

Q2 2018 EARNINGS PRESENTATION

AUGUST 8, 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. 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 in our earnings release.

Q2 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 2ND QUARTER PERFORMANCE

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Sales and operating income growth in all core businesses



Revenue up 10 percent, despite lower sales of Octane Additives



Performance Chemicals operating income up 49 percent



EPS impact of 28 cents from lower Octane Additives sales



EPS impact of 10 cents from share-based compensation accruals



Continued focus on improved profitability

FINANCIAL PRESENTATION



Q2 2018 CONSOLIDATED RESULTS

(\$ in millions)



- Revenues up 10 percent; Up 15 percent excluding Octane Additives
- Operating income down 18 percent; Up 6 percent excluding Octane Additives
- Adjusted EPS down 14 percent; Up 17 percent excluding Octane Additives

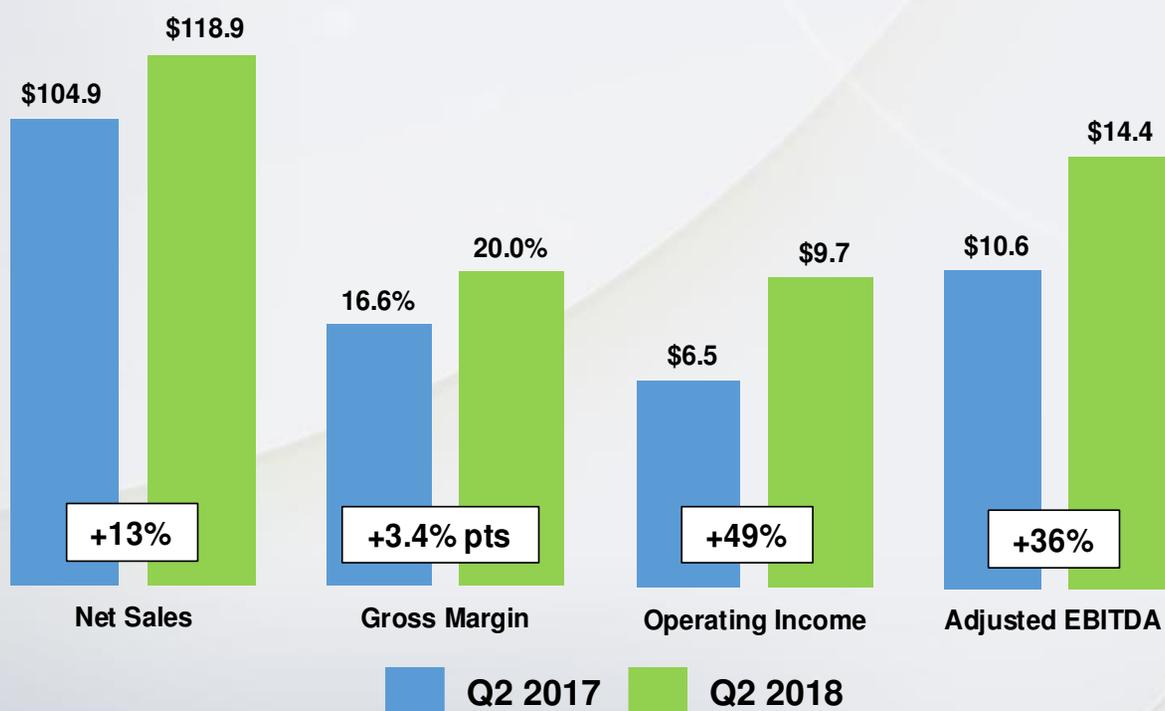
*Operating income is before loss on disposal of subsidiary



Q2 2018 PERFORMANCE CHEMICALS

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(\$ in millions)

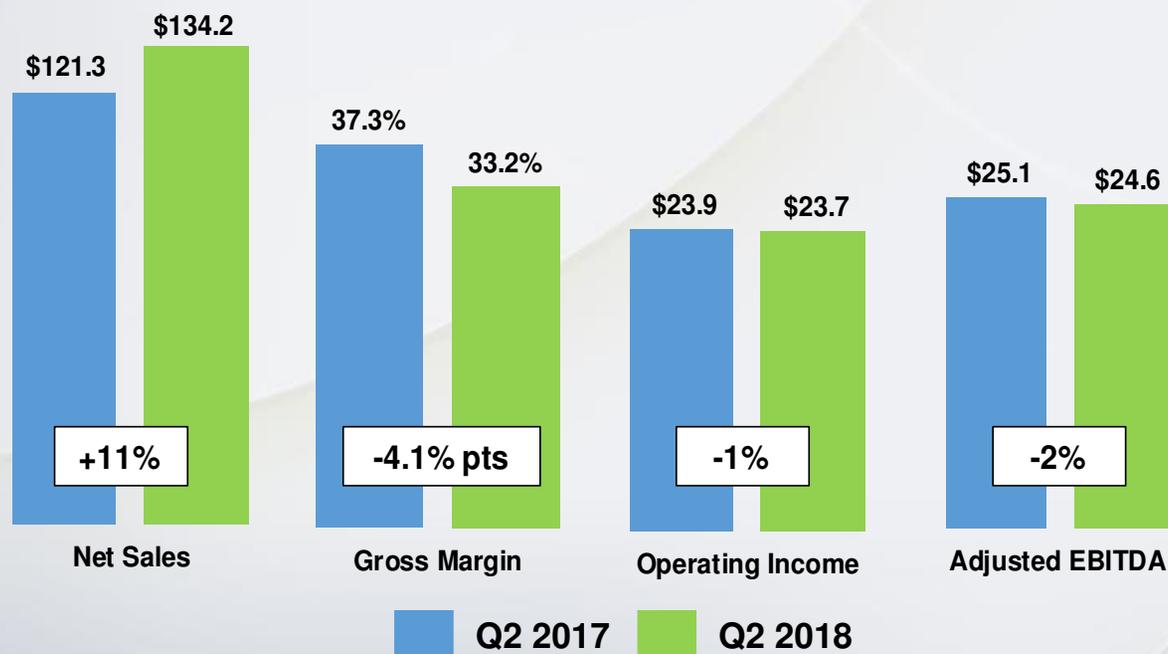


- Excellent revenue growth
 - Up 13 percent
- Good margin improvement
 - Up 3.4 percentage points
- Significant improvement in operating income and adjusted EBITDA



Q2 2018 FUEL SPECIALTIES

(\$ in millions)



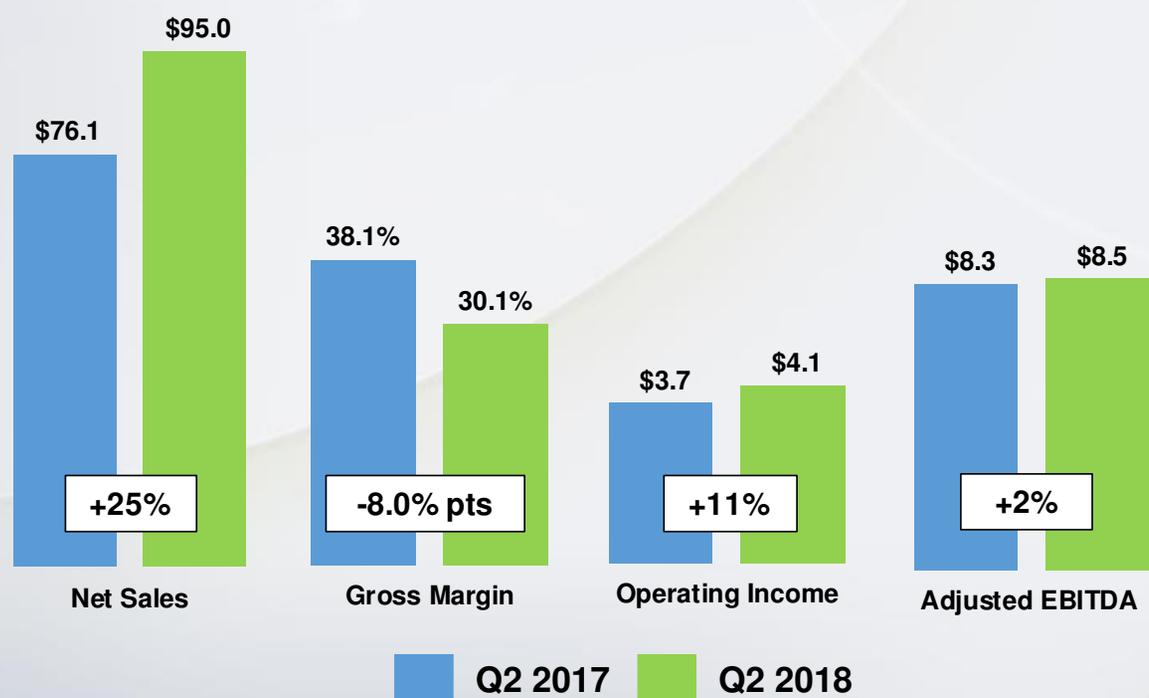
- Good volume and revenue growth
 - Up 11 percent
- Margins impacted by raw materials, labor and transportation
- Cost control delivers similar operating income



Q2 2018 OILFIELD SERVICES

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(\$ in millions)



- Continued good revenue and volume growth
 - Up 25 percent
- Margins continue to be impacted by raw materials, transportation and labor costs
- Operating income up 11 percent



Q2 2018 OCTANE ADDITIVES

(\$ in millions)



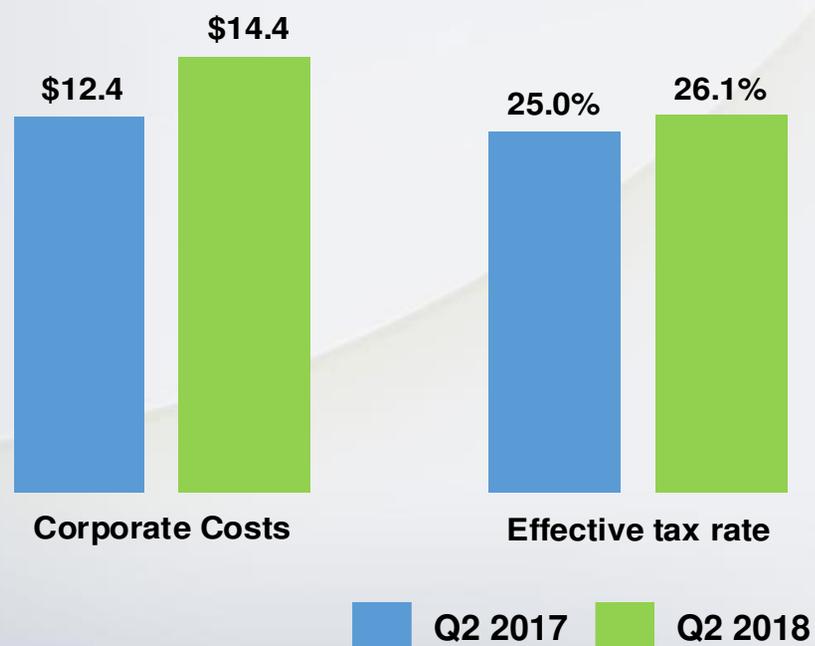
- Revenue down 58 percent on strong comparative quarter
- Gross margins remain high
- Equivalent drop in operating income and adjusted EBITDA
- Expect further order(s) in second half



Q2 2018 CORPORATE ITEMS

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(\$ in millions)

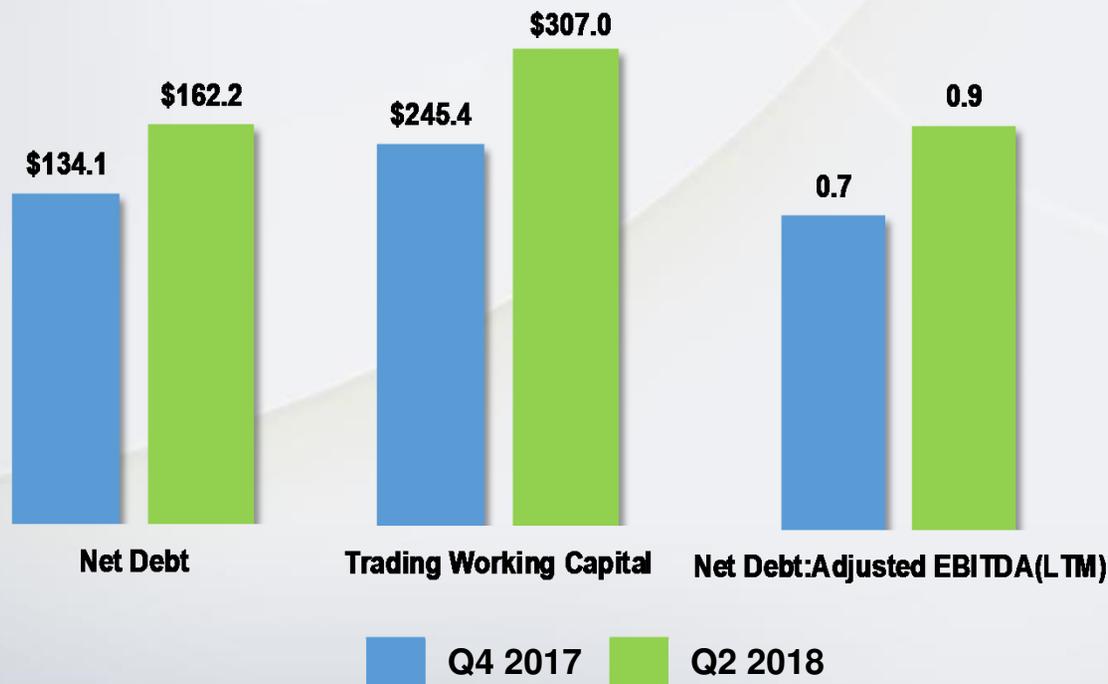


- Corporate costs higher on share-based compensation
- Tax rate is a consequence of geographical mix of taxable profits



Q2 2018 BALANCE SHEET

(\$ in millions)



- Working capital funding revenue growth
- Net debt remains below 1x adjusted EBITDA



CONCLUDING COMMENTS



CONCLUDING COMMENTS

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Strong revenue growth in all core businesses – up 15 percent



Operating income up 6 percent excluding Octane Additives



Excluding Octane Additives, adjusted EPS up 17 percent



Margins impacted by raw materials, labor and transportation costs



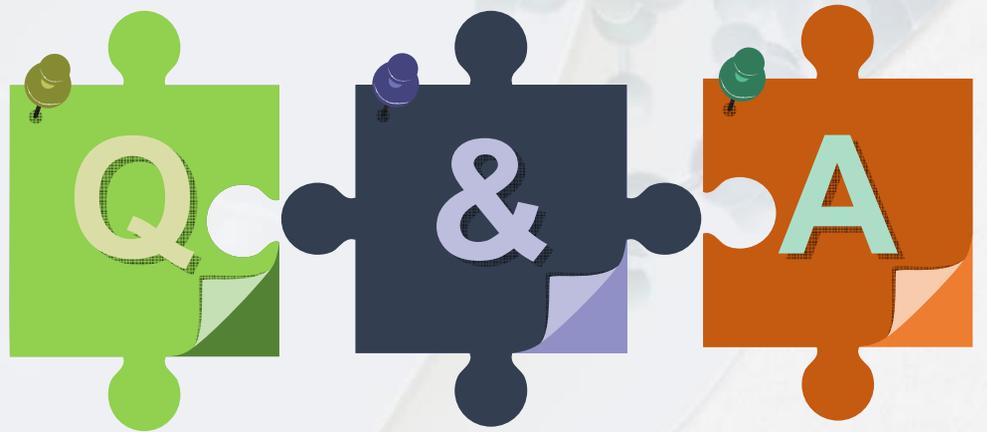
EPS impacted by share-based compensation



Net debt remains below 1x EBITDA

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YOUR OPPORTUNITY TO ASK QUESTIONS



FINAL COMMENTS

Thank you for your continued support

Q3 2018 Results

November 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	

- November 6th - Results Release After Close
- November 7th - Conference Call