
Croda International Plc 2017 Half Year Results

25 July 2017

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.

Unless otherwise stated, all profit, margin and EPS data refer to 'adjusted' results, which can be found on the face of the Group Income Statement in the first column. The definition of adjusted profit is as follows: IFRS result excluding exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon where applicable. The Board believes that the adjusted result gives a clearer presentation of the underlying performance of the Group.

Our Performance



Steve Foots – Group Chief Executive

Strategy continuing to deliver

- **All Core Business sectors growing sales and profit organically**
 - Group sales up 3.8%, driven by organic growth in Core Business of 4.4%
 - Adjusted profit before tax up 4.4%
 - Strong margin performance maintained: return on sales of 24.9%
 - Demonstrates broad-based growth across our 3 target sectors
- **Growing in premium market niches** and through investment in fast growth technologies
- **Relentless focus on innovation:** sales of New & Protected Products (NPP) increasing to almost £200m
- **Cash generation:** free cash flow of over £40m, leverage ratio of 1.0x
- **Increased dividend:** 6.9% increase in interim dividend

Sales and profit growth in constant currency

Consistent top and bottom line growth

Continued organic sales growth

Reported currency

+16.2%

+3.8%

Constant currency

Robust operating profit growth

Reported currency

+15.2%

+5.4%

Constant currency

Strong EPS growth

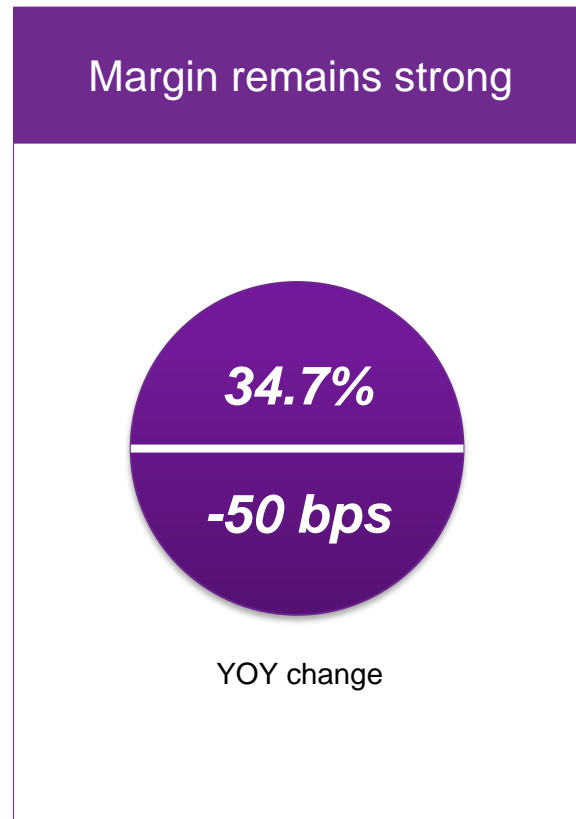
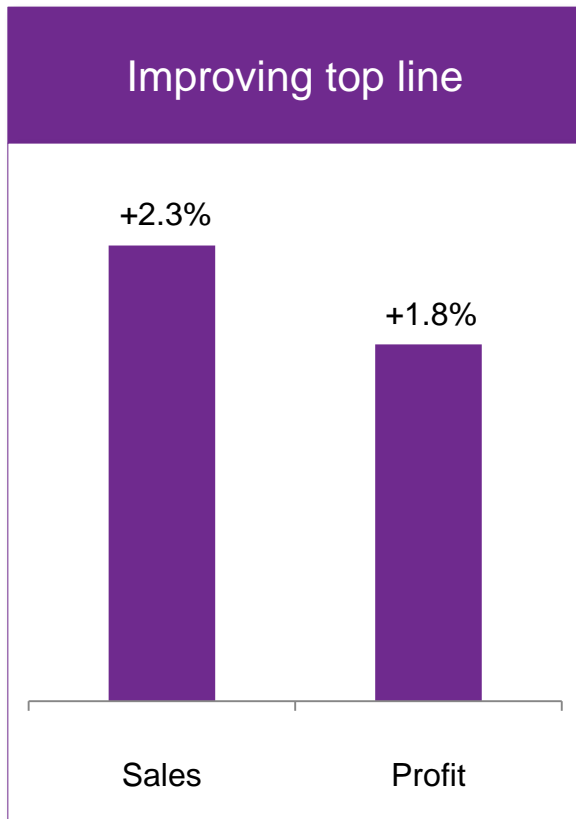
Reported currency

93.4p

+18.2%

Basic EPS growth

Continued sales growth in Personal Care

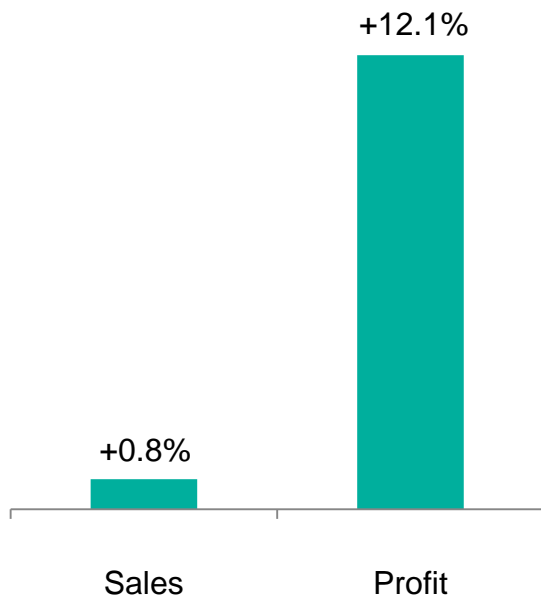


- ### Investing in fast growth technologies
- Record performance in Beauty Actives
 - NPP >40% of total sales
 - Return to growth in North America
 - Specialities stabilised
 - Investing in fast growth technologies
 - Acquisitions
 - 'Smart partnering'

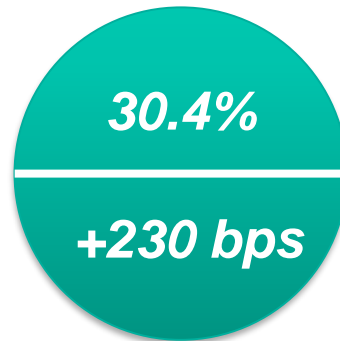
Sales and adjusted operating profit growth in constant currency. Return on sales margin in reported currency.

Stronger margin in Life Sciences

Strong profit growth



Innovation driving margin growth



YOY change

Investing in fast growth technologies

- Investing to meet growing demand for high purity excipients
- Excellent progress at Incotec
 - Cost synergy
 - Getting closer to customers
 - New R&D centre
- Richer product mix in Crop Care
- APIs stable

Sales and adjusted operating profit growth in constant currency. Return on sales margin in reported currency.

API: Active Pharmaceutical Ingredient

Excellent growth in Performance Technologies

Strong organic growth

+9.1%



+8.1%



Sales

Profit

Softer product mix

Margin

17.0%

-120 bps

YOY change

Connecting to faster growth

- Robust demand in most markets:
 - Strong lubricant sales
 - Surge in demand in oil & gas
- Investing in faster growth technologies and new capacity
- All geographic regions growing well

Sales and adjusted operating profit growth in constant currency. Return on sales margin in reported currency.

Financial Performance



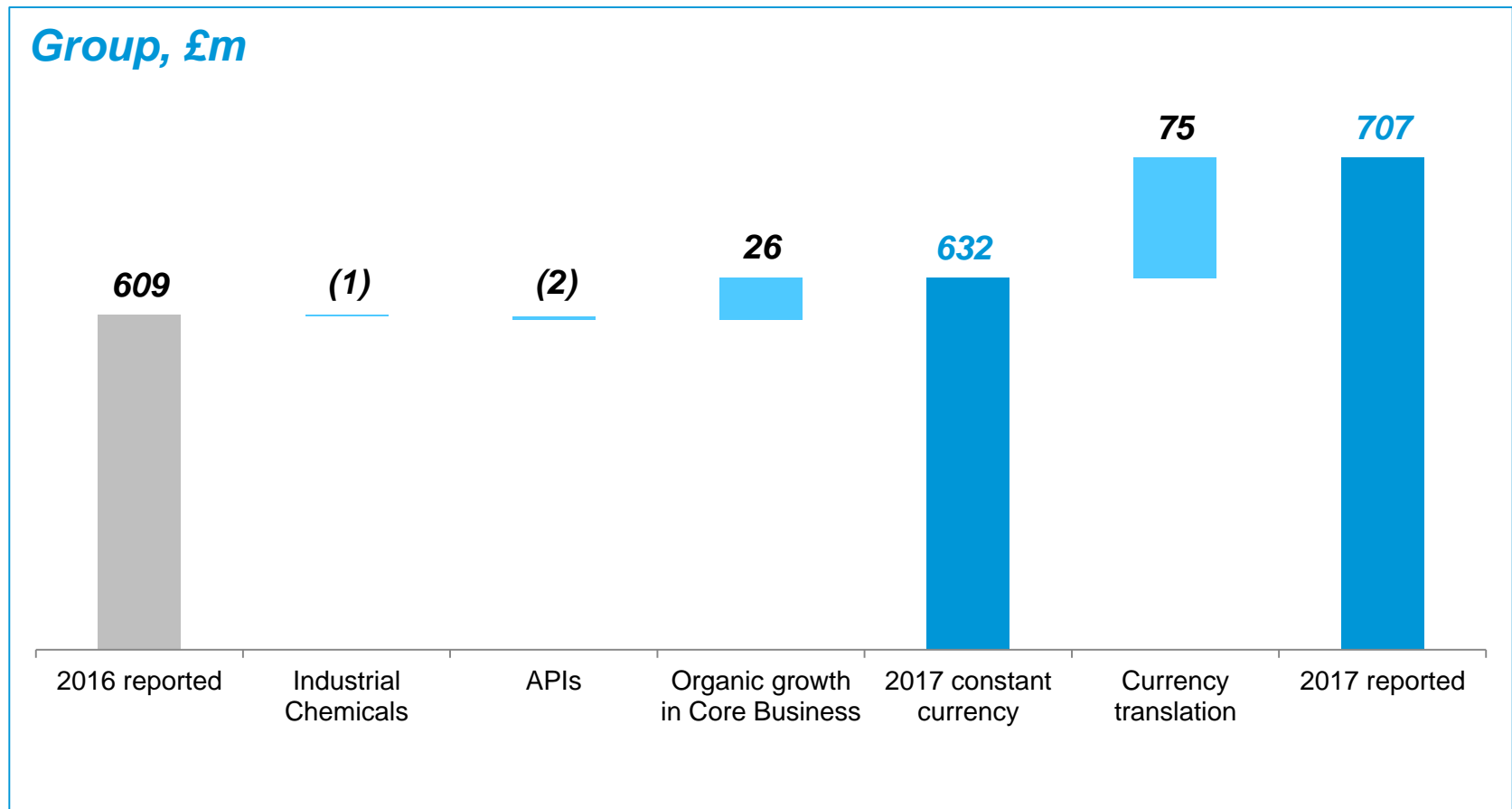
Jez Maiden – Group Finance Director

Sales growth and continued strong margin driving profit improvement

£m	H1 2017 reported	H1 2017 constant currency	H1 2016 reported	Reported currency change	Constant currency change
Sales	707.3	631.9	608.7	16.2%	3.8%
Operating profit	175.8	160.9	152.6	15.2%	5.4%
Net interest	(6.1)	(5.9)	(4.1)	(48.8)%	(43.9)%
Profit before tax	169.7	155.0	148.5	14.3%	4.4%
IFRS profit before tax	168.0		145.1	15.8%	
Tax rate (adjusted profit)	27.7%		28.2%		
Basic EPS	93.4p		79.0p	18.2%	
Interim dividend declared	35.0p		32.75p	6.9%	

Positive variance indicates favourable impact.

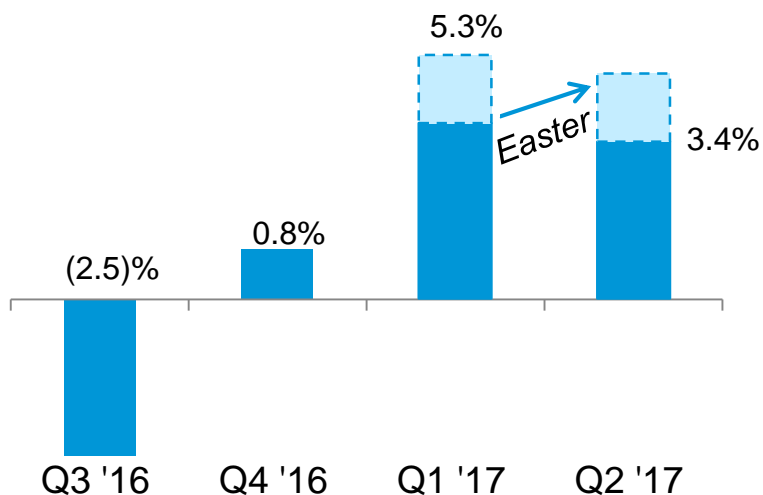
Continued organic growth – constant currency sales up 4.4% in Core Business



Core Business excludes Industrial Chemicals

Organic sales growth across Core Business

Continued organic top line growth



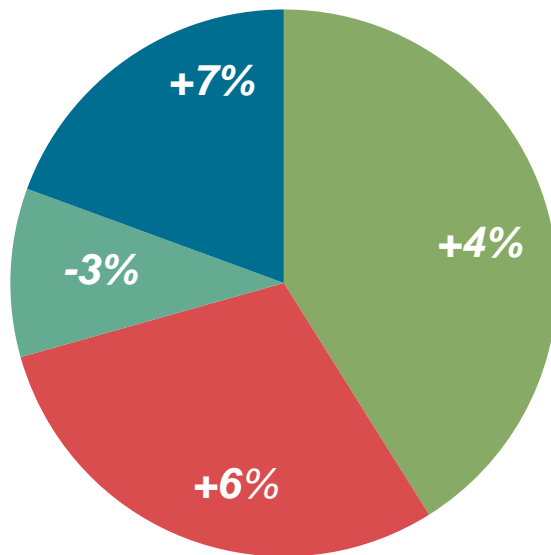
Three strong legs of growth

- Broad based return to organic sales growth
- Driven by innovation and faster growth niches
- Success in premium markets
 - Skin actives
 - High purity excipients
 - Incotec
- Sales stabilised in Speciality ingredients in Personal Care
- Estimated Easter impact of 1.5% from Q2 to Q1

Constant currency

Growth in Asia & Europe supported by recovery in North America

Regional sales in Core Business



■ EMEA ■ North America ■ Latam ■ Asia

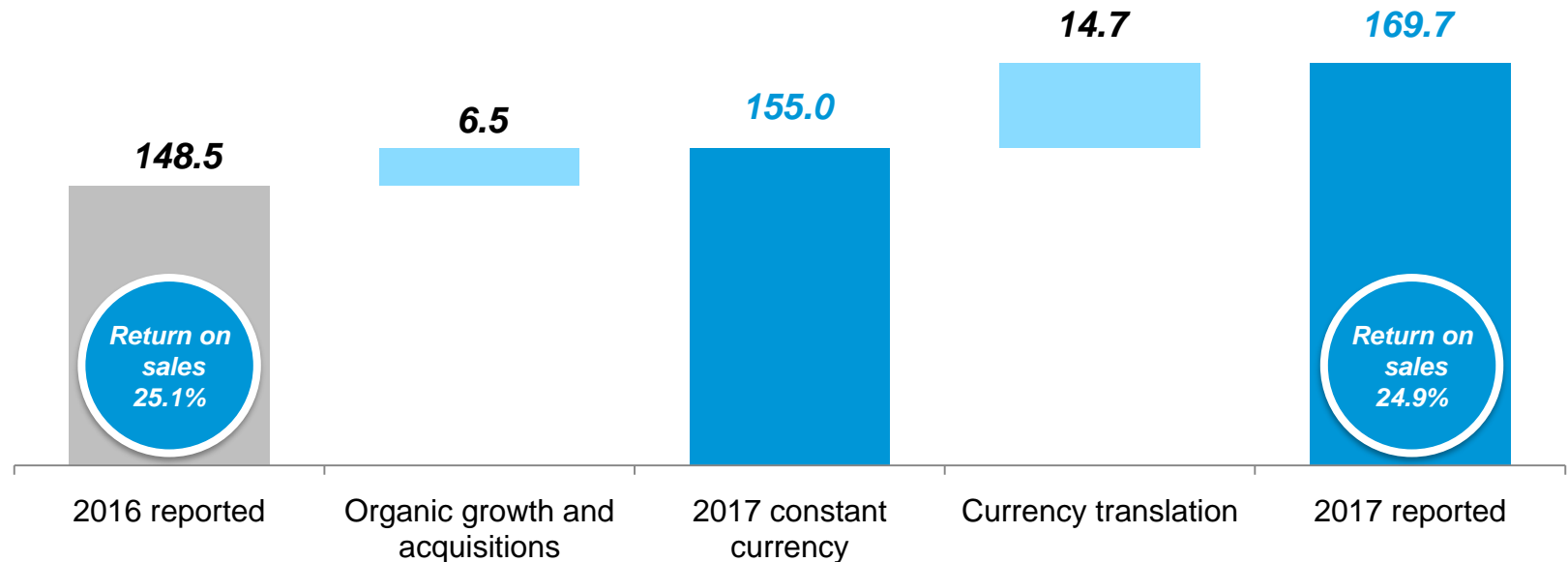
- Continued robust performance in Asia
 - Local & regional customer driven
 - Distributor exit completed
- Europe robust – improved market confidence
- North America recovery underway
 - Actions starting to deliver
 - Good momentum across all Core Business sectors, especially Personal Care
 - Resurgence in oil & gas
- Latin America remained weak

Core Business sales growth in constant currency

EMEA: Europe, Middle East and Africa

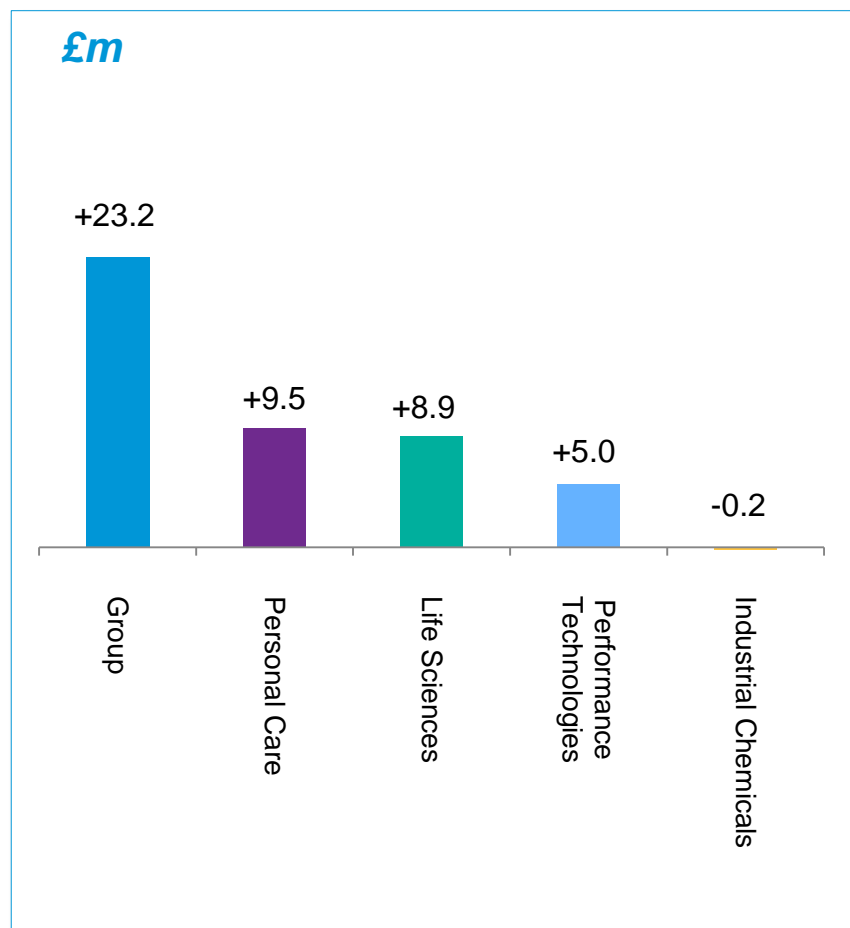
Focus on premium & faster growth niches driving profit

Profit before tax, £m



- Currency translation:
 - H1/17: \$1.26 (H1/16 \$1.43), €1.16 (€1.28)
 - H2/16: \$1.27, €1.16
- Current rates in line with H2/16

Continued bottom line growth in Core Business



- Strong margin maintained in Personal Care
 - Investing in fast growth niches - Beauty Actives
 - Eliminating decline in Specialities
- Improving profit in Life Sciences
 - Growth in Health Care
 - Cost synergy in Incotec
- Good profit growth in Performance Technologies
 - Increased focus on product mix & technology

Operating profit growth in reported currency

Cash generation continues, funding investment in fast growing niches

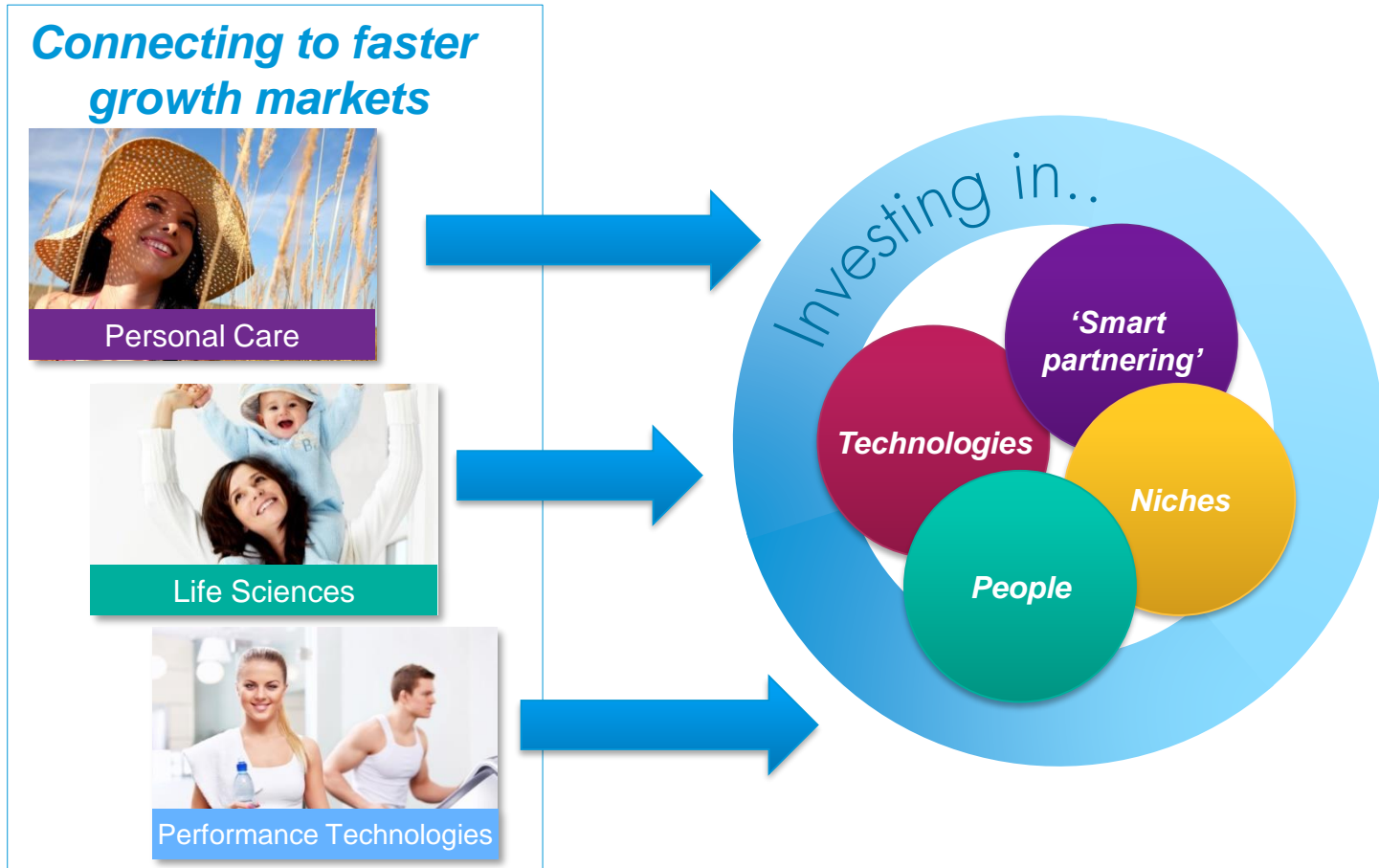
£m	H1 2017	H1 2016
EBITDA	200.4	174.1
Working capital	(34.5)	(33.6)
Net capital investment	(70.8)	(56.8)
Non-cash pension expense	1.6	(1.3)
Interest and tax	(56.2)	(32.5)
Free cash flow	40.5	49.9
Dividends	(54.1)	(187.3)
M&A	-	(1.4)
Other (including currency translation)	10.1	(21.3)
Movement in net debt	(3.5)	(160.1)
Net debt	(367.6)	(419.4)
Leverage	1.0x	1.3x

Strategy continuing to deliver



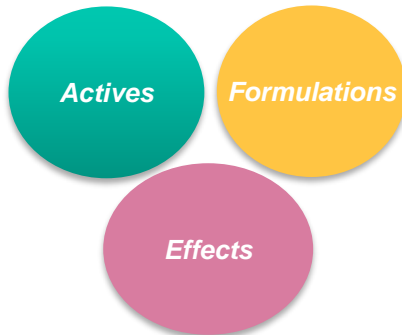
Steve Foots – Group Chief Executive

Three strong legs of growth



Personal Care: Investing in faster growth niches

Investing in people



- Different market dynamics & needs
- 3 teams established
- Target 50% sales from 2 premium niches

Investing in niches



- Next generation Matrixyl® Morphomics™
- Peptide research & claim substantiation
- Best in skin rejuvenation

Investing in 'smart partnering'



- Increased open innovation : ~300 Universities and SMEs
- Colour cosmetics
- Digital

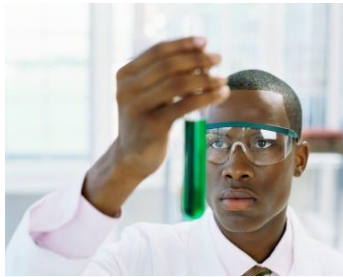
Investing in technologies



- Novel surfactants
- Scaling encapsulation
- Biosurfactants on stream end of year

Life Sciences: investing in faster growth technologies

Investing in people



- Expansion of R&D facilities
- Investing in the core
- Market expansion (Asia & North America)

Investing in niches



Auricular applications



Hormone treatment



Gastrointestinal diseases

Investing in 'smart partnering'



Customer collaboration

- New data packages
- Novel delivery solutions
- Greater customer collaboration

Investing in technologies

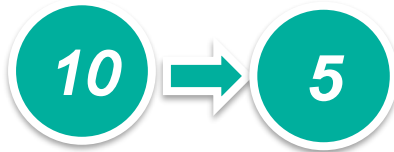


Pharmaceutical delivery

- Increasing capacity of high purity excipients
- Delivery of complex actives
- Expanding R&D team

Incotec: investing for future growth

Investing in core



Geographies

- Focus on key geographies
- Streamline cost base

Investing in niches



- Innovation in field crop and veg
- Customer activity increasing
- Improving R&D pipeline

Investing in technology



- Seed film coatings
- Leverages Incotec & Croda technologies
- NPP

Investing in R&D



- New R&D facilities
- R&D on four continents
- More patented technologies

Performance Technologies: connecting to faster growth

Investing in people



- Connecting to faster growth
 - Smart Materials
 - Energy Technologies
- From Industrial to Hi-tech
- Closer to brand owners & consumers

Investing in niches



MyCroFence™

- Disruptive non-leaching anti-microbial technology
- New biocides regulation
- Strong customer interest

Investing in 'smart partnering'



- Automotive OEM & Tier 1 collaboration
- Light-weighting
- Enhanced performance and sustainability

Investing in technologies



Faster growth markets

- Anti-scratch
- Wind turbines
- Energy storage

Key takeaways

2017 performance so far

- Broad based sales growth
 - 3 strong legs
- Profit growing, margin maintained
- Relentless innovation continues
- Investing to support future growth:
 - Organic capex
 - Technology acquisitions

Outlook

- Confident of delivering continued progress in 2017
- No currency translation impact in H2 at current rates
- Fast growth technologies, niches & geographies will drive future performance

Questions



Innovation you can build on™

CRODA

Underlying sales growth

%	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Personal Care	(2.0)%	(0.8)%	4.6%	0.2%
Life Sciences	(8.2)%	(4.9)%	(1.9)%	4.0%
Performance Technologies	0.3%	6.5%	11.7%	6.5%
Core Business	(2.5)%	0.8%	5.3%	3.4%
Industrial Chemicals	(6.2)%	(1.4)%	1.9%	(3.8)%
Group	(2.9)%	0.6%	4.9%	2.7%

Underlying sales = sales in constant currency adjusted to exclude the impact of acquisitions

Profit before tax history

£m	H1 2017 Reported	H2 2016 Reported	H1 2016 Reported
Revenue	707.3	634.9	608.7
Operating profit	175.8	145.6	152.6
Net interest	(6.1)	(5.8)	(4.1)
Profit before tax	169.7	139.8	148.5
Return on sales	24.9%	22.9%	25.1%

Retirement benefit deficit (IAS 19 basis)

£m	30 June 2017	31 December 2016
Market value of assets	1,264.1	1,229.4
Value of liabilities	(1,368.8)	(1,375.9)
Deficit pre tax	(104.7)	(146.5)
Deferred tax	27.3	33.8
Deficit post tax	(77.4)	(112.7)

Good capital discipline



Leverage at 30 June 2017 - 1.0x

Leverage excludes retirement benefit deficit