

# Q3 2017 EARNINGS PRESENTATION

NOVEMBER 8, 2017 | 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, 2016 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, adjustment of income tax provisions, adjustment to fair value of contingent consideration, acquisition related costs and settlement of distributor claim. 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.

# Q3 2017 EARNING CONFERENCE CALL

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David Williams  
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 3<sup>RD</sup> QUARTER PERFORMANCE

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Sales up 62 percent – good contribution from all strategic businesses



Net income and Adjusted EBITDA more than doubled



Strong cash generation as anticipated; Net debt reduced



Semi-annual dividend of 39 cents per share;  
Total of 77 cents per share for 2017 up 15 percent on prior year



Acquisition results further improved; delivering EPS above expectations



Balance sheet strengthened; outlook is positive

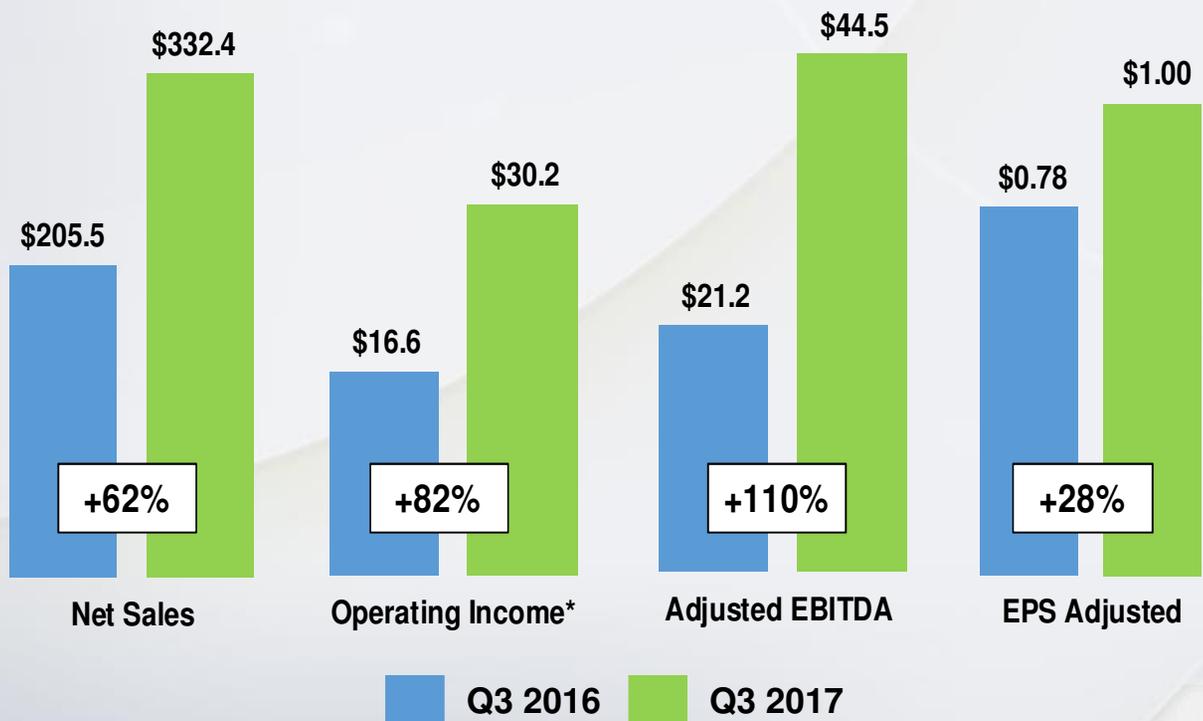
# FINANCIAL PRESENTATION



# Q3 2017 CONSOLIDATED RESULTS

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(\$ in millions)



- Strong growth in all SBUs
- Adjusted EBITDA more than doubled
- Adjusted EPS up 28 percent
- Acquisition delivering EPS ahead of expectations
- Excellent cash generation

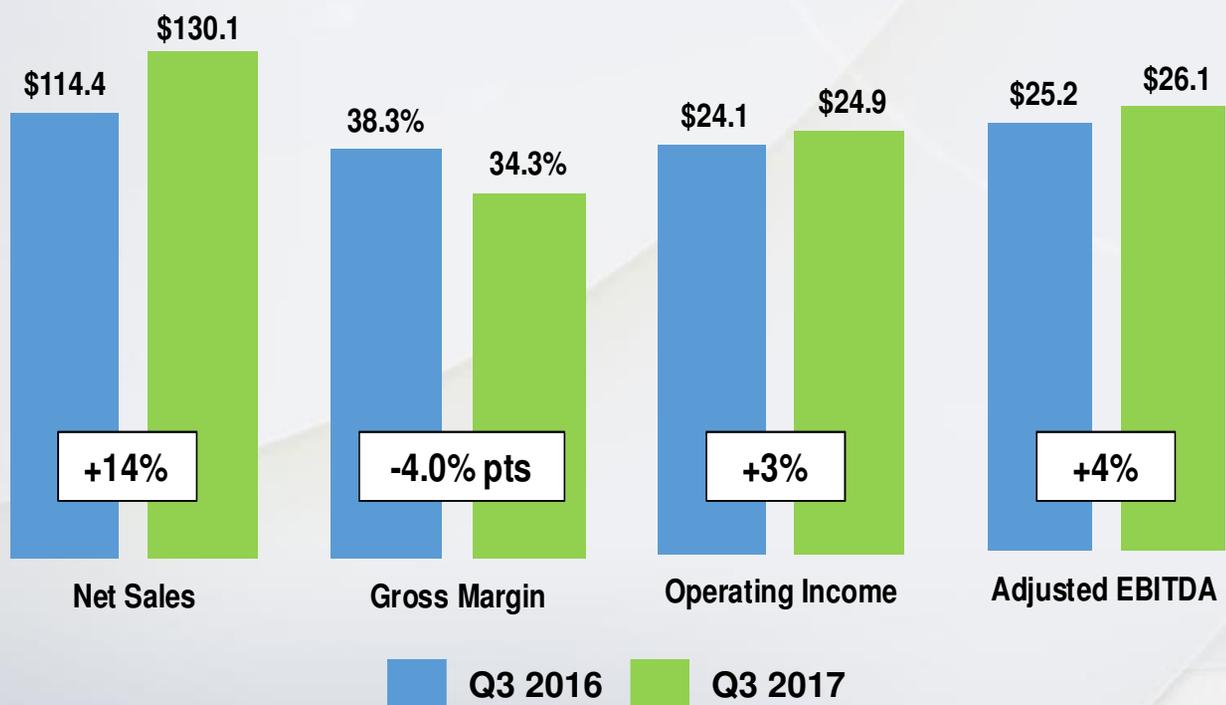
\*Operating income is before Fair Value adjustments

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# Q3 2017 FUEL SPECIALTIES

(\$ in millions)

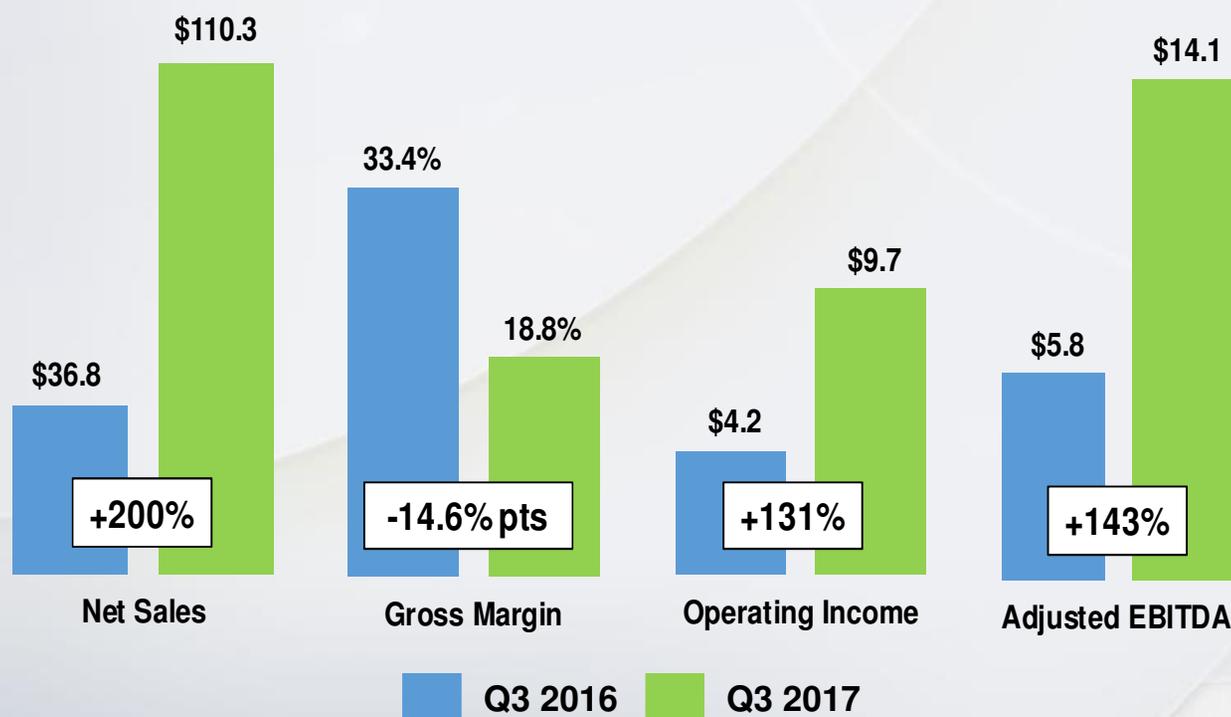


- Sales up 14 percent
- Margins in expected range
- Operating Income and Adjusted EBITDA showing anticipated progress



# Q3 2017 PERFORMANCE CHEMICALS

(\$ in millions)

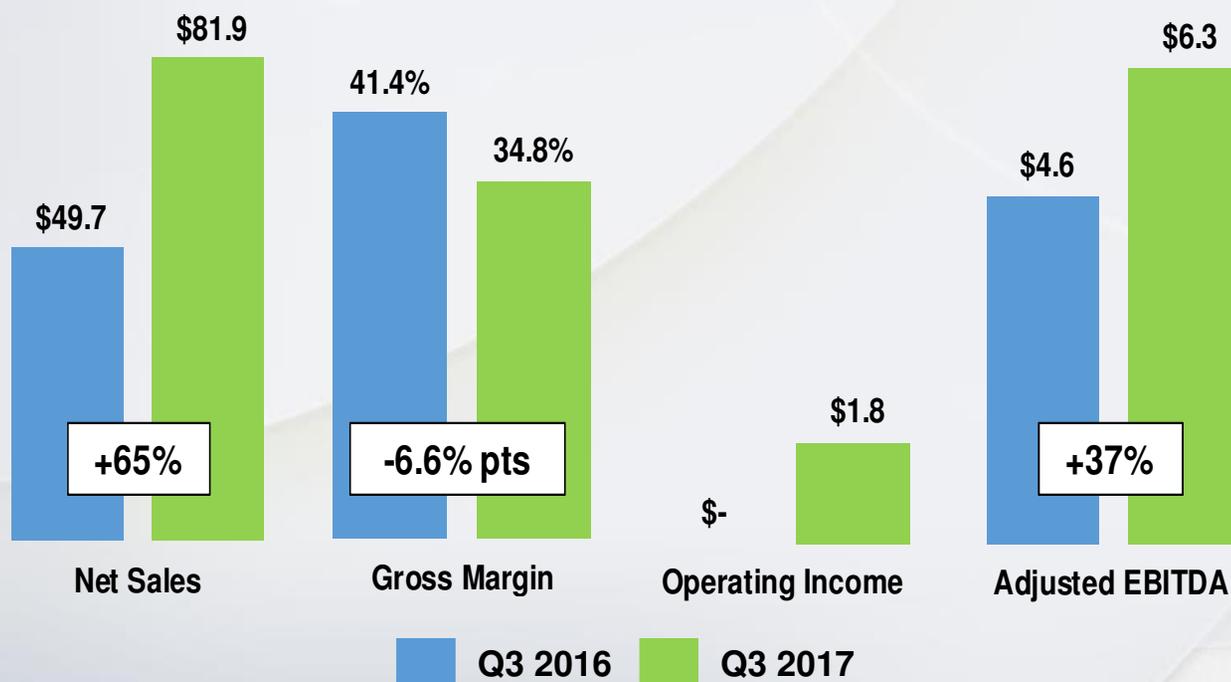


- Sales at 3x 2016 levels
- Growth in both acquisition and heritage businesses
- Margins diluted from last year, but improved sequentially by 2.2 percentage points



# Q3 2017 OILFIELD SERVICES

(\$ in millions)

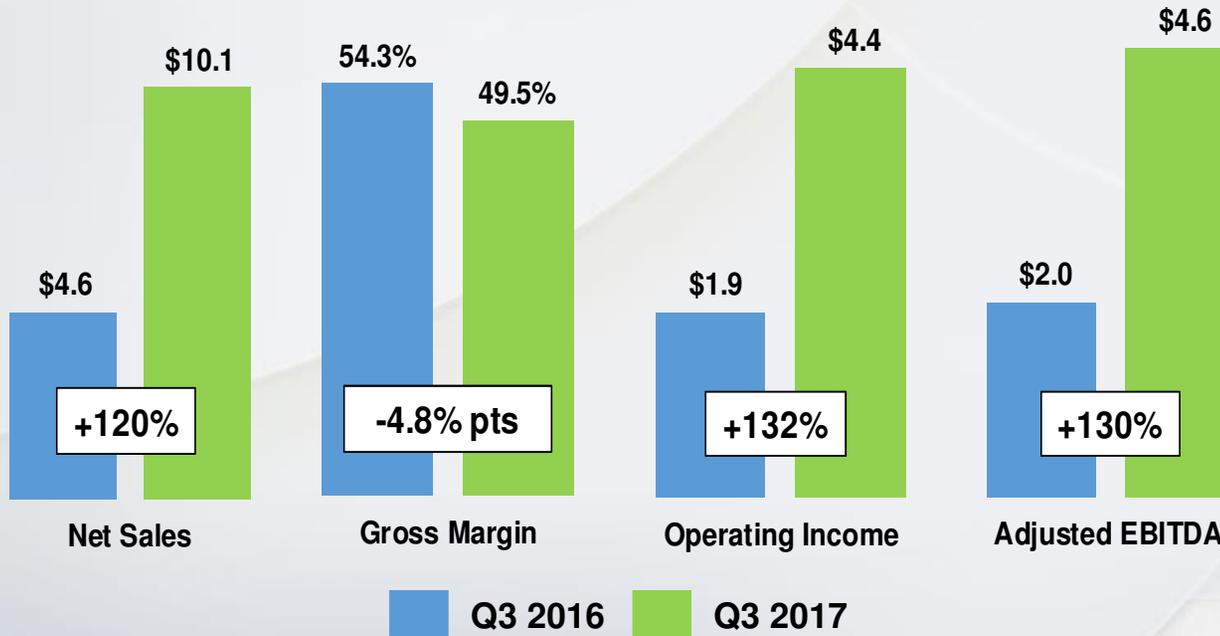


- Sales improve on increased customer activity
- Margins impacted by product mix and higher costs
- Operating profit impacted by Hurricane Harvey



# Q3 2017 OCTANE ADDITIVES

(\$ in millions)

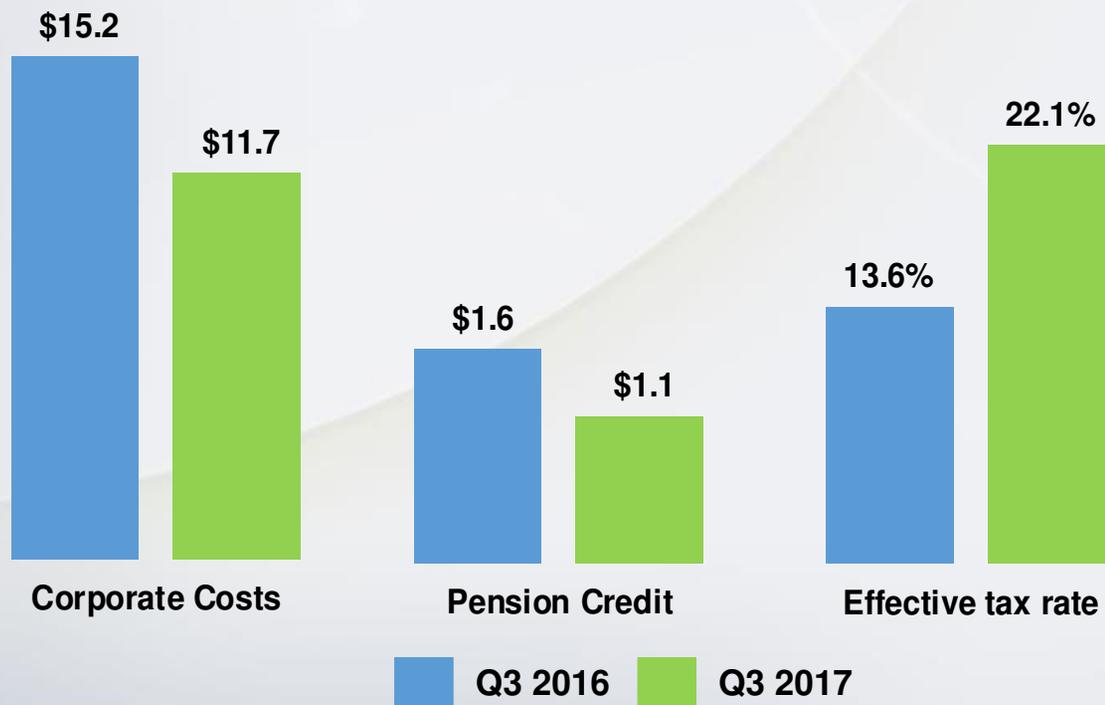


- Final portion of latest order completed as planned
- New order for \$18 million received – likely to be delivered in Q4
- No further 2018 visibility



# Q3 2017 CORPORATE ITEMS

(\$ in millions)



- Corporate costs within expected range
- Tax rate up on 2016 driven by US growth



# Q3 2017 BALANCE SHEET

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(\$ in millions)



- Strong cash generation as anticipated
- Working capital up on 2016, but reduced sequentially
- Net debt / EBITDA (LTM) reduced further



# CONCLUDING COMMENTS



# CONCLUDING COMMENTS

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Good sales growth in all strategic business units; delivering to plan



Margins diluted from 2016 by acquisition but improved sequentially



Strong cash generation as anticipated



Acquisition exceeding EPS expectations

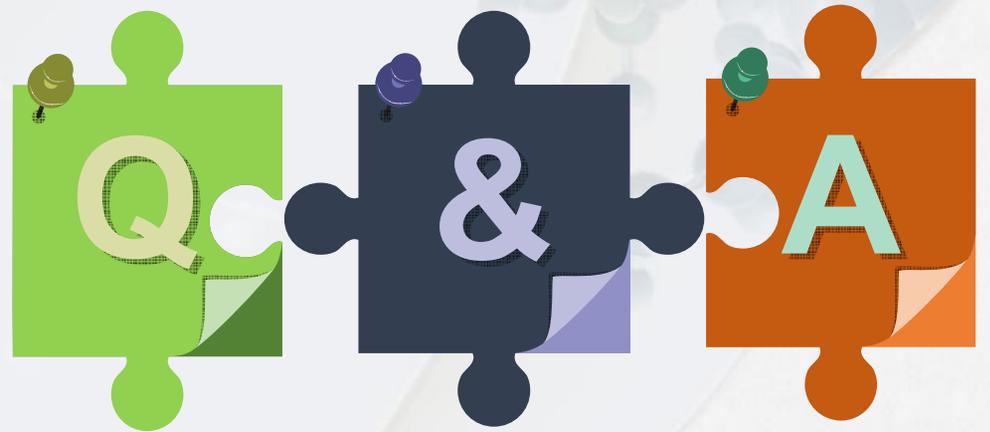


Dividend improved 15 percent to 77 cents per share;  
8th successive semi-annual increase



Outlook positive for rest of the year and into 2018

# YOUR OPPORTUNITY TO ASK QUESTIONS



# FINAL COMMENTS

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Thank you for your continued support

Q4 2017 Results

## February 2018

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

- February 13<sup>th</sup> - Results Release After Close
- February 14<sup>th</sup> - Conference Call