

# Q4 2017 EARNINGS PRESENTATION

FEBRUARY 14, 2018 | 9 AM EST



# 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 tax charge due to U.S. Tax Reform, amortization of acquired intangible assets, foreign currency exchange (gains)/losses, foreign exchange loss on liquidation of subsidiary, fair value acquisition accounting, loss on disposal of subsidiary, adjustment of income tax provisions, adjustment to fair value of contingent consideration, acquisition related costs and settlement of distributor claim. 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.





# Q4 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

## SUMMARY OF 4<sup>TH</sup> QUARTER PERFORMANCE

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**Revenues up 49 percent; Operating income up 19 percent**



**Adjusted EBITDA up 52 percent; Adjusted non-GAAP EPS up 35 percent**



**Strong contribution from all businesses; FY revenues exceed \$1.3 billion**



**Acquisition accretion ahead of expectations; Integration complete**



**Net loss of \$4.8 million includes \$40.6 million one-time tax charge due to U.S. Tax Reform**



**Well-placed for 2018 and future years**

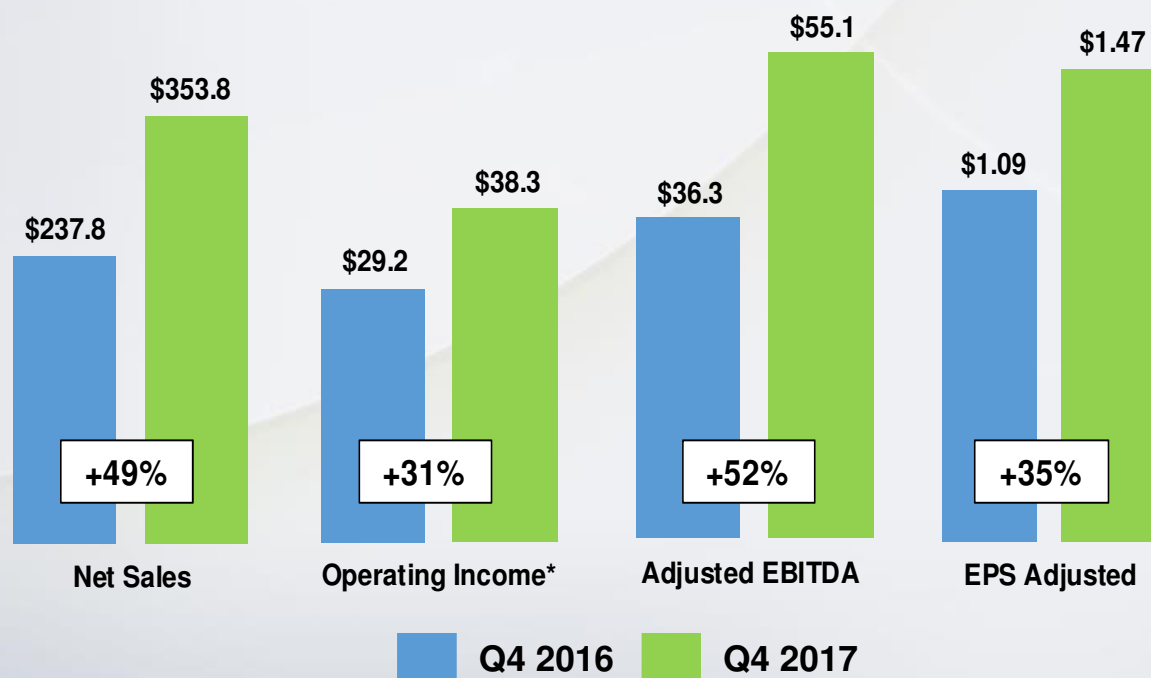
# FINANCIAL PRESENTATION



# Q4 2017 CONSOLIDATED RESULTS

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(\$ in millions)



- Revenues up 49 percent
- Margins decline in line with mix of acquired business as expected
- Adjusted EBITDA up 52 percent
- Adjusted EPS up 35 percent
- Full year adjusted EPS of \$4.66

\*Operating income is before Fair Value adjustments

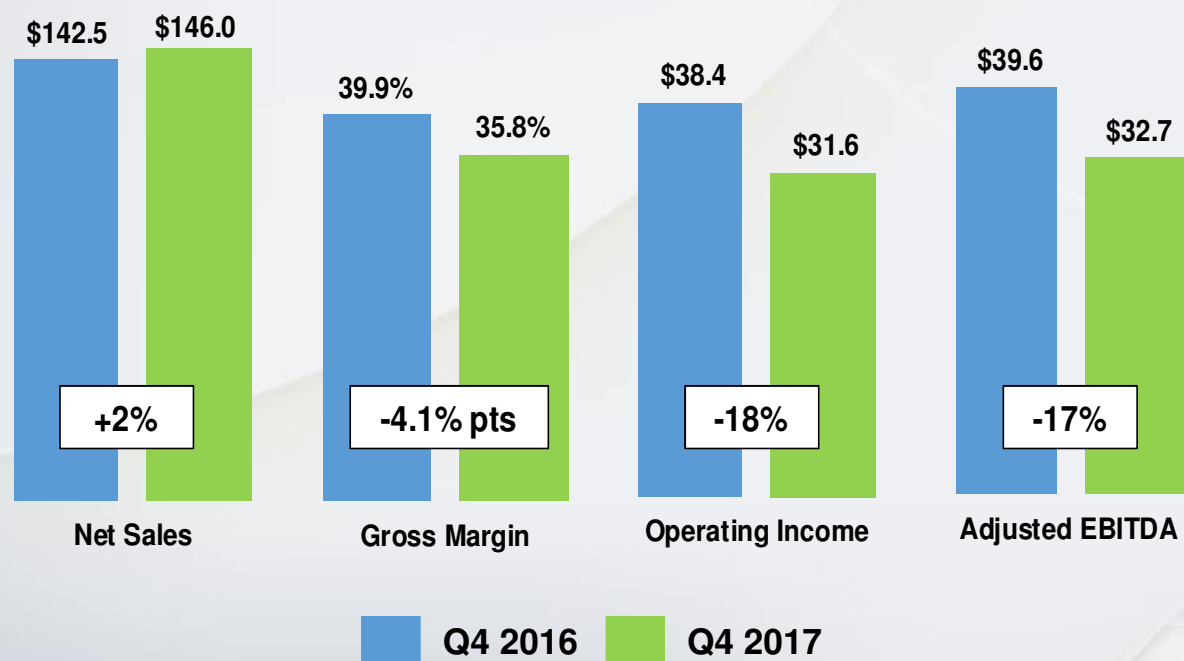
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# Q4 2017 FUEL SPECIALTIES

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(\$ in millions)



- Revenues up 2 percent
- Margins in expected range at 35.8 percent
- Very strong comparative quarter
- Full year revenue up 3 percent; operating income down 3 percent

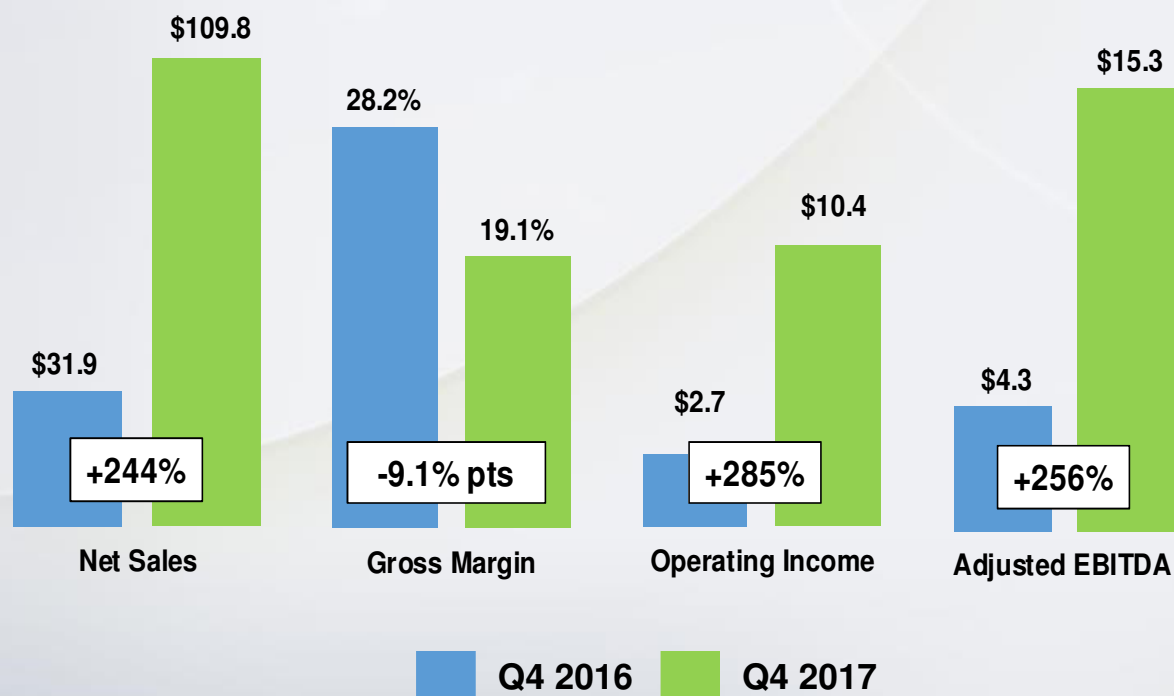




# Q4 2017 PERFORMANCE CHEMICALS

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(\$ in millions)



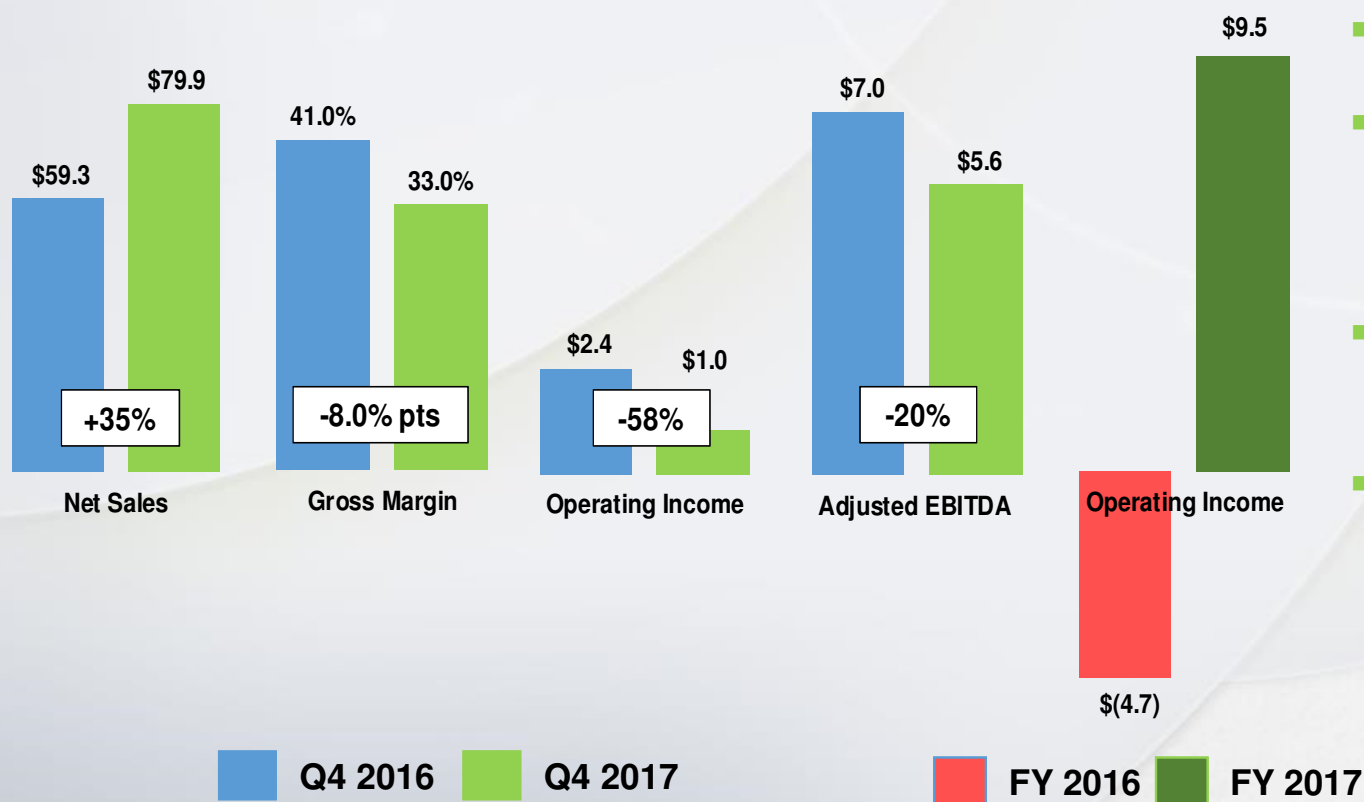
- Revenues tripled
- Margins down from last year, but improving
- Strong growth in heritage business from new products
- Operating income up 285%
- Adjusted EBITDA up to \$15.3 million



# Q4 2017 OILFIELD SERVICES

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(\$ in millions)

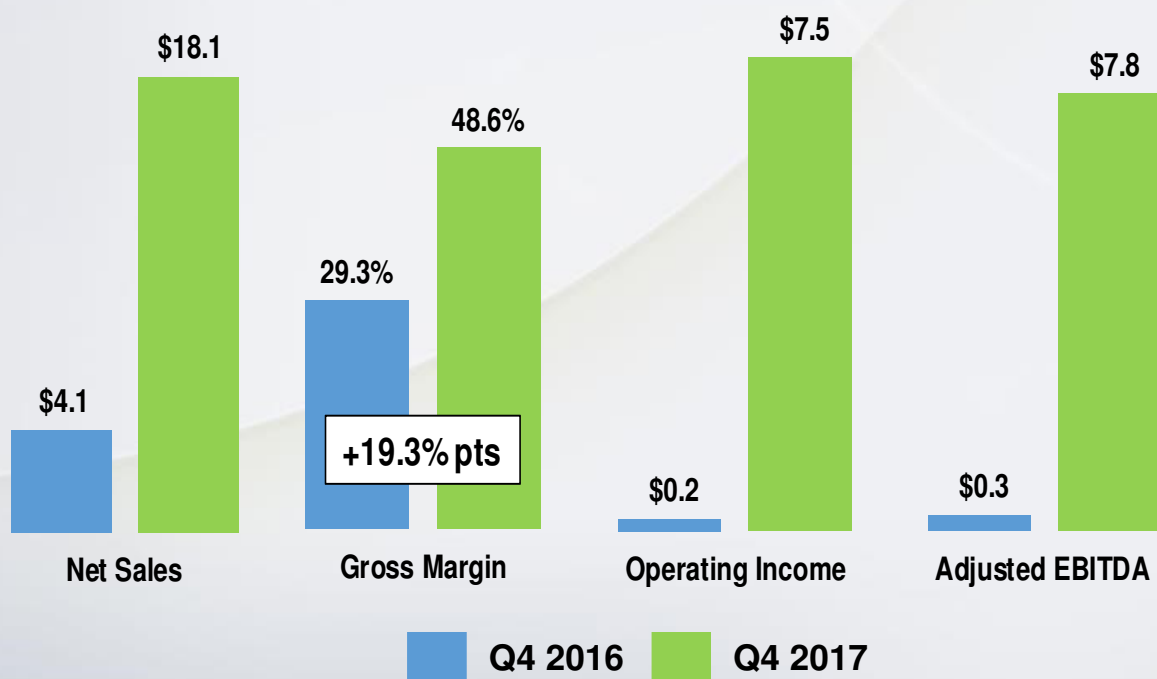


- Revenues up 35 percent
- Continued margin impact from Hurricane Harvey
- Business profitable but down on Q4 2016
- Full year profit of \$9.5 million compared to a loss of \$4.7 million

# Q4 2017 OCTANE ADDITIVES

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(\$ in millions)



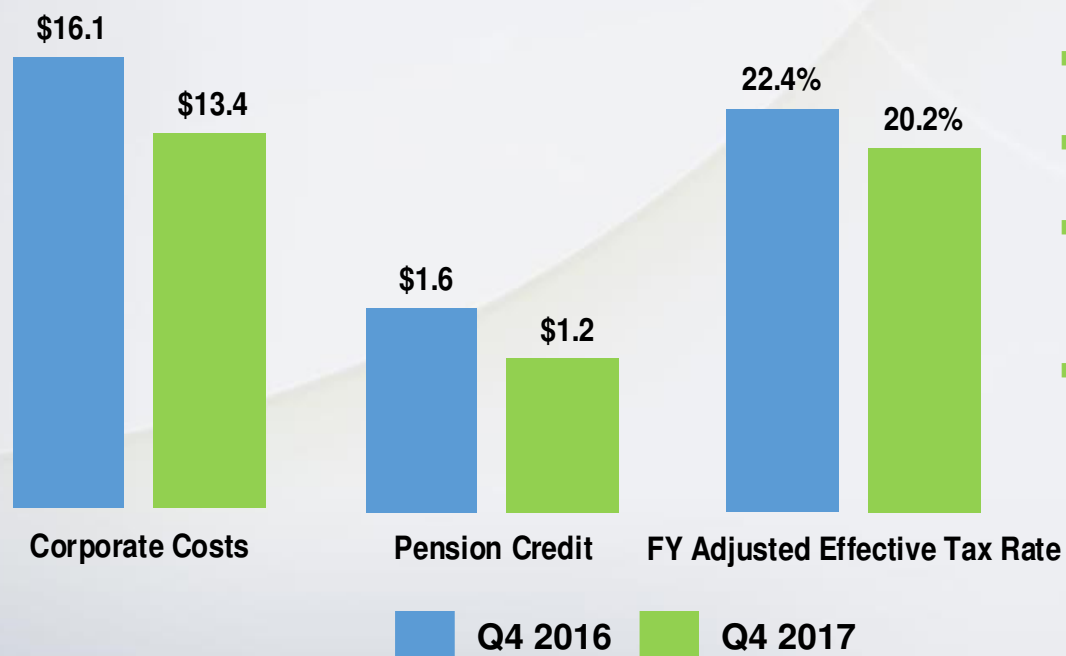
- Current order fulfilled
- Sales and profit significantly increased
- No change to underlying prognosis



# Q4 2017 CORPORATE ITEMS

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(\$ in millions)

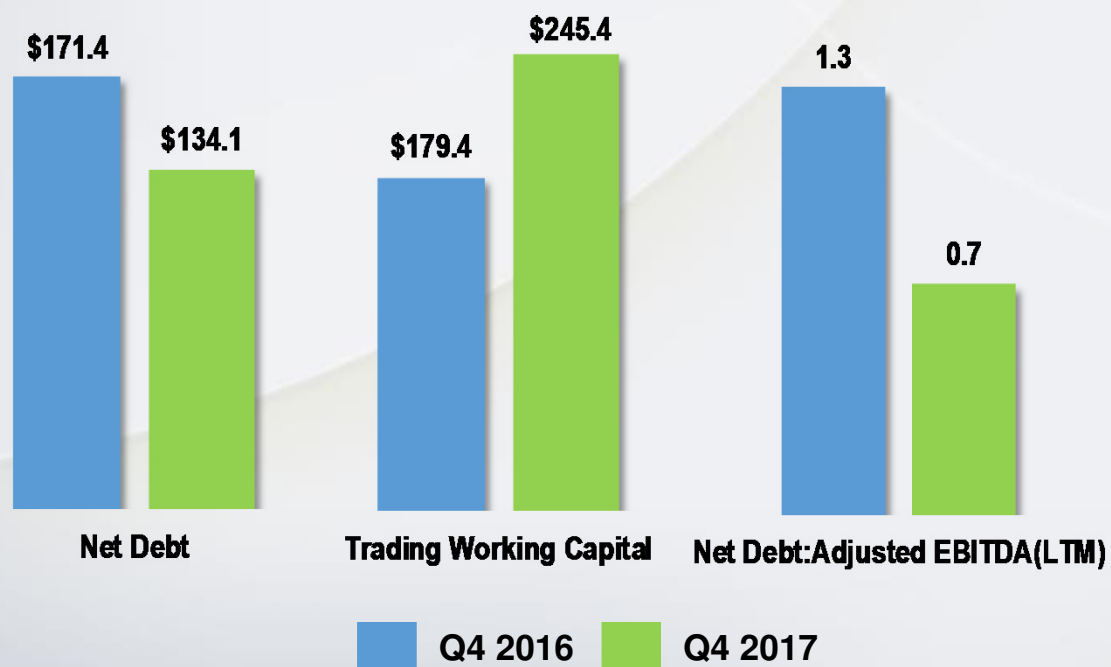


- Corporate costs down on last year
- High end of normal range
- Tax rate lower than expected due to geographical mix
- \$40.6 million one-time tax charge due to U.S. Tax Reform

# Q4 2017 BALANCE SHEET

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(\$ in millions)



- Excellent cash flow
- Net debt reduced
- Leverage approx. 0.7x EBITDA
- Very Strong Balance Sheet





# CONCLUDING COMMENTS



# CONCLUDING COMMENTS

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**Excellent year for Innospec; Record revenues and EPS**



**Fuel Specialties; Steady growth and excellent cash flow**



**Performance Chemicals; Strong growth and improving margins**



**Oilfield Services recovery continues; Focus on operating leverage**



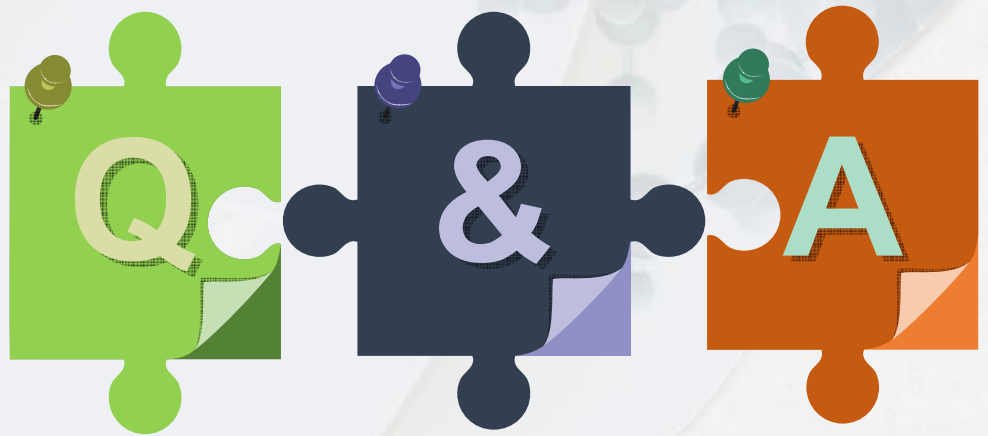
**Acquisition accretion ahead of expectations; Integration complete**



**Excellent cash flow; Leverage reduced; Very strong balance sheet**



## YOUR OPPORTUNITY TO ASK QUESTIONS



# FINAL COMMENTS

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Thank you for your continued support

Q1 2018 Results

May 2018						
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		

- May 8<sup>th</sup> - Results Release After Close
- May 9<sup>th</sup> - Conference Call

