

25 February 2020

# Croda International Plc 2019 full year results



# Cautionary statement & definitions

## Cautionary statement

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

## Adjusted results

Unless otherwise stated, all performance data refers to **adjusted** results. These are stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each half year and full year results.

## Constant currency results

All data is at **reported currency** rates unless otherwise stated. Reported currency results reflect current year performance translated at reported rates (actual average exchange rates). Constant currency results reflect current year performance for existing business translated at the prior year's average exchange rates and include the impact of acquisitions. For constant currency profit, translation is performed using the entity reporting currency. For constant currency sales, local currency sales are translated into the most relevant functional currency of the destination country of sale (for example, sales in Latin America are primarily made in US dollars, which is therefore used as the functional currency). Sales in functional currency are then translated into Sterling using the prior year's average rates for the corresponding period. Constant currency results are reconciled to reported results in the Finance Review.

Non-statutory terms are defined in the 'Alternative Performance Measures' section of the Finance Review in the Full Year Results Statement.

The Core Business comprises Personal Care, Life Sciences and Performance Technologies.



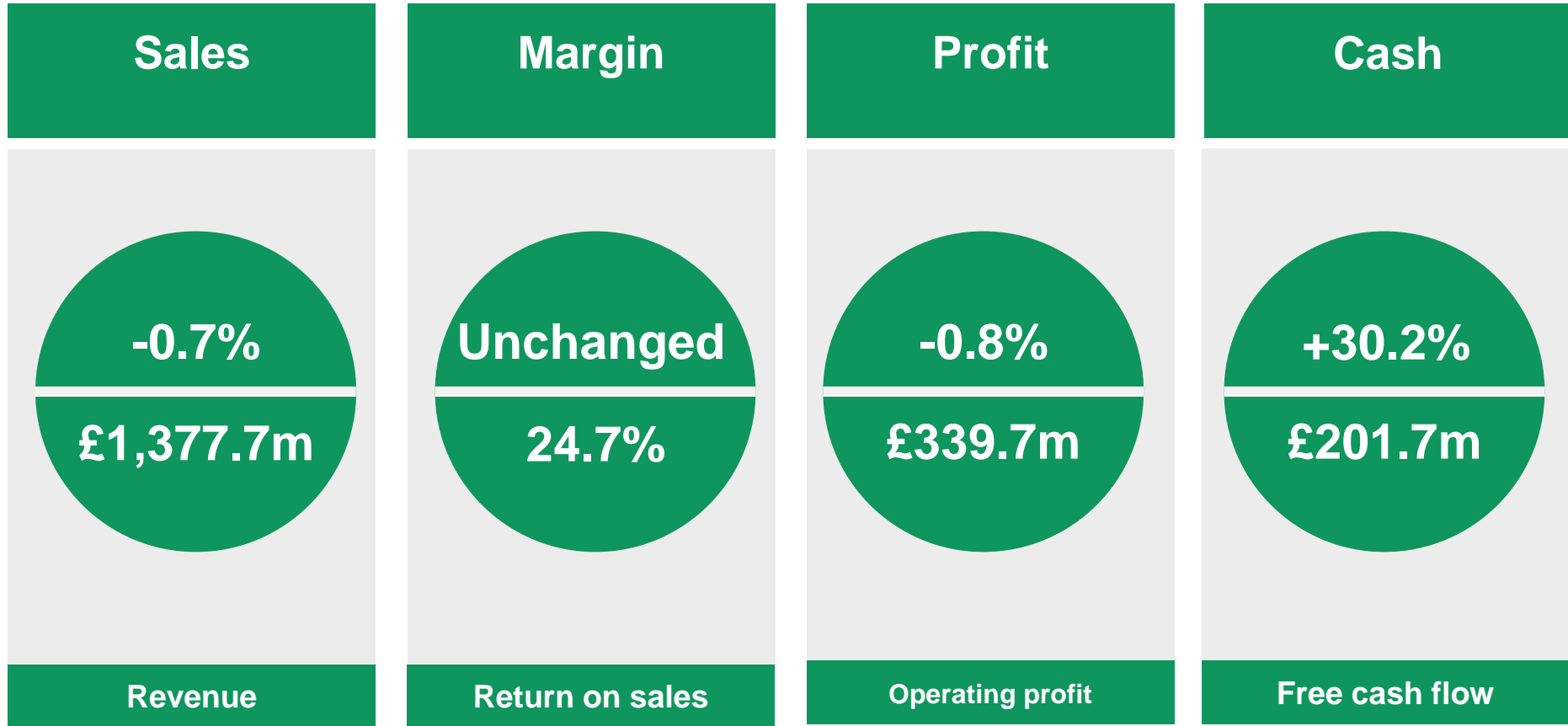
# Performance



# A resilient performance...

- Subdued market conditions
  - Trade war
  - Daigou
  - Automotive
  - Destocking
- Sales & operating profit slightly behind
- Robust profit performance in consumer markets
- Weaker in industrial markets
- Continued innovation, robust margin and strong cash generation

# ... from a strong business model



# 2019: Sector summary



## Personal Care

- Slower US cosmetics market – now trading in line
- North Asia Daigou and China legislation - lapped
- Improving sales trend & strong profit maintained



## Life Sciences

- Speciality excipient opportunity increasing
- Well balanced growth in Crop Protection business
- Disappointing Seed Enhancement sales



## Performance Technologies

- Slower, in line with wider sector
- Industrial markets weak
- Progress in new technologies



# Financial performance



# 2019: Adjusted results

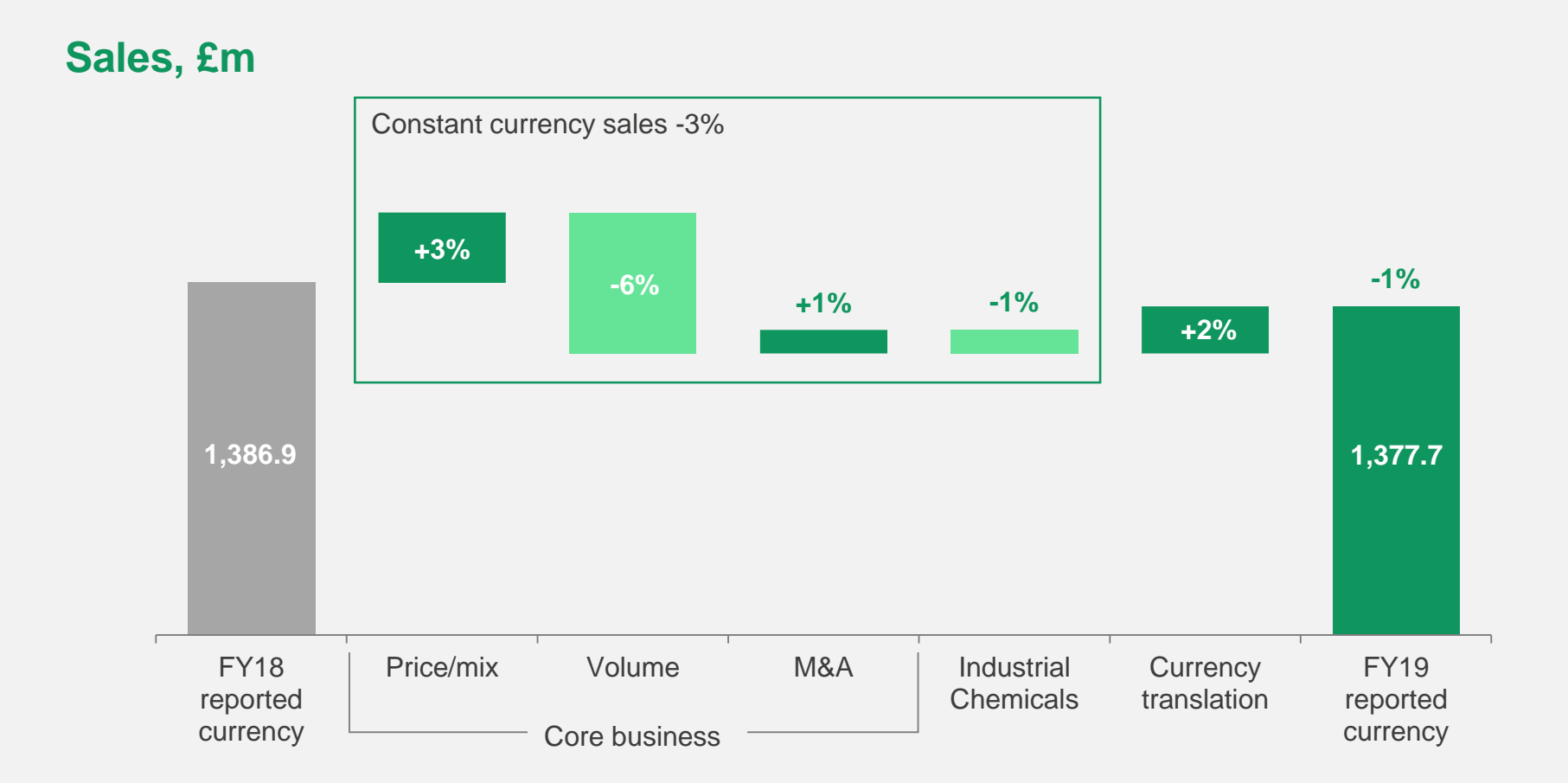
£m	2019	2018	% change	% change constant currency
Sales	1,377.7	1,386.9	(0.7)	(2.6)
Operating profit	339.7	342.5	(0.8)	(1.8)
Profit before tax	322.1	331.5	(2.8)	(3.7)
Return on sales	24.7%	24.7%	0.0%pts	
Basic EPS	185.0	190.2	(2.7)	
Ordinary dividend declared	90.0p	87.0p	+3.4%	
Free cash flow	201.7	154.9	+30.2%	



# 2019: IFRS reported results

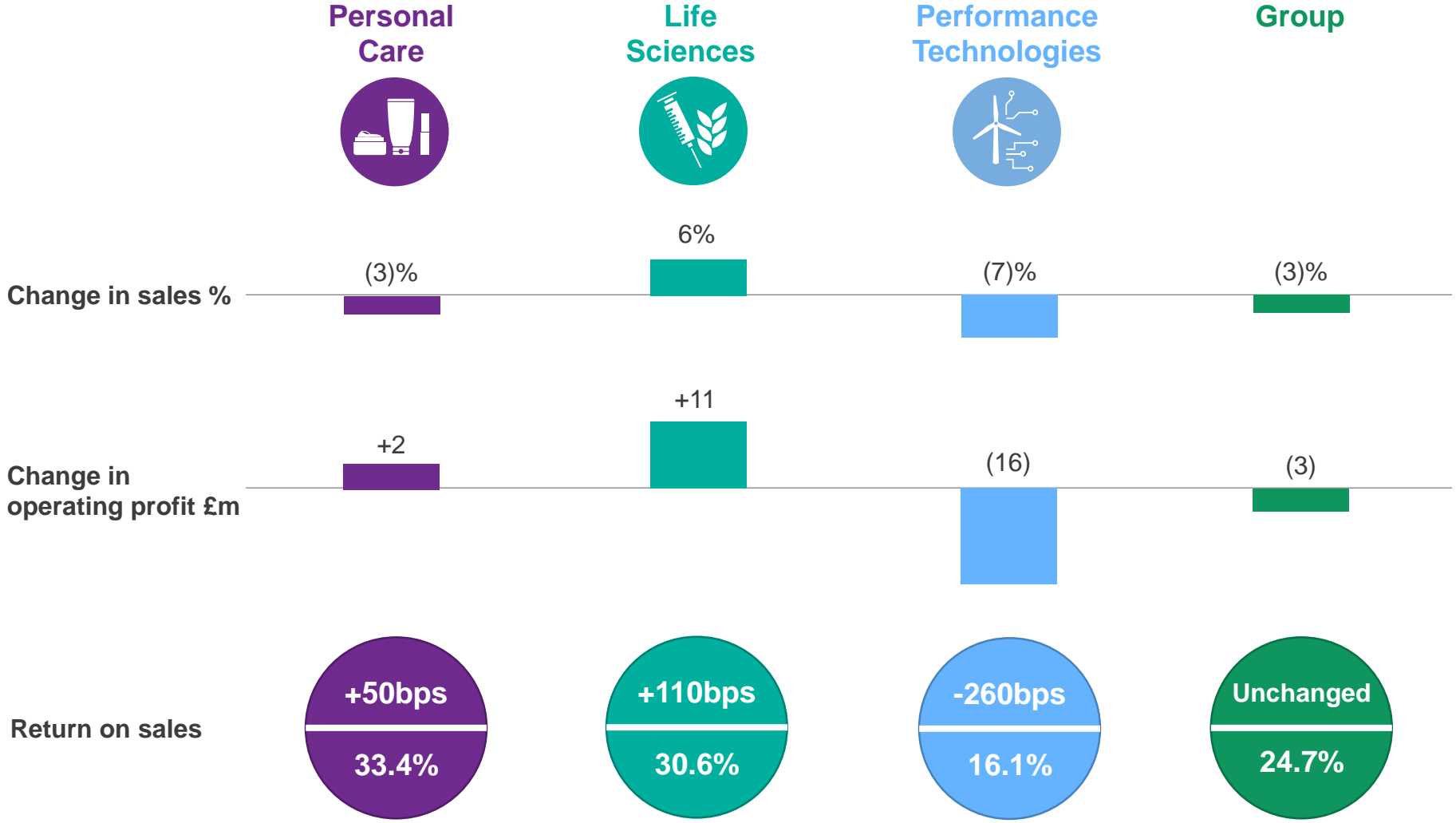
£m	2019	2018
Adjusted PBT	322.1	331.5
Exceptional items	(10.7)	(4.9)
Acquisition costs	(0.3)	(2.7)
Amortisation of intangible assets	(8.8)	(6.1)
<b>Reported PBT</b>	<b>302.3</b>	<b>317.8</b>
Basic EPS	172.8p	181.4p

# Sales slightly lower but strong price/mix benefit



Constant currency unless stated

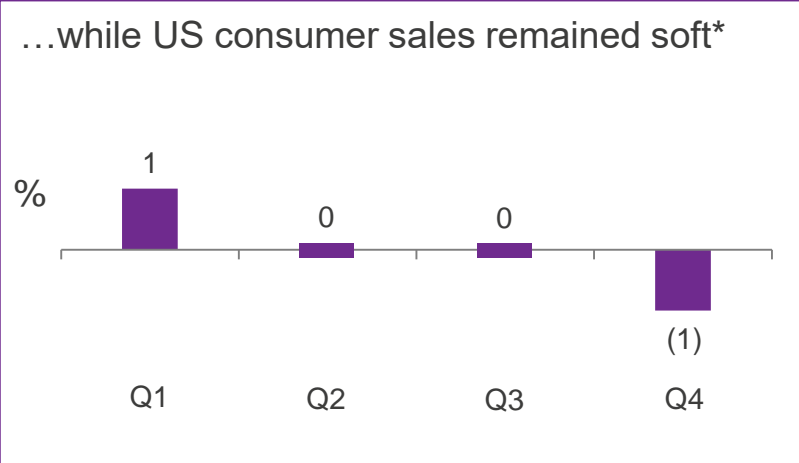
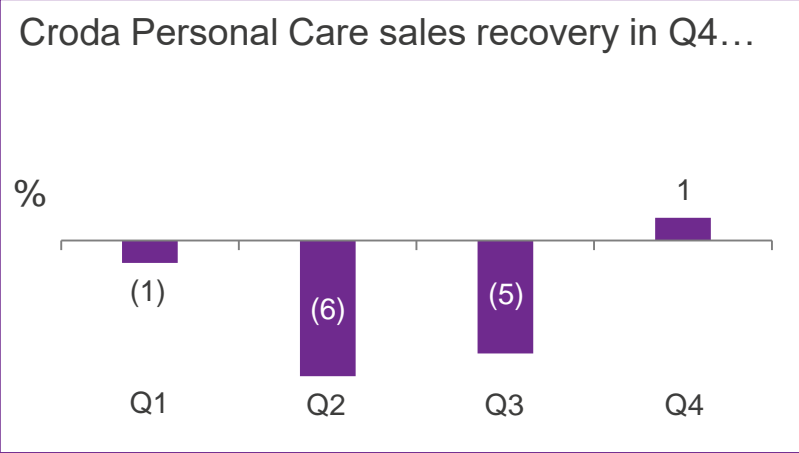
# 2019: Sector sales and profit



Sales in constant currency

# 2019 performance

## Personal Care



### Personal Care

- Weak Q1-3: trade headwinds
- Soft consumer demand in US – destocking
- North Asia weak – Daigou & China legislation
- Q4 global sales recovery

### Beauty Actives

- + Modest sales growth
- + R&D and Biotech expansion

### Beauty Effects

- + Good sales growth – solar protection
- + Broadening platform / Indie growth

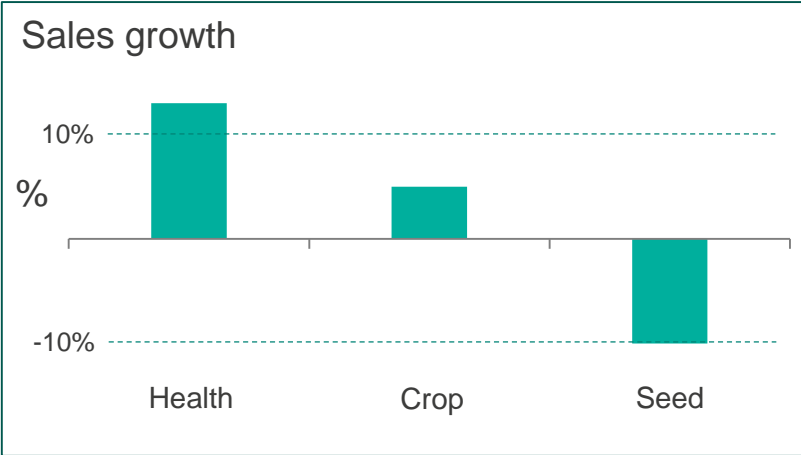
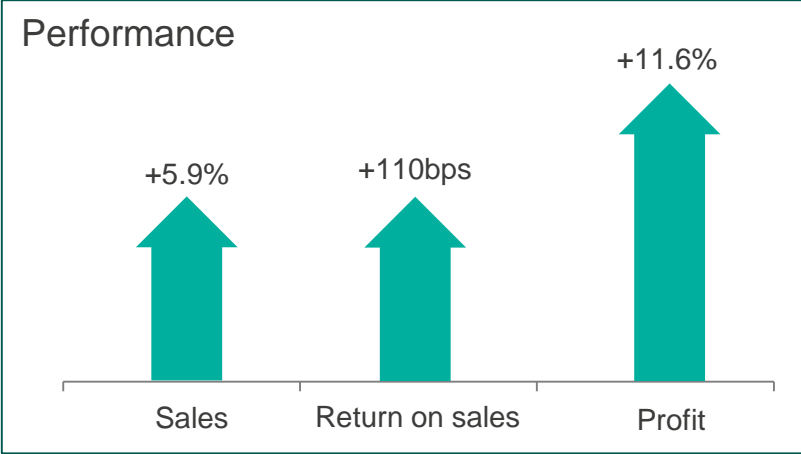
### Beauty Formulation

- Weak sales: MNCs / regional
- + ECO Biosurfactants launched

Croda sales in constant currency. \*Source: Consumer Personal Care sales from IRI (sourced from Exane)



# 2019 performance Life Sciences



#### Life Sciences

- Record year, softer H2
- Richer sales mix

#### Health Care

- ⊕ Strong growth in speciality excipients
- ⊕ New capacity investment
- ⊕ Biosector integration

#### Crop Protection

- ⊕ Ahead of market growth
- ⊕ LatAm demand offset North America weakness
- ⊖ Sales delay in Plant Impact

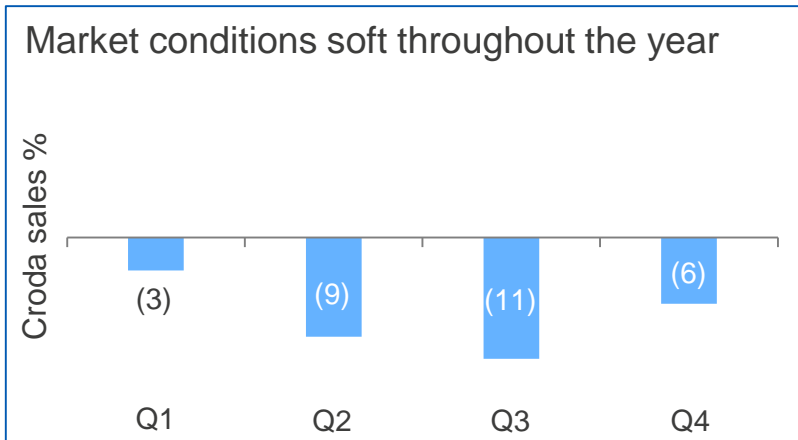
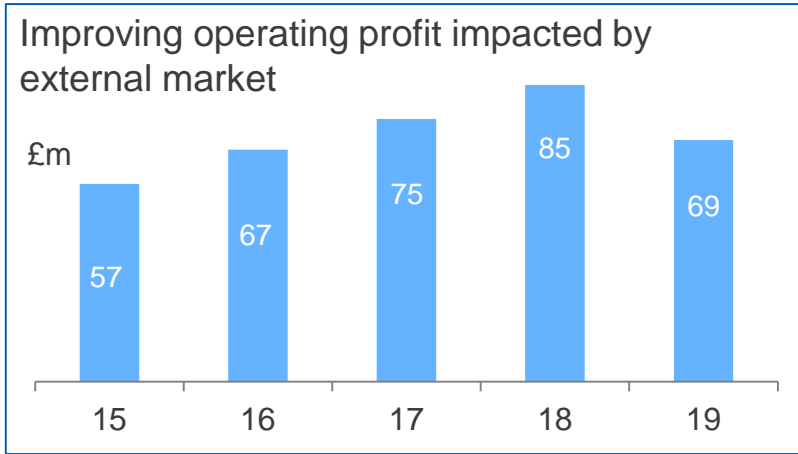
#### Seed Enhancement

- ⊕ PaddyRise launched in Asia
- ⊖ Disappointing demand in NA / China

Constant currency sales & operating profit

# 2019 performance

## Performance Technologies



### Performance Technologies

- Disappointing after several years of strong profit growth
- Economic uncertainty & weak demand

### Smart Materials

- ⊖ Poor global automotive demand: sales -7%
- ⊕ Exit sales rate improving
- ⊕ Investing in higher tech polymer capacity

### Energy Technologies

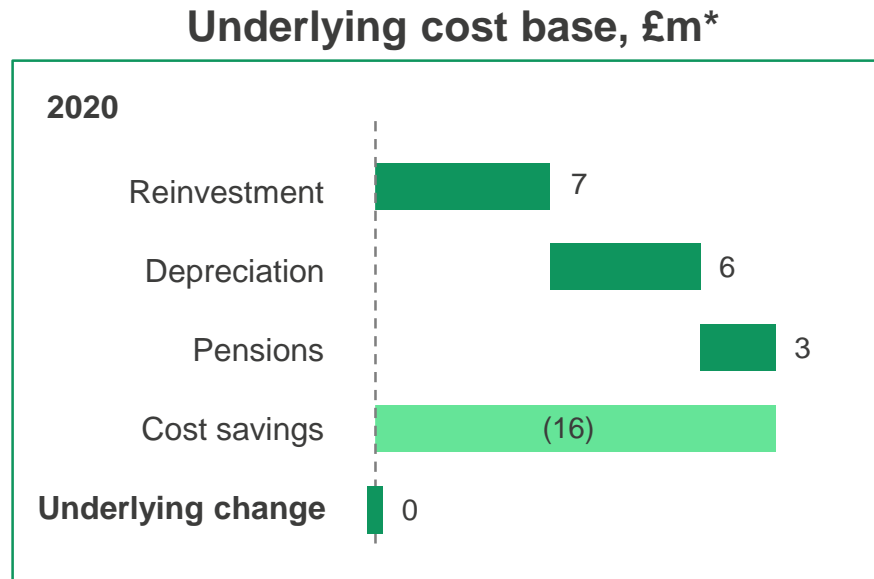
- ⊖ 5% lower sales – solid H1 followed by broader weakness
- ⊕ Rewitec renewable energy acquisition

### Other

- ⊖ Weak oil & gas
- ⊕ Growing sustainability platform in fabrics

Constant currency sales

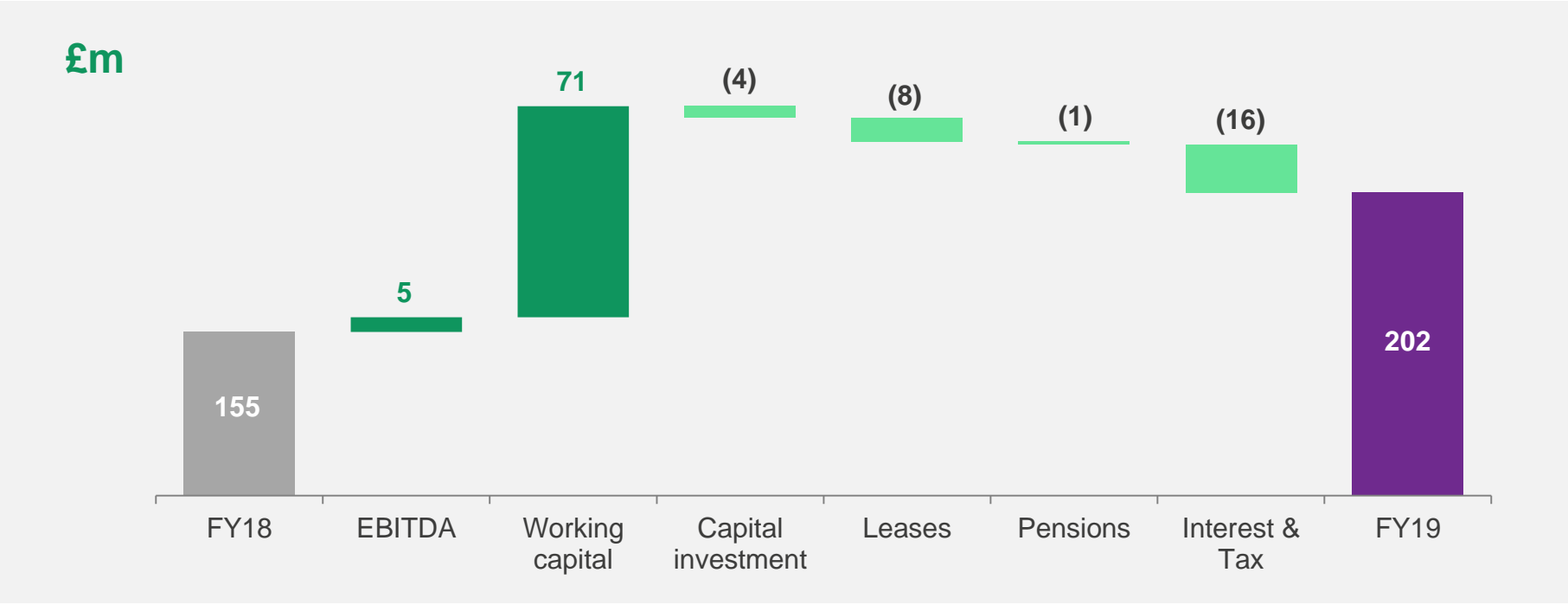
# Disciplined cost management supporting reinvestment



- Cost base remains lean
  - Efficiencies delivered in 2019 to offset sales weakness
- 2020 target savings will be reinvested to deliver growth
  - Operating reinvestment: China, digital, sales & innovation in Personal Care & Life Sciences
  - Capital reinvestment (additional depreciation): Capacity coming on stream in speciality excipients, advanced polymer technologies, China manufacturing, botanical ingredients
- ECO plant on stream

\*Underlying cost base covering production component of cost of sales, together with operating costs. Excludes impact of inflation, ECO plant, incentive costs and overheads in stock. Presented in constant currency

# 2019: Free cash flow improved 30%



- Total dividends paid £267m
- Net debt £548m (2018: £426m)
- Leverage ratio 1.4x (2018: 1.1x)
- Debt facilities fully refinanced – ‘green’ bank revolver

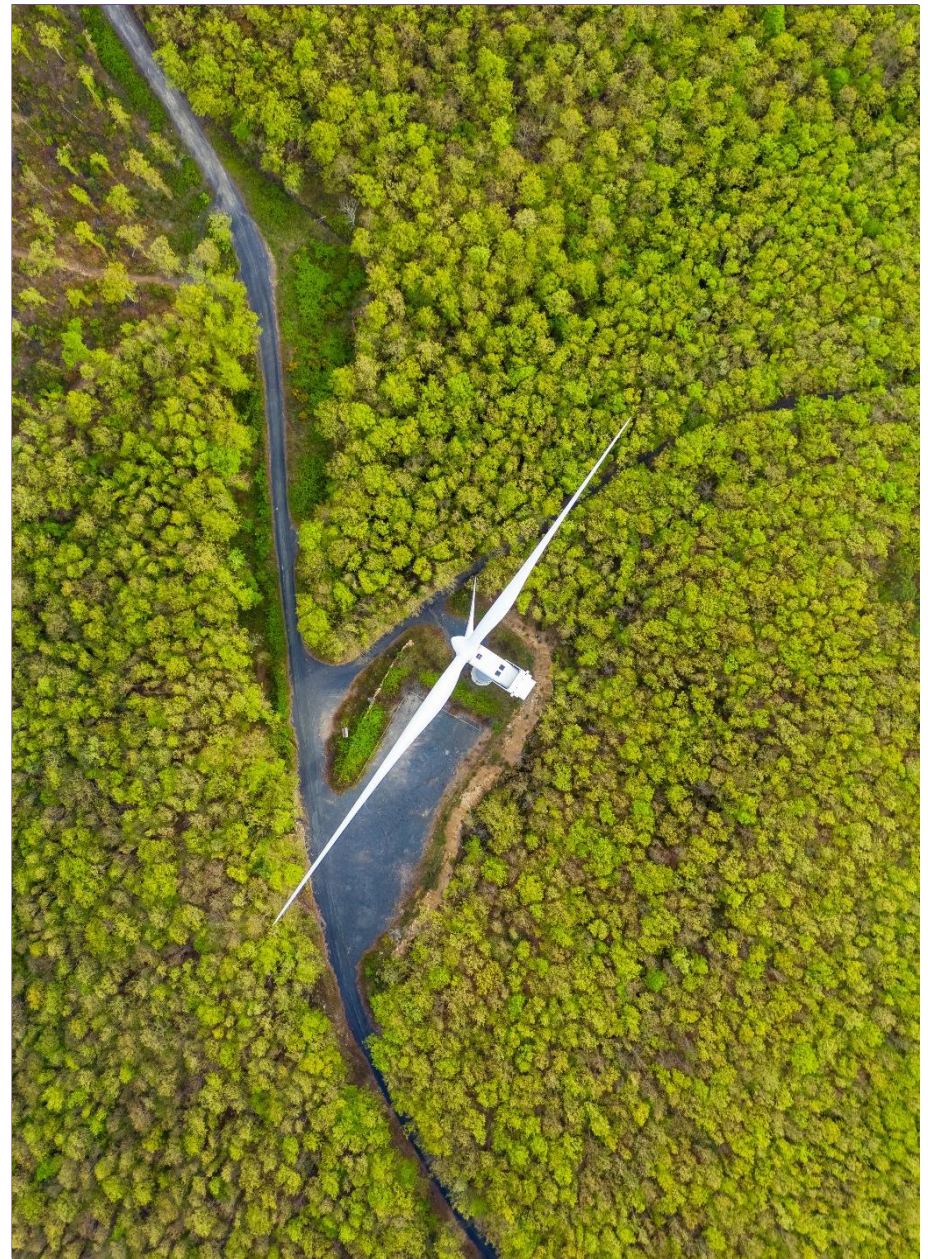
EBITDA includes impact of adopting IFRS16



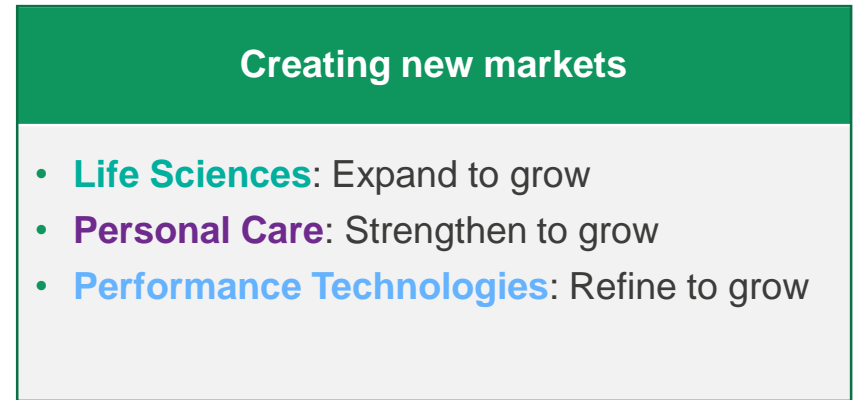
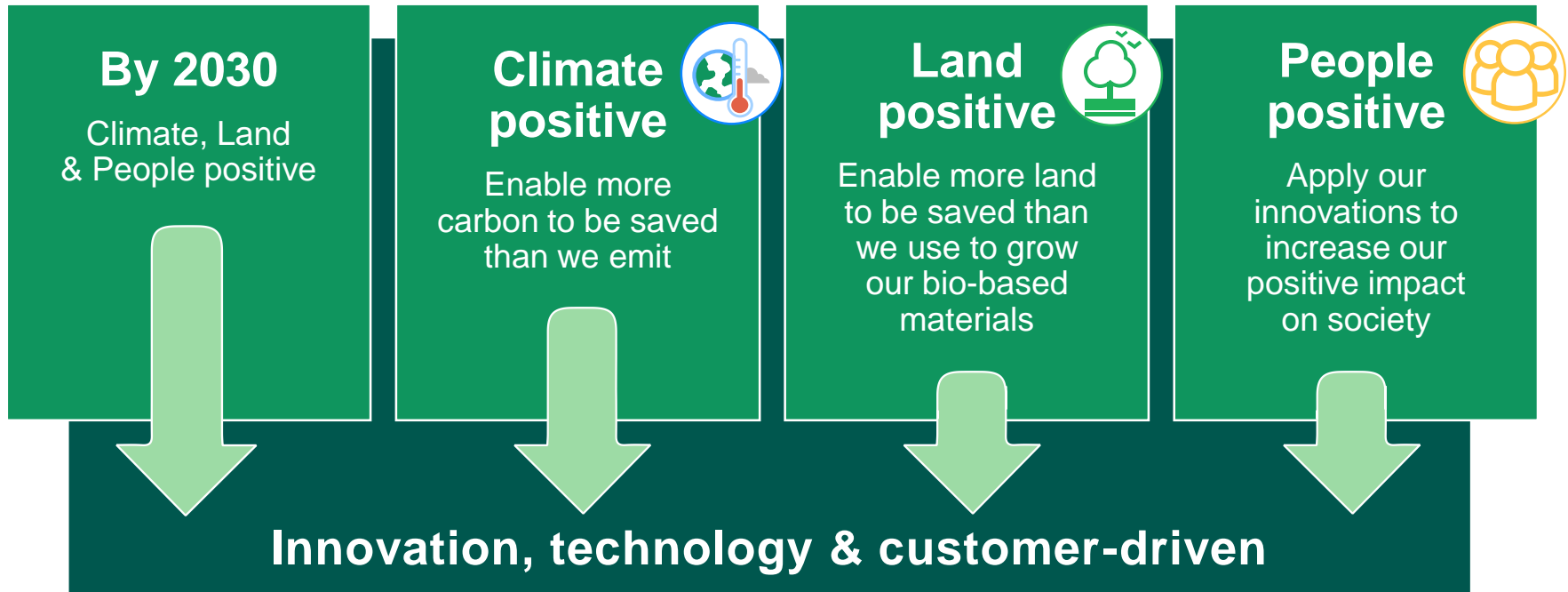
# 2020: Additional financial information

- Currency translation
  - 2019 average rates: \$1.278  
€1.141
  - Average impact: £0.9m per \$cent } Represents 65% of typical  
£0.6m per €cent } currency exposure
  - If 2020 FX rates were unchanged from today (\$1.30, €1.20), estimated negative impact on sales of 4% and PBT of 3%
- Voluntary exit from Crop products: -2%pt impact on Life Sciences sales
- Impact of Covid-19

# Strategy with Purpose: Creating New Markets



# Our ambitious sustainability commitment





# Life Sciences: Expand to grow

## Speciality excipients in drug development

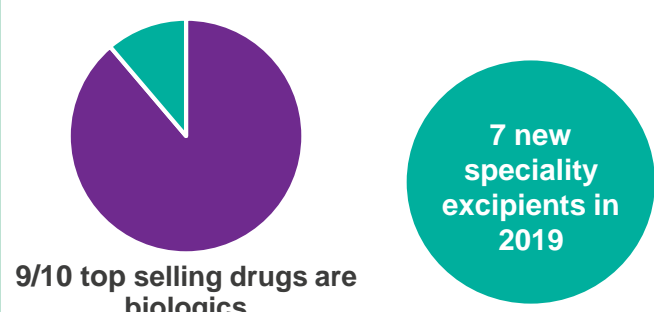


### Trend



Move to biologics

### Growth market



9/10 top selling drugs are biologics

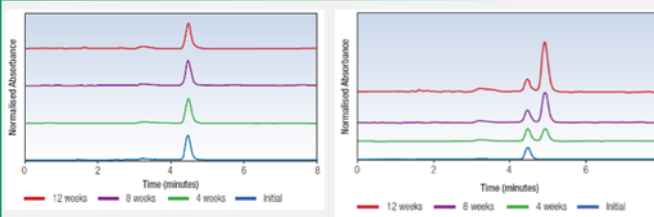
7 new speciality excipients in 2019

### Technology



Speciality excipients

### Differentiation

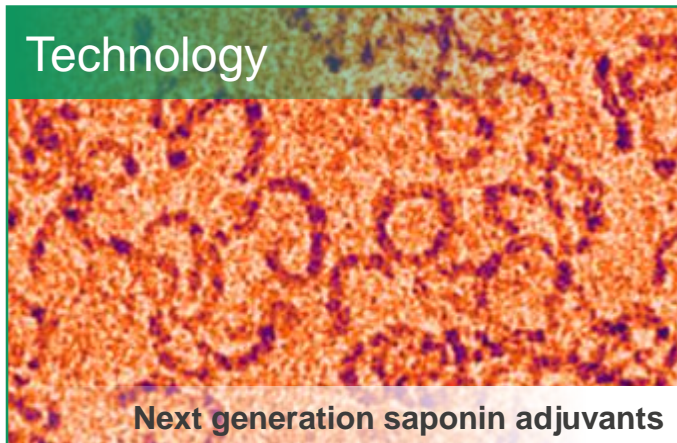
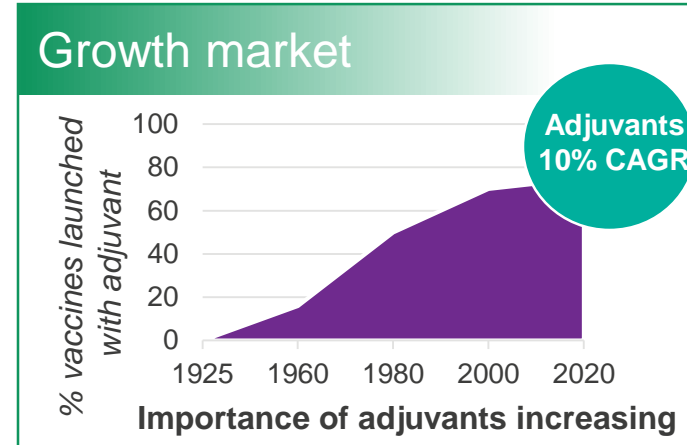


Speciality Excipient: potency, purity, stability

Standard Excipient: multiple API degradation



# Life Sciences: Expand to grow Vaccine development



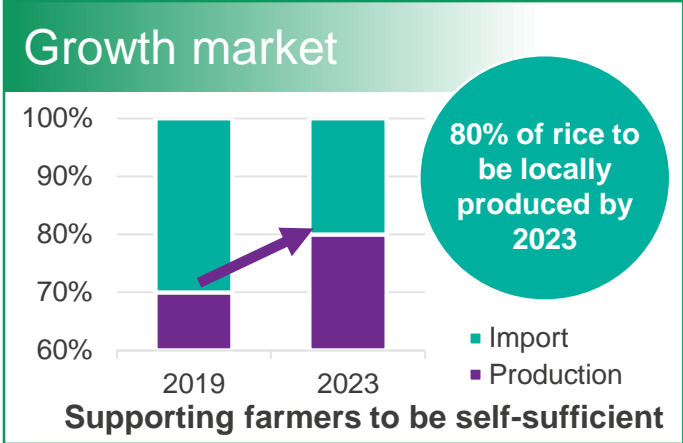
# Life Sciences: Expand to grow

## Crop yield improvement



### Trend

**Feed growing population with less land**



### Technology

**PaddyRise seed treatment**

### Differentiation

**+24%**

**Increased crop yield**

# Personal Care: Strengthen to grow Bio-based surfactants



## Trend

100% BIO-BASED  
PLANT BASED  
CERTIFIED SUSTAINABLE PALM OIL  
RSPO  
RSPO-1106097

**Clean & sustainable**



## Technology

**Bio-based surfactants**

## Differentiation

USDA CERTIFIED BIOBASED PRODUCT  
PRODUCT 100%

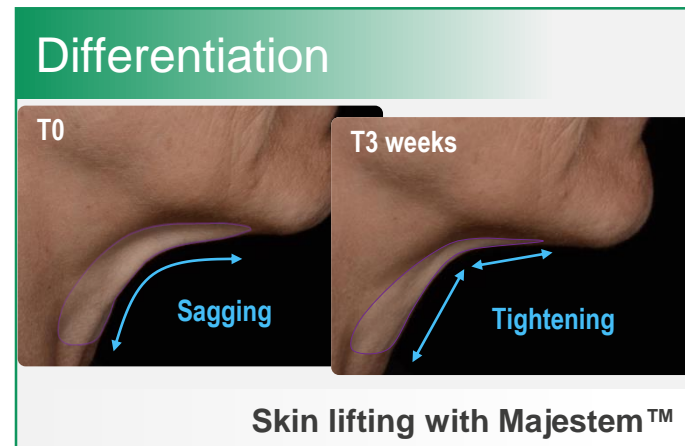
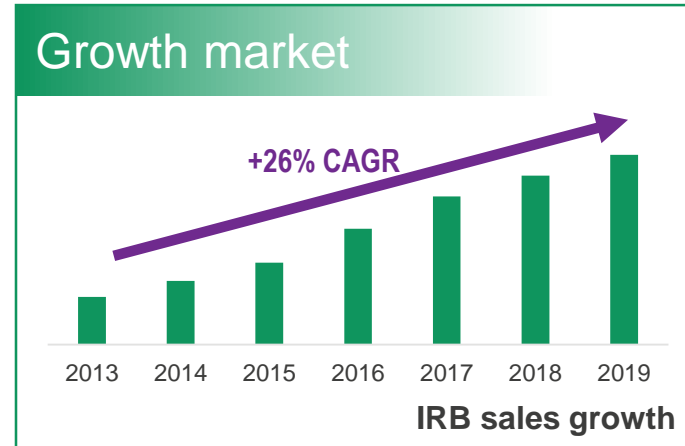
100% Renewable, 100% Bio-Based Options from Croda  
**ECO Range**

**First mover advantage**

Growth market source: Mintel GNPD 2020. The USDA Certified Biobased Product label is a certification mark of the U.S. Department of Agriculture. USDA BioPreferred is a registered trademark of the U.S Department of Agriculture.




# Personal Care: Strengthen to grow Bio-actives in premium skin care



# Performance Technologies: Refine to grow Sustainable fashion



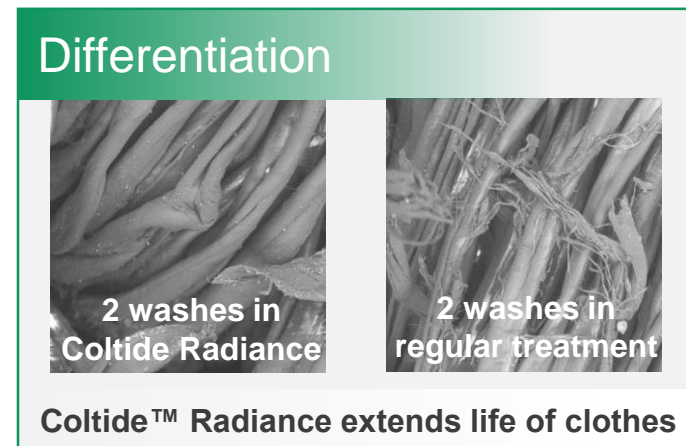
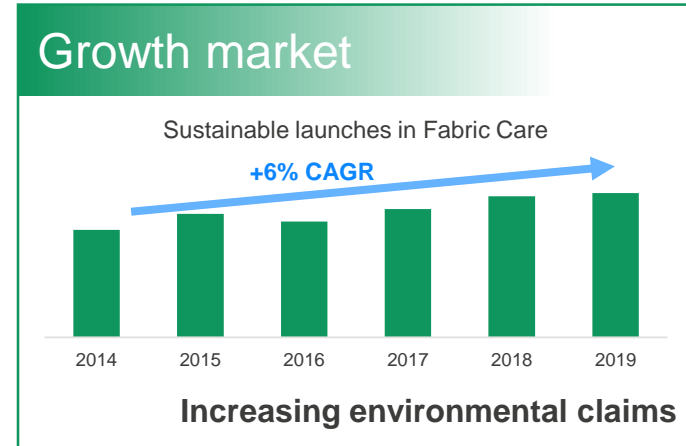
## Trend



**Extending the active life**  
of 50% of UK clothing by  
9 months would save:

<b>8%</b>	<b>10%</b>	<b>4%</b>
<b>Carbon</b>	<b>Water</b>	<b>Waste</b>

**Move away from throwaway fashion**



Trend: Data from WRAP 2017 report "Valuing Our Clothes: the cost of UK fashion". Growth markets: Number of launches claiming environmentally friendly product/packaging, recycling or carbon neutral for global Fabric Care (source: Mintel GNPD Feb 2020). Differentiation: Pictures of denim at 1000x magnification

# Outlook

## Strategy in place

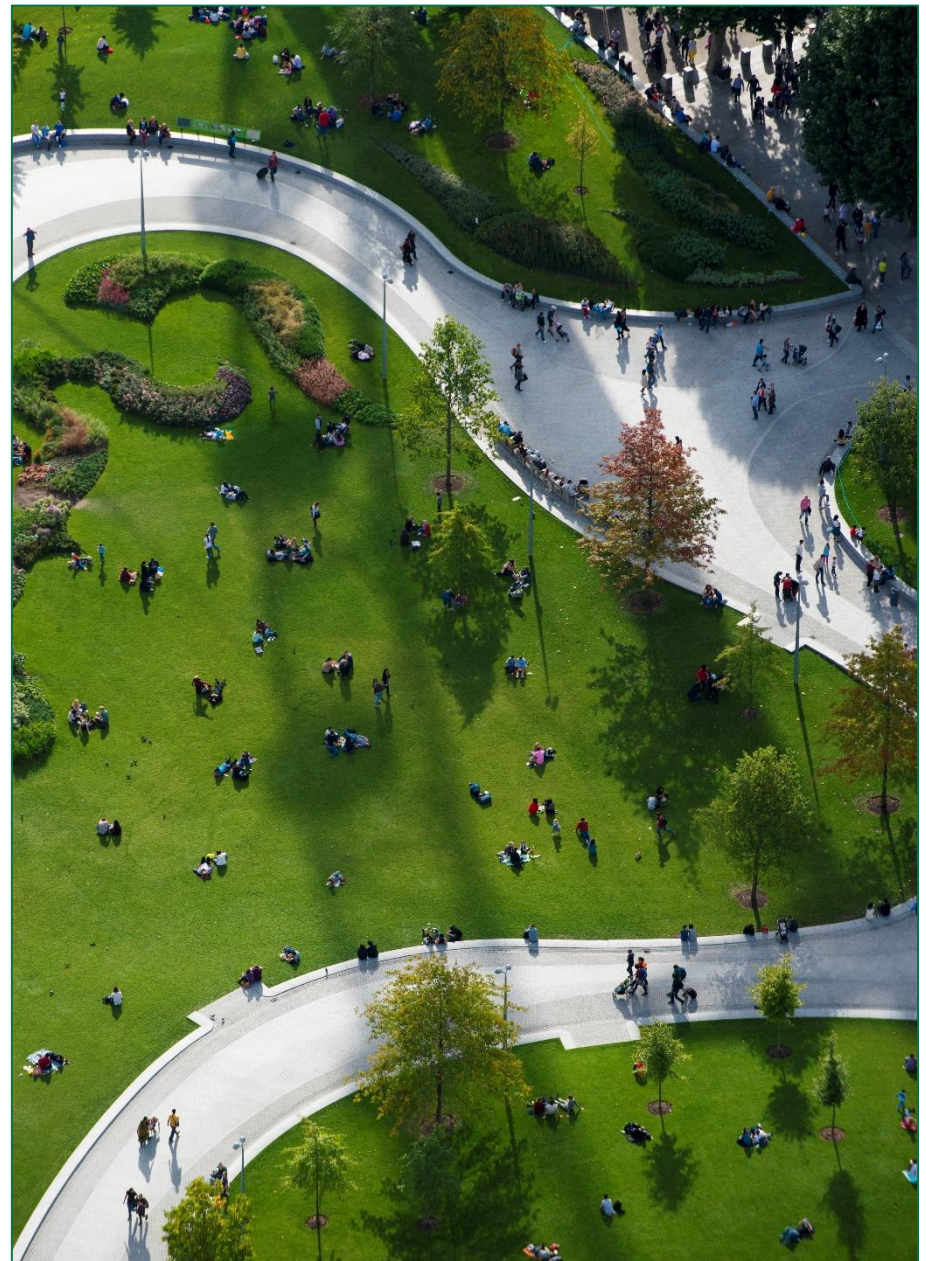
- **Strong business model**
- **Sustainable Purpose**
- **Expand to grow Life Sciences**
- **Strengthen to grow Personal Care**
- **Refine to grow Performance Technologies**

## Outlook

- **Further progress in consumer markets**
- **Industrial markets weak but stable**
- **Growth second half weighted**
- **Healthy innovation pipeline**
- **Progress from recent investments**



# Additional material



# Investing to minimise our negative impact...



## Social solar

7 AFFORDABLE AND CLEAN ENERGY

Roof space donated for community solar

## Moving away from less sustainable chemistries

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Discontinued global sales of APEs

## Reducing water use at our sites

6 CLEAN WATER AND SANITATION

90% groundwater reduction in Japan

## Decarbonising our processes

13 CLIMATE ACTION

Infrastructure investment for green electricity use

## Eliminating deforestation

15 LIFE ON LAND

Founder member of Action for Sustainable Derivatives coalition

## Decoupling environmental impact from financial performance

6 CLEAN WATER AND SANITATION	Total water withdrawal down 14%	13 CLIMATE ACTION	VOC emissions down 14%
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Waste to landfill down 27%	8 DECENT WORK AND ECONOMIC GROWTH	TRIR target of 0.6 met a year early ✓

Progress on safety & environmental targets since 2015



# ... and maximise our positive impact



## Smart science improving lives in Togo



Sun care filters and expertise given to National Association of Albinos

## Increasing our innovation in sustainability-led niches



New technical centre in Shanghai

## Increasing vaccine efficacy



Adjuvant capacity expansion in Denmark

## Improving working conditions through supplier partnerships



Banana flower extract from Mayotte

## Focusing on diversity and inclusion



Targeting balanced shortlists for recruitment globally

## Using smart science to assess our impacts against the UN SDGs



Sustainability Impact Assessment tool developed

# Sales growth

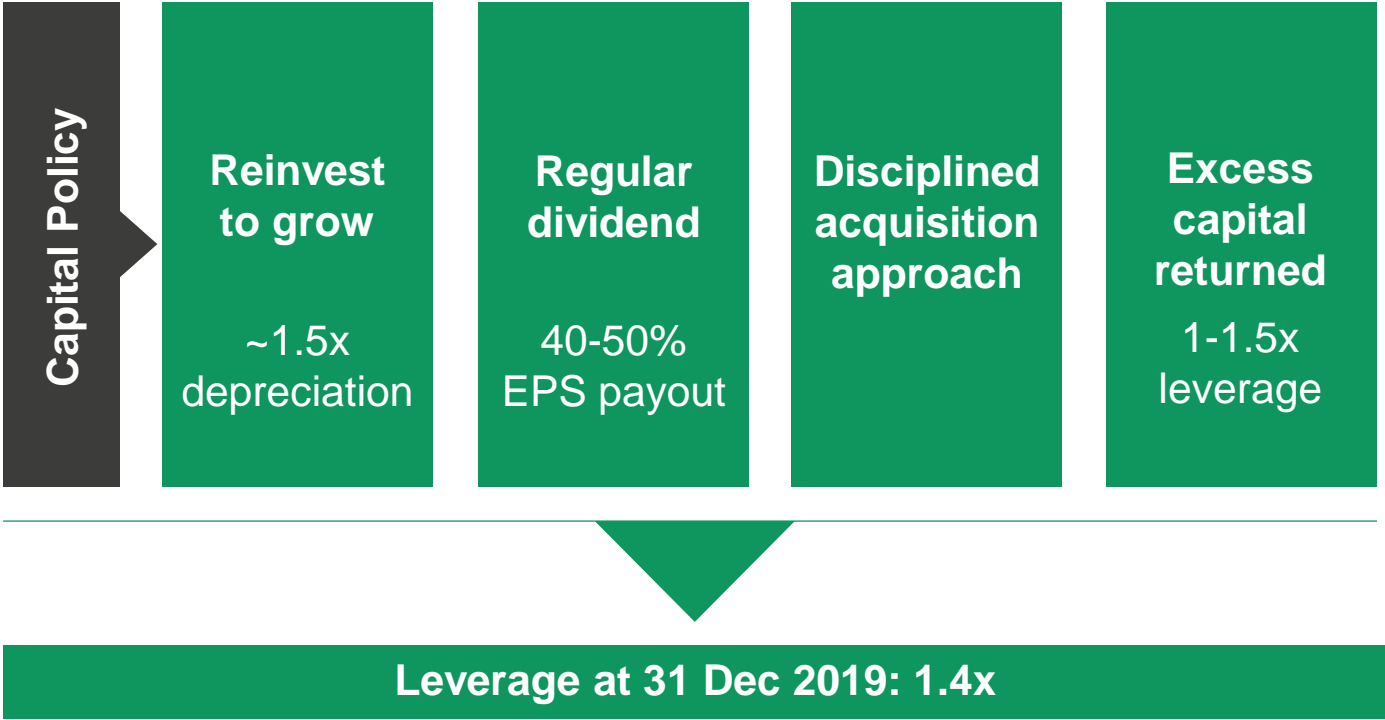
	H1 2019	H2 2019	FY 2019
Personal Care	(3.6)%	(2.3)%	(3.0)%
Life Sciences	13.0%	(0.9)%	5.9%
Performance Technologies	(6.0)%	(8.6)%	(7.3)%
Core Business	(0.4)%	(4.2)%	(2.3)%
Industrial Chemicals	(7.4)%	(5.7)%	(6.6)%
Group	(1.0)%	(4.3)%	(2.6)%

Constant currency

# Retirement benefit analysis (IAS19 basis)

£m	31 Dec 2018	31 Dec 2019
Market value of assets	1,272.7	1,390.8
Value of liabilities	(1,291.2)	(1,465.8)
Deficit pre tax	(18.5)	(75.0)
Deferred tax	6.1	14.9
Deficit post tax	(12.4)	(60.1)

# Capital allocation model



Leverage excludes retirement benefit deficit