



innospec

Investor Presentation
Quarter 1, 2014

7th May 2014

Patrick Williams

*President & Chief Executive
Officer*

Ian Cleminson

*Executive Vice President &
Chief Financial Officer*

innospec 

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" or similar words or expressions), for example, which relate to operating performance, events or developments that we expect or anticipate will or may occur in the future (including, without limitation, any of the Company's guidance in respect of sales, gross margins, pension liabilities and charges, net income, growth potential and other measures of financial performance). 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 the Company and affecting our business operations and prospects are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, 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. The Company 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 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 impairment of Octane Additives segment goodwill. Income before income taxes, net income and diluted EPS, excluding special items, per our consolidated financial statements are adjusted for the exclusion of adjustment of income tax provisions and foreign currency exchange gains. 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, 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 appendices below.

Innospec – Summary of 1st Quarter Performance

- ▶ Good first quarter performance and continued momentum
- ▶ Negligible sales in Octane Additives as predicted, but strong Q2 recovery anticipated
- ▶ Excellent contributions from acquisitions and solid underlying growth in core businesses
- ▶ Fuel Specialties delivers strong revenue improvement; Smooth integration of Bachman with strong contribution
- ▶ Sales and margin strength in Performance Chemicals driven by Personal Care markets; Chemsil and Chemtec important addition to top-line growth
- ▶ Innospec confidently well-positioned for continued growth in Q2 and beyond



innospec

Financial Presentation

Ian Cleminson

*Executive Vice President &
Chief Financial Officer*

Q1 2014 Consolidated Results

- ▶ Total revenues up 11% to \$220.7 million driven by acquisitions and a strong core business
- ▶ GAAP EPS of \$0.69 despite the absence of Octane Additive sales
- ▶ EBITDA of \$27.1 million reflects strong underlying businesses

	Q1 2013 \$m	Q1 2014 \$m	Growth %
Net sales	199.4	220.7	11%
Gross profit	63.8	65.7	3%
Gross margin	32.0%	29.8%	(2.2%)pt
Operating income *	22.5	18.2	(19)%
EBITDA	27.9	27.1	(3)%
EPS (diluted)	0.75	0.69	(8)%
EPS (adjusted)	0.72	0.54	(25)%

*Operating Income is before Impairment & Restructuring

Q1 2014 Fuel Specialties

- ▶ Revenue increased 17% to \$164.2 million
- ▶ Bachman acquisition contributed 13% to top-line results
- ▶ Gross profit rises to \$52.0 million; gross margin of 31.7%

	Q1 2013 \$m	Q1 2014 \$m	Growth %
Net sales	140.0	164.2	17%
Gross profit	47.0	52.0	11%
Gross margin	33.6%	31.7%	(1.9%)pt
Operating income	24.9	25.8	4%
EBITDA	27.1	29.2	8%

Q1 2014 Performance Chemicals

- ▶ Net sales increase 17% to \$56.1 million
- ▶ Chemsil and Chemtec contribute 16% to sales growth
- ▶ Gross margin improves to 24.2% as Personal Care expands its segment share

	Q1 2013 \$m	Q1 2014 \$m	Growth %
Net sales	47.8	56.1	17%
Gross profit	10.5	13.6	30%
Gross margin	22.0%	24.2%	2.2%pt
Operating income	5.0	6.5	30%
EBITDA	6.3	8.7	38%

Q1 2014 Octane Additives

- ▶ Slow start to 2014, as predicted
- ▶ Anticipate strong recovery in Q2
- ▶ Medium and long term prognosis unchanged

	Q1 2013 \$m	Q1 2014 \$m	Growth %
Net sales	11.6	0.4	(97)%
Gross profit	6.3	0.1	(98)%
Gross margin	54.3%	25.0%	(29.3%)pt
Operating income/(loss)	4.8	(1.2)	N/A
EBITDA	5.1	(1.1)	N/A

Q1 2014 Corporate Items

- ▶ Corporate costs increased to \$12.1 million
- ▶ Effective tax rate of 11.1% for the quarter

	Q1 2013 \$m	Q1 2014 \$m
Corporate costs	(11.5)	(12.1)
Pension charge	(0.7)	(0.8)
Effective tax rate	21.4%	11.1%

Q1 2014 Balance Sheet

- ▶ Net debt position of \$43.8 million significantly reduced from year end
- ▶ Generated \$20.9 million in net cash from operations
- ▶ \$95.9 million in cash and cash equivalents as of March 31; total debt of \$139.7 million

	Q4 2013 \$m	Q1 2014 \$m
Total cash and cash equivalents	86.8	95.9
Total debt	(148.0)	(139.7)
Net debt	(61.2)	(43.8)
Total working capital	163.7	170.9



Concluding Comments

Patrick Williams
*President & Chief Executive
Officer*

innospec

Additional Highlights

- ▶ Strong first quarter performance driven by our core businesses and recent acquisitions
- ▶ Solid foundation for sustainable growth; in Personal Care, Fuel Specialties and Oilfield
- ▶ Confidently positioned for the future; continued strong balance sheet and robust cash generation
- ▶ 8% increase in biannual dividend payout for first half of 2014; commitment to shareholder return policy
- ▶ Strategic near-term focus on acquisition integration and customer service with; continued investment in technology innovation and compliance



Your opportunity to
ask questions

innospec

innospec 

Final Comments

- ▶ Thank you for your interest
- ▶ Our next call will be in August 2014
- ▶ Have a good day



Appendix

innospec

Innospec Income Statement - Quarter 1

	Q1 2013 \$m	Q1 2014 \$m	Variance Pr. Yr. \$m
Net sales	199.4	220.7	21.3
Sales growth	(0.7%)	10.7%	N/A
Gross profit	63.8	65.7	1.9
Gross margin	32.0%	29.8%	(2.2%)pt
SAR expenses	(41.3)	(47.5)	(6.2)
Operating income pre restructuring	22.5	18.2	(4.3)
Operating margin	11.3%	8.2%	(3.1%)pt
Restructuring charge	-	(0.2)	(0.2)
Impairment of Octane Additives segment goodwill	(0.3)	-	0.3
Interest expense, net	(0.3)	(0.9)	(0.6)
Other net income	1.0	1.9	0.9
Income before income taxes	22.9	19.0	(3.9)
Income taxes	(4.9)	(2.1)	2.8
Net income	18.0	16.9	(1.1)
EBITDA	27.9	27.1	(0.8)
EBITDA margin	14.0%	12.3%	(1.7%)pt

EBITDA margin represents EBITDA as a percentage of sales

Fuel Specialties – Quarter 1

	Q1 2013 \$m	Q1 2014 \$m	Variance Pr. Yr. \$m
Net sales	140.0	164.2	24.2
Sales growth	7.1%	17.3%	N/A
Gross profit	47.0	52.0	5.0
Gross margin	33.6%	31.7%	(1.9%)pt
Selling	(13.1)	(17.4)	(4.3)
Administrative	(4.4)	(4.1)	0.3
Research	(4.6)	(4.7)	(0.1)
SAR expenses	(22.1)	(26.2)	(4.1)
SAR %	(15.8%)	(16.0%)	(0.2%)pt
Operating income	24.9	25.8	0.9
Operating income margin	17.8%	15.7%	(2.1%)pt
EBITDA	27.1	29.2	2.1
EBITDA margin	19.4%	17.8%	(1.6%)pt

Performance Chemicals - Quarter 1

	Q1 2013 \$m	Q1 2014 \$m	Variance Pr. Yr. \$m
Net sales	47.8	56.1	8.3
Sales growth	2.8%	17.4%	N/A
Gross profit	10.5	13.6	3.1
Gross margin	22.0%	24.2%	2.2%pt
Selling	(2.1)	(3.7)	(1.6)
Administrative	(2.4)	(2.4)	-
Research	(1.0)	(1.0)	-
SAR expenses	(5.5)	(7.1)	(1.6)
SAR %	(11.5%)	(12.7%)	(1.2%)pt
Operating income	5.0	6.5	1.5
Operating income margin	10.5%	11.6%	1.1%pt
EBITDA	6.3	8.7	2.4
EBITDA margin	13.2%	15.5%	2.3%pt

Octane Additives - Quarter 1

	Q1 2013 \$m	Q1 2014 \$m	Variance Pr. Yr. \$m
Net sales	11.6	0.4	(11.2)
Sales growth	(50.8%)	(96.6%)	N/A
Gross profit	6.3	0.1	(6.2)
Gross margin	54.3%	25.0%	(29.3%)pt
Selling	(0.4)	(0.5)	(0.1)
Administrative	(1.1)	(0.8)	0.3
SAR expenses	(1.5)	(1.3)	0.2
SAR %	(12.9%)	N/A	N/A
Operating income/(loss)	4.8	(1.2)	(6.0)
Operating income margin	41.4%	N/A	N/A
EBITDA	5.1	(1.1)	(6.2)
EBITDA margin	44.0%	N/A	N/A

GAAP Reconciliation EBITDA - Quarter 1

	Q1 2013 \$m	Q1 2014 \$m
Net income	18.0	16.9
Interest expense, net	0.3	0.9
Income taxes	4.9	2.1
Depreciation and amortization	4.4	7.2
Impairment of Octane Additives segment goodwill	0.3	-
EBITDA	27.9	27.1

GAAP Reconciliation: Net income excluding special items - Quarter 1

	Q1 2013			Q1 2014		
	<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	22.9	18.0	0.75	19.0	16.9	0.69
Adjustment of income tax provisions	-	-	-	(2.2)	(2.2)	(0.09)
Foreign currency exchange gains	(1.0)	(0.8)	(0.03)	(1.9)	(1.5)	(0.06)
Adjusted non-GAAP amounts	21.9	17.2	0.72	14.9	13.2	0.54