

# Q3 2018 Earnings Presentation

7 NOVEMBER 2018 | 9AM EST



# 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," "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

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 restructuring charges, amortization of acquired intangible assets, foreign currency exchange losses/(gains) and adjustment of income tax provisions. 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.

# Earnings Conference Call



David Jones  
**VP, General Council & Chief Compliance Officer**

Introduction



Patrick S. Williams  
**President & CEO**

Business Commentary



Ian Cleminson  
**Executive Vice President & CFO**

Financial Performance

# Summary of 3<sup>rd</sup> Quarter Performance



**Strategy delivering a strong financial performance**



**Revenue and operating income up in all core businesses**



**Revenue up 9 percent; Strong cash generation**



**Operating income before restructuring up 32 percent; Adjusted EPS up 20 percent**



**Further increase in dividend; 2018 payment up 15 percent**



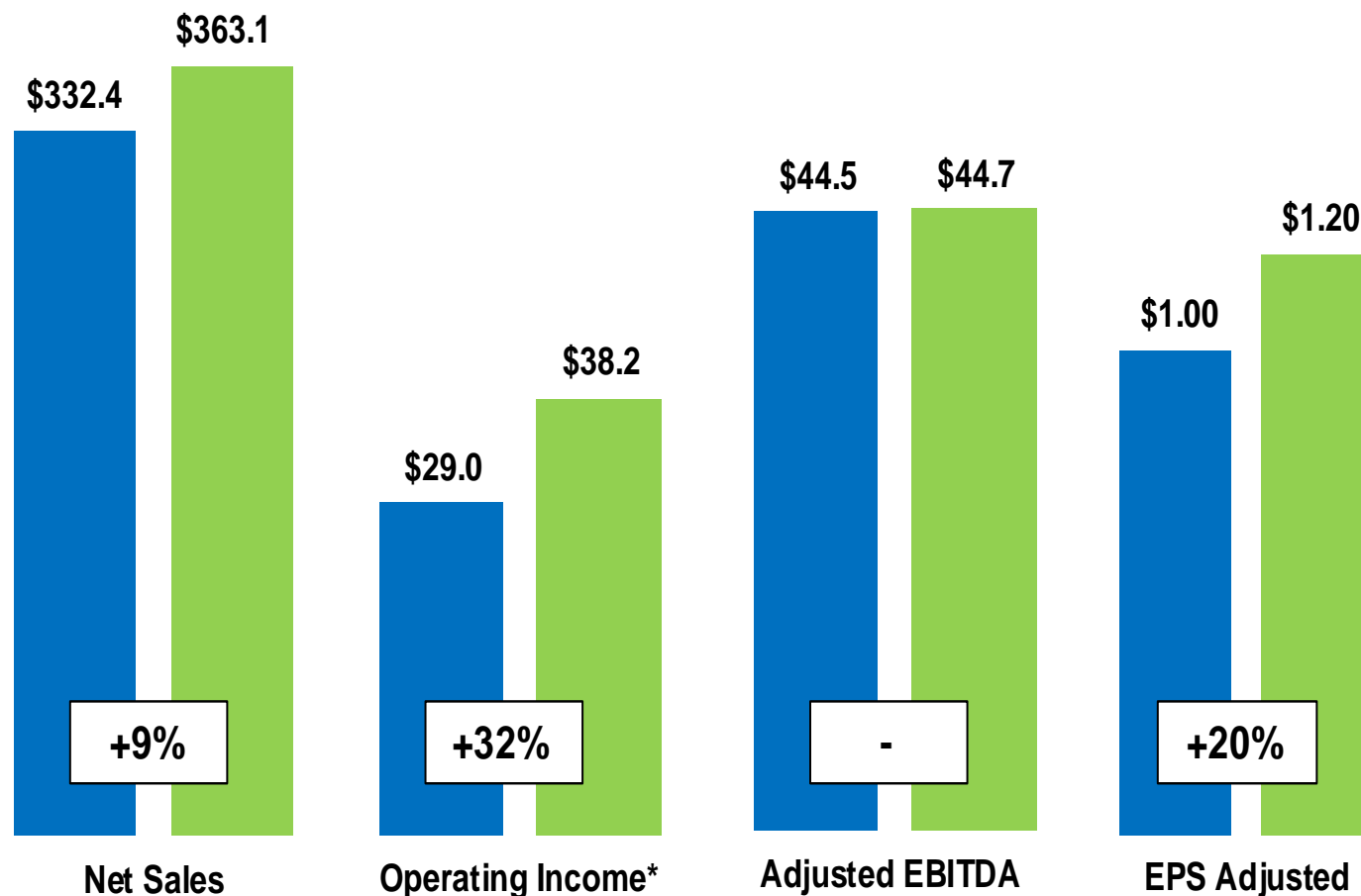
**New \$100 million share repurchase program**





# Financial Performance

# Q3 2018 Consolidated Results *(\$ in millions)*

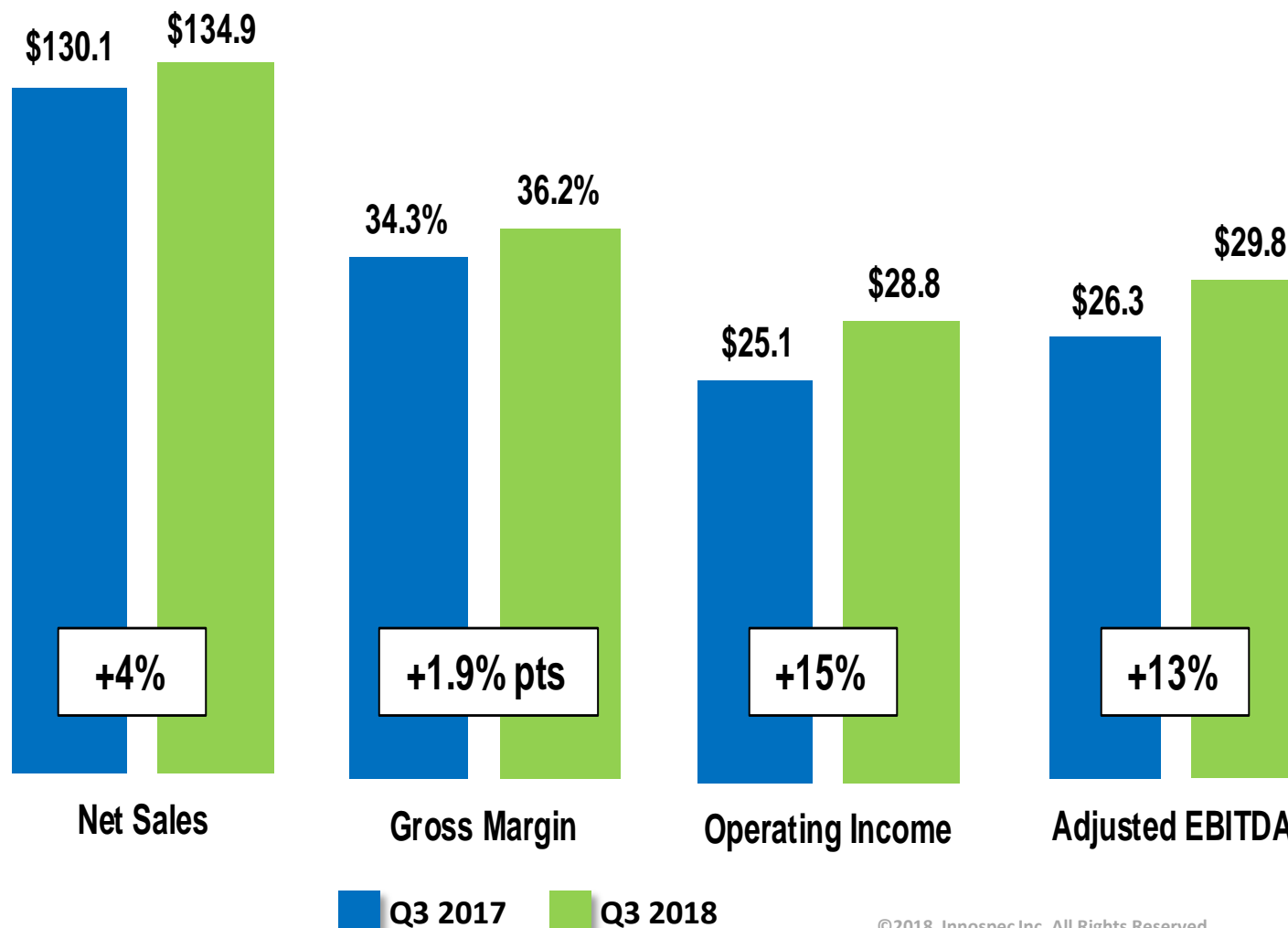


- 9 percent increase in sales over a strong comparative quarter
- Sequential gross margin expansion in all core businesses
- Adjusted EPS up 20 percent

\*Operating income is before restructuring charge

■ Q3 2017 ■ Q3 2018

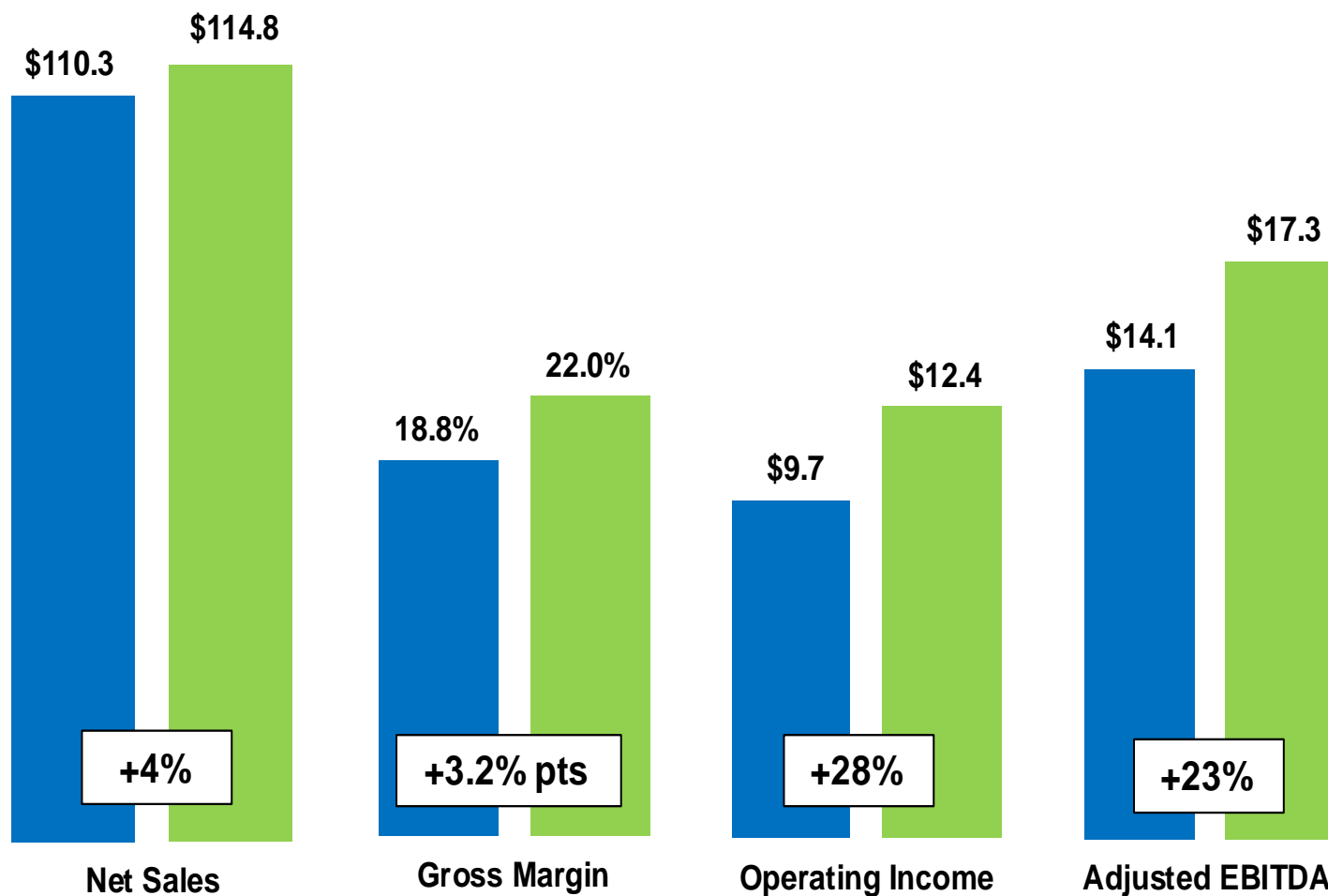
## Q3 2018 Fuel Specialties *(\$ in millions)*



- Volume drives 4 percent sales increase
- Gross margins improve to the higher end of the expected range
- Excellent contribution from the Americas region



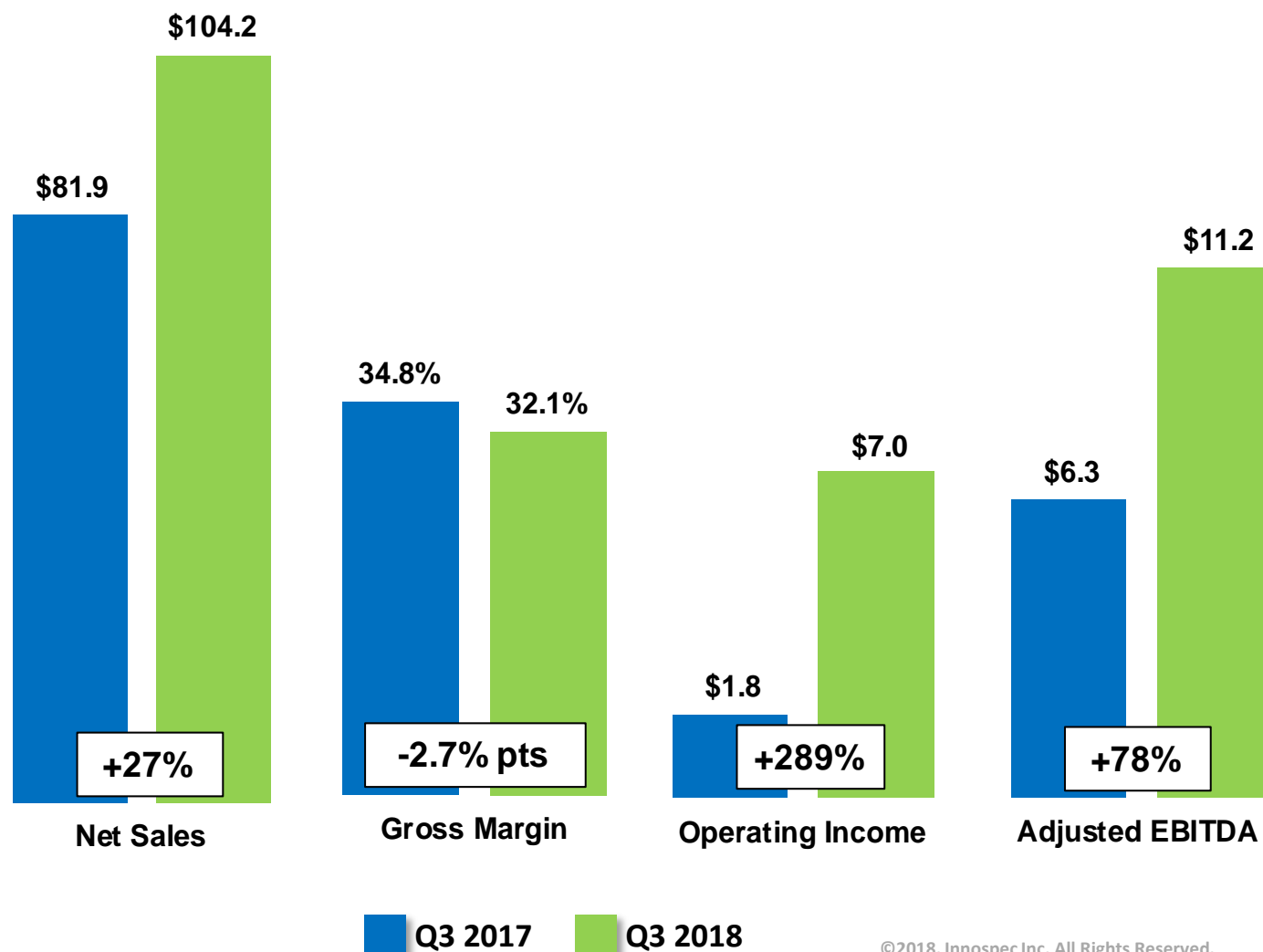
## Q3 2018 Performance Chemicals *(\$ in millions)*



- Solid sales increase building further on strong first half year
- Continued improvement of gross margins as expected
- 28 percent improvement in operating income

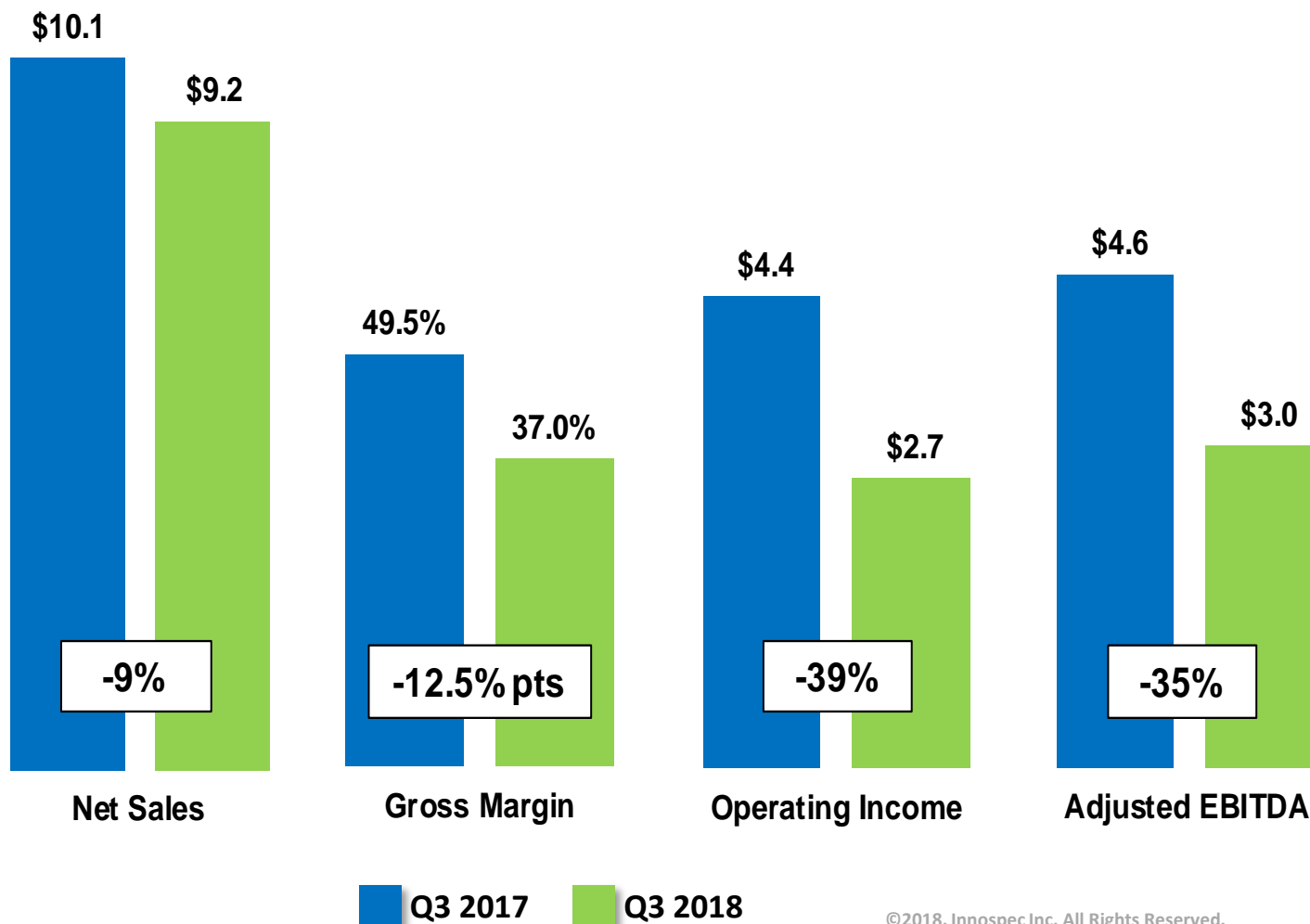
■ Q3 2017   ■ Q3 2018

## Q3 2018 Oilfield Services *(\$ in millions)*



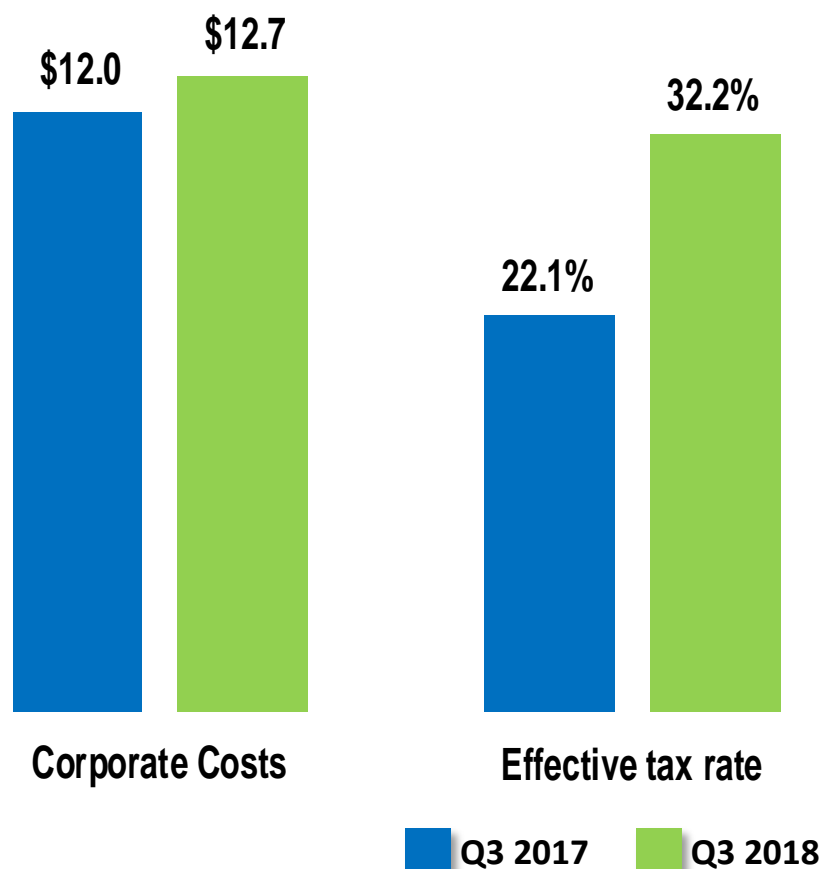
- Customer activity drives continued strong sales growth
- Gross margin up 2.0 percentage points sequentially
- Operating income almost 4 x comparative quarter

## Q3 2018 Octane Additives *(\$ in millions)*



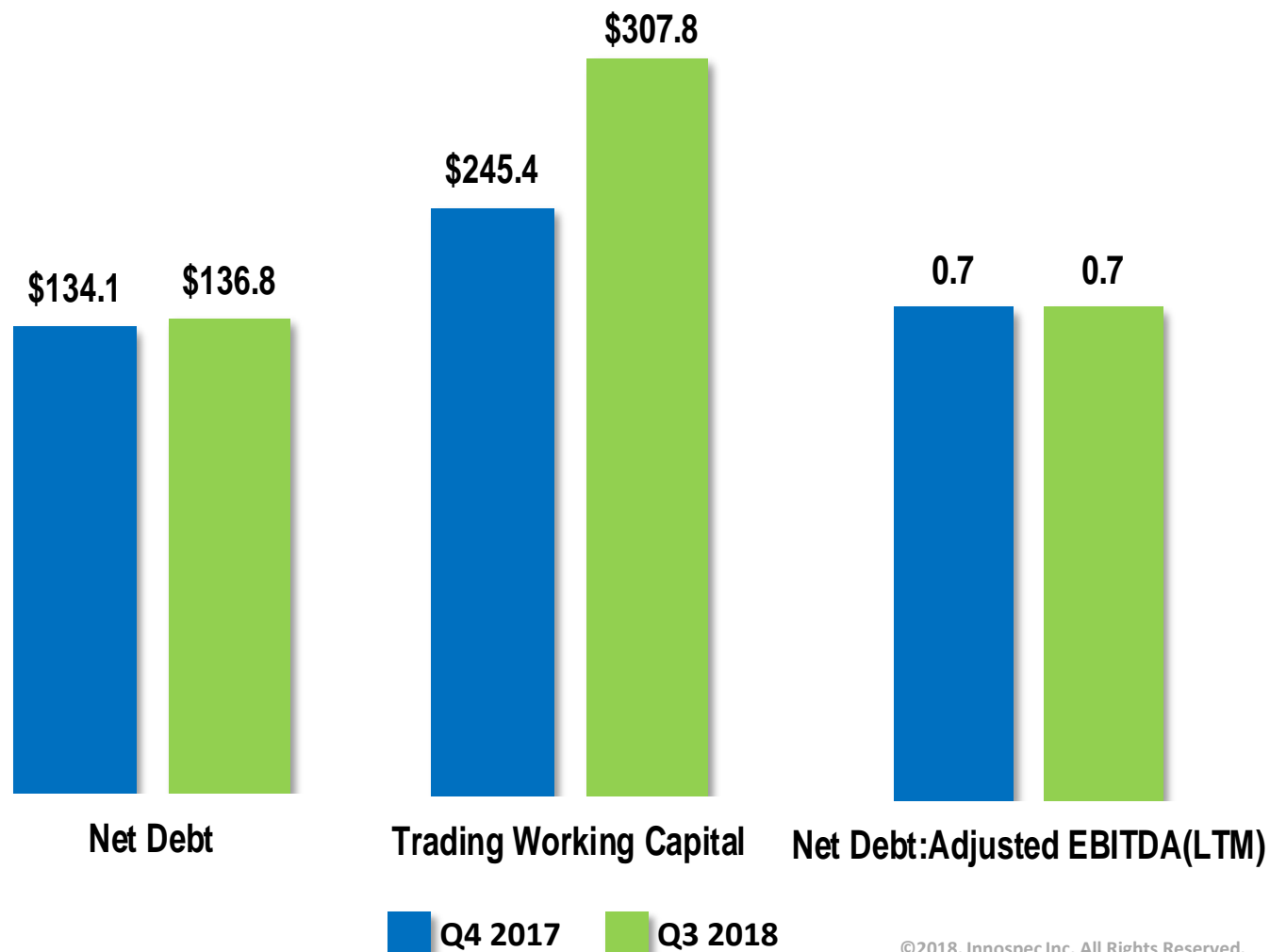
- Latest order fulfilled
- Gross margin impacted by lower production volume
- Potential for two further orders – one in Q4 2018 and another in H1 2019, subject to timing of deliveries

## Q3 2018 Corporate Items *(\$ in millions)*



- Corporate costs within expected range
- Tax rate influenced by geographical split of profits

## Q3 2018 Balance Sheet *(\$ in millions)*



- Significant improvement in cash generation from the second quarter
- Net debt reduced to 0.7x adjusted EBITDA





# Concluding Comments



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**Strategy continues to drive profitable growth**



**Sequential improvement of sales and margins in all strategic businesses**



**Operating income before restructuring up 32 percent**



**Adjusted EPS up 20 percent on prior year**



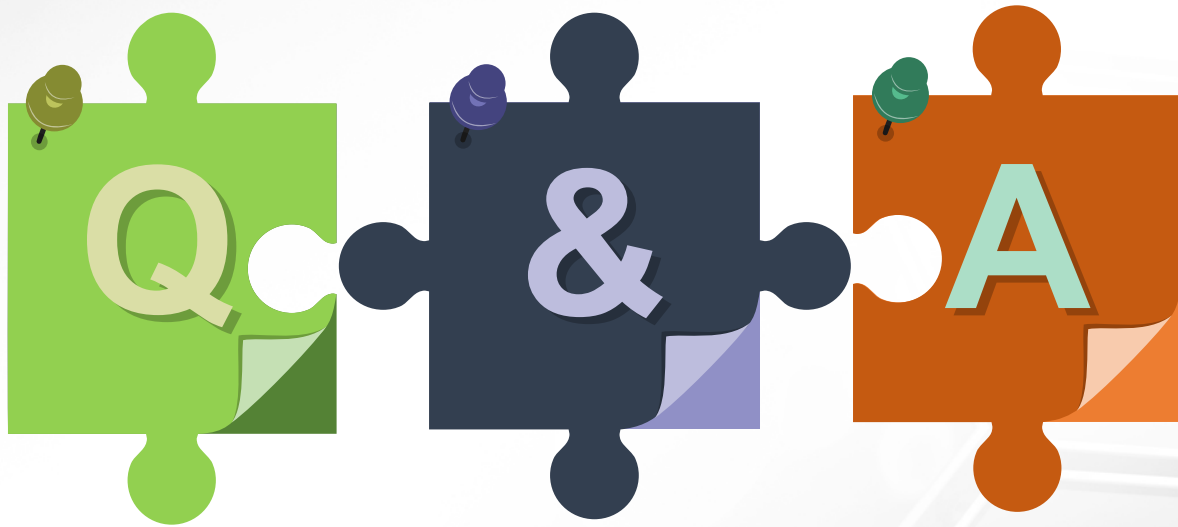
**Return of shareholder value; 15 percent dividend increase; \$100 million buyback**



**Continued focus on improved profitability**



# YOUR OPPORTUNITY TO ASK QUESTIONS



# Final Comments

Thank you for your continued support

Q4 2018 Results

February 2019						
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		

- February 19<sup>th</sup> - Results Release After Close
- February 20<sup>th</sup> - Conference Call