

# Q1 2018 EARNINGS PRESENTATION

MAY 9, 2018 | 10 AM EST

**innospec** 

*chemistry matters*

# FORWARD LOOKING STATEMENTS

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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," "believes," "feels" 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, 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, 2017 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

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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 adjusted EBITDA, income before income taxes excluding special items, net income excluding special items and related per share amounts together with net debt. Adjusted EBITDA is net income per our consolidated financial statements adjusted for the exclusion of charges for interest expense, net, income taxes, depreciation, amortization and acquisition fair value adjustments. 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)/losses, foreign exchange loss on liquidation of subsidiary and fair value acquisition accounting. Net debt is total debt less cash and cash equivalents. Reconciliations of these non-GAAP financial measures to their most directly comparable GAAP financial measures are provided herein and in the appendices below. 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 adjusted 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 adjusted EBITDA and net income excluding special items, and related per share amounts, to GAAP net income herein and in the appendices below.



# Q1 2018 EARNINGS CONFERENCE CALL

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David Jones  
**VP, General Counsel and Chief Compliance Officer**

Introduction

Patrick S. Williams  
**President & CEO**

Business Update

Ian Cleminson  
**Executive Vice President & CFO**

Financial Performance

Patrick S. Williams  
**President & CEO**

Closing Comments

Q&A

# SUMMARY OF 1<sup>ST</sup> QUARTER PERFORMANCE

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**Adjusted EPS excluding Octane Additives up 13 percent**



**Record sales and operating profit in Performance Chemicals**



**Good sales and operating profit in Fuel Specialties**



**Oilfield Services growth continues; profitability set to improve further**



**Octane Additives – new order received for Q2**



**Further 15 percent increase in dividend**

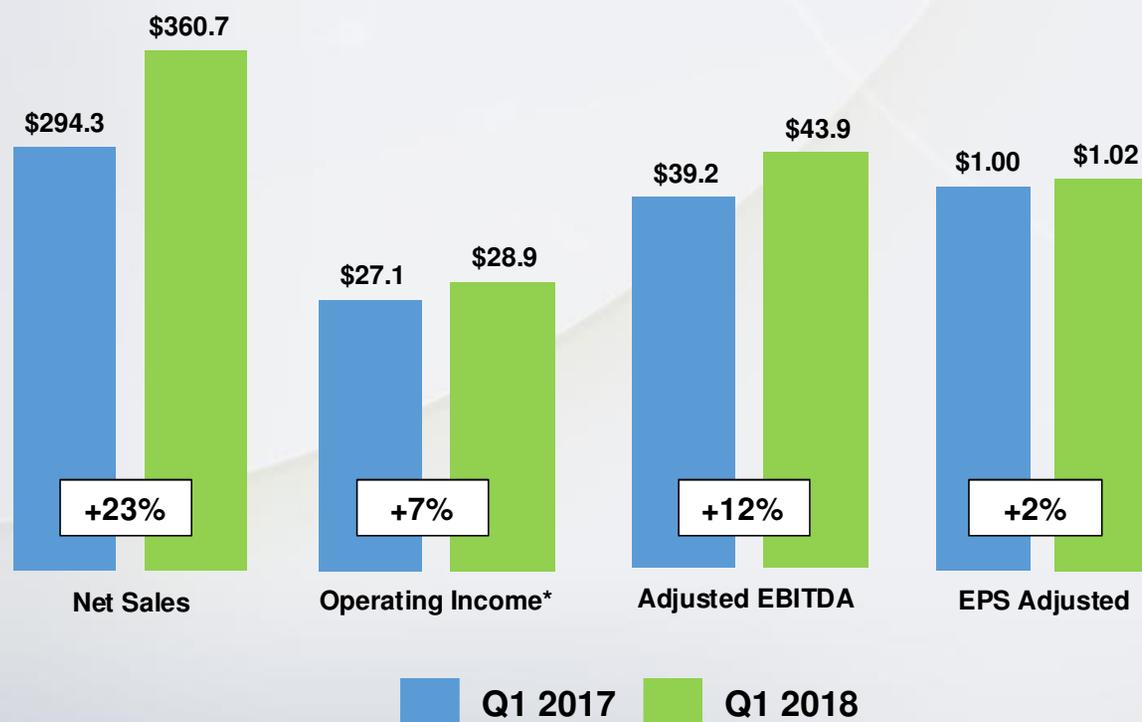
# FINANCIAL PRESENTATION



# Q1 2018 CONSOLIDATED RESULTS

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(\$ in millions)



- Revenues up 23 percent
- Minimal sales in Octane Additives
- Gross margin down 1.9 percentage points but operating income up 7 percent
- Adjusted EPS up 2 percent
- Adjusted EPS excluding Octane Additives up 13 percent

\*Operating income is before foreign exchange loss on liquidation of subsidiary

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# Q1 2018 PERFORMANCE CHEMICALS

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(\$ in millions)

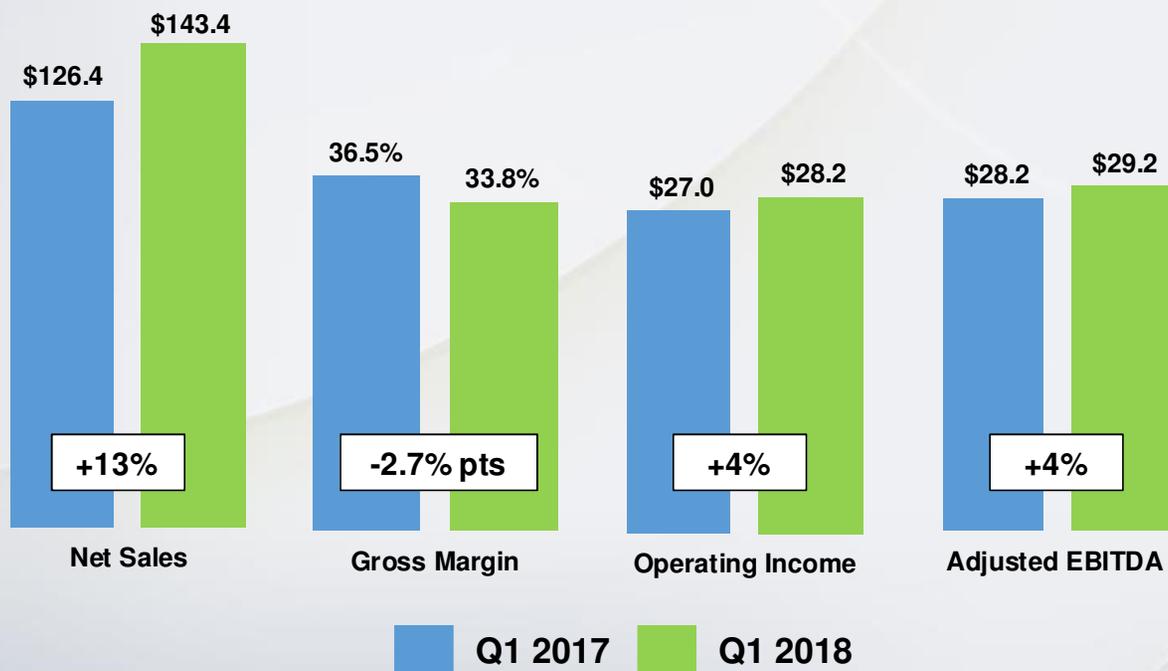


- Revenues up 31 percent
- Margins significantly improved
- Operating income more than doubled
- Integration complete and strategy delivering ahead of plan



# Q1 2018 FUEL SPECIALTIES

(\$ in millions)



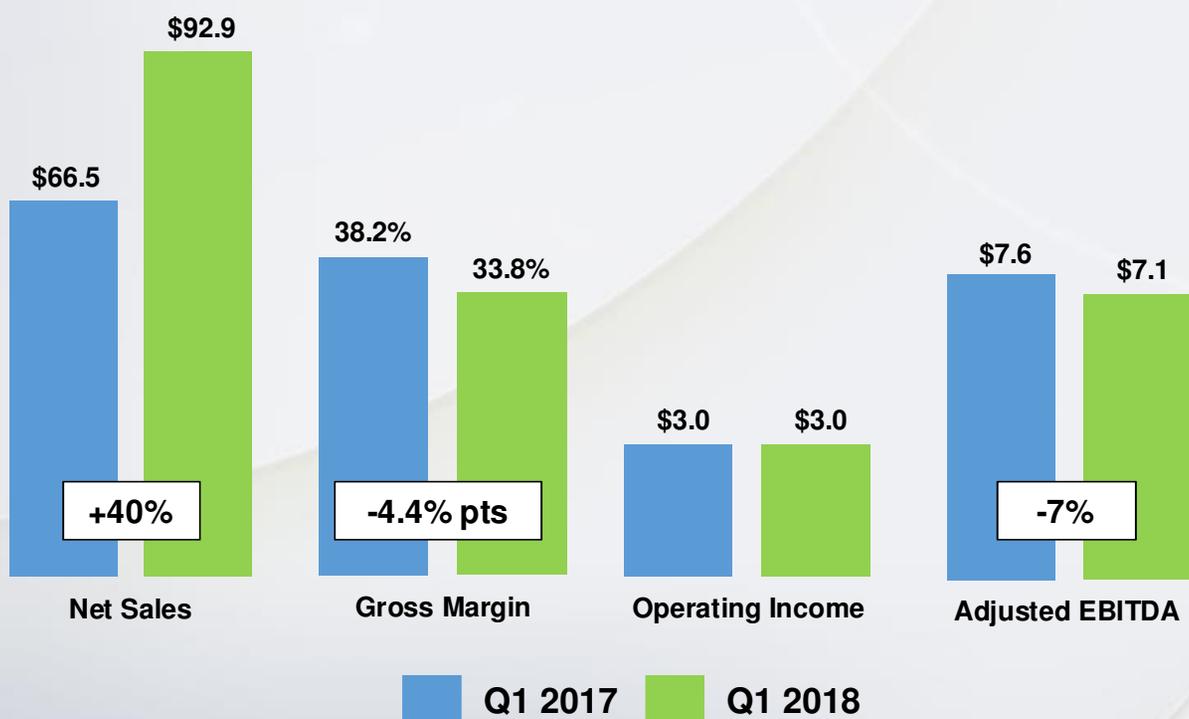
- Revenues up 13 percent
- Gross margin down 2.7 percentage points – raw material costs
- Operating income and Adjusted EBITDA up 4 percent



# Q1 2018 OILFIELD SERVICES

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(\$ in millions)



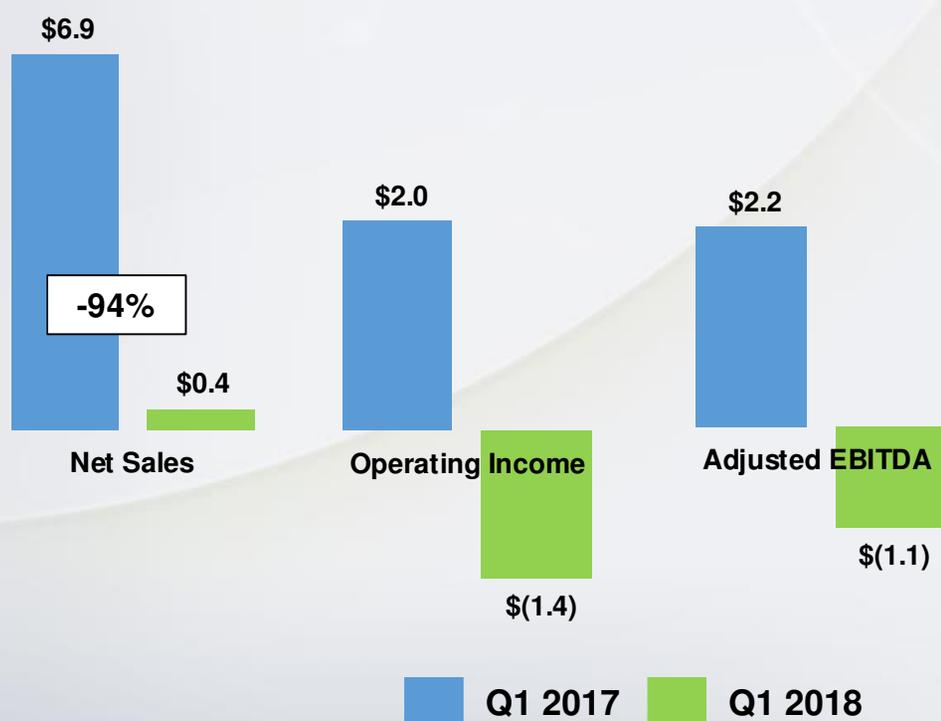
- Revenues up 40 percent year over year and 16 percent from last quarter
- Margins depressed by raw material and transportation issues
- Operating income up \$2.0 million sequentially
- Profitability improvement plans in place



# Q1 2018 OCTANE ADDITIVES

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(\$ in millions)

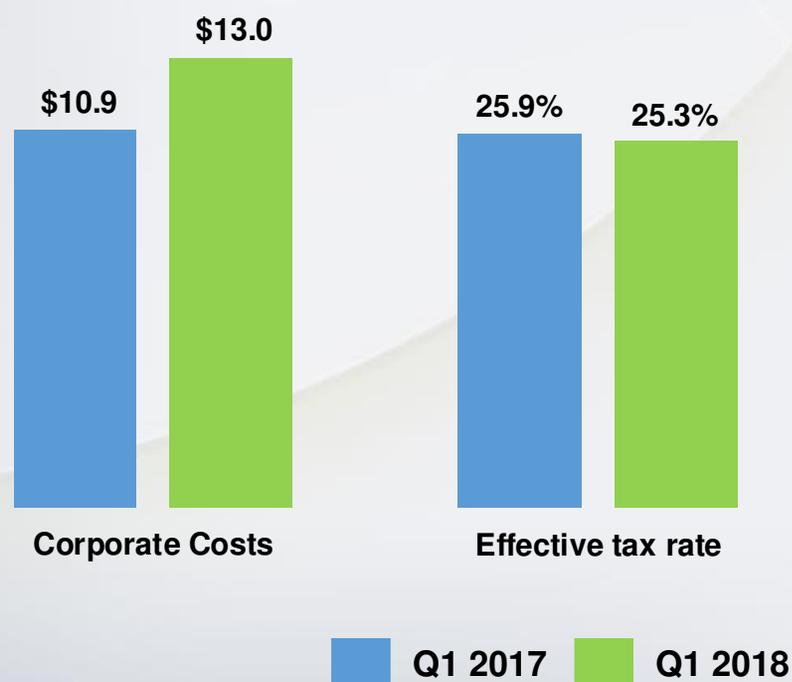


- Minimal revenues
- Operating loss of \$1.4 million
- Compared to Q1 2017, reduced EPS of 10 cents
- Further order received for Q2

# Q1 2018 CORPORATE ITEMS

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(\$ in millions)

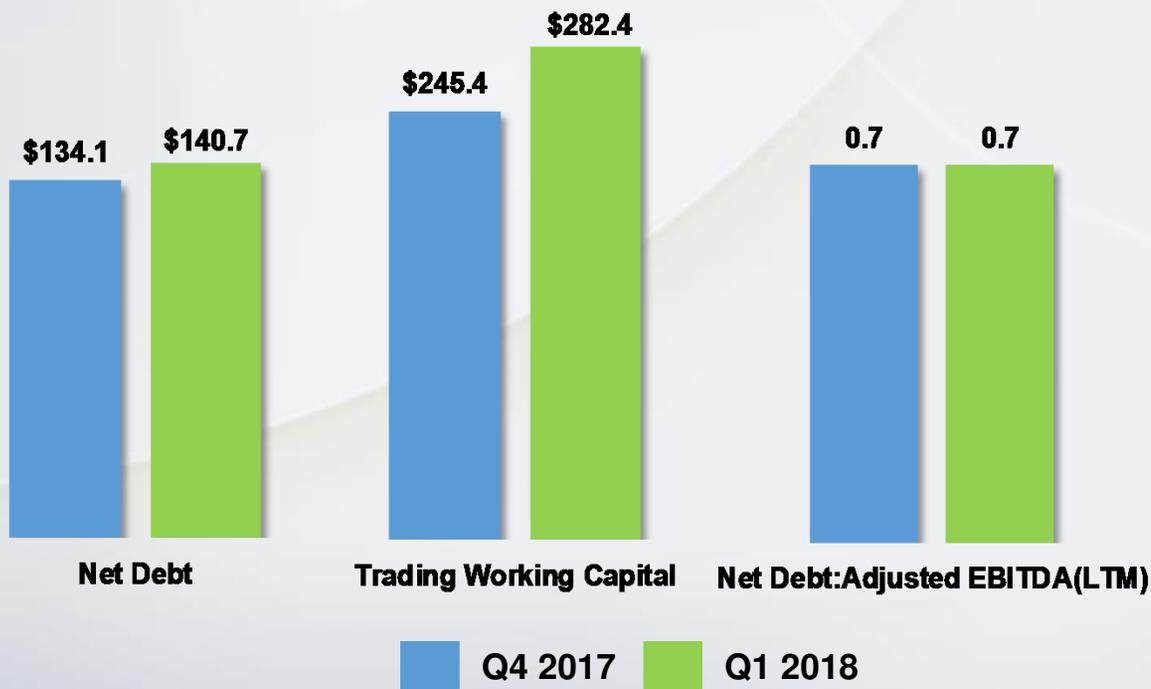


- Corporate costs slightly higher with increased personnel costs
- Tax rate slightly reduced, even with minimal Octane Additives sales
- Expected full year tax rate to be 25 percent



# Q1 2018 BALANCE SHEET

(\$ in millions)



- Working capital increases to support sales growth
- Marginally increased net debt
- Leverage maintained at 0.7x
- Cash flow improvements expected in the near term



# CONCLUDING COMMENTS



# CONCLUDING COMMENTS

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**Great start to 2018, with increased EPS**



**Core businesses all performing well**



**Excellent Performance Chemicals contribution**



**Margin and cash flow improvement plans in place**



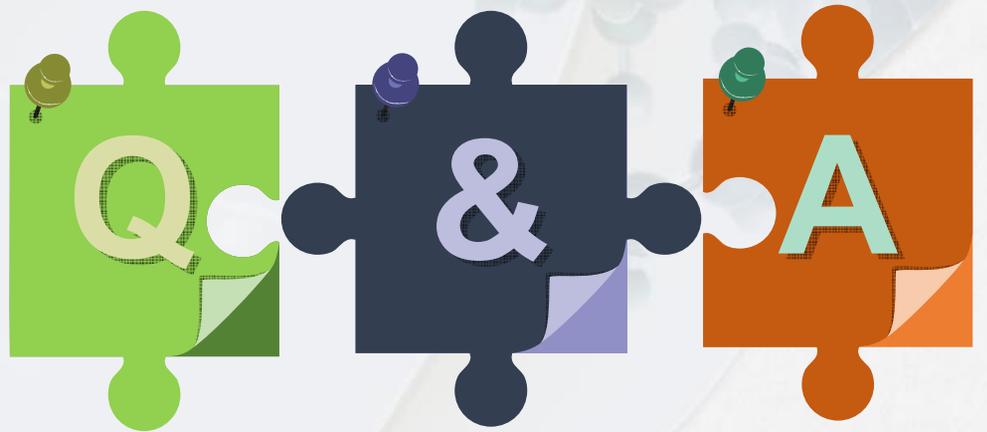
**Further 15 percent increase in dividend – continue to return shareholder value**



**Well positioned for future growth**



# YOUR OPPORTUNITY TO ASK QUESTIONS



# FINAL COMMENTS

Thank you for your continued support

Q2 2018 Results

August 2018						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
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 7<sup>th</sup> - Results Release After Close
- August 8<sup>th</sup> - Conference Call

