

Croda International Plc

Agreement to sell majority of PTIC

22 December 2021

Disclaimer

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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 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 and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation 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, and are used on a consistent basis for external reporting.

Notes

- 2020 reported numbers have been restated for the earlier change in sector reporting definition adopted in the 2021 half year results.
- “LTM Jun-21” is performance in the 12 months to 30 June 2021.
- Croda and Cargill are currently working on the process to separate the two businesses which may impact estimates used in this presentation; a further update will be provided on completion if necessary.

Overview

- Signed agreement to sell majority of PTIC to Cargill
- Divested business represented 77% PTIC's 2020 sales
- Retained parts of PTIC will become Industrial Specialties
- €915m (c£778m) consideration; attractive multiple
- Follows comprehensive strategic review
- Cargill well placed to ensure future success of the business
- Completion expected Summer 2022
- Delivers Croda's transition to Life Sciences and Consumer Care



Divested business income statement

Croda income statement

£m	Full year 2020	LTM Jun-21
Performance Technologies (PT) sales	374	403
Industrial Chemicals (IC) sales	96	102
Total PTIC sales	470	505
PT adjusted operating profit	49	54
IC adjusted operating profit	(0)	2
Total PTIC adjusted operating profit	49	56
Depreciation & Amortisation*	25	27

Divested business income statement

£m	Full year 2020	LTM Jun-21
Total sales	361	382
<i>As % PTIC sales</i>	<i>77%</i>	<i>76%</i>
Total adjusted operating profit	39	49
Depreciation & Amortisation	12	13

2020 reported numbers have been restated for the earlier change in sector reporting definition adopted in the 2021 half year results. * Croda D&A excludes Home Care and is presented on an adjusted basis.

Divested business balance sheet

Croda balance sheet at 31 December 2020

£m

Total assets

Performance Technologies (PT)	505
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Industrial Chemicals (IC)	110
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Total PTIC	614
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Pro-rata adjustment for Home Care	(50)
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Total PTIC assets excluding Home Care	564
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Divested business balance sheet at 31 December 2020

£m

Divested business gross assets	320
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<i>As % of PTIC total assets</i>	<i>57%</i>
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Expected divestment impact on Industrial Specialties sales

£m	Full year 2020	LTM Jun- 21
PTIC actual sales	470	505
Impact of divested business	(361)	(382)
Impact of supply agreements	63	60
Net Impact	(298)	(322)
Industrial Specialties post-divestment proforma sales	172	182

2020 reported numbers have been restated for the earlier change in sector reporting definition adopted in the 2021 half year results.

Expected divestment impact on Croda income statement

£m	Full year 2020			LTM Jun- 21		
	Actual	Divestment impact	Proforma	Actual	Divestment impact	Proforma
Sales	1,390	(298)	1,092	1,651	(322)	1,329
Adjusted operating profit	320	(36)	283	400	(45)	355
Return on sales	23.0%	+2.9% pts	25.9%	24.2%	+2.5% pts	26.7%

2020 reported numbers have been restated for the earlier change in sector reporting definition adopted in the 2021 half year results.

Transition to pure-play Life Sciences and Consumer Care company

Use of proceeds

- Priority is organic capital expenditure taking advantage of significant growth opportunities:
 - Increase exposure to health care
 - Further develop sustainability leadership in consumer care and crop care
- Supplemented by potential acquisitions of disruptive technologies
- Long-standing capital allocation policy maintained

Transaction Summary

- Creates a stronger platform for divested business' future growth
- Retained parts of PTIC provide integral support, forming Industrial Specialties sector
- On completion, well over 90% of profits will be derived from Life Sciences and Consumer Care
- Allows focused investment into faster-growth markets
- Delivers consistent sales growth and even stronger margins

CRODA