

Q1 2017 EARNINGS PRESENTATION

MAY 10, 2017 | 8:30 AM EST



innospec 

Q1 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

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 exchange loss on liquidation of subsidiary, fair value acquisition accounting, foreign currency exchange losses, adjustment to fair value of contingent consideration and loss on disposal of subsidiary. 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.

SUMMARY OF 1ST QUARTER PERFORMANCE

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Great start to 2017 – very strong quarter



Sales up 39 percent; adjusted EBITDA up 20 percent



Adjusted EPS of \$1.00; 8 percent increase on Q1 2016



Significant sales growth and profit improvement in Oilfield Services



Return to solid volume growth in Fuel Specialties

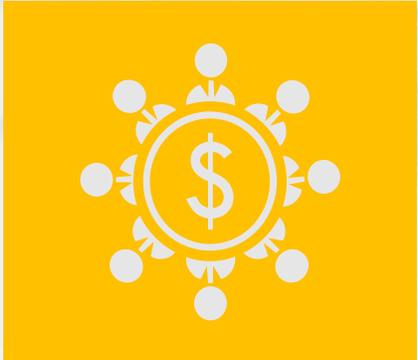


Performance Chemicals growth continues – good start for acquisition



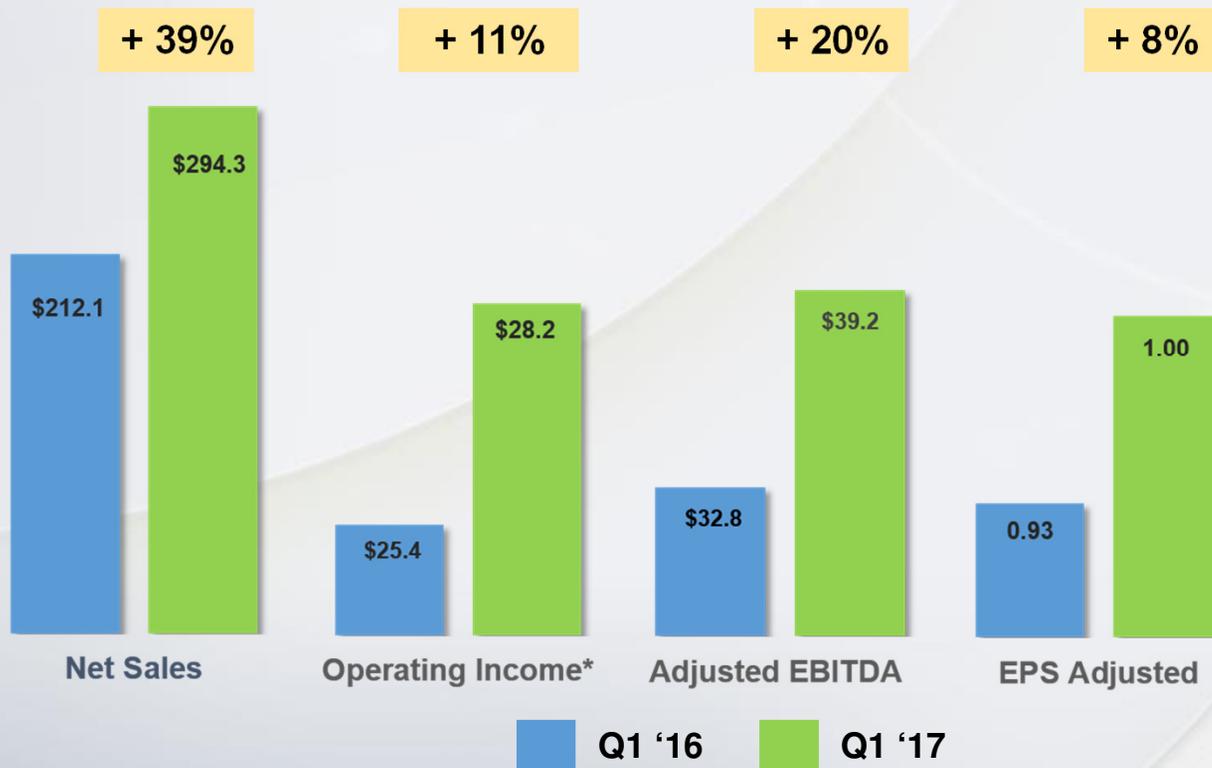
Octane Additives – over \$13 million of sales moved into Q2

FINANCIAL PRESENTATION



Q1 2017 CONSOLIDATED RESULTS

(\$ in millions)

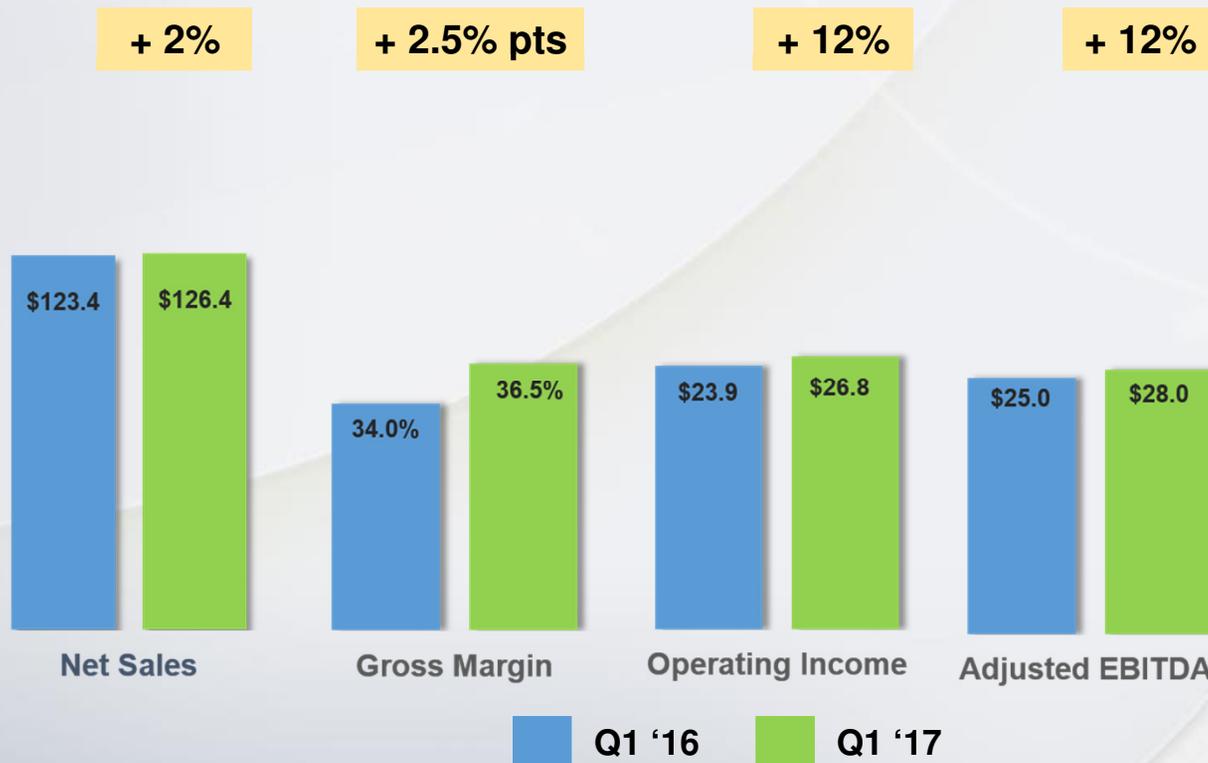


- Sales up 39 percent; Like-for-like sales up 11 percent
- Adjusted EPS of \$1.00; up 8 percent

*Operating income is before Fair Value adjustments, Loss on Disposal of Subsidiary and Foreign Exchange Loss on Liquidation of Subsidiary

Q1 2017 FUEL SPECIALTIES

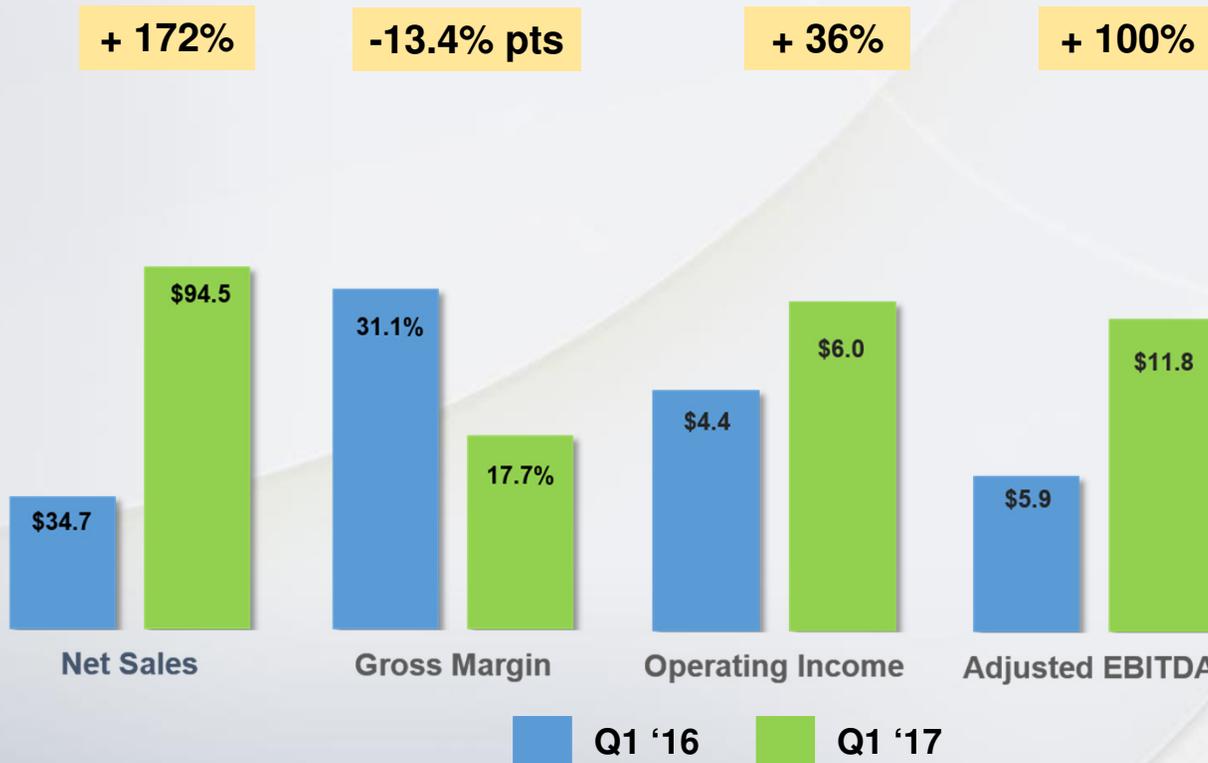
(\$ in millions)



- Good volume growth – notably in the Americas
- Gross margin starting to normalize compared to a strong Q4 2016
- Operating income and adjusted EBITDA up 12 percent

Q1 2017 PERFORMANCE CHEMICALS

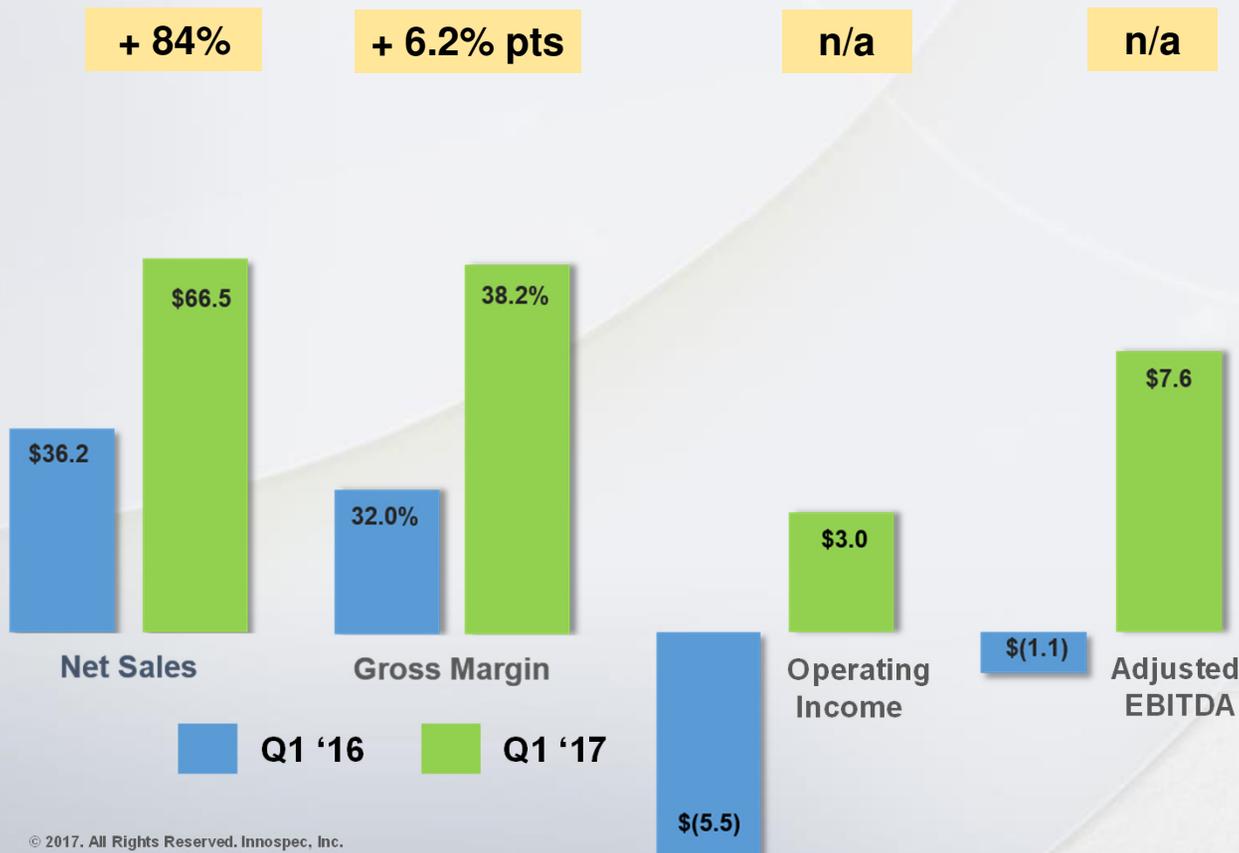
(\$ in millions)



- Significant positive impact of acquisition from Huntsman
- Gross margins in line with expectations
- Adjusted EBITDA doubles year over year

Q1 2017 OILFIELD SERVICES

(\$ in millions)

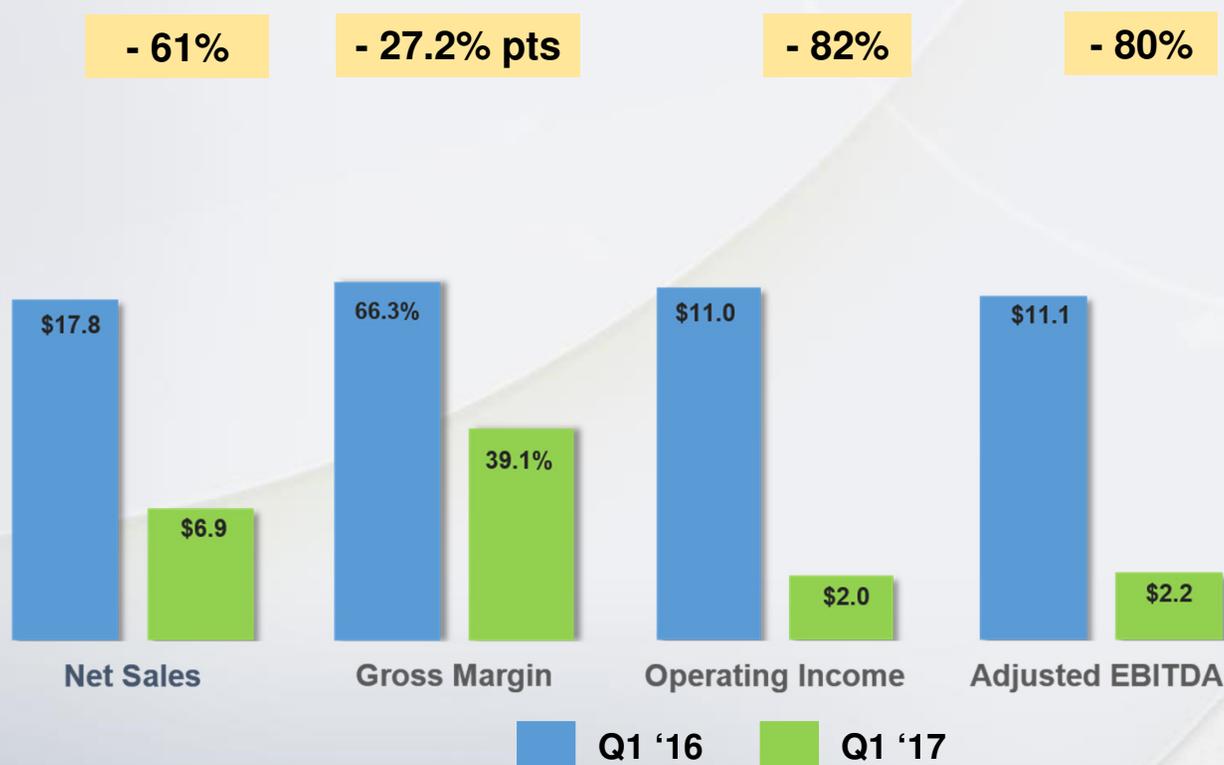


- Increased customer activity driving sales growth
- Gross profit and margins up on Q1 2016, but broadly flat sequentially
- Continued its' profitable recovery as expected

Q1 2017 OCTANE ADDITIVES

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(\$ in millions)



- New \$20 million order; only partly fulfilled in Q1 2017
- Operating income of \$2.0 million; compared to \$11.0 million in Q1 2016
- Balance of order (over \$13 million) will be delivered in Q2

Q1 2017 CORPORATE ITEMS

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- Corporate costs in line with expectations
- Effective tax rate 25.9 percent

<i>(\$ in millions)</i>	Q1 2016	Q1 2017
Corporate costs	(10.2)	(10.7)
Pension credit	1.8	1.1
Effective tax rate	22.9%	25.9%

Q1 2017 BALANCE SHEET

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- Injection of \$28.6 million of working capital to acquired business
- Working capital increase drives an operating cash outflow for the quarter
- Leverage remains low

<i>(\$ in millions)</i>	Q4 2016	Q1 2017
Net debt	(171.4)	(198.3)
Total working capital	180.5	237.6

CONCLUDING COMMENTS



CONCLUDING COMMENTS



Very strong start to 2017



All core businesses growing and performing well



Portfolio well balanced



Semi-annual dividend of 38 cents per share

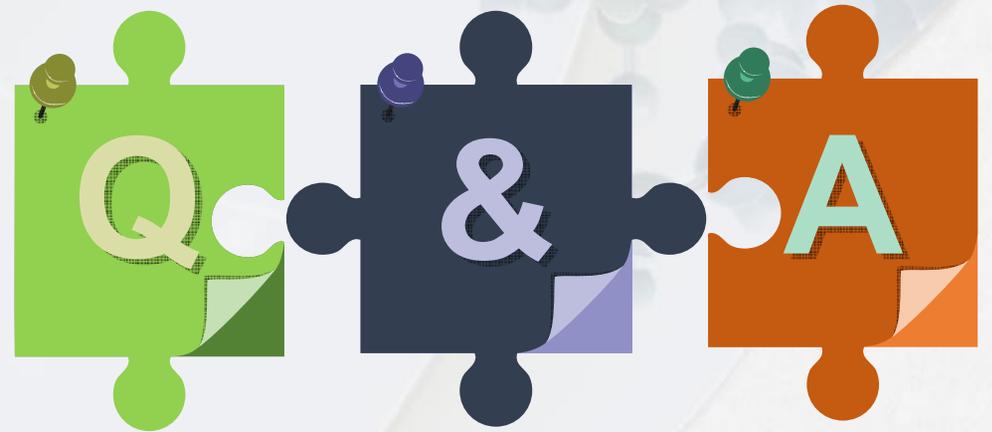


Leverage in good shape



Still receptive to M&A or partnership opportunities

YOUR OPPORTUNITY TO ASK QUESTIONS



FINAL COMMENTS



Thank you for your continued support



Q2 2017 Results

AUGUST 2017						
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 8 - Results Release After Close
- August 9 - Conference Call