



*chemistry matters*

# Q1 2021 Earnings

MAY 2021



# Forward Looking Statements

This presentation contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included or incorporated herein may constitute forward-looking statements. Such forward-looking statements include statements (covered by words like "expects," "estimates," "anticipates," "may," "could," "believes," "feels," "plan," "intend" or similar words or expressions, for example) which relate to earnings, growth potential, operating performance, events or developments that we expect or anticipate will or may occur in the future. Although forward-looking statements are believed by management to be reasonable when made, they are subject to certain risks, uncertainties and assumptions, including, the effects of the COVID-19 pandemic, such as its duration, its unknown long-term economic impact, measures taken by governmental authorities to address it and the manner in which the pandemic may precipitate or exacerbate other risks and/or uncertainties, and our actual performance or results may differ materially from these forward-looking statements. Additional information regarding risks, uncertainties and assumptions relating to Innospec and affecting our business operations and prospects are described in Innospec's Annual Report on Form 10-K for the year ended December 31, 2020 and other reports filed with the U.S. Securities and Exchange Commission. You are urged to review our discussion of risks and uncertainties that could cause actual results to differ from forward-looking statements under the heading "Risk Factors" in such reports. Innospec undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise

# Use of Non-GAAP Financial Measures

The information presented in this presentation includes financial measures that are not calculated or presented in accordance with Generally Accepted Accounting Principles in the United States (GAAP). These non-GAAP financial measures comprise EBITDA, income before income taxes excluding special items, net income excluding special items and related per share amounts together with net cash. EBITDA is net income per our consolidated financial statements adjusted for the exclusion of charges for interest expense, net, income taxes, depreciation, impairment and amortization. Income before income taxes, net income and diluted EPS, excluding special items, per our consolidated financial statements are adjusted for the exclusion of amortization of acquired intangible assets, foreign currency exchange gains, legacy costs of closed operations, acquisition related costs, and adjustment of income tax provisions. Net cash is cash and cash equivalents less total debt. The Company believes that such non-GAAP financial measures provide useful information to investors and may assist them in evaluating the Company's underlying performance and identifying operating trends. In addition, these non-GAAP measures address questions the Company routinely receives from analysts and investors and the Company has determined that it is appropriate to make this data available to all investors. While the Company believes that such measures are useful in evaluating the Company's performance, investors should not consider them to be a substitute for financial measures prepared in accordance with GAAP. In addition, these non-GAAP financial measures may differ from similarly-titled non-GAAP financial measures used by other companies and do not provide a comparable view of the Company's performance relative to other companies in similar industries. Management uses adjusted EPS (the most directly comparable GAAP financial measure for which is GAAP EPS) and adjusted net income and EBITDA (the most directly comparable GAAP financial measure for which is GAAP net income) to allocate resources and evaluate the performance of the Company's operations. Management believes the most directly comparable GAAP financial measure is GAAP net income and has provided a reconciliation of EBITDA and net income excluding special items, and related per share amounts, to GAAP net income in our earnings release.

# Earnings Conference Call Agenda

1

## Introduction

**David Jones - VP, General Counsel**

2

## Business Commentary

**Patrick S. Williams - President & CEO**

3

## Financial Performance

**Ian Cleminson - Executive Vice President & CFO**

4

## Questions & Answers

**Patrick S. Williams and Ian Cleminson**

# Summary of 1<sup>st</sup> Quarter Performance



GAAP EPS of \$0.94 and adjusted non-GAAP EPS of \$1.06 for the first quarter



Semi-annual dividend increased 10 percent to 57 cents per share



Performance Chemicals record operating income up 17 percent versus Q1 2020



Continued sequential improvement in Fuel Specialties and Oilfield Services



Disruptive Technologies Group to focus on long-term customer sustainability objectives



Operating cash generation of \$22.7 million



Balance sheet has \$116.6 million in net cash

## Quarter 1 2021 Performance Highlights

**\$22.7m**

Q1 Operating Cash Flow

**\$116.6m**

Net Cash

**\$1.06**

Adjusted EPS

**10%**

Semi-Annual  
Dividend Increase

**28%**

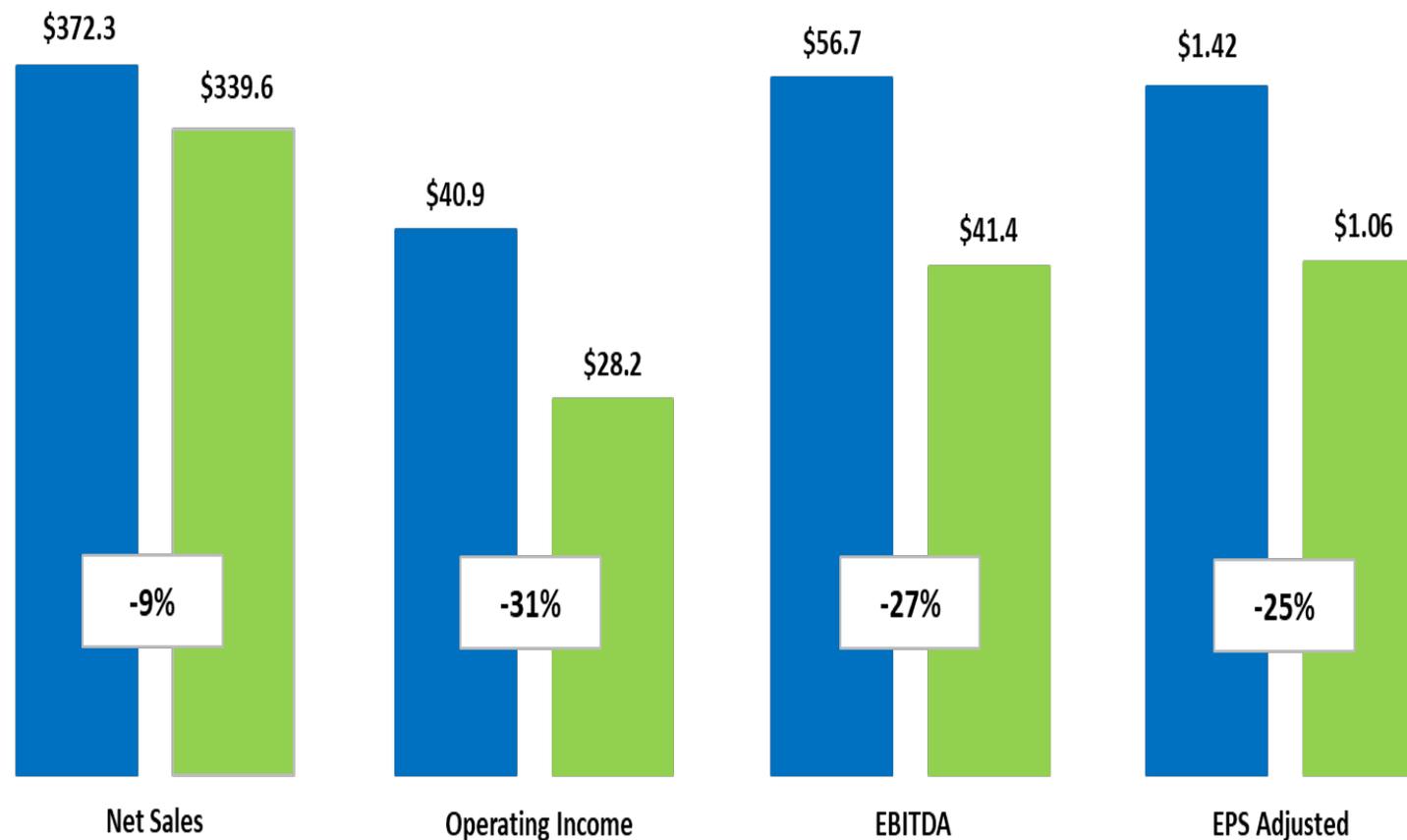
Oilfield Services  
Sequential Quarter  
Revenue Growth

**17%**

Performance Chemicals  
Operating Income  
Growth



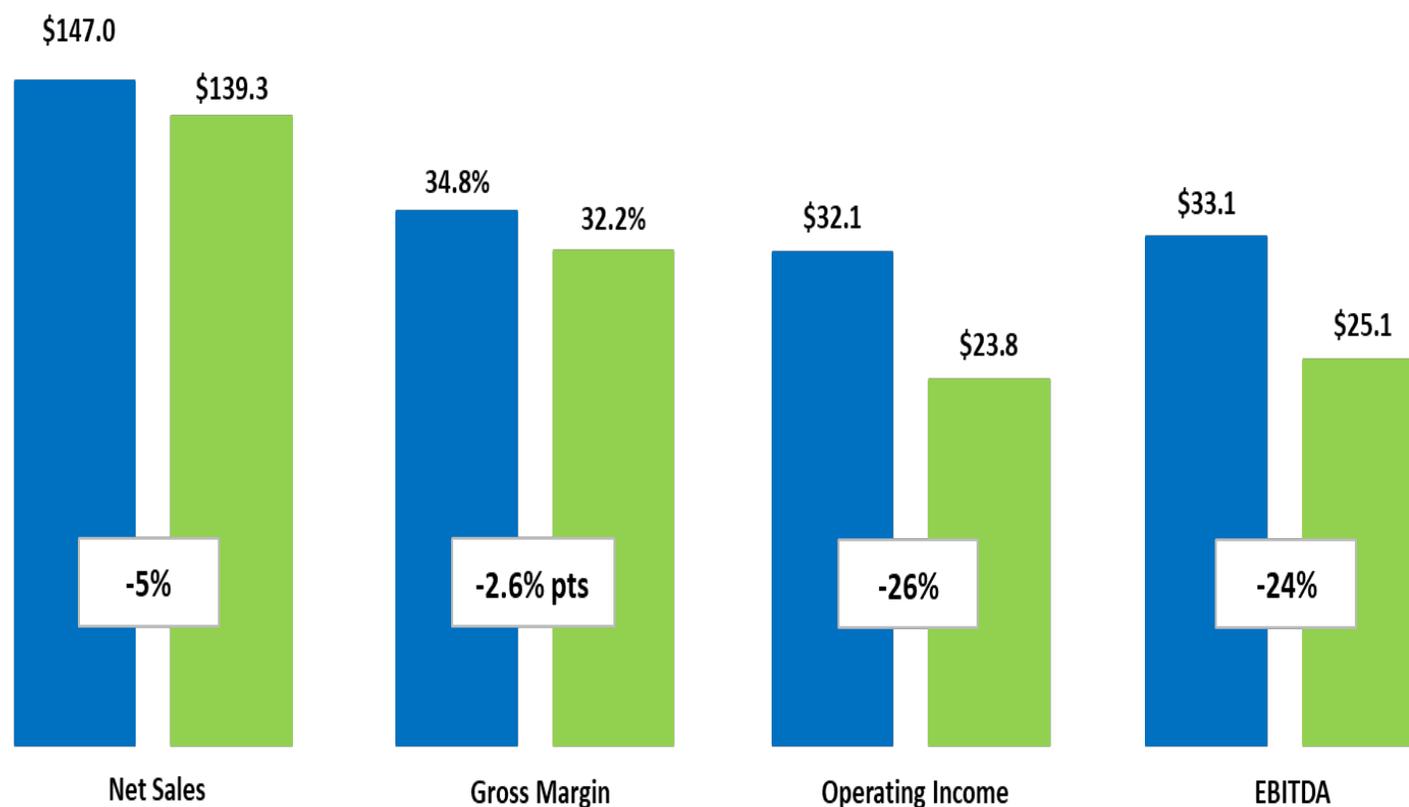
# Q1 2021 Consolidated Results *(\$ in millions)*



- Sales down 9 percent on weaker demand in Fuel Specialties and Oilfield Services but continued sequential improvement in all businesses
- Gross margin down 0.9 percentage points
- Adjusted EPS of \$1.06

■ Q1 2020   
 ■ Q1 2021

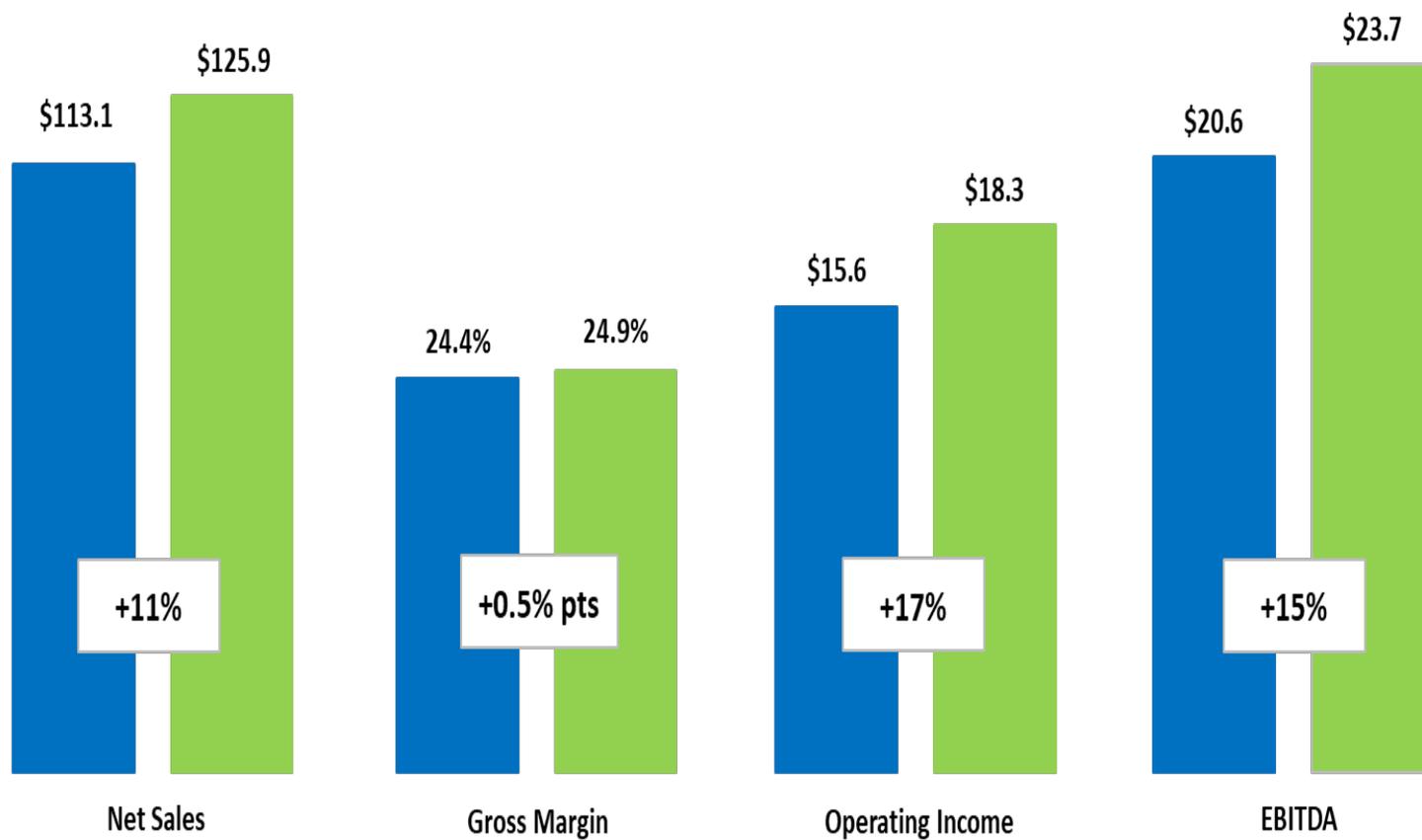
# Q1 2021 Fuel Specialties *(\$ in millions)*



- Sales down 5 percent
- Gross margin at lower end of expected range at 32.2 percent
- Fuel demand expected to improve through the balance of 2021

■ Q1 2020   
 ■ Q1 2021

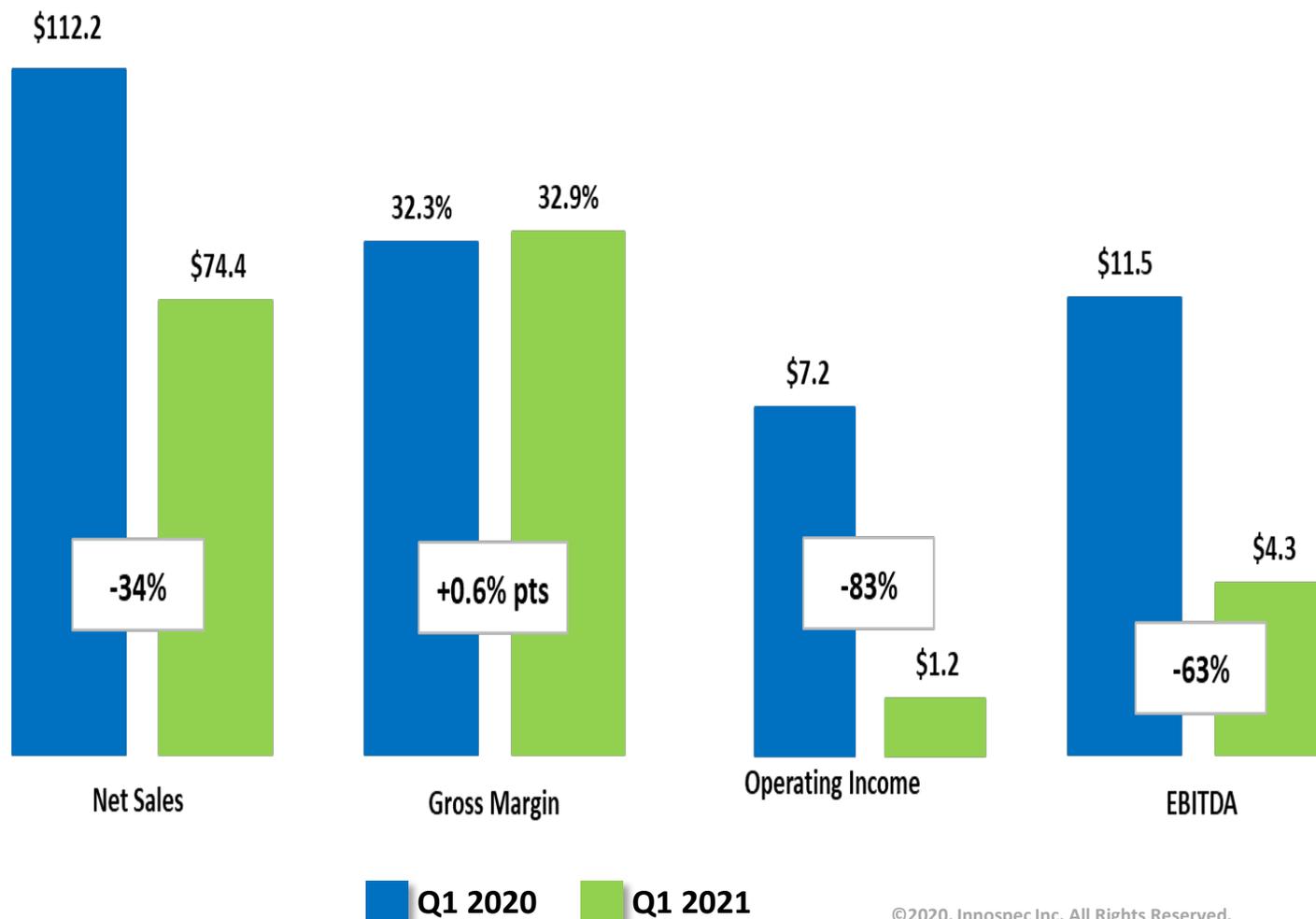
# Q1 2021 Performance Chemicals *(\$ in millions)*



- Record sales and operating income
- Volumes up 7 percent
- Gross margin up 0.5 percentage points
- Operating income up 17 percent
- EBITDA up 15 percent

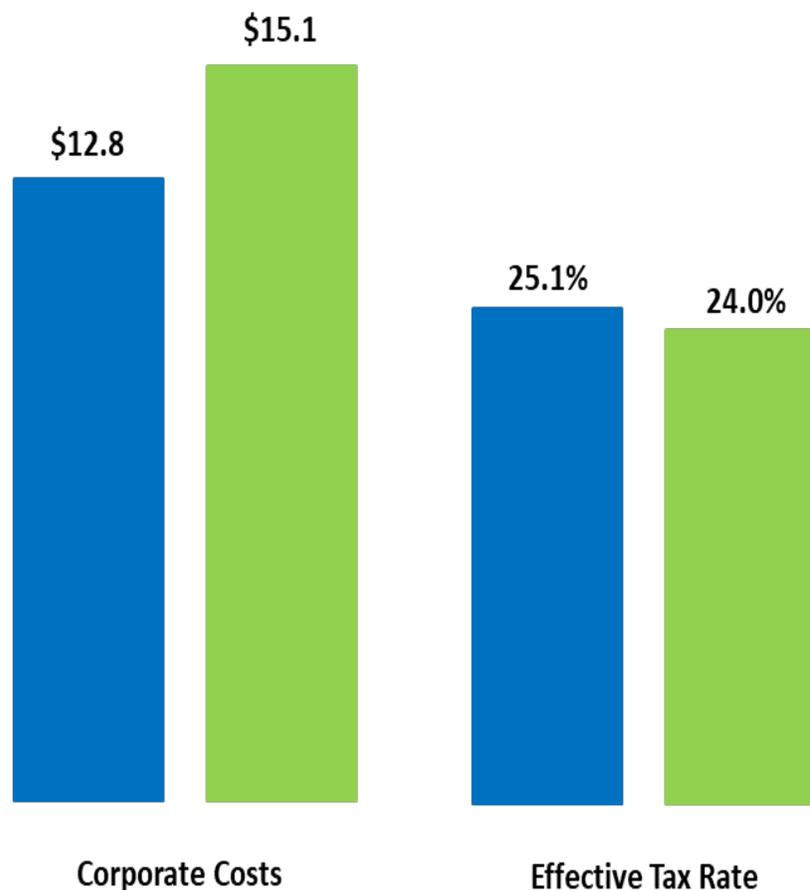
■ Q1 2020   
 ■ Q1 2021

# Q1 2021 Oilfield Services *(\$ in millions)*



- Sales down 34 percent on reduced customer activity
- Gross margins up 0.6 percentage points
- Continued sequential quarter operating results improve \$1.0 million over Q4 2020
- Continued operating leverage improvement

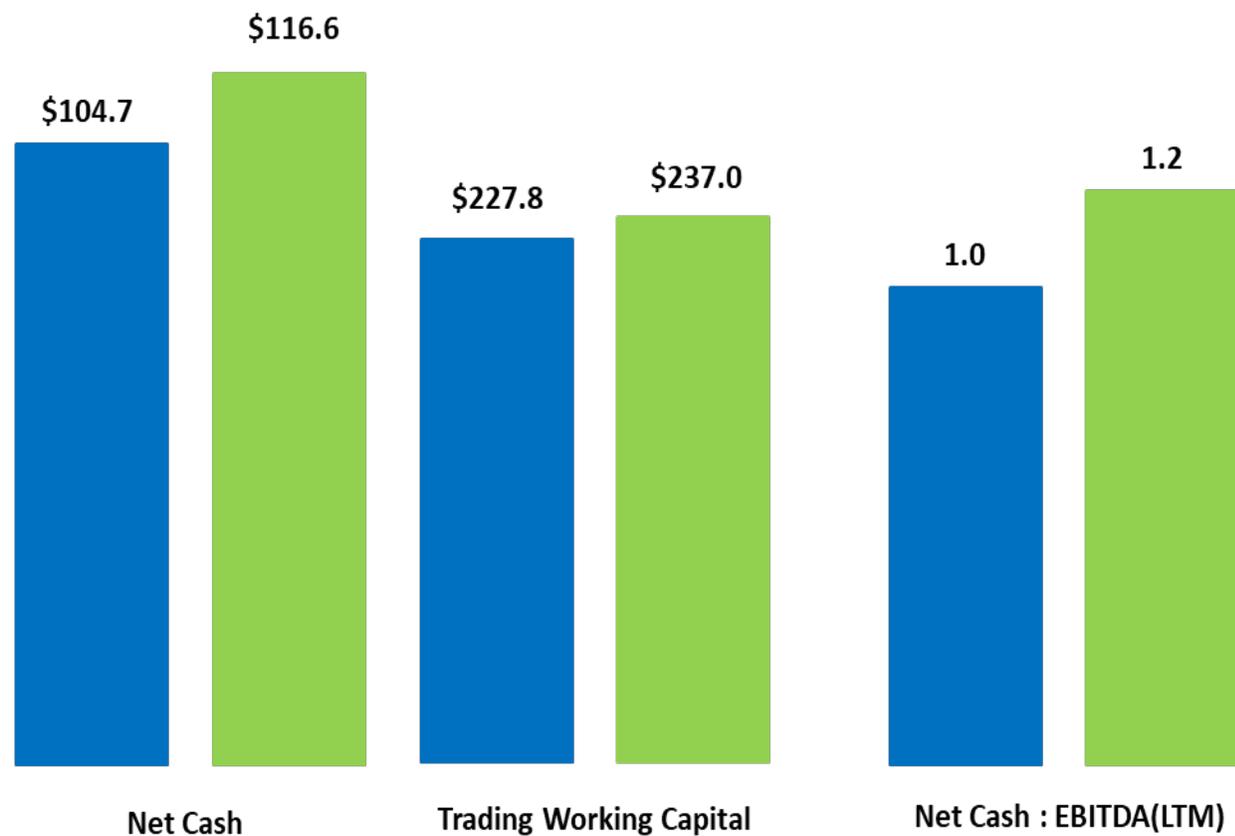
# Q1 2021 Corporate Items *(\$ in millions)*



- Corporate costs up versus prior year on higher share-based compensation accruals and acquisition related expenses
- Underlying costs within expected range
- Effective tax rate of 24.0 percent

■ Q1 2020
 ■ Q1 2021

# Q1 2021 Balance Sheet *(\$ in millions)*



- Excellent operating cash flow of \$22.7 million
- Net cash balance of \$116.6 million
- Positioned for organic and acquisition growth

■ Q4 2020   
 ■ Q1 2021



# Concluding Comments



Continued demand recovery expected for Fuel Specialties and Oilfield Services



Implementing price increases to counteract cost inflation and tightness in supply-chain



Approved \$10.0 million in incremental Performance Chemicals organic growth projects



Addressing customer sustainability objectives in all businesses



Will continue disciplined approach to valuation and leverage in M&A



Semi-annual dividend increased 10 percent to 57 cents per share



# Final Comments

THANK YOU FOR YOUR CONTINUED SUPPORT

## Q2 2021 RESULTS SCHEDULE

August 2021						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	<b>3</b>	<b>4</b>	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

- AUGUST 3<sup>RD</sup> - RESULTS RELEASE AFTER CLOSE
- AUGUST 4<sup>TH</sup> - CONFERENCE CALL