

Investor Presentation Quarter 2, 2016

August 3, 2016

Patrick S. Williams
President & CEO

Ian Cleminson
*Executive Vice President &
Chief Financial Officer*

innospec 



Forward-looking Statements

This press release 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, including those associated with the United Kingdom's exit from the European Union 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, 2015, 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 press release 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 EBITDA, income before income taxes excluding special items and net income excluding special items and related per share amounts. 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 foreign currency exchange (gains)/losses, amortization of acquired intangible assets, adjustment to fair value of contingent consideration, acquisition-related costs and adjustment of income tax provisions. Reconciliations of these non-GAAP financial measures to their most directly comparable GAAP financial measures are provided herein and in the schedules 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, management uses these non-GAAP financial measures internally to allocate resources and evaluate the performance of the Company's operations. 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 believes the most directly comparable GAAP financial measure is GAAP net income and has provided a reconciliation of EBITDA and net income excluding special items, and related per share amounts, to GAAP net income herein and in the schedules below.

Innospec – Summary of 2nd Quarter Performance

- ▶ **GAAP EPS of \$1.18; Adjusted EPS of \$1.03, 8% ahead of Q2 2015, excluding divestment**
- ▶ **Strong EBITDA performance at 19% of sales**
- ▶ **Significant cash generation resulting in only \$4.7 million of net debt**
- ▶ **All businesses performed well**
 - ▶ **Oilfield Services improved over Q1 as anticipated**
- ▶ **Positioned very well for both organic growth and further acquisitions**
- ▶ **Committed to major acquisition in Personal & Home Care**

Financial Presentation



Ian Cleminson
*Executive Vice President &
Chief Financial Officer*

innospec

Q2 2016 Consolidated Results

- ▶ Sales down 6% on Q2 2015; comparative includes divested Aroma Chemicals business
- ▶ Gross margin up 1.5 percentage points
- ▶ EBITDA up 28%, Adjusted EPS up 1% despite divestment

	Q2 2015 \$m	Q2 2016 \$m	Growth %
Net sales	242.9	228.0	(6)%
Gross profit	87.5	85.5	(2)%
Gross margin	36.0%	37.5%	1.5%pt
Operating income *	30.8	26.2	(15)%
EBITDA	34.7	44.3	28%
EPS (diluted)	1.40	1.18	(16)%
EPS (adjusted)	1.02	1.03	1%

*Operating Income is before Fair Value Adjustments

Q2 2016 Fuel Specialties

- ▶ Sales up 6%
- ▶ Good performance in EMEA and Asia Pacific
- ▶ Americas business improving

	Q2 2015 \$m	Q2 2016 \$m	Growth %
Net sales	121.8	129.3	6%
Gross profit	44.0	43.7	(1)%
Gross margin	36.1%	33.8%	(2.3%)pt
Operating income	25.6	24.2	(5)%
EBITDA	26.7	25.5	(4)%

Q2 2016 Performance Chemicals

- ▶ Underlying sales up 9% (adjusted for divestment)
- ▶ Good gross margin development – positive mix of personal care
- ▶ Underlying operating income up 81% (adjusted for divestment)

	Q2 2015 \$m	Q2 2016 \$m	Growth %
Net sales	43.9	35.3	(20)%
Gross profit	11.3	11.3	-
Gross margin	25.7%	32.0%	6.3%pt
Operating income	4.7	4.7	-
EBITDA	6.3	6.3	-

Q2 2016 Oilfield Services

- ▶ Sales down in line with customer activity
- ▶ Margins remain good with favorable mix
- ▶ Heading back towards profitability as anticipated

	Q2 2015 \$m	Q2 2016 \$m	Growth %
Net sales	70.7	46.5	(34)%
Gross profit	28.4	19.9	(30)%
Gross margin	40.2%	42.8%	2.6%pt
Operating income/(loss)	5.0	(1.6)	N/A
EBITDA	9.4	2.9	(69)%

Q2 2016 Octane Additives

- ▶ Strong quarter with continued deliveries to Algeria
- ▶ Margins strong on high production throughput
- ▶ Business likely to continue – although no further firm orders

	Q2 2015 \$m	Q2 2016 \$m	Growth %
Net sales	6.5	16.9	N/A
Gross profit	3.8	10.6	N/A
Gross margin	58.5%	62.7%	4.2%pt
Operating income	2.8	9.6	N/A
EBITDA	2.9	9.8	N/A

Q2 2016 Corporate Items

- ▶ Underlying corporate costs in line with expectations
- ▶ Acquisition-related costs added \$1.0 million
- ▶ Comparative quarter included significant legal fee recovery

	Q2 2015 \$m	Q2 2016 \$m
Corporate costs	(7.4)	(12.4)
Pension credit	0.1	1.7
Adjustment to fair value of contingent consideration	26.6	2.4
GAAP effective tax rate	33.4%	20.6%

Q2 2016 Cash Flow & Balance Sheet

- ▶ Very strong cash generation with \$50.4 million in the quarter
- ▶ Net debt reduced to only \$4.7 million
- ▶ Balance sheet strengthened further

	Q4 2015 \$m	Q2 2016 \$m
Total cash and cash equivalents	141.7	153.2
Total debt	(136.1)	(157.9)
Net cash/(debt)	5.6	(4.7)
Total working capital	167.1	173.8

Concluding Comments



Patrick Williams
President & CEO

innospec 

Concluding Comments

- ▶ **Strategy delivering – right on plan**
- ▶ **All business units performing and positive signs in most key markets**
- ▶ **Committed to Acquisition of significant Personal & Home Care business**
- ▶ **Would take Performance Chemicals to sales revenue of over \$350 million globally**
- ▶ **Balanced capital management program still in place**
- ▶ **Balance sheet strong enough to support continued organic and acquisition growth**

Your Opportunity To Ask Questions



innospec 

Final Comments

- ▶ Thanks to investors, customers and employees for their continued support
- ▶ Q3 2016 results timetable (provisional)
 - ▶ Results announced after close on November 3, 2016
 - ▶ Conference Call at 10am ET on Friday November 4, 2016

Appendix



innospec 

Innospec Income Statement - Quarter 2

	Q2 2015 \$m	Q2 2016 \$m	Variance Pr. Yr. \$m
Net sales	242.9	228.0	(14.9)
Sales growth	9.8%	(6.1)%	N/A
Gross profit	87.5	85.5	(2.0)
Gross margin	36.0%	37.5%	1.5%pt
SAR expenses	(56.7)	(59.3)	(2.6)
Operating income	30.8	26.2	(4.6)
Operating margin	12.7%	11.5%	(1.2%)pt
Adjustment to fair value of contingent consideration	26.6	2.4	(24.2)
Interest expense, net	(0.9)	(0.7)	0.2
Other net (expense)/income	(4.7)	8.5	13.2
Income before income taxes	51.8	36.4	(15.4)
Income taxes	(17.3)	(7.5)	9.8
Net income	34.5	28.9	(5.6)
EBITDA	34.7	44.3	9.6
EBITDA margin	14.3%	19.4%	5.1%pt

EBITDA margin represents EBITDA as a percentage of sales

Innospec Income Statement - YTD

	2015 \$m	2016 \$m	Variance Pr. Yr. \$m
Net sales	512.1	440.1	(72.0)
Sales growth	15.9%	(14.1%)	N/A
Gross profit	169.3	161.7	(7.6)
Gross margin	33.1%	36.7%	3.6%pt
SAR expenses	(111.6)	(110.1)	1.5
Operating income	57.7	51.6	(6.1)
Operating margin	11.3%	11.7%	0.4%pt
Adjustment to fair value of contingent consideration	23.1	4.0	(19.1)
Loss on disposal of subsidiary	-	(1.4)	(1.4)
Interest expense, net	(1.9)	(1.5)	0.4
Other net (expense)/income	(3.2)	8.2	11.4
Income before income taxes	75.7	60.9	(14.8)
Income taxes	(23.3)	(13.1)	10.2
Net income	52.4	47.8	(4.6)
EBITDA	71.4	77.1	5.7
EBITDA margin	13.9%	17.5%	3.6%pt

Fuel Specialties - Quarter 2

	Q2 2015 \$m	Q2 2016 \$m	Variance Pr. Yr. \$m
Net sales	121.8	129.3	7.5
Sales growth	(4.2%)	6.2%	N/A
Gross profit	44.0	43.7	(0.3)
Gross margin	36.1%	33.8%	(2.3%)pt
Selling	(11.1)	(10.9)	0.2
Administrative	(2.7)	(4.3)	(1.6)
Research	(4.6)	(4.3)	0.3
SAR expenses	(18.4)	(19.5)	(1.1)
SAR %	(15.1%)	(15.1%)	-
Operating income	25.6	24.2	(1.4)
Operating income margin	21.0%	18.7%	(2.3%)pt
EBITDA	26.7	25.5	(1.2)
EBITDA margin	21.9%	19.7%	(2.2%)pt

Fuel Specialties - YTD

	2015 \$m	2016 \$m	Variance Pr. Yr. \$m
Net sales	265.3	252.7	(12.6)
Sales growth	(4.8%)	(4.7%)	N/A
Gross profit	85.9	85.7	(0.2)
Gross margin	32.4%	33.9%	1.5%pt
Selling	(21.5)	(20.5)	1.0
Administrative	(6.4)	(8.1)	(1.7)
Research	(8.9)	(9.0)	(0.1)
SAR expenses	(36.8)	(37.6)	(0.8)
SAR %	(13.9%)	(14.9%)	(1.0%)pt
Operating income	49.1	48.1	(1.0)
Operating income margin	18.5%	19.0%	0.5%pt
EBITDA	51.2	50.5	(0.7)
EBITDA margin	19.3%	20.0%	0.7%pt

Performance Chemicals - Quarter 2

	Q2 2015 \$m	Q2 2016 \$m	Variance Pr. Yr. \$m
Net sales	43.9	35.3	(8.6)
Sales growth	(5.4%)	(19.6%)	N/A
Gross profit	11.3	11.3	-
Gross margin	25.7%	32.0%	6.3%pt
Selling	(3.5)	(3.8)	(0.3)
Administrative	(1.9)	(1.9)	-
Research	(1.2)	(0.9)	0.3
SAR expenses	(6.6)	(6.6)	-
SAR %	(15.0%)	(18.7%)	(3.7%)pt
Operating income	4.7	4.7	-
Operating income margin	10.7%	13.3%	2.6%pt
EBITDA	6.3	6.3	-
EBITDA margin	14.4%	17.8%	3.4%pt

Performance Chemicals - YTD

	2015 \$m	2016 \$m	Variance Pr. Yr. \$m
Net sales	90.7	70.0	(20.7)
Sales growth	0.3%	(22.8%)	N/A
Gross profit	23.4	22.1	(1.3)
Gross margin	25.8%	31.6%	5.8%pt
Selling	(7.0)	(7.6)	(0.6)
Administrative	(4.6)	(3.3)	1.3
Research	(2.3)	(2.1)	0.2
SAR expenses	(13.9)	(13.0)	0.9
SAR %	(15.3%)	(18.6%)	(3.3%)pt
Operating income	9.5	9.1	(0.4)
Operating income margin	10.5%	13.0%	2.5%pt
EBITDA	12.7	12.2	(0.5)
EBITDA margin	14.0%	17.4%	3.4%pt

Oilfield Services - Quarter 2

	Q2 2015 \$m	Q2 2016 \$m	Variance Pr. Yr. \$m
Net sales	70.7	46.5	(24.2)
Sales growth	N/A	(34.2%)	N/A
Gross profit	28.4	19.9	(8.5)
Gross margin	40.2%	42.8%	2.6%pt
Selling	(18.7)	(19.7)	(1.0)
Administrative	(4.0)	(0.8)	3.2
Research	(0.7)	(1.0)	(0.3)
SAR expenses	(23.4)	(21.5)	1.9
SAR %	(33.1%)	(46.2%)	(13.1%)pt
Operating income/(loss)	5.0	(1.6)	(6.6)
Operating income margin	7.1%	(3.4%)	(10.5%)pt
EBITDA	9.4	2.9	(6.5)
EBITDA margin	13.3%	6.2%	(7.1%)pt

Oilfield Services - YTD

	2015 \$m	2016 \$m	Variance Pr. Yr. \$m
Net sales	137.4	82.7	(54.7)
Sales growth	N/A	(39.8%)	N/A
Gross profit	50.4	31.5	(18.9)
Gross margin	36.7%	38.1%	1.4%pt
Selling	(34.5)	(31.9)	2.6
Administrative	(7.8)	(4.7)	3.1
Research	(1.5)	(2.0)	(0.5)
SAR expenses	(43.8)	(38.6)	5.2
SAR %	(31.9%)	(46.7%)	(14.8%)pt
Operating income/(loss)	6.6	(7.1)	(13.7)
Operating income margin	4.8%	(8.6%)	(13.4%)pt
EBITDA	15.3	1.8	(13.5)
EBITDA margin	11.1%	2.2%	(8.9%)pt

Octane Additives - Quarter 2

	Q2 2015 \$m	Q2 2016 \$m	Variance Pr. Yr. \$m
Net sales	6.5	16.9	10.4
Sales growth	(61.3%)	160.0%	N/A
Gross profit	3.8	10.6	6.8
Gross margin	58.5%	62.7%	4.2%pt
Selling	(0.4)	(0.4)	-
Administrative	(0.6)	(0.6)	-
SAR expenses	(1.0)	(1.0)	-
SAR %	(15.4%)	(5.9%)	9.5%pt
Operating income	2.8	9.6	6.8
Operating income margin	43.1%	56.8%	13.7%pt
EBITDA	2.9	9.8	6.9
EBITDA margin	44.6%	58.0%	13.4%pt

Octane Additives - YTD

	2015 \$m	2016 \$m	Variance Pr. Yr. \$m
Net sales	18.7	34.7	16.0
Sales growth	8.7%	85.6%	N/A
Gross profit	9.6	22.4	12.8
Gross margin	51.3%	64.6%	13.3%pt
Selling	(0.7)	(0.5)	0.2
Administrative	(1.0)	(1.3)	(0.3)
SAR expenses	(1.7)	(1.8)	(0.1)
SAR %	(9.1%)	(5.2%)	3.9%pt
Operating income	7.9	20.6	12.7
Operating income margin	42.2%	59.4%	17.2%pt
EBITDA	8.1	20.9	12.8
EBITDA margin	43.3%	60.2%	16.9%pt

GAAP Reconciliation EBITDA - Quarter 2

	Q2 2015 \$m	Q2 2016 \$m
Net income	34.5	28.9
Interest expense, net	0.9	0.7
Income taxes	17.3	7.5
Depreciation and amortization	8.6	9.6
Adjustment to fair value of contingent consideration	(26.6)	(2.4)
EBITDA	34.7	44.3

GAAP Reconciliation EBITDA - YTD

	2015 \$m	2016 \$m
Net Income	52.4	47.8
Interest expense, net	1.9	1.5
Income taxes	23.3	13.1
Depreciation and amortization	16.9	18.7
Adjustment to fair value of contingent consideration	(23.1)	(4.0)
EBITDA	71.4	77.1

GAAP Reconciliation: Net Income Excluding Special Items - Quarter 2

	Q2 2015			Q2 2016		
	<i>Income before income taxes</i> \$m	<i>Net income</i> \$m	<i>Diluted EPS</i> \$	<i>Income before income taxes</i> \$m	<i>Net income</i> \$m	<i>Diluted EPS</i> \$
Reported GAAP amounts	51.8	34.5	1.40	36.4	28.9	1.18
Foreign currency exchange losses/(gains)	4.7	3.5	0.14	(8.5)	(6.8)	(0.28)
Amortization of acquired intangible assets	4.3	3.2	0.13	4.3	3.4	0.14
Adjustment to fair value of contingent consideration	(26.6)	(16.1)	(0.65)	(2.4)	(1.5)	(0.06)
Acquisition-related costs	-	-	-	1.0	1.0	0.04
Adjustment of income tax provisions	-	-	-	0.4	0.4	0.01
Adjusted non-GAAP amounts	34.2	25.1	1.02	31.2	25.4	1.03