

innospec

Investor Presentation
Quarter 3, 2015
4th November 2015

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Forward-Looking Statements

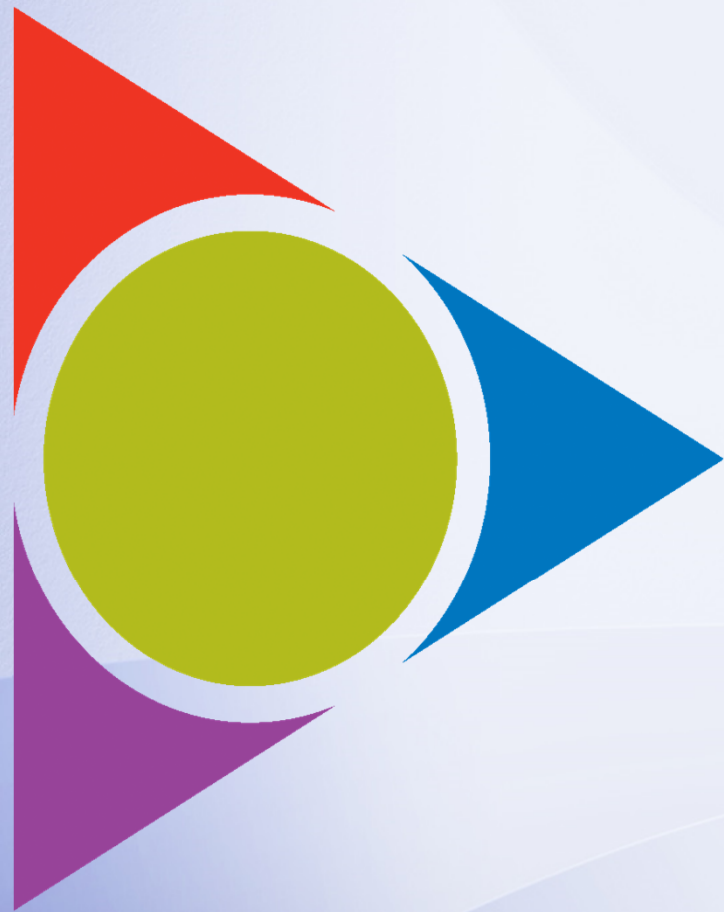
This presentation contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included or incorporated herein may constitute forward-looking statements. Such forward-looking statements include statements (covered by words like "expects," "estimates," "anticipates," "may," "believes," "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, 2014, 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 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 adjustment to fair value of contingent consideration. Income before income taxes, net income and diluted EPS, excluding special items, per our consolidated financial statements are adjusted for the exclusion of adjustment to fair value of contingent consideration, amortization of acquired intangible assets, adjustment of income tax provisions, profit on disposal of subsidiary, foreign currency exchange gains and acquisition-related costs. 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 3rd Quarter Performance

- ▶ Strong financial performance in the quarter with operating income up 23%; EBITDA grows 29%
- ▶ Continued gains in margins and profitability across the board; strong performance in core businesses
- ▶ Fuel Specialities overall performance holds up well; Independence a strong contributor
- ▶ Oilfield Specialties performance on track despite ongoing market and economic headwinds
- ▶ Personal Care growth continues with strong volumes and higher margins; IOSP continues to invest in this business



Financial Presentation

Ian Cleminson

*Executive Vice President &
Chief Financial Officer*

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Q3 2015 Consolidated Results

- Total revenues up 11% to \$254.2 million
- Adjusted non-GAAP EPS of \$1.18 up 37%
- EBITDA up 29% to \$42.1 million; operating income up 23%

	Q3 2014 \$m	Q3 2015 \$m	Growth %
Net sales	228.2	254.2	11%
Gross profit	73.6	90.4	23%
Gross margin	32.3%	35.6%	3.3%pt
Operating income *	25.2	31.1	23%
EBITDA	32.6	42.1	29%
EPS (diluted)	0.83	1.45	75%
EPS (adjusted)	0.86	1.18	37%

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

Q3 2015 Fuel Specialties

- Revenue increased 22% to \$190.3 million
- Gross profit up 30% to \$69.0 million with a gross margin of 36.3%
- Core Fuel revenues in the Americas up 10% year over year

	Q3 2014 \$m	Q3 2015 \$m	Growth %
Net sales	156.1	190.3	22%
Gross profit	53.2	69.0	30%
Gross margin	34.1%	36.3%	2.2%pt
Operating income	24.5	27.0	10%
EBITDA	27.4	32.3	18%

Q3 2015 Performance Chemicals

- ▶ Volume growth was offset by an adverse currency impact and lower pricing
- ▶ Gross margin of 28.4%; gross profit of \$12.4 million
- ▶ Recent new business wins in higher margin Personal Care market

	Q3 2014 \$m	Q3 2015 \$m	Growth %
Net sales	57.0	43.6	(24)%
Gross profit	13.7	12.4	(9)%
Gross margin	24.0%	28.4%	4.4%pt
Operating income	6.6	5.4	(18)%
EBITDA	8.6	7.0	(19)%

Q3 2015 Octane Additives

- ▶ Net sales of \$20.3 million, as expected; operating income of \$8.0 million
- ▶ EBITDA of \$8.1 million up 62%

	Q3 2014 \$m	Q3 2015 \$m	Growth %
Net sales	15.1	20.3	34%
Gross profit	6.7	9.0	34%
Gross margin	44.4%	44.3%	(0.1%)pt
Operating income	4.9	8.0	63%
EBITDA	5.0	8.1	62%

Q3 2015 Corporate Items

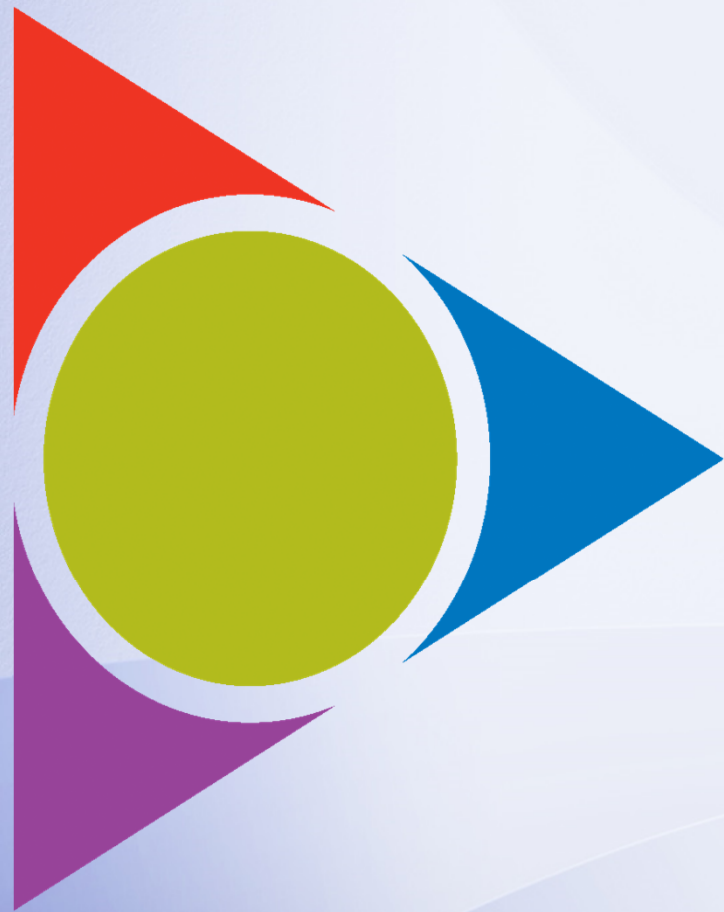
- ▶ Corporate Costs of \$9.3 million in the quarter
- ▶ Third quarter effective tax rate of 14%; full year adjusted effective tax rate anticipated to be 21%

	Q3 2014 \$m	Q3 2015 \$m
Corporate costs	(10.0)	(9.3)
Pension charge	(0.8)	-
Adjustment to fair value of contingent consideration	-	8.5
Effective tax rate	18.1%	14.0%

Q3 2015 Cash Flow/Balance Sheet

- ▶ \$132.8 million of cash and cash equivalents as of September 30, 2015; total debt of \$137.7 million
- ▶ Retired 84,633 shares for \$4.0 million under share repurchase program
- ▶ Received \$41.5million from disposal of Aroma Chemicals

	Q4 2014 \$m	Q3 2015 \$m
Total cash and cash equivalents	46.3	132.8
Total debt	(141.6)	(137.7)
Net debt	(95.3)	(4.9)
Total working capital	192.7	164.6



Concluding Comments

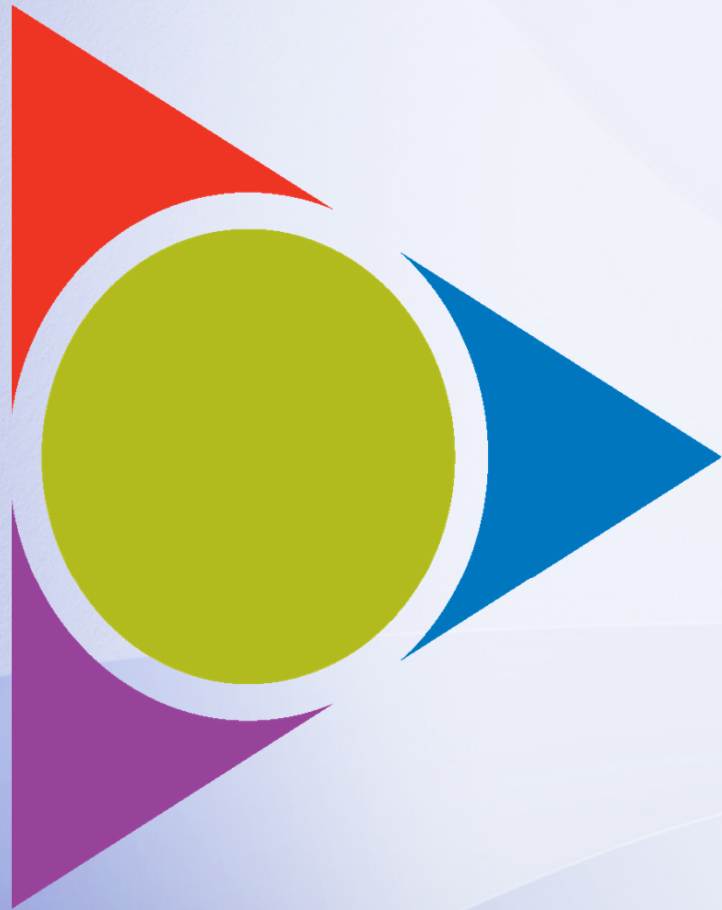
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Additional Highlights

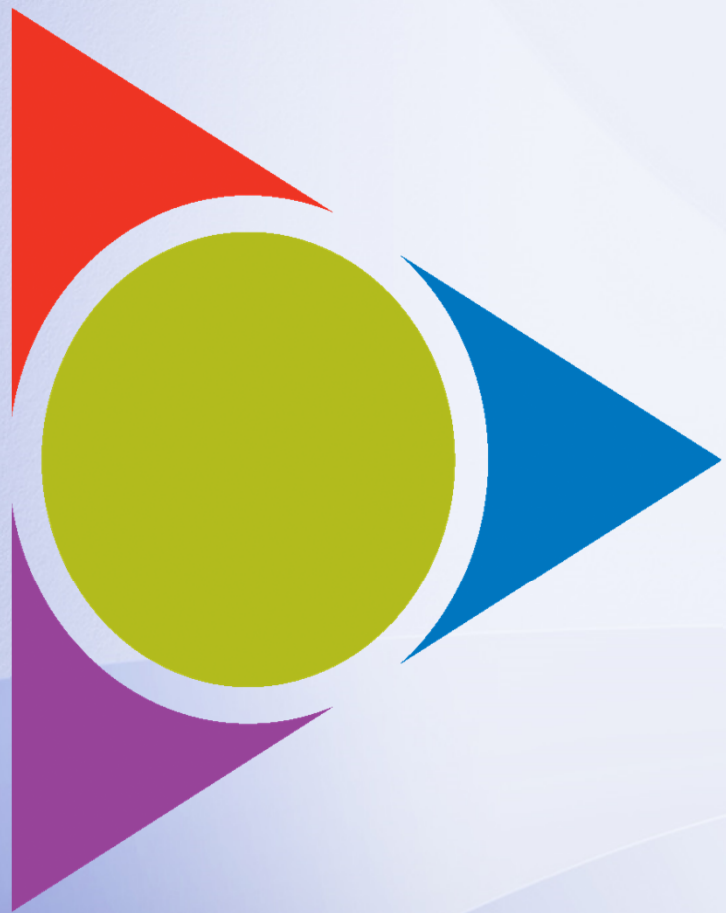
- ▶ Continued strong performance in the quarter despite ongoing market challenges;
- ▶ Very strong financial position and operating cash flows
- ▶ Board declares semi-annual dividend increase to 31 cents per share; authorizes \$90 million supplemental Share Buyback Program
- ▶ Continued diligence in customer selection and service; introduction of high-quality, competitively-priced products



Your opportunity to
ask questions

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Final Comments



Appendix

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Innospec Income Statement - Quarter 3

	Q3 2014 \$m	Q3 2015 \$m	Variance Pr. Yr. \$m
Net sales	228.2	254.2	26.0
Sales growth	18.4%	11.4%	N/A
Gross profit	73.6	90.4	16.8
Gross margin	32.3%	35.6%	3.3%pt
SAR expenses	(48.4)	(59.3)	(10.9)
Operating income	25.2	31.1	5.9
Operating margin	11.0%	12.2%	1.2%pt
Adjustment to fair value of contingent consideration	-	8.5	8.5
Profit on disposal of subsidiary	-	1.6	1.6
Interest expense, net	(0.8)	(1.0)	(0.2)
Other net income	1.0	1.2	0.2
Income before income taxes	25.4	41.4	16.0
Income taxes	(4.6)	(5.8)	(1.2)
Net income	20.8	35.6	14.8
EBITDA	32.6	42.1	9.5
EBITDA margin	14.3%	16.6%	2.3%pt

EBITDA margin represents EBITDA as a percentage of sales

Innospec Income Statement -YTD

	2014 \$m	2015 \$m	Variance Pr. Yr. \$m
Net sales	670.2	766.3	96.1
Sales growth	16.1%	14.3%	N/A
Gross profit	207.9	259.7	51.8
Gross margin	31.0%	33.9%	2.9%pt
SAR expenses	(139.4)	(170.9)	(31.5)
Operating income	68.5	88.8	20.3
Operating margin	10.2%	11.6%	1.4%pt
Adjustment to fair value of contingent consideration	-	31.6	31.6
Profit on disposal of subsidiary	-	1.6	1.6
Interest expense, net	(2.5)	(2.9)	(0.4)
Other net income/(expense)	2.2	(2.0)	(4.2)
Income before income taxes	68.2	117.1	48.9
Income taxes	(12.0)	(29.1)	(17.1)
Net income	56.2	88.0	31.8
EBITDA	91.3	113.5	22.2
EBITDA margin	13.6%	14.8%	1.2%pt

Fuel Specialties - Quarter 3

	Q3 2014 \$m	Q3 2015 \$m	Variance Pr. Yr. \$m
Net sales	156.1	190.3	34.2
Sales growth	13.6%	21.9%	N/A
Gross profit	53.2	69.0	15.8
Gross margin	34.1%	36.3%	2.2%pt
Selling	(20.1)	(29.6)	(9.5)
Administrative	(3.6)	(7.1)	(3.5)
Research	(5.0)	(5.3)	(0.3)
SAR expenses	(28.7)	(42.0)	(13.3)
SAR %	(18.4%)	(22.1%)	(3.7%)pt
Operating income	24.5	27.0	2.5
Operating income margin	15.7%	14.2%	(1.5%)pt
EBITDA	27.4	32.3	4.9
EBITDA margin	17.6%	17.0%	(0.6%)pt

Fuel Specialties - YTD

	2014 \$m	2015 \$m	Variance Pr. Yr. \$m
Net sales	465.4	572.0	106.6
Sales growth	15.3%	22.9%	N/A
Gross profit	149.1	199.4	50.3
Gross margin	32.0%	34.9%	2.9%pt
Selling	(55.3)	(84.9)	(29.6)
Administrative	(11.9)	(20.6)	(8.7)
Research	(14.1)	(15.6)	(1.5)
SAR expenses	(81.3)	(121.1)	(39.8)
SAR %	(17.5%)	(21.2%)	(3.7%)pt
Operating income	67.8	78.3	10.5
Operating income margin	14.6%	13.7%	(0.9%)pt
EBITDA	77.2	93.9	16.7
EBITDA margin	16.6%	16.4%	(0.2%)pt

Performance Chemicals - Quarter 3

	Q3 2014 \$m	Q3 2015 \$m	Variance Pr. Yr. \$m
Net sales	57.0	43.6	(13.4)
Sales growth	19.0%	(23.5%)	N/A
Gross profit	13.7	12.4	(1.3)
Gross margin	24.0%	28.4%	4.4%pt
Selling	(3.6)	(3.3)	0.3
Administrative	(2.5)	(2.4)	0.1
Research	(1.0)	(1.3)	(0.3)
SAR expenses	(7.1)	(7.0)	0.1
SAR %	(12.5%)	(16.1%)	(3.6%)pt
Operating income	6.6	5.4	(1.2)
Operating income margin	11.6%	12.4%	0.8%pt
EBITDA	8.6	7.0	(1.6)
EBITDA margin	15.1%	16.1%	1.0%pt

Performance Chemicals - YTD

	2014 \$m	2015 \$m	Variance Pr. Yr. \$m
Net sales	172.5	155.3	(17.2)
Sales growth	23.0%	(10.0%)	N/A
Gross profit	42.6	41.7	(0.9)
Gross margin	24.7%	26.9%	2.2%pt
Selling	(11.3)	(11.0)	0.3
Administrative	(7.2)	(7.7)	(0.5)
Research	(3.2)	(3.7)	(0.5)
SAR expenses	(21.7)	(22.4)	(0.7)
SAR %	(12.6%)	(14.4%)	(1.8%)pt
Operating income	20.9	19.3	(1.6)
Operating income margin	12.1%	12.4%	0.3%pt
EBITDA	27.4	24.6	(2.8)
EBITDA margin	15.9%	15.8%	(0.1%)pt

Octane Additives - Quarter 3

	Q3 2014 \$m	Q3 2015 \$m	Variance Pr. Yr. \$m
Net sales	15.1	20.3	5.2
Sales growth	101.3%	34.4%	N/A
Gross profit	6.7	9.0	2.3
Gross margin	44.4%	44.3%	(0.1%)pt
Selling	(0.5)	(0.4)	0.1
Administrative	(1.3)	(0.6)	0.7
SAR expenses	(1.8)	(1.0)	0.8
SAR %	(11.9%)	(4.9%)	7.0%pt
Operating income	4.9	8.0	3.1
Operating income margin	32.5%	39.4%	6.9%pt
EBITDA	5.0	8.1	3.1
EBITDA margin	33.1%	39.9%	6.8%pt

Octane Additives – YTD

	2014 \$m	2015 \$m	Variance Pr. Yr. \$m
Net sales	32.3	39.0	6.7
Sales growth	(3.3%)	20.7%	N/A
Gross profit	16.2	18.6	2.4
Gross margin	50.2%	47.7%	(2.5%)pt
Selling	(1.4)	(1.1)	0.3
Administrative	(2.8)	(1.6)	1.2
SAR expenses	(4.2)	(2.7)	1.5
SAR %	(13.0%)	(6.9%)	6.1%pt
Operating income	12.0	15.9	3.9
Operating income margin	37.2%	40.8%	3.6%pt
EBITDA	12.3	16.2	3.9
EBITDA margin	38.1%	41.5%	3.4%pt

GAAP Reconciliation EBITDA - Quarter 3

	Q3 2014 \$m	Q3 2015 \$m
Net income	20.8	35.6
Interest expense, net	0.8	1.0
Income taxes	4.6	5.8
Depreciation and amortization	6.4	8.2
Adjustment to fair value of contingent consideration	-	(8.5)
EBITDA	32.6	42.1

GAAP Reconciliation EBITDA - YTD

	2014 \$m	2015 \$m
Net Income	56.2	88.0
Interest expense, net	2.5	2.9
Income taxes	12.0	29.1
Depreciation and amortization	20.6	25.1
Adjustment to fair value of contingent consideration	-	(31.6)
EBITDA	91.3	113.5

GAAP Reconciliation: Net income excluding special items - Quarter 3

	Q3 2014			Q3 2015		
	<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	25.4	20.8	0.83	41.4	35.6	1.45
Adjustment to fair value of contingent consideration	-	-	-	(8.5)	(4.8)	(0.20)
Amortization of acquired intangible assets	3.0	2.3	0.09	4.3	3.4	0.14
Adjustment of income tax provisions	(1.8)	(1.8)	(0.07)	(2.7)	(2.7)	(0.11)
Profit on disposal of subsidiary	-	-	-	(1.6)	(1.6)	(0.06)
Foreign currency exchange gains	(1.0)	(0.8)	(0.03)	(1.2)	(0.9)	(0.04)
Acquisition-related costs	1.3	1.0	0.04	-	-	-
Adjusted non-GAAP amounts	26.9	21.5	0.86	31.7	29.0	1.18