Innospec

Moving to the Next Phase

AUGUST 2019
Forward-Looking Statements

This publication 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, 2018 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 contained 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 currency exchange (gains)/losses, foreign exchange loss on liquidation of subsidiary and fair value acquisition accounting. 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 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, 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 schedules below.
Company Profile
Company Profile: Innospec, Inc. NASDAQ (IOSP)

CORPORATE HQ
Englewood, CO

REGIONAL LOCATIONS
USA, UK, Europe, Africa, Russia, South America and Asia

GLOBAL NETWORK
Global Network of Manufacturing, Sales & Testing Facilities: USA, UK, France, Italy, Spain, Germany, Greece, Cyprus, Poland, Russia, Canada, Brazil, Dubai, India, Singapore, China, Korea, and South Africa
Company Profile: Innospec, Inc. NASDAQ (IOSP)

**BUSINESS PROFILE**
- $1.5 billion sales
- 2000 employees in 23 countries

**BUSINESS FOCUS / CORPORATE STRUCTURE**

- Fuel Specialties
- Performance Chemicals
- Oilfield Services
- Octane Additives
Transformational Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Octane Additives</th>
<th>Strategic Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>$466M</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>$430M</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td>$683M</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>$1477M</td>
</tr>
</tbody>
</table>
Business Units Financial Performance

**SALES 2018**

**SALES GROWTH 2004 – Q2 2019**

- **Fuel Specialties**
- **Performance Chemicals**
- **Oilfield Services**
- **Octane Additives**
Transitioning to the Next Phase

**STRATEGIC GROWTH**
- Clear growth track with the end of Octane Additives
- Cyclicality reduced – underlying Operating Income and EPS growth much clearer

**STRATEGY ON TRACK AND DELIVERING**
- Good growth prospects in solid underlying markets

**GREAT TECHNOLOGY PIPELINE**
- Organic growth prospects in all businesses
- All built on new technology to meet market needs
- Early signs of good commercial benefits

**FINANCIAL CAPABILITY & SHAREHOLDER VALUE**
- Balance sheet remains very strong
- Consistent track record of increasing dividend 10-15% per annum
- Significant borrowing headroom
- Ability to undertake further M&A – for the right opportunity
Sustainability

SUSTAINABLE RAW MATERIALS
- Member of the RSPO – Round Table for Sustainable Palm Oil
- Tracing supplies back to the individual mills (95%) and plantations

SUSTAINABLE CARBON FOOTPRINT IMPROVEMENTS
- CDP – Carbon Disclosure Project
- Ecovadis – Innospec promoted to GOLD CSR rating for 2018
- Moving into supplier assessment

FUEL SPECIALTIES PRODUCTS IMPROVE TRANSPORT PERFORMANCE
- Products reduce pollution, and improve fuel economy
- Improve both fuel quality and air quality

PRODUCT DEVELOPMENT FOCUSED ON REDUCING WATER
- Dry surfactants for personal care and home care
- On-site hydration of Oilfield products – improved productivity with less water

“INNOSPEC CARES”
- In-house foundation that encourages employees to undertake charitable works
- Company enhances employee fund-raising – up to 2x
- Employees allowed paid time away from work to support charities
MOVING ON TO THE NEXT PHASE

Fuel Specialties
Fuel Specialties

WHAT WE DO
- Fuel Additives – very wide range of products including detergents; cold flow improvers; lubricity improvers; corrosion inhibitors; conductivity improvers – focused on all fuels

PRODUCT BENEFITS
- Make fuels on-specification; create brand-leading premium fuels

CUSTOMERS
- Major oil companies, fuel marketers /retailers; pipelines, fleets, marine, and aviation

HOW WE COMPETE
- Innovative technology & customer service

MARKET DRIVERS
- Miles/vehicles on the road; legislation, fuel economy & engine technology

MARKET POSITION
- Market leader
Fuel Specialties - Strategy

GROWTH POTENTIAL
- 2-3% Revenue; Gross Profit 32-35%; Operating Income 19-21%

SOLID UNDERLYING GROWTH IN DIESEL
- EV only marginally impacts growth - focused on gasoline passenger cars
- Steady growth in heavy duty transport based on diesel

CHANGES IN ENGINE TECHNOLOGY OFFER OPPORTUNITIES
- New product development key to growth in new gasoline engines

SIGNIFICANT GROWTH POTENTIAL IN DEVELOPING MARKETS
- Improvements in air quality and fuel quality
- South America, Middle East, Asia Pacific

MAINTAIN OPERATING MARGINS AT +20% AS MARKET LEADER

OPENING OF CHINA ENTITY NEXT STEP IN PREPARING FOR LOCAL GROWTH

M&A - OPPORTUNITIES LIKELY TO BE VERY LIMITED
Latest Technology Focus - Marine

**MARPOL IV – MARINE POLLUTION LEGISLATION**
- Suite of provisions to reduce the environmental impact of shipping
- Includes fuel, water and sewage

**IMO-2020**
- Reduction in the sulfur emitted from ocean-going shipping from 2020

**SIGNIFICANT IMPACT ON SHIPPING**
- Choice of implementation – low sulfur fuel, or on-ship sulfur scrubbing
- New low-sulfur fuels likely to have issues – handling, compatibility, stability

**INNOSPEC TECHNOLOGY**
- Products designed to make use of low sulfur fuel easier
- Different products to combat different problems
Latest Technology Focus – Gasoline Direct Injection (GDI)

**DRIVE TO BETTER FUEL ECONOMY**
- GDI offers up to 20% more efficiency compared to PFI (port fuel injection) engines
- Or 20% more power for the same weight of engine

**KEY STRATEGY TO MEET CAFE FUEL STANDARDS**
- Applicable across a wide range of vehicles

**DYNAMICS ARE DIFFERENT TO PFI**
- Conventional chemistry shown to be ineffective
- New industry standard tests in final stages of development
- Major disruption to existing gasoline detergent technology

**INNOSPEC TECHNOLOGY READY TO DELIVER**
- Patented new technology
- Highly-effective – ready to support customers’ roll-out

GDI engines inject fuel directly into the combustion chamber (not into intake port, like in PFI)
Performance Chemicals
Performance Chemicals

WHAT WE DO
- Wide portfolio including surfactants, additives, solvents, emollients, solubilizers, dispersants, silicones

PRODUCT BENEFITS
- Multi-functional, superior cleaning power, stable and luxurious foam, mildness, low irritancy, high sensory skin-feel benefit

CUSTOMERS
- Skin care, hair care, sun care, home care, I&I, agrochemical, construction and mining products

HOW WE COMPETE
- Innovative Technology & Customer Service

MARKET DRIVERS
- Product performance – skin care, hair care, sun care, and home care
- Natural; x-free in premium brands

MARKET POSITION
- Established – strong in technology innovation
- Potential adjacent market development – ag, mining, and construction
Performance Chemicals

GROWTH POTENTIAL
- Sales growth mid single digits, Gross Profit & Operating Income improving 50-100 bps per year

BUSINESS IMPROVEMENT – PERSONAL & HOME CARE
- Further growth through technology enhancements
- “More space in the bottle”
- Improved Margins

EXPAND INTO ADJACENT MARKETS
- Good technology base for expansion into agrochemical, construction and mining formulations
- Higher margin products

ASSET UTILIZATION

OPPORTUNITIES FOR FURTHER M&A
- Addition of further complementary technology
- Geographical expansion
Latest Technology Focus – DRY SURFACTANTS

MANY SURFACTANTS ARE AQUEOUS

- High water content
- Transportation costs
- Carbon footprint

GOOD NICHE OPPORTUNITY – DRY SURFACTANTS

- Now favored by a number of key customers
- Higher growth and higher margin opportunities
- More flexibility for customers
- Wide range of applications
- Easy to transport, worldwide

INNOSPEC INVESTMENT

- First capacity expansion sanctioned January 2017 – now sold out

PART OF PERFORMANCE CHEMICALS MARGIN ENHANCEMENT PROGRAMS
Oilfield Services
Oilfield Services

WHAT WE DO
- Work with operators across most major basins to deliver custom chemical solutions and services for drilling, completions, production and pipeline applications

PRODUCT BENEFITS
- Full Service offering provides chemical expertise for drilling, completion, production and midstream; in-house technical expertise and evaluation; first-class R&D capabilities

CUSTOMERS
- E&P Operators, drilling, pressure pumping, and midstream

HOW WE COMPETE
- Direct to operator; regional laboratory services; innovative technology and customer service

MARKET DRIVERS
- Oil & gas demand; changes to drilling, completion, and production techniques;
- Minimize environmental impact

MARKET POSITION
- Creating a new mid-tier leader based on technology and service
Oilfield Services

**GROWTH POTENTIAL**
- Oil and gas price dependent – currently high single digit sales growth;
- Gross Profit and Operating Income improving – OI to 10% in 2-3 years

**CONTINUED GROWTH OPPORTUNITIES IN NORTH AMERICA**
- De-bundling concept continues to attract new customers
- Good customer base in strategic low lift cost basins
- Business reached inflexion point where additional revenue growth is highly incremental
- Technology development will underpin growth

**EXPAND GLOBAL BUSINESS**
- Initial focus on opportunities in the Middle East & South America

**KEY FOCUS ON OPERATING MARGIN IMPROVEMENT**
Latest Technology Focus – DRAG REDUCING AGENTS

GOOD MARKET WITH CONTINUED STRONG GROWTH
- Increase pipeline throughput
- Reduce energy requirements and cost
- Reduce stress on aging infrastructure
- Applicable in crude and refined fuels
- Global opportunities

INNOSPEC TECHNOLOGY
- Novel technology
- Innospec’s own plant in Pleasanton, TX
- Plant completed – end 2018
- Successful Trials in H1 2019
- Meaningful sales in H2 2019
MOVING ON TO THE NEXT PHASE

Octane Additives
TEL – Motor Gasoline & Aviation

**MOTOR GASOLINE (OCTANE ADDITIVES)**
- One remaining country
  - Algeria

**AVIATION GASOLINE (FUEL SPECIALTIES)**
- TEL still mandated in 100LL
- Essential for general aviation fleet
Prognosis and Response

**MOTOR GASOLINE**
- Last remaining customer – Algeria
- Phase-down advanced in 2018
- Last order likely in H1 2019

**AVIATION GASOLINE (FUEL SPECIALTIES)**
- FAA program continues
- Fuel approval now scheduled for mid-2020
- Transition program unclear

**IMPACT ON INNOSPEC**
- Octane additives business (motor gasoline) ceases in 2019
- Plant scale back to aviation requirements only
- Monitor aviation plans to define further actions
- Not a superfund site – multi-product manufacturing, R&D. HQ.
Capital Allocation
MOVING ON TO THE NEXT PHASE

Returning Shareholder Value

DIVIDEND
- Semi-annual dividend
- Annual increase of 10-15%
- Consistent delivery since 2013

BUYBACK
- New mandate approved by IOSP Board in November 2018
- Up to $ 100 million over three years
- Allows us to take advantage of market fluctuations
Innospec Capital Allocation

- **CAPEX**
  - Maintenance, SHE and Incremental Growth Projects
  - $30-35m pa

- **Progressive Dividend Policy**
  - As required
  - Comfort level 1x-2.5x EBITDA

- **Medium-Term Leverage Reduction**
  - $21m growing 10% - 15% pa

- **Flexibility for Additional Organic Growth Opportunities**
  - As required Approx $5-10m pa

- **M&A**
  - Technology Bolt-Ons PC, OFS

- **Other Shareholder Return Mechanisms**
  - $100m Buyback mandate in place

Innospec Inc.
M&A Focus
M&A Focus

PHILOSOPHY
- No longer an imperative
- Balance sheet strong enough to take advantage of opportunities

FOCUS
- Business Units seek to add technology, and possibly geographic expansion
- Open to potential transformational merger or acquisition which adds value

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<th>Market Focus</th>
<th>Strategy</th>
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<td>Fuel Specialties</td>
<td>Unlikely to be significant – potential small technology additions</td>
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</table>
| Performance Chemicals | Key focus ; active ingredients and wider opportunities  
Geographical expansion – South America / Asia Pacific |
| Oilfield Services     | Technology focus – potential bolt-ons  
Possible modest geographical expansion outside North America |
| Potential Fourth SBU  | Only as part of another acquisition or transformational opportunity |
Locations – Asia Pacific
Locations – Middle East / Africa
Locations - Europe