a few key messages. Just to return to the business plan. We have the ambition to grow to €400m worth of revenue by 2025, we are on track to achieve this.

Jose and Maria Angeles have given you insight into the standalone Iberchem business model and why it has been so successful. This is the foundation of the plan.

Magali and I, we spoke about the synergies we are seeing from cross selling, geographical expansion, and our unique ability to work with customers on every part of the formulation.

Alex and Guillaume have explained why the acquisition of Parfex is an invaluable addition to the Iberchem brand and how it will help us further our sustainability positioning.

So finally, just some key takeaways, from this morning's presentation. We have a very strong market differentiation – we are unique in what we can offer. We have an agile business model with an extensive portfolio of Fragrances and ingredients. We have a global R&D capability driving innovation in both ingredients and Fragrances. And our customer proximity underpins our speed to market.

So we have a robust business plan based on exciting organic growth trajectory, further upside from sales synergies and our leveraging Croda's full formulation capability.

We are now very happy to answer any questions that you might have. So thank you for your attention.

Q&A

Charlie Webb (Morgan Stanley)

Hi. Just a couple from me to start then. First, just on pricing, a lot of discussion within the F&F space around pricing in the current environment, so I'm just interested to hear what you're seeing there, what you're doing to tackle some of that inflation, and how we should think about that when we think about the margins looking forward, and your ambitions there.

Richard Butler (Senior Vice President, F&F)

Okay. So, I'll just make a quick comment and I'll hand over Jose, perhaps, to go into a bit more detail.

So, yes, you're absolutely right. I mean, the F&F industry, along with pretty much every industry at the moment is being impacted by raw material inflation, energy, freight and everything else. So, we're not immune from that.

We have gone to the market with price increases in Quarter 1, and we're achieving traction with those as well. But, Jose, I don't know if you'd like to comment a little bit further?

Jose Balibrea (Managing Director, Iberchem)

Thank you, Richard. So, that's a very good question actually. So, we are not far from the level of inflation that some other industries are suffering. So, last year, 18% increase in cost in general in raw materials.

But, typically, our strategy in Iberchem has been slightly different because we are not that much focused on recovering gross margins so quickly. So, our capability to move cost through selling prices is more in grabbing new customers actually because, typically, we have been a challenger. So, this provides us an opportunity to penetrate and to have more customers.

Those who are more resistant and being focused in the Tier 1 players, now, they want to open the door to Iberchem because we remove complexity and we provide more competitive solutions, if you allow me to say. So, actually, this is a very important point.

The other point is – we mentioned before in the slide – that we have a very fast and agile R&D process, and we launched basically 280 new codes per month. So, we are not using increased sale prices on a quarterly basis as the rest of the Croda family does, we did it earlier this year, but every month we have a natural hedge because every new product, the cost price is already updated and the mark-ups as well.

So, I would say that there is a very important portion of our products that have a natural hedging in terms of cost and margins.

Charlie Webb (Morgan Stanley)

That's really interesting. Thank you. And maybe just one for the Iberchem team, you know, how have things changed since Croda's come in? You know, what are some of the tangible things you've seen from that kind of change in ownership? And, yeah, when we talk about those sales synergies, can you give any kind of examples of where that is opening doors or where you are seeing that customer cross-selling?

Jose Balibrea (Managing Director, Iberchem)

Obviously, the ownership has changed a lot. I mean, it's not the same to be in the hands of private equities. That was amazing. It was a very successful story, as we mentioned before. For the managers, for the ones that have part of the equity and things like that, that's great.

Sometimes, every five or six years, you go for this investment process, there's an increasing level sensitivity across the company, you know, because you are going to be part of another private equity, another owner. I mean, after reaching some kind of maturity, we are part of a much larger platform for an indefinite period of time. So, I think people are really, really happy. Actually, we mentioned that, in this investment process, we, the managers, were the ones supporting to be part of Croda.

And the second part of your question is, yes, of course, there are some differences between Croda and Iberchem. But, at the end of the day, the attitude to customers and the customer-driven orientation of Croda is very similar to Iberchem. And I would say that most parts of the differences are in the geographic exposure or geographic opportunities because we are 80% in Emerging Markets, and it's completely different to be working in Nigeria, the Ivory Coast, than working in France and Germany, obviously.

So, this is the level of flexibility that are getting and, you know, to be true, the honeymoon is over, and we are super happy to be a part of Croda because it's a very light-touch integration, and this is a very smart move. It's not an integration, it's a coordination. It's a cooperation to get the best of the two worlds.

And you also mentioned opportunity to – I mean, an example of synergies, yeah, for example, we have a nice customer in Jordan who is doing, kind of, home care products, for example, and, in an exhibition in Dubai, Richard and myself, we were there, and we introduced this customer, and now this customer is buying from Croda. This is one of the blocks that Richard mentioned before that is those markets where Iberchem's presence is stronger than Croda. It's very important actually, and this a very good example. Thank you.

Charlie Webb (Morgan Stanley)

Brilliant. Thank you very much.

Mubasher Chaudhry (Citigroup)

Hi. Just a couple of questions, please. The first one, a bit focused on numbers. So, you talked about the €400m of foundation by 2025. If I back out the €40m from Parfex and €48m of synergies, you kind of get left with a low double-digit growth rate on the organic side of things to get to the €400m. Anything that's making you a bit more cautious versus the long-run track record of 15% CAGR? I think that was on the one of the slides there you put. Just some comments around those, or was it just conservatism? I'm trying to see where the market heads. That's the first question. I'll come back to the second.

Jose Balibrea (Managing Director, Iberchem)

So, if I understand properly, you said how comfortable we are with these expectations, right?

Mubasher Chaudhry (Citigroup)

Or the conservatism around going from mid-teens growth rate for the last, I think, decade to forecasting a 10% to 11% growth going forward. So, kind of, the drop in the growth.

Jose Balibrea (Managing Director, Iberchem)

I mean, if you look at the slide, the average CAGR growth of Iberchem has been around 15%. So, basically, in this business plan that we have to reach more €400m in 2025 is very consistent. The organic growth is very consistent with the historical record.

It's slightly different in Parfex, it's true. Slightly different because their attitude, the level of investment was completely different. I mean, the previous owner was very conservative in terms of capex and new recruitment.

So, I don't see any change in Iberchem. I see, yes, from single digit to double-digit growth in Parfex, but we did it in Iberchem. You know, when I joined, Iberchem was exactly the same size as Parfex, and we did it because we increased the levels of investment in capex and in resources.

And the third piece of this business plan, of course, is synergies, cross-synergies with opportunities, geographic synergies in both sales. I mean, selling Iberchem products through - by the Croda network or by selling Croda products through Iberchem. So, I think it's a very good system to be in.

And, today, after the report in the first quarter, we are very confident, and we are on track despite the macroeconomic conditions. So, we are on track with budget.

Richard Butler (Senior Vice President, F&F)

If I just add a little bit, the €200m to €300m is the organic part, and I think that's consistent. So, within that 15%, we've typically seen, you know, something around 10% growth organically per year. And then you've got the acquisition and the synergies on time. So, I think, overall, yeah, we see it as consistent with the historic growth.

Mubasher Chaudhry (Citigroup)

And the second question's around, I think it was slide 30, you talked about the 6,000 customers which are available to cross-sell. Is it fair to assume that all 6,000 are available to be, kind of, penetrated for the cross-selling? I guess I'm trying to get a segmentation between what the easy wins are and how many of those customers are naturally never going to be penetrated. I'm just getting a truer market opportunity for those 6,000 customers.

Richard Butler (Senior Vice President, F&F)

Correct. So, when we were looking at the model we put together, the growth model in the synergy assumptions, actually during the acquisition process, so we took those 6,000 customers and we assumed a certain rate of penetration over the time period. So, do we expect to gain 100% of those 6,000 customers? No, of course we don't. We don't. But there are some that are more valuable than others.

I think what encourages us the most though is, as I said before in some of the slides, if you look at the markets where we're really trying to accelerate in, like Western Europe, North American in the future, we have a very strong brand presence there already. We have great contacts in those customers.

So, our ability to just pull Fragrance into the discussion that we're already having with customers is very strong. And, you know, as Jose said a minute ago, we're already seeing great examples of that happening, where doors are being opened, we're being involved in a full formulation discussion there, so not just the ingredients, the Beauty Actives or the Beauty Care products, but also the Fragrances as well in that discussion.

The work is handled in different parts of the company. You know, work is handled in Iberchem, or Parfex, or it may be in one of the development labs in Croda, but the synergy model that we assumed would be delivered is playing out as we thought.

Mubasher Chaudhry (Citigroup)

Sorry, if I just squeeze one last one – I think you mentioned that Iberchem's not been Brazil and you're expanding in that market, and you talked about how attractive that market was, any particular reason why, historically, you've not gone into Brazil?

Jose Balibrea (Managing Director, Iberchem)

You said why are we not present in those markets?

Mubasher Chaudhry (Citigroup)

Historically, yeah.

Jose Balibrea (Managing Director, Iberchem)

When you have limited resources, you need to have some priorities when you are not getting resources. So, in the very early years, we found that going into those markets in Africa, the Middle East, was more successful than fighting in Spain and France against some big multinational. So, historically, we thought that the level of penetration in those markets was easier or more efficient I would say. That was the historical reason actually.

Mubasher Chaudhry (Citigroup)

Thank you.

Charles Eden (UBS)

Hi there. Just two questions from me. Firstly, on the sales breakdown of the double-digit growth you expect across Flavours, across Home Care Fragrance, across Personal Care Fragrance, is there a big difference in the growth you expect across the three sub-sections of the business?

And then my second question is in terms of employee retention. Obviously, your management team are very clear, successfully. Is that true all the way through the business? So, I think about your lab technicians, your perfumers – is the same or is there a risk you lose to the Tier 1? Can you compete on salaries, etc, etc? Thank you.

Jose Balibrea (Managing Director, Iberchem)

Thank you. So, the first question is very interesting. I mean, I think that 2020 and 2021 is a perfect example of how the company has such a level of resilience because, to be honest, I never saw such a negative environment against the Fine Fragrances category.

So, one of the slides we mentioned this morning, we described that we have a wide product portfolio in the company. So, for example, in this particular period of time, Flavours grew more than Fragrances in general, for obvious reasons. Fine Fragrances and Perfumes were affected because social distancing and travelling restrictions is obviously against that. But Functional Fragrances and Hygiene products, booming, you know. I mean, we have a very clear view that we can grow across categories, all of them, and, historically, it has been like that.

Of course, in terms of R&D, it's important to mention, and you will see today in the site visit, that, in terms of percentage, we invest more resources in Fine Fragrances than in the rest of the categories because there is that trickledown effect from these new launches to the rest of the products. So, for example, new trends that we are capturing in Fine Fragrances are coming down to some other categories of Home Care and Hygiene products, you know.

And then the second question, also very interesting. So, after 20 years, every 5 or 6 years, going into this investment process, it was great for the Management Team, but, if you become part of any of the four Tier 1 players that Richard mentioned at the very beginning of the presentation, you lose your identity. You are no longer with the same level of accountability and the same level of freedom in terms of creation, in terms of – we talk about perfumes or flavours, you are no longer the same.

So, for example, in our case, we could have been – the boat to Africa or Europe or all in Spain, for example, we are part of this kind of platform. The smart move of Croda with Iberchem has been a very light-touch integration with only integrating the basic parts of the organisation, but freedom to run the business in terms of commercial and creation. That's why. You will talk to our perfumers today and you will see that they are really, really happy.

So, after 18 months, we didn't lose a single person in the company. Actually, it's exactly the opposite. There is an attraction effect because we are now part of Croda.

Matthew Yates (Bank of America)

I have a question around the combination of the two companies and, in particular, how you are allocating extra capital to the business. So, I guess, Jose, from your perspective, it's hard to view a business that's grown so successfully as being underinvested per se, but, still, if you had access to more capital, was there a pipeline of projects you would have liked to have done which you're now being allowed to do within the Croda organisation?

And, Richard, technically, when you think about the synergies, the sales synergies and how you create value for people, customer cross-selling is obviously one but, actually, putting the balance sheet to work and deploying this capital to open new sites, hire more people, do we capture that just within the organic growth, this double-digit organic growth, or how do we distinguish between what's organic and what's a sale synergy when you're investing in a business?

Richard Butler (Senior Vice President, F&F)

So, if I just answer the last question correctly. So, in the organic growth model that we've got, that is based pretty much on the resources that we had at the time of the acquisition and projecting those forwards.

So, yes, there would be more capital deployed for geographic expansion – Brazil, China – with the examples that we've given as priorities. Will there be others in the future? Yes, to accelerate that organic growth. Absolutely right. Jose, I don't know if you want to comment?

Jose Balibrea (Managing Director, Iberchem)

So, when you are growing in an average of 15% every year, part of your expenses and your HR, I would say HR expenses and even capex, is moving forward five years ahead.

So, at the time of being acquired by Croda, we designed organic growth with existing resources. I would say 20% of them not yet generating value because going forward to the future.

So, our average capex investment was basically 2.5% sales, and it was very successful, but obviously there was a consciousness of immediate results. Now that we are part of Croda, we double the level of capital deployed, around 5%, because we want to accelerate some of the key areas.

And we mentioned three basic projects - fast-growth China, because want to double the size in China. We have significant revenues in China right now. So, we mentioned 20% of the revenues in Iberchem are coming from China. We want to grow much more than that. And we have a beautiful project jointly with the Beauty Actives in Guangzhou, very near the factory that we have today. The second project is in Parfex, accelerating the R&D and then the creation of sustainable projects. And the third one is expanding capabilities here.

So, all in all, it's double the typical capital deployment in Iberchem, and we are sure that, with this, we will be very consistent with the growth.

Sebastian Bray (Berenberg)

Thank you. Good morning. I have two questions, please. The first is on the similarities or differences between the Croda and Iberchem business models. Does Iberchem spend a similar percentage of sales on R&D? And are new and protected products a relevant metric for Iberchem given that the average product lifetime seems to be quite low, and it's not clear to me how some of the IP protection works?

My second question is on China, building on Matt's earlier comments. How has performance been year to date in that geography? Thank you.

Richard Butler (Senior Vice President, F&F)

If I just answer the first question, if I understood it correctly. So, is Croda's historically used NPP as an innovation metric, basically, as a sign of differentiation in the marketplace, is that relevant for Iberchem? Yes, we believe it is, for two reasons, actually: this constant feed of new creations into the market. We've talked about the importance of identifying trends and offering customers both formulations and fragrances that are aligned with those emerging consumer trends. That is innovation. It might be a different type of innovation to Croda where often we talk about new

molecules. This is taking existing materials and presenting them in a different way to meet a new trend, okay, the innovation is slightly different. But if that innovation is not there, the business model falls apart. So, it's key.

So, yes, we believe it is, and, if we have that metric in place, it continues to drive the focus on that innovation. Does that answer your question?

Sebastian Bray (Berenberg)

Yes, it does. I was wondering, is it really a protected product or is it just one which comes along quite quickly and is then replaced because the innovation is in place? How would you define protected in the case of Iberchem?

Richard Butler (Senior Vice President, F&F)

Perhaps Maria Angeles might be a better person to answer. No, I was going to say the protection is also in the context of the application, okay. So, I think you have to look at, if you have a fragrance going into a skincare formulation, as Magali explained a few minutes ago, changing the fragrance within that formulation is not a simple thing to do because, when you change that, you run the risk, actually, of upsetting, of destabilising the whole formulation.

So, is that protected? Actually, yes, it is, and especially if we have the relationship with the customer to understand why they would look to change, okay. So, it's different in different parts of the markets, but we still believe it's a very relevant metric to focus on.

Jose Balibrea (Managing Director, Iberchem)

Yeah, I fully agree with Richard. The level of protection is slightly different in Croda than in Iberchem, but it goes to the same direction.

So, yeah, some other players can do the same fragrances that we do, but the level of service and the intimacy with the customers, giving their reaction. So, our customers need a very fast reaction, particularly in those emerging markets that we mentioned before. So, every week, every month, they came here to say – and you will see today that our production centres are real customer experience centres, and they came to our centres and said – Look, I want this twist. I want this smelling profile. I want something different – and our reaction is the base of this protection, which is completely different from the multinationals. Maybe Maria Angeles may want to add something?

Maria Angeles Lopez (Fragrance Development Manager, Iberchem)

I will add something. Consider, as I said before, that our market is marketing trends driven. So, in the past, maybe you found your perfume and you could keep it for 20 years, but, right now, everyone is buying 5 perfumes per year and changing it very fast.

So, the importance is not in the level of protection, it's more important how fast you are in giving the service to the customer and to giving new trends and new fragrances more than protecting something you have. Because, in the end, the customer, what they really want is to be on the trend and to have a good service and a good fragrance according to the market and according to the fashion.

This is a chemical sector but also a fashion sector, and fashion is so fast nowadays that it's more about being fast than about being protected. That's it.

Magali Bonnier (Research & Technology Director, Croda)

So, if I can add to your question about ingredients because we are, at the end, an ingredient business. The NPP from Croda of new molecules also crosses in Iberchem when you come up with a new capsule, like we have Maria has, that is patented in the same way, and that is counted.

Similarly, you have heard me saying about emotional claim. Now, it's another game. It's when you have a combination of ingredients that deliver a claim and effect, that is patentable. Slightly different, but it is patentable, and that can be counted. So, that will be the KPI.

Jose Balibrea (Managing Director, Iberchem)

Before moving to the second question that you mentioned, we should note, you know, most of the Tier 1 players, they work with captives' ingredients. So, now that we are part of Croda, we are working

in some bio-based captive ingredients that will be a unique opportunity for a player like Iberchem to increase the level of protection of our fragrances.

And then, if there's no other comment, I mean, your second question is about China. I mean, we need to be very clear, China has never been easy, you know. We have a very successful business, but, since the very beginning, we were fighting against holding the macro aspects and internal aspects of China. We were very small. We were fighting with all the players over there. There was compliance complexity 25 years ago, and we were fighting against all of this.

So, everything, I mean, has been professionalised over the last 20 years, but the macroeconomic conditions now in China are very challenging. That's absolutely true. The zero COVID policy is very challenging as well. But we are super happy because we have a slightly different approach to customers in China, in some of the most important customers, we could say we have bigger volume, lower margin, but it's getting very successful.

And, in terms of restrictions and lockdowns, it's a typical question right now, we are not in Shanghai, we are Guangzhou, so we have been fully operative. Not a single day of disruption over the last two years in Guangzhou, which is really, really good. And the other site that we have in China is in Nanchang, and, in Nanchang, we are working, I mean, perfectly. So, it's all good.

Sebastian Bray (Berenberg)

Thank you.

Marcus Lunn (RBC)

Hi. Could you just elaborate on some of those nearer term and longer-term end market demand trends in Fragrances? You know, what happens when there's a consumer squeeze due to higher inflation? Is there a trading down effect? How's your portfolio positioned to deal with that, with those end market changes? What are your customers saying to you at this point in time?

Jose Balibrea (Managing Director, Iberchem)

Typically, our reaction has always been very conscious about the customers' needs and not to increase so much cost through selling prices. We have always been very rational on that. But, typically, our customers, what they see from Tier 1 companies is the typical reaction, saying look, we are increasing prices 10% tomorrow – you know. And then, what they feel with us, is that we are much more closer to them and rational to them.

And, yes, some of them, they come to us, and they say – You know, we need some kind of reformulation - we need to find him some other formulas to be more competitive and to be more rational with the contacts of the business today, and this is something we do on a weekly, daily basis, I would say.

Charles Bentley (Jefferies)

Hi. So, I just have two questions. So, again, when you're talking about the sales synergies and the split between, kind of, Croda into Iberchem, and Iberchem into Croda, how do you think that kind of, shakes out?

And then, if I think about, specifically, the clear area of opportunity there is Iberchem has a customer selling fragrances, and that's 1% of the product, and Croda might be able to supply another 15% of the product across Actives and Formulations. Is that, basically, where you're focusing on and then, on the Home Care side, it's much less of a priority? How do you think about that?

Richard Butler (Senior Vice President, F&F)

No, it will be incorrect to say that Home Care is less of a priority, okay. So, there's applications in both areas, but they're different.

In terms of how the synergies shake out, the majority of the cross-selling synergies we assume to be Fragrances into Croda customers. There are opportunities to sell ingredients back into the Iberchem customers, and Jose mentioned one earlier. It was just a meeting with a customer in Jordan. We expanded the meeting about what they were trying to achieve. They were looking to mimic some MNC brands.

So, there are opportunities, but in the model we put together, the assumption was that it's much easier for us to introduce Fragrances into the existing customer base. But it would be wrong to say there's a prioritisation over Personal Care over Home Care. Both sectors are being focused on, actually by different people and different teams, and it's a different type of selling model. But it's very attractive opportunities in both sectors actually. But it's a different business. Does that answer your question?

Charles Bentley (Jefferies)

Yeah, yeah. It does. And just another one was going onto Marcus's question just on cost of living increasing, inflation and so on and so forth. I mean, if I think about Iberchem's customer set and, particularly the EM focus, I mean, we see the level of inflation in soft commodities incredibly high, like, is there any kind of concern around – I mean, you talk around Arab spring and the ability – I mean, the growth in the business through what was quite a challenging time, so can you just talk around, kind of, how the business navigated that and how you think, kind of, that that will impact the business today? Thanks.

Jose Balibrea (Managing Director, Iberchem)

So, last year, the average cost of raw materials in our Fragrance division increased by 18%, and in the first quarter of 2022, an additional 10% increase.

If you look at the reported figures of Iberchem in 2021, basically, there was an erosion of gross margin, less than one basis point, you know. So, that gives you the sense that the cost pass-through selling prices is effective in the dynamics that we mentioned before of 280 new products per month. So, it works because, last year, we didn't increase prices, I would say, officially, but this dynamic, yes.

This first quarter, we increased prices, but, in addition, we have these new products per month, and, actually, we are not seeing any erosion of margin. So, I would say that we will be able to navigate very well this year.

And I remember that 2018 was really, really very tough for us because it was the same situation we have today across the industries. We suffered in the Fragrance industry. And it was basically the same. And, typically, the reaction from our customers, or those prospective customers, that were resisting opening to the door to Iberchem, they are more inclined to talk about new launches with Iberchem than before because sensitivity with the cost, you know. I don't know if it answers your question.

Charles Bentley (Jefferies)

Yeah, I mean, it was, kind of, also just thinking around volumes. So, if I think about 2011, and you look at the growth that you had during a period of high soft commodity inflation and talking around – are there any concerns on a volume basis rather than on a pricing basis, if that makes sense?

Jose Balibrea (Managing Director, Iberchem)

When we talk about volume and price there's always a combination of product mix, and it's very different when we talk about Functional Fragrances and Fine Fragrances, of course, and Personal Care.

You know, in 2021, when we were impacted in Fine Fragrances, we grew more in volume, obviously, because of Home Care products than Fine Fragrances, you know.

Charles Bentley (Jefferies)

Yeah, for sure. Thanks.

Jose Balibrea (Managing Director, Iberchem)

And this is the situation today as well.

Nicola Tang (BNP Paribas Exane)

Hello. I wanted to first ask a little bit about – you talked about how one of your differentiating factors was the agility and the speed to market and, sort of, 15 days, potentially, for the tailor-made approach. Could you talk a little bit about how that compares to some of your peers in the Tier 2 side but also in the Tier 1 side?

And I guess linked to that, one of the beauties or challenges of having a local and regional customer base is the product churn and, I guess, the risk of disruption from some of these new players. So, could you talk a little bit about the churn in your own portfolio and, I guess, the average lifetime of a product?

Maria Angeles Lopez (Fragrance Development Manager, Iberchem)

When we talk about the speed it's a question of policy. It's internal policy. It doesn't mean that, for example, Tier 1, they can't work that way. Of course they can, but sometimes they don't want to because they are more focused in some kind of companies, and sometimes they are not so focused in other companies that, for us, they are huge, but maybe, for them, because of the size, they are not so huge. So, that style we've acquired has led us to big successes because we've understood that the way we differentiated our company was through this short time to create and to deliver Fragrances.

About Tier 2, considering the size of Iberchem, there's something Richard normally says, we are Tier 1.5, and it's quite real because we are really big compared to the current Tier 2 competitors, but we are not as big as Tier 1. So, about resources, we have many more resources than Tier 2 competitors. We can deliver these kinds of fragrances and make those creations just because we have more tools to make it. So, that's the way we differentiate from Tier 1 from Tier 2.

And about your second question about how long does a fragrance live, we have 40,000 fragrances, all of them are alive. Also because, as I said before, we work in a fashion world. Fashions come and go and, when you have something, for example, Chanel No. 5, well, it's still alive, but other fragrances maybe right now they are alive, but, in five years, they will come back again.

So, you must think about our collection like a library; it's great to have all the possible books you can, and then you will pick them according to the situation. And also, they are an inspiration to create new fragrances and also for the trickle down and the cross-category strategy. You can use some fragrance, for example, which was created ten years ago for Thailand and modify this and make this fragrance works for fabric softener for example, and you can create a wonderful candle today for the UK, getting the inspiration from that old fragrance.

So, it's something alive, it's something we're using every day, and because we know all of the references, we are like librarians, and it's something really useful to play with all the global markets we have because every market has a different rhythm, so it's great to be able to work that way.

Nicola Tang (BNP Paribas Exane)

And, if I could ask a second one, you've talked clearly about not wanting to become a Tier 1 but, you know, you have referenced there being like Tier 1.5 and, you know, part of your growth strategy, you also talked about acquisitions, so I wonder whether you could talk about, you know, what are your priority areas there? Is it more about targets on geography? Is more about specific ingredients or the sustainability, sort of, angle, as with Parfex?

Richard Butler (Senior Vice President, F&F)

I can comment on that. And it's, you know, you're right, it's all of the above really. So, in the acquisition strategy, we're open to both. So, we have clear geographies which may have come clear to you during the presentation today, or if there's opportunity that comes up, we would welcome that opportunity and look very carefully at it.

If the opportunity doesn't come up, we'll likely to spend some capex to invest in localised production there.

The other thing that we shouldn't lose focus on though is the technology. So, fragrance delivery technologies, encapsulation, that type of thing. Equally applicable in other parts of Croda's Personal Care business, like the Actives business as well.

So, there's other M&A stuff. It's not just around geographical presence, it's also about technology, new technologies, new processes, fermentation, biotech, that type of thing as well. But, Jose, I don't know if you want to comment any further?

Jose Balibrea (Managing Director, Iberchem)

I think you explained it perfectly. I mean, it's not only geographic opportunities but categories and technologies. So, for example, what we did in Brazil is, I think, a great example, rather than going through an acquisition that we were looking before being part of Croda, we started a very interesting project in Croda companies in Brazil, with a collaboration. But, in some of the markets, we really want penetration, and we don't want to wait that long. Probably we'll look for some opportunities. So, I think you explained it perfectly.

Richard Butler (Senior Vice President, F&F)

I think we have one more question?

Isha Sharma (Stifel)

Hi. Thank you for the presentation. First of all, I just have three quick questions. And the first one would be could you please explain a little bit the briefing process? Does it defer materially from Tier 1? And you are very exposed to emerging markets, so is it fair to assume that pricing is the main factor when they make the decision or is it different than how I understand it?

The second one would be that, in recent years, Tier 1 players have always talked about local and regional plans, and they have made quite a headway there, and they - now they talk more and more on indie customers and that they want to compete there. Do you see increased competition there and how do you expect the market to develop?

And then the last one is maybe a little bit more on Parfex. What is a realistic expectation when I think about Fragrances? How much would always be synthetic and how much can actually naturally based raw materials or the technology where you do something which is, yeah, exactly - so, how much can actually be raw material-based, or more natural-based because it is just so much more different with all the crop fields that are required? Thank you.

Maria Angeles Lopez (Fragrance Development Manager, Iberchem)

Okay. About the first question, I will answer about briefs. Okay, briefs are very similar for all the companies. It's more about what kind of brief you receive and how you focus that.

Right now, we are competing in several briefs against Tier 1. And, when we talk about multinational companies and the way we work, it's quite similar with our tools. So, it's something we have the regulatory, we have perfumers, we have evaluators. Same tools. It's a question of the approach. Maybe you can be more or less competitive in price in some situations, and, in other situations, even if the company is a multinational, maybe some of the briefs are for emerging markets where are stronger because of our knowledge. So, in those situations, we play with our competitive side of knowing better that kind of market.

About finding the big ones in our traditional markets is totally true, and sometimes we think we've inspired as well as they as inspire us, and we really think it's like that.

I think every competition is good to learn. It makes you better. It makes you improve. But, in the end, I really think there's a market for all of us. And also some of them, or almost all of them from the Tier 1, they are also suppliers. We've got a good relationship with them. They also sell raw materials for us. And, yes, there's competition, but it's a healthy competition that helps us improve, and there's enough gap for all of us. So, we still can grow, and they can still keep on growing and keep our personality without a problem, for sure.

Jose Balibrea (Managing Director, Iberchem)

So, answering your second question then, of course, we cannot say that Tier 1 players are not coming into our field. Of course, they do. They come into our field. And then, if we look ten years back and we see why some of them, some of the Tier 1 players have been so active acquiring Tier 2 companies, it's obvious. I mean, their structure, the service is not appropriate to the level of response

that our customers are typically looking for. And that's why we have so many examples of companies acquiring different companies in Tier 2.

But the problem of this consolidation process for them is that, at the end of the day, when one of these Tier 1 companies acquire a smaller one and say to the same customers – Look, today, you will be attended by our division or the other – sometimes the customers say – No, you know what, you are now part of the same company, I don't want to be attended by you, you know. You are not the one deciding that I'll go with...No, you are not the one. I want to make my own choice.

And, in some of these cases, the last that I mentioned, this strategy of acquiring a smaller company, of a Tier 2, was completely separate from the branding positioning, as you know. So, in terms of financials, it's great, but in terms of retention of people and retention of talent, it was a complete disaster.

So, in all these aspects, the consolidation process of the Tier 2 has been really, really good for us because it's creating wider spaces for us in them.

And you also mentioned indies, right? So, indies are the typical customer that fits very well with our strategy because, as different with global accounts and the big firms, you will see today in the site visit that we want to have help our customers show the trends in finished products as well.

So, you will see an area that Maria Angeles will explain called Supermarket. In this Supermarket, you will see, in different categories, finished products from our competitors and from us, and this is helping the indies for their launches as well. I think I will pass the floor to Richard.

Richard Butler (Senior Vice President, F&F)

If I can just make one follow-up comment to what Jose said as well, it's really very easy to say we're focusing on indies, but it's a very complex task to do that. In Croda, we've been focusing on indies for some time, actually, as you'll be aware from previous presentations throughout the Consumer Care business, so we know very well the workload that needs to go into developing indie relationships and satisfying their needs. So, it's very easy for a big Tier 1 to say – we're focusing on indies – it's hard to do it, actually.

And the other great benefit, we keep coming back to the full formulation offer, we've got a complete package to offer the indies, and we've got projects and people to do that. So, it's quite different.

Just to the final part, I'm going to hand over to Alex because I think there was a Parfex question about Naturals, wasn't it?

Guillaume Audy (Sustainability Director, Iberchem)

If starting tomorrow, we start doing all the fragrances we have in a natural base. That would be an actual catastrophe. Second of all you have to understand, this is why also we work with the Ecocert certification, so the naturals we use are certified organic. Second of all, synthetic is not always bad, as many people think. First of all, you have natural synthesis and second of all biosynthesis and that's probably the future of sustainability for raw materials. And also, you have to think that many synthetic materials actually – for example before the musk's used to come from animals and people used to kill these animals to get the molecules. Nowadays we used synthetics to have these molecules, so we are protecting the former for example.

Alexandre Levet (Sales Director, Parfex)

Just to complete, for Parfex today the natural ingredients it is about 40% of our portfolio. So as Guillaume explained, this is not the sole solution for the future. That is why we are working as well on sustainable fragrances from natural origin, but we are capable of controlling it.

Richard Butler (Senior Vice President, F&F)

Okay, I think that was the last question. So, from all of us thank you very much for your attention this morning.

END

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