

Investor Presentation Quarter 3, 2016

November 3, 2016

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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 and net income excluding special items and related per share amounts. 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 foreign currency exchange losses/(gains), amortization of acquired intangible assets, adjustment to fair value of contingent consideration, acquisition-related costs, adjustment of income tax provisions, settlement of distributor claim and profit on disposal of subsidiary. 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.

Innospec – Summary of 3rd Quarter Performance

- ▶ Underlying business performance is right on track
- ▶ One-off charges & order phasing impact EPS in the short-term
- ▶ Fuel Specialties – strong growth in operating margin
- ▶ Performance Chemicals – innovation continues to drive great growth
- ▶ Oilfield Services – break even with modest market recovery
- ▶ Further increase in semi-annual dividend
- ▶ Acquisition of Huntsman European surfactant business on track for Q4.

Financial Presentation



Ian Cleminson
*Executive Vice President &
Chief Financial Officer*

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Q3 2016 Consolidated Results

- Sales below a very strong comparative quarter (Octane Additives; Oilfield Services)
- Order phasing in Oilfield and Fuel Specialties; Gross Margin Improvement
- One-off costs impacting EPS

	Q3 2015 \$m	Q3 2016 \$m	Growth %
Net sales	254.2	205.5	(19)%
Gross profit	90.4	79.2	(12)%
Gross margin	35.6%	38.5%	2.9%pt
Operating income *	31.1	16.6	(47)%
Adjusted EBITDA	42.1	21.2	(50)%
EPS (diluted)	1.45	0.47	(68)%
EPS (adjusted)	1.18	0.78	(34)%

*Operating Income is before Fair Value Adjustments and Profit on Disposal of Subsidiary

Q3 2016 Fuel Specialties

- Revenues lower in Americas, flat in EMEA, excellent growth in Asia Pacific
- Richer mix drives higher gross margins
- 12% Growth in Operating Income

	Q3 2015 \$m	Q3 2016 \$m	Growth %
Net sales	121.3	114.4	(6)%
Gross profit	39.5	43.8	11%
Gross margin	32.6%	38.3%	5.7%pt
Operating income	21.6	24.1	12%
EBITDA	22.5	25.2	12%

Q3 2016 Performance Chemicals

- ▶ Continued excellent growth, based on both existing and new products
- ▶ Personal Care growth drives richer mix and improved margins
- ▶ Business well positioned to combine with new acquisition

	Q3 2015 \$m	Q3 2016 \$m	Growth %
Net sales	33.7	36.8	9%
Gross profit	9.9	12.3	24%
Gross margin	29.4%	33.4%	4.0%pt
Operating income	3.6	4.2	17%
EBITDA	5.1	5.8	14%

Q3 2016 Oilfield Services

- ▶ Business break-even in the quarter
- ▶ Sales down on 2015 but up 7% sequentially on Q2
- ▶ Customer activity picking up slowly

	Q3 2015 \$m	Q3 2016 \$m	Growth %
Net sales	78.9	49.7	(37)%
Gross profit	32.0	20.6	(36)%
Gross margin	40.6%	41.4%	0.8%pt
Operating income	7.2	-	(100)%
EBITDA	11.7	4.6	(61)%

Q3 2016 Octane Additives

- ▶ Sales down on very strong comparative quarter
- ▶ Last portion of Algeria order delayed until October
- ▶ No further visibility on orders

	Q3 2015 \$m	Q3 2016 \$m	Growth %
Net sales	20.3	4.6	(77)%
Gross profit	9.0	2.5	(72)%
Gross margin	44.3%	54.3%	10.0%pt
Operating income	8.0	1.9	(76)%
EBITDA	8.1	2.0	(75)%

Q3 2016 Corporate Items

- ▶ Significant impact of one-off items on EPS
- ▶ Underlying corporate costs in expected range
- ▶ Tax rate for year expected to be 20%

	Q3 2015 \$m	Q3 2016 \$m
Corporate costs	(9.3)	(15.2)
Pension credit	-	1.6
Adjustment to fair value of contingent consideration	8.5	2.3
Profit on disposal of subsidiary	1.6	-
GAAP effective tax rate	14.0%	13.6%

Q3 2016 Balance Sheet

- Balance sheet remains very strong
- \$29.8 million of cash generation; net cash of \$19.6 million
- Further increase in semi-annual dividend

	Q4 2015 \$m	Q3 2016 \$m
Total cash and cash equivalents	141.7	167.1
Total debt	(136.1)	(147.5)
Net cash	5.6	19.6
Total working capital	167.1	160.4

Concluding Comments



Patrick Williams
President & CEO

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Concluding Comments

- ▶ **Business performance on-track**
- ▶ **EPS impacted by one-off items**
- ▶ **Business continues to grow and generate good cash**
- ▶ **Acquisition from Huntsman – on track for Q4**
- ▶ **Increase in semi-annual dividend**
- ▶ **Very well placed for Quarter 4, and for 2017**

Your Opportunity To Ask Questions



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Final Comments

- ▶ Thanks to investors, customers and employees for their continued support
- ▶ Q4 2016 results timetable (provisional)
 - ▶ Results announced after close on February 16, 2016
 - ▶ Conference Call at 10am ET on Friday February 17, 2016

Appendix



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Innospec Income Statement - Quarter 3

	Q3 2015 \$m	Q3 2016 \$m	Variance Pr. Yr. \$m
Net sales	254.2	205.5	(48.7)
Sales growth	11.4%	(19.2)%	N/A
Gross profit	90.4	79.2	(11.2)
Gross margin	35.6%	38.5%	2.9%pt
SAR expenses	(59.3)	(62.6)	(3.3)
Operating income	31.1	16.6	(14.5)
Operating margin	12.2%	8.1%	(4.1%)pt
Adjustment to fair value of contingent consideration	8.5	2.3	(6.2)
Profit on disposal of subsidiary	1.6	-	(1.6)
Interest expense, net	(1.0)	(0.7)	0.3
Other net income/(expense)	1.2	(5.0)	(6.2)
Income before income taxes	41.4	13.2	(28.2)
Income taxes	(5.8)	(1.8)	4.0
Net income	35.6	11.4	(24.2)
Adjusted EBITDA	42.1	21.2	(20.9)
Adjusted EBITDA margin	16.6%	10.3%	(6.3%)pt

Innospec Income Statement - YTD

	2015 \$m	2016 \$m	Variance Pr. Yr. \$m
Net sales	766.3	645.6	(120.7)
Sales growth	14.3%	(15.8%)	N/A
Gross profit	259.7	240.9	(18.8)
Gross margin	33.9%	37.3%	3.4%pt
SAR expenses	(170.9)	(172.7)	(1.8)
Operating income	88.8	68.2	(20.6)
Operating margin	11.6%	10.6%	(1.0%)pt
Adjustment to fair value of contingent consideration	31.6	6.3	(25.3)
Profit/(loss) on disposal of subsidiary	1.6	(1.4)	(3.0)
Interest expense, net	(2.9)	(2.2)	0.7
Other net (expense)/income	(2.0)	3.2	5.2
Income before income taxes	117.1	74.1	(43.0)
Income taxes	(29.1)	(14.9)	14.2
Net income	88.0	59.2	(28.8)
Adjusted EBITDA	113.5	98.3	(15.2)
Adjusted EBITDA margin	14.8%	15.2%	0.4%pt

Fuel Specialties - Quarter 3

	Q3 2015 \$m	Q3 2016 \$m	Variance Pr. Yr. \$m
Net sales	121.3	114.4	(6.9)
Sales growth	(7.4%)	(5.7%)	N/A
Gross profit	39.5	43.8	4.3
Gross margin	32.6%	38.3%	5.7%pt
Selling	(10.6)	(11.4)	(0.8)
Administrative	(2.9)	(4.1)	(1.2)
Research	(4.4)	(4.2)	0.2
SAR expenses	(17.9)	(19.7)	(1.8)
SAR %	(14.8%)	(17.2%)	(2.4%)pt
Operating income	21.6	24.1	2.5
Operating income margin	17.8%	21.1%	3.3%pt
EBITDA	22.5	25.2	2.7
EBITDA margin	18.5%	22.0%	3.5%pt

Fuel Specialties - YTD

	2015 \$m	2016 \$m	Variance Pr. Yr. \$m
Net sales	386.6	367.1	(19.5)
Sales growth	(5.7%)	(5.0%)	N/A
Gross profit	125.4	129.5	4.1
Gross margin	32.4%	35.3%	2.9%pt
Selling	(32.1)	(31.9)	0.2
Administrative	(9.3)	(12.2)	(2.9)
Research	(13.3)	(13.2)	0.1
SAR expenses	(54.7)	(57.3)	(2.6)
SAR %	(14.1%)	(15.6%)	(1.5%)pt
Operating income	70.7	72.2	1.5
Operating income margin	18.3%	19.7%	1.4%pt
EBITDA	73.7	75.7	2.0
EBITDA margin	19.1%	20.6%	1.5%pt

Performance Chemicals - Quarter 3

	Q3 2015 \$m	Q3 2016 \$m	Variance Pr. Yr. \$m
Net sales	33.7	36.8	3.1
Sales growth	(27.1%)	9.2%	N/A
Gross profit	9.9	12.3	2.4
Gross margin	29.4%	33.4%	4.0%pt
Selling	(3.0)	(4.6)	(1.6)
Administrative	(2.0)	(2.1)	(0.1)
Research	(1.3)	(1.4)	(0.1)
SAR expenses	(6.3)	(8.1)	(1.8)
SAR %	(18.7%)	(22.0%)	(3.3%)pt
Operating income	3.6	4.2	0.6
Operating income margin	10.7%	11.4%	0.7%pt
EBITDA	5.1	5.8	0.7
EBITDA margin	15.1%	15.8%	0.7%pt

Performance Chemicals - YTD

	2015 \$m	2016 \$m	Variance Pr. Yr. \$m
Net sales	124.4	106.8	(17.6)
Sales growth	(8.9%)	(14.1%)	N/A
Gross profit	33.3	34.4	1.1
Gross margin	26.8%	32.2%	5.4%pt
Selling	(10.0)	(12.2)	(2.2)
Administrative	(6.6)	(5.4)	1.2
Research	(3.6)	(3.5)	0.1
SAR expenses	(20.2)	(21.1)	(0.9)
SAR %	(16.2%)	(19.8%)	(3.6%)pt
Operating income	13.1	13.3	0.2
Operating income margin	10.5%	12.5%	2.0%pt
EBITDA	17.8	18.0	0.2
EBITDA margin	14.3%	16.9%	2.6%pt

Oilfield Services - Quarter 3

	Q3 2015 \$m	Q3 2016 \$m	Variance Pr. Yr. \$m
Net sales	78.9	49.7	(29.2)
Sales growth	119.8%	(37.0%)	N/A
Gross profit	32.0	20.6	(11.4)
Gross margin	40.6%	41.4%	0.8%pt
Selling	(19.3)	(16.8)	2.5
Administrative	(4.6)	(2.9)	1.7
Research	(0.9)	(0.9)	-
SAR expenses	(24.8)	(20.6)	4.2
SAR %	(31.4%)	(41.4%)	(10.0%)pt
Operating income	7.2	-	(7.2)
Operating income margin	9.1%	-	(9.1%)pt
EBITDA	11.7	4.6	(7.1)
EBITDA margin	14.8%	9.3%	(5.5%)pt

Oilfield Services - YTD

	2015 \$m	2016 \$m	Variance Pr. Yr. \$m
Net sales	216.3	132.4	(83.9)
Sales growth	136.4%	(38.8%)	N/A
Gross profit	82.4	52.1	(30.3)
Gross margin	38.1%	39.4%	1.3%pt
Selling	(53.8)	(48.7)	5.1
Administrative	(12.4)	(7.6)	4.8
Research	(2.4)	(2.9)	(0.5)
SAR expenses	(68.6)	(59.2)	9.4
SAR %	(31.7%)	(44.7%)	(13.0%)pt
Operating income	13.8	(7.1)	(20.9)
Operating income margin	6.4%	(5.4%)	(11.8%)pt
EBITDA	27.0	6.4	(20.6)
EBITDA margin	12.5%	4.8%	(7.7%)pt

Octane Additives - Quarter 3

	Q3 2015 \$m	Q3 2016 \$m	Variance Pr. Yr. \$m
Net sales	20.3	4.6	(15.7)
Sales growth	34.4%	(77.3%)	N/A
Gross profit	9.0	2.5	(6.5)
Gross margin	44.3%	54.3%	10.0%pt
Selling	(0.4)	(0.2)	0.2
Administrative	(0.6)	(0.4)	0.2
SAR expenses	(1.0)	(0.6)	0.4
SAR %	(4.9%)	(13.0%)	(8.1%)pt
Operating income	8.0	1.9	(6.1)
Operating income margin	39.4%	41.3%	1.9%pt
EBITDA	8.1	2.0	(6.1)
EBITDA margin	39.9%	43.5%	3.6%pt

Octane Additives - YTD

	2015 \$m	2016 \$m	Variance Pr. Yr. \$m
Net sales	39.0	39.3	0.3
Sales growth	20.7%	0.8%	N/A
Gross profit	18.6	24.9	6.3
Gross margin	47.7%	63.4%	15.7%pt
Selling	(1.1)	(0.7)	0.4
Administrative	(1.6)	(1.7)	(0.1)
SAR expenses	(2.7)	(2.4)	0.3
SAR %	(6.9%)	(6.1%)	0.8%pt
Operating income	15.9	22.5	6.6
Operating income margin	40.8%	57.3%	16.5%pt
EBITDA	16.2	22.9	6.7
EBITDA margin	41.5%	58.3%	16.8%pt

GAAP Reconciliation Adjusted EBITDA - Quarter 3

	Q3 2015 \$m	Q3 2016 \$m
Net income	35.6	11.4
Interest expense, net	1.0	0.7
Income taxes	5.8	1.8
Depreciation and amortization	8.2	9.6
Adjustment to fair value of contingent consideration	(8.5)	(2.3)
Adjusted EBITDA	42.1	21.2

GAAP Reconciliation Adjusted EBITDA - YTD

	2015 \$m	2016 \$m
Net Income	88.0	59.2
Interest expense, net	2.9	2.2
Income taxes	29.1	14.9
Depreciation and amortization	25.1	28.3
Adjustment to fair value of contingent consideration	(31.6)	(6.3)
Adjusted EBITDA	113.5	98.3

GAAP Reconciliation: Net Income Excluding Special Items - Quarter 3

	Q3 2015			Q3 2016		
	<i>Income before income taxes \$m</i>	<i>Net income \$m</i>	<i>Diluted EPS \$</i>	<i>Income before income taxes \$m</i>	<i>Net income \$m</i>	<i>Diluted EPS \$</i>
Reported GAAP amounts	41.4	35.6	1.45	13.2	11.4	0.47
Foreign currency exchange (gains)/losses	(1.2)	(0.9)	(0.04)	5.0	4.3	0.18
Amortization of acquired intangible assets	4.3	3.4	0.14	4.3	3.7	0.15
Adjustment to fair value of contingent consideration	(8.5)	(4.8)	(0.20)	(2.3)	(1.4)	(0.06)
Acquisition-related costs	-	-	-	1.7	1.7	0.07
Adjustment of income tax provisions	(2.7)	(2.7)	(0.11)	(1.2)	(1.2)	(0.05)
Settlement of distributor claim	-	-	-	1.0	0.6	0.02
Profit on disposal of subsidiary	(1.6)	(1.6)	(0.06)	-	-	-
Adjusted non-GAAP amounts	31.7	29.0	1.18	21.7	19.1	0.78