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Ingevity Corp. (NGVT)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello everyone. Thank you for joining us and welcome to the Ingevity Third Quarter 2026 Earnings Call and Webcast. After today's prepared remarks, we will host a question-and-answer session. [Operator Instructions]

I will now hand the conference over to Mickey Walsh, Head of Investor Relations. Please go ahead.

Mickey Walsh

Treasurer & Vice President-Investor Relations, Ingevity Corp.

Thank you and good morning. Welcome again to Ingevity's third quarter 2026 earnings call. Last evening, we posted a presentation on our Investors site that you can use to follow today's discussion. It may be found on our website, ir.ingevity.com under Events & Presentations.

Throughout this call, we may refer to non-GAAP financial measures which are intended to supplement, not substitute for comparable GAAP measures. Definitions of these measures and reconciliations to comparable GAAP measures are included in our earnings materials. We may also make forward-looking statements regarding future events and the company's future financial performance. Actual results or events may differ materially from those projections. Please refer to the forward-looking statements and risk factors described in our earnings release and SEC filings.

The agenda for today's call is listed on slide 3. Today you will hear from Dave Li, our CEO and President; and Phil Platt, our CFO. Our prepared comments will focus on third quarter results and recent business highlights. Following the prepared remarks, we will take questions related to the quarter during the Q&A session.

With that, I'll now like to turn the call over to Dave.

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David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Thank you, Mickey; and good morning, everyone. Please turn to slide 4. Our third quarter performance demonstrates the resilience of our business and the progress we are making across Ingevity. We delivered strong margins and cash generation while advancing the strategic priorities that are building a more focused, higher-performing specialty materials company.

Performance Materials delivered another strong quarter, supported by North American automotive demand amid the ongoing shift toward hybrid vehicles, along with growth in filtration. Advanced Polymer Technologies improved profitability through a more favorable product mix. And in Pavement Technologies, higher asphalt costs resulted in softer demand and elevated input and operating costs.

Another highlight this quarter was the continued momentum in our organic growth efforts, particularly in filtration where we're seeing continued tangible progress towards building a scalable platform. In water treatment, we continue to receive strong interest from customers seeking effective solutions for PFAS removal. Last quarter, we announced our first commercial win; and since then, we have secured several more contracts. Activity in this area continues to accelerate as more municipalities look to address their PFAS levels ahead of required reporting in early 2027, and we believe our materials will play an important role in solving this critical water challenge.

Another example of our progress in filtration is in biogas purification where commercial adoption and project activity continues to accelerate in 2026. Our differentiated solutions are helping renewable natural gas producers remove contaminants and improve production output, creating tangible value for customers. We've seen our business grow rapidly and are excited about our participation in this growing renewable energy sector.

What encourages me is not any individual win, but the progression we're seeing from technical validation to commercial adoption and increasingly opportunities to replicate these successes across customers and markets. We still have work ahead to build scale and improve the economics of this business. But each new application, customer win and successful deployment strengthens our confidence that filtration can become a meaningful and profitable contributor to Ingevity's long-term growth.

We continue to advance the sale of Advanced Polymer Technologies with the focus on achieving the best outcome for shareholders. Based on our latest information, the timing for an announced transaction may extend into early 2027, although we remain hopeful to announce something before year-end.

Our capital allocation strategy remains disciplined and balanced. We repurchased $39 million of shares in the quarter, bringing year-to-date repurchases to $125 million, and keeping us on track for our commitment of at least $300 million by the end of 2027. Our strong execution through the first nine months supports a tighter full year adjusted EBITDA outlook with the midpoint unchanged at $390 million.

With that, I'll turn the call over to Phil for a more detailed review of our financial results.

Phillip J. Platt

Senior Vice President & Chief Financial Officer, Ingevity Corp.

Thank you, Dave; and good morning, everyone. Please turn to slide 5. Third quarter sales were $305 million, down approximately 8% on a reported basis, primarily reflecting the divestiture of the Road Markings product line in April. Excluding Road Markings, sales increased 2%. The sales increase was driven by higher pricing and

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favorable mix across the portfolio, partially offset by lower volumes in Performance Materials and Pavement Technologies.

Adjusted EBITDA from continuing operations was $108 million, down approximately 2% from the prior year. Adjusted EBITDA margin expanded 230 basis points to 35.4% as favorable pricing, product mix and operational execution more than offset higher input and logistics costs, primarily in Pavement Technologies and Advanced Polymer Technologies. Adjusted earnings per share was $1.63 compared to $1.31 in the prior year quarter, an increase of approximately 24%.

Turning to slide 6. These charts highlight our continued focus on cash generation, balance sheet strength and disciplined capital allocation. Free cash flow for the quarter was approximately $86 million, down $32 million from the prior year, with approximately $21 million of the decline reflecting working capital benefits from divested operations in the prior year period. Additionally, CapEx of $14 million was approximately $2 million higher than the prior year. We repurchased approximately $39 million of shares during the quarter, bringing year-to-date repurchases to approximately $125 million, with $172 million of capacity remaining on our current authorization. We are on pace to meet our $300 million share repurchase commitment through 2027 while maintaining net leverage within our long-term target range of 2 times to 2.5 times.

Now let's turn to segment results, beginning with Performance Materials on slide 7. Performance Materials delivered another strong quarter, with stable sales and EBITDA, despite a mixed automotive demand environment across regions. Sales were approximately $154 million, nearly flat with the prior year as strength in North American automotive demand and growth in filtration were offset by softer automotive demand in China and Europe. North America automotive demand continued to benefit from the shift in consumer preference towards hybrid vehicles.

Segment EBITDA was approximately $83 million, nearly flat with the prior year. EBITDA benefited from pricing actions in automotive applications, improved non-auto filtration profitability and stronger manufacturing performance, offset by lower volumes and higher SG&A associated with investments to support future growth. Segment EBITDA margin remained strong at 54.1%. Looking to the fourth quarter, we expect results to moderate sequentially due to the normal seasonal reduction in North America auto production and planned maintenance activities.

Let's turn to slide 8. Pavement Technologies segment sales were $106 million, down 24% primarily due to the divestiture of Road Markings in April. Excluding Road Markings, sales were nearly flat, as higher pricing offset softer demand. Persistently higher asphalt costs, driven by crude oil inflation, continued to increase project costs for our customers, pressuring demand and limiting our sales growth.

Segment EBITDA was $19.6 million, down $7.3 million from the prior year. The EBITDA decline reflected lower volumes and the retention of dis-synergy costs largely due to the divestiture of Road Markings as well as higher input and logistics costs. As we enter the fourth quarter, we expect normal seasonal demand moderation, added pressure from higher asphalt costs and continued input cost pressure.

Heading into 2027, we expect higher asphalt costs to persist and pressure infrastructure budgets, causing customers to prioritize maintenance over new road construction, slowing our efforts of warm-mix asphalt expansion. We believe these conditions are likely to affect Pavement Technologies near-term growth rate before the longer-term adoption opportunity resumes. In the interim, we are keenly focused on improving performance through a combination of pricing actions, operational and cost optimization projects and continuing new product innovation as we head into 2027.

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Let's turn to slide 9. Advanced Polymer Technologies continued to deliver improved year-over-year results. Sales increased approximately 18% to $45 million, driven by higher pricing, including a price surcharge, and favorable mix towards higher value derivative products. Segment EBITDA increased to approximately $12 million from $11 million in the prior year as favorable product mix and higher pricing partially offset higher input costs. EBITDA margin declined 280 basis points to 26%, primarily reflecting pricing surcharges that helped offset higher input costs, but carried little to no incremental margin. For the fourth quarter, we expect typical softer demand and higher input costs to pressure results.

And with that, I'll turn the call back to Dave to discuss our updated outlook.

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Thanks, Phil. Turning to slide 10. With three quarters of the year behind us, we are narrowing our full year adjusted EBITDA outlook to $385 million to $395 million, maintaining the $390 million midpoint of our prior range. This reflects solid year-to-date execution and our expectations for our typical lower fourth quarter results. We also expect full year net sales of approximately $1.1 billion and diluted adjusted earnings per share of $5.25 to $5.45. Lastly, we expect free cash flow of $220 million to $230 million, which reflects increased capital expenditures and working capital investments heading into 2027.

Looking ahead, we see an increasingly compelling set of organic growth opportunities across our differentiated technology platforms. Filtration, including municipal water treatment and biogas purification, is gaining momentum. Warm-mix adoption continues in Pave Tech and energy storage adds an additional future pathway for growth.

Ingevity is becoming a stronger, more focused company with resilient margins, strong cash generation, differentiated technologies and multiple paths to organic growth. We are allocating capital with discipline and remain confident in our ability to deliver sustainable long-term shareholder value.

With that, I'll turn the call over for questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Daniel Rizzo with Jefferies. Your line is now open. Please go ahead.

Daniel Rizzo
Analyst, Jefferies LLC

Q

Hey, thanks, guys. So, to start with, so hybrid in North America is obviously still a tailwind offsetting some other weakness in auto elsewhere. But I was wondering if when that tailwind from hybrids just start to wane and when we're going to have to kind of move back towards or depend more on just increased auto production in the region.

David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah. Thanks, Dan. Good morning. Yeah, your question is a good one. What we see is the hybrid transition is still very much playing out, especially in the North American market. So, we think that has room to run. You're right that the underlying auto production environment is pretty muted. So, we haven't assumed any significant recovery. If you look at folks that forecast the industry like S&P, they're calling for flattish to slightly down, but we think we're going to be continued beneficiaries of this hybrid transition. And I'd say it's still probably early to mid-innings of the transition.

Daniel Rizzo
Analyst, Jefferies LLC

Q

And then with the opportunity from the PFAS and water and the filtration, I mean, it's starting to kind of gain a little bit of steam. Does that mean – while that's great for EBITDA dollars, does that mean EBITDA margins within that segment should start to kind of be impacted next year just because of the mix headwind?

David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

I'll let Phil address the EBITDA contribution. But in general, for filtration, we're really encouraged. I think this is the result of being a more focused company where we can really spend some time in resources and effort trying to grow into this newer area. And what we wanted to talk about this call was the progress we continue to make in areas like PFAS where we've secured several more contracts, but also in areas like biogas where our activated carbon is helping the landfills purify the natural gas before they put it in the pipeline. And that business is also growing very rapidly. So, we've been pleased with the progress we're making in filtration. And I think it's, obviously, early in the journey, but seeing a lot of good progress and some commercial wins.

Phillip J. Platt
Senior Vice President & Chief Financial Officer, Ingevity Corp.

A

Yeah. Hey good morning, Dan. I'll just add to Dave's comment a little bit. What we have said is we're upgrading that volume. So, in the near term, we don't expect any significant volume shift into the filtration market. We're just simply upgrading it. So, we don't really expect significant margin compression. I think looking at 2027, there's clearly a bunch of puts and takes. And although we're not providing guidance, what I would say is we do have numbers out there from the December 2025 I-Day that we did. And I would say largely for Performance Materials we expect that business in 2027 to deliver within the ranges that we provided back in December 2025 to give you a sense of what we expect.

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Daniel Rizzo
Analyst, Jefferies LLC

Q

All right. Thank you very much.

Operator: Your next question comes from the line of Jon Tanwanteng with CJS Securities. Your line is now open. Please go ahead.

Jonathan Tanwanteng
Analyst, CJS Securities, Inc.

Q

Hi. Good morning. Thank you for taking my questions. I was wondering if you could talk a little bit more about the APT sale process. If there's any sticking points in discussion with the potential buyers and how much the underlying strength of the business is contributing to that discussion, if at all?

David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah. Thanks, Jon. So, on APT, we just want to provide some more color. In the process, we've narrowed the field down to several interested parties and, obviously, the business continues to perform well. And as we've mentioned, our focus has been really to drive the best outcome for shareholders. So, we're not trying to hold to a calendar date. We're just trying to get the best outcome for the business. And it's performing well. So, what we wanted just to call out is that the process may kind of go into 2027. We're still hopeful that we can announce something before the end of the year, but we just wanted to be transparent that it's taking a little longer than we initially thought. There are several interested parties engaged, but I think the most important part is we wanted to remain disciplined and focused on driving the best outcome.

Jonathan Tanwanteng
Analyst, CJS Securities, Inc.

Q

Got it. Thanks, Dave. And then just a question on the Pavement business. I think you mentioned that it's probably going to be pressured into next year. One, do you think your customers are moving to substitutes away from asphalt or they are just delaying their purchases until they can get better pricing or maybe the budgets for it? That's the first question. And then the second question is, what do you think the degree of pressure might be and do you think it might impact your ability to hit the 2027 target?

David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah. I'll let Phil talk to the numbers. But I think the most important part is that although we see some near-term headwinds on the higher cost inputs and I think some projects have been slowed down, one is we're taking some corrective measures in terms of pricing as well as we have some new products that we're introducing into the market that should help in that area. I think the most important part is really the structural growth drivers of the business remain very much intact. So, the compelling value driver of switching from a hot-mix to warm-mix with our Evotherm, that continues to be very compelling for our customers. And I believe the business grew a bit even in this difficult environment. So, would have performed even more strongly if we hadn't had those headwinds. I do think we're still on track for our 2027 commitments. It's not guidance. It was just part of that December Investor Day. But I think most importantly, the growth drivers of the business are still very much intact and compelling.

Phillip J. Platt
Senior Vice President & Chief Financial Officer, Ingevity Corp.

A

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Yeah. And just as a reminder, what we saw this year in terms of asphalt costs that our customers are bearing is, in some regions within the United States, asphalt costs have gone up about 50% since the beginning of the year. To give you a sense of scale, a 50% increase in asphalt costs can drive about a 20% increase in the actual cost of the road. So, what we've seen, we started to see it in the back end of Q2 and clearly have seen it in Q3 is our customers are being very resourceful in how they're utilizing their finite budgets. They're spending more money on road preservation and maintenance as opposed to actually paving roads.

So, what we said in December of 2025 is we expect that business to put up mid-single-digit growth, primarily driven by growth in warm-mix asphalt as we convert hot-mix to warm-mix. Clearly, if expectations prevail, we expect asphalt costs to continue to persist at these high levels into 2027. We would expect without a significant shift in customer budgets, DOT budgets, they would continue to prioritize maintenance spend in 2027, essentially reducing tonnage. So, the amount of actual asphalt being put down on the road, which will hinder our ability to grow at mid-single-digits for warm-mix. But as Dave said, that's a near-term headwind. We expect the growth to reside as either budgets accommodate higher costs of asphalt prices or we get a tailwind from a drop in crude oil pricing.

Jonathan Tanwanteng
Analyst, CJS Securities, Inc.

Q

Okay. Great. Thank you for that color. I'll jump back in queue.

Operator: Your next question comes from the line of John McNulty with BMO Capital Markets. Your line is now open. Please go ahead.

John P. McNulty
Analyst, BMO Capital Markets Corp.

Q

Yeah. Thanks for taking my question. Maybe just a little bit more on the Pavement Tech side. I believe about half of that business, give or take, is on the pavement preservation side. So, I guess, when you talk to 2027 potentially being a bit soft because of the Evotherm side, is there a chance that we see the customer base shift to your pavement preservation side? And have you put that into kind of your expectations for 2027 at this point?

Phillip J. Platt
Senior Vice President & Chief Financial Officer, Ingevity Corp.

A

Yeah. Hey good morning, John. I'll take this and then hand it over to Dave. Yeah. Clearly what we saw in Q3 and we expect this to continue as we turn the calendar year is a higher sales in preservation and maintenance spend than in road construction and warm-mix spend. That's what we saw in Q3 and we expect that to persist as we get into 2027. And just – you mentioned about half, about two-thirds of the business is pavement preservation/maintenance emulsifiers and one-third is the warm-mix side of the business, just as a heads-up. Dave, anything...?

David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah. I would just add, obviously, we're getting to the end of the paving season now. And as we end the year and go into next year, you'll see budgets being reset. We're also taking some pricing and productivity efforts to sort of offset those headwinds too. So, that should set us up well for 2027 as the paving season restarts.

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John P. McNulty
Analyst, BMO Capital Markets Corp.

Q

Okay. No, that's helpful. And then on the filtration side in PM, I guess, is my understanding of your commentary right that it sounds like you haven't really seen a big increase in volumes, but what you've seen is you've converted those volumes from essentially no margin business to positive margin business. And I guess, if that is the case, when do you think we actually start to see the volumes for that – for the non-auto side actually start to grow? Do we see that in 2027 based on some of these new contracts or is right now more of just, hey, we've got to convert it into more profitable business and we'll worry about the volumes in the future.

David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah. I think you have it right, John, in terms of we're trying to upgrade the existing volume we were selling, as we talked about, 20% or more of our volume into filtration at pretty negligible EBITDA. The team has done a really great job focusing on higher value opportunities like PFAS and like biogas. And we've won commercial – we've had some commercial wins and success in that area. So, it is about upgrading that volume, first and foremost. I think we're on track with what we talked about back in Investor Day in terms of the contribution and growth in EBITDA. I think we will start to see that. We already saw some of that this year and we'll see that I think accelerate into 2027. So, I'd say we're on track there and we're very encouraged by the commercial wins we've been able to secure.

John P. McNulty
Analyst, BMO Capital Markets Corp.

Q

Got it. Can you give us maybe a little bit of an update as to what portion of that 20% that was essentially not profitable? How much of that you've kind of upgraded already just so we can get a feel for kind of where you are in that process?

Phillip J. Platt
Senior Vice President & Chief Financial Officer, Ingevity Corp.

A

Well, we put some numbers out there in back in December. I would say we are delivering against those numbers. Contribution for the upgrade this quarter, I would say, was about 15%. So, it's meaningful year-over-year when we think about filtration, obviously, in the context of the segment, which is dominated by our EVAP business. It's small, but it's meaningful for us as we think about executing the strategy. And we're clearly seeing the strategy take hold.

David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

I think we're hitting it at a good time because, as we all know, the PFAS water challenge and all the reporting requirements, they're really coming into play right now and into 2027. And so, we've secured – we continue to secure contracts with municipalities. We're selling volume of our powdered activated carbon, PAC, into PFAS. And so, we think it's kind of hitting that filtration space with a pretty differentiated solution at the right time.

John P. McNulty
Analyst, BMO Capital Markets Corp.

Q

Got it. Thanks so much for the color. Appreciate it.

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Operator: Your next question comes from the line of Peter Gastreich with Water Tower Research. Your line is now open. Please go ahead.

Peter Gastreich
Analyst, Water Tower Research LLC

Q

Thank you. So, good morning, Dave, and congrats on the results, and great to see the strong momentum continuing with the share repurchases. And also thanks for taking my questions. I'd be curious to hear, following this week's mid-term elections, your view about the policy environment for your end markets, thinking from the perspective of things like federal highway funding, the EPA's approach to PFAS enforcement and other items. Thank you.

David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah. Thanks, Peter. So, first, I'd say I think our business model has proven to be very resilient and durable over a number of different economic environments and administrations. So, we feel really good about our positioning. In my opinion, the election was sort of a referendum on the economy and affordability. So, to the extent that there's any improvement in areas, whether it's oil price, as we've talked about, as potential headwind for pavement or just general inflation. And to the extent that any of that improves, I think that's positive for consumer sentiment and would be a positive for our business.

And I think on the other side of it, there's a lot of really exciting areas that we participate in that are, I think, definitely non-partisan. So, things like filtration, clean water, infrastructure, all those things I think are pretty bipartisan-focused areas. So, I think we're really well-positioned. And I think we've been able to perform in a variety of different environments. So, we're confident.

Peter Gastreich
Analyst, Water Tower Research LLC

Q

Okay. Thank you. And my next question is about the regional differences in the margins. So, Performance Materials, North America held up well this quarter while China and Europe softened. Could you talk about what's driving those differences in the regional margins and how should we think about those regions evolving into next year?

David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah. Maybe I'll start and turn it over to Phil. Obviously, as you mentioned, North America is the large majority of our Performance Materials business for auto, whether it's made in the US or made for sale in the US. That is, I'd say, over 70% of our business. If you think about China, China, the auto market is evolving a little differently. Obviously, they're probably the country that's moving to electrification the fastest. The data is pretty clear there. But it's obviously not a blueprint for the rest of the world. So, for example, in the US, again, where we have the majority of our business is we've seen this revival of ICE, next-generation ICE engines, next-generation hybrid engines. We're working closely with customers on those solutions. And so, I think although the China market is moving a bit faster than others, I think the US market remains a really, really strong area for us. And obviously, that's where the majority of our business is. So, what would you add?

Phillip J. Platt
Senior Vice President & Chief Financial Officer, Ingevity Corp.

A

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Yeah. What I would add to that is the regulatory landscape. So, interestingly enough, the US is actually the most stringent landscape as far as evaporative emissions for automotive applications. So, what does that mean? That means it requires not only a higher volume of content of material, but also our highest dollar value, most technologically advanced carbon. And so, the tailwind is nice in the United States when the consumer is preferring to purchase hybrids and ICE vehicles over BEVs. When you think about China and Europe, they're what we call a Tier 2 requirement. So, it's a step down. It's what the US used to require around the early 2000s. So, less dollar value of content, less technologically advanced carbon as well. So, less margin. In China, about 20% of our sales are in China. Largely, as Dave said, upwards of 70% of our PM sales are in North America.

Peter Gastreich
Analyst, Water Tower Research LLC

Q

Okay. Thank you. That's very helpful. We're getting toward the end of the year. Are you able to share sort of what your pricing discussions are looking like, how they are shaping up for 2027 in Performance Materials?

Phillip J. Platt
Senior Vice President & Chief Financial Officer, Ingevity Corp.

A

Yeah. Well, we're not going to give guidance on 2027. But what I will say and I think we've covered this couple times in the call, but just for clarity purposes. When we think about the macro for 2027 on the vehicles that our carbon participates on, globally expect flat auto production, 2027 to 2026. We do expect to continue to benefit from the mix shift here in the United States to focus on more hybrids than ICE. So, that would be a tailwind for us. And as I said, we have numbers out there that we came out with during our Investor Day back in December of 2025. And we expect the Performance Materials business to perform within the numbers that we provided.

Dave, anything else?

David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

No. I would say from a pricing perspective, we've traditionally done price increases annually in the first quarter. I consider that practice to continue on as we upgrade the portfolio. And it's just a demonstration of the value that we're providing to customers. So, no change to that expectation.

Peter Gastreich
Analyst, Water Tower Research LLC

Q

Okay. Great. Yeah. All very clear. Thanks for taking my questions and I'll get back in the queue.

Operator: Your next question comes from the line of Jon Tanwanteng with CJS Securities. Your line is now open. Please go ahead.

Jonathan Tanwanteng
Analyst, CJS Securities, Inc.

Q

Yeah. I was just wondering if you could give a little bit more color, on the 2027 mix in carbon between volume and pricing and the mix of hybrids? I think I understand that you're still broadly in line with the targets you have. But I'm wondering if volume continues to decline as hybrids use less carbon, pricing goes up both from the pricing that you're pushing through and the mix, as you get higher ASP on the carbon from hybrid cars. If you could just break those down a little further would be helpful. Thank you.

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David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah. I would say just broad strokes you have the right kind of major factors. So, if you assume auto production is flat to slightly down, so pretty muted in the overall auto production area. Within auto production in North America especially, we're going to continue to see that hybrid transition and we're going to benefit there by selling our most advanced activated carbon solutions or honeycomb into many of those vehicles so that should be a positive. From a mix perspective, as you mentioned, it's not necessarily more volume, but more profitable for us. And then in some of the other smaller regions, including China, you see that electrification trend continue. So, I think overall sets up well for us, especially with the hybrid transition. And then we have in the backdrop the growing filtration business, which I think is upgrading the profitability of the business. Even if it's at 54% EBITDA, we could see some continued uplift to that as filtration continues to improve the profitability.

Jonathan Tanwanteng
Analyst, CJS Securities, Inc.

Q

Okay. Great. Can you give us an update on the battery business for the carbon materials and how that's progressing?

David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah. So, we've got several efforts in that area. First, we've invested in a company called Nexeon for silicon anode technology. Then we also have a license to and a partnership with a company called CHASM for carbon nanotubes. And then third, we have our own organic efforts and things like hard carbon. I'd say there's been progress on all of those. But as we mentioned in our Investor Day, we don't have those in our 2027 numbers. I think things continue to progress. It's obviously a very dynamic space and we're pleased with the progress, but it's not reflected in the financials. I think it's the farther out investment that that we're thinking about in terms of returns.

Jonathan Tanwanteng
Analyst, CJS Securities, Inc.

Q

Okay. Great. And then finally, is there any update on China moving to the highest level of emissions control as we get to the end of the decade?

David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah. I think you're referring to China 7. So, China moving to a more stringent emission standard and obviously we'd benefit to the extent they have more stricter emission standards similar to what we've seen in the US. Expectations continue to be that that will be at the end of this decade and rolled out there and obviously you see some inventory buildup ahead of that announcement.

Jonathan Tanwanteng
Analyst, CJS Securities, Inc.

Q

Would that be a 2029 or 2030 event at this stage?

David H. Li
President, Chief Executive Officer & Director, Ingevity Corp.

A

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I don't – our teams are working very closely with those regulatory bodies, but they haven't come out with a definitive year yet, but it'll be in that timeframe.

Jonathan Tanwanteng

Analyst, CJS Securities, Inc.

Q

Okay. Great. We'll stay tuned. Thank you.

Operator: There are no further questions at this time. I will now turn the call back to Dave Li for closing remarks.

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Thank you, again, for joining us today. First, our businesses continue to demonstrate resilient margins and strong cash generation despite a mix demand environment. Second, our portfolio transformation continues to advance, and we remain focused on achieving the best outcome in the sale of Advanced Polymer Technologies. Third, we are translating our differentiated technologies into tangible growth opportunities, particularly in filtration and warm-mix asphalt with additional future potential growth in energy storage. And fourth, disciplined capital allocation remains a priority. Net leverage is within our long-term target range, and share repurchases remain ahead of our targeted pace.

Finally, we remain focused on delivering on our 2027 strategic commitments. We are building a more focused Ingevity with durable earnings power, differentiated technologies and the financial flexibility to create long-term value for shareholders. Thank you for your continued interest in Ingevity and we look forward to updating you on our progress.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.

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