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Ingevity Corp. (NGVT)

Strategic Portfolio Update Call

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MANAGEMENT DISCUSSION SECTION

John E. Nypaver, Jr.

Vice President, Treasurer & Investor Relations, Ingevity Corp.

Good morning. My name is John Nypaver, Head of Investor Relations at Ingevity, and it is my pleasure to welcome you to Ingevity's Strategic Portfolio Update. Earlier this morning, we posted a presentation on our Investor site that you can use to follow today's discussion. It can be found on ir.ingevity.com under Events & Presentations.

Also throughout this discussion, we may refer to non-GAAP financial measures, which are intended to supplement, not substitute for comparable GAAP measures. Definitions of these non-GAAP financial measures and reconciliations to comparable GAAP measures are included in the appendix to the slide deck and are also in our most recent Form 10-K.

We will also make forward-looking statements regarding future events and future financial performance of the company during this presentation. And we caution you that these statements are just projections and actual results or events may differ materially from those projections.

Our speakers today are Dave Li, our CEO; Mary Hall, our CFO; and Phil Platt, our incoming CFO and current SVP of Finance. Dave will walk us through the strategic update, then turn it over to Mary and Phil for the financial discussion. Dave will then provide closing comments before opening it up for Q&A.

With that, over to you, Dave.

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

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Good morning, everyone, and thank you for joining us. Before we begin our strategic update, I'd like to share some exciting news on the future leadership at Ingevity. As we announced this morning, Mary Hall will be departing the company in May of 2026. After an exceptional career in the chemicals industry and tremendous contributions to our company. Mary has been an outstanding partner to me and a steady hand during a period of change and transformation. Mary, congratulations on reaching this milestone, and thank you for everything you've done for our company.

I'm also very pleased to announce Phil Platt as our next CFO. Phil spent more than a decade at Ingevity in critical leadership roles and brings deep financial discipline, strong operational experience and a clear commitment to our strategy. The board and I have full confidence in his leadership, and I look forward to welcoming Phil to our executive team. As mentioned, we expect this transition to be completed by May of next year, leaving ample time for a seamless transition between Mary and Phil.

Now, let's turn to the focus of today's discussion, the New Ingevity. Many of you know my background, more than 30 years in the specialty materials industry, including nearly a decade as CEO of CMC Materials. After stepping away for several years, the question I heard most when I joined Ingevity over a half a year ago was, why here and why now?

The answer is simple. I saw a company with a deeply meaningful mission to purify, protect and enhance the world around us. I saw world-class businesses with resilient demand, technology depth, industry leadership and a strong organizational culture. I also saw a significant opportunity to unlock value through focus, discipline and strategic clarity. Today, we will show you why the New Ingevity is positioned to become a best-in-class specialty materials company, built on strong operational fundamentals, supported by market tailwinds, which together create a long runway for profitable growth.

There are three key messages I'd like you to take away from our discussion today. First, portfolio transformation. Our strategic review of the portfolio is complete. We previously announced the sale of Industrial Specialties, which is on track to close by early 2026. And today, we are announcing that we are initiating sales processes for two additional businesses: Advanced Polymer Technologies and Road Markings. These are good businesses, but, ultimately, we've determined they're not aligned with our core competencies.

Second, we are excited about a focused, stronger New Ingevity. Our future is built around two industry-leading segments: Performance Materials and Pavement Technologies. These are our highest value businesses with durable demand, technology leadership and strong competitive moats. We believe this will create a focused, less volatile, more profitable portfolio poised for future growth.

And third, capital allocation. Over the next two years, we expect to generate nearly $1 billion in deployable cash, supported by our core business and divestiture proceeds. We intend to deploy this cash towards fueling organic growth, reducing our debt and returning meaningful capital to shareholders through share repurchases.

Let's take a closer look. New Ingevity is made up of two industry-leading segments, Performance Materials and Pavement Technologies, both focused on high value, mission-critical applications that benefit from sustainable long-term demand. On a pro forma basis, New Ingevity today has around $900 million in revenue, generating EBITDA margins of around 37%. As a more focused company, we retain our global scale, maintain a strong financial profile and provide a much more stable, simplified specialty materials portfolio poised to deliver profitable growth with best-in-class EBITDA margins and shareholder returns.

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We also wanted to provide some more background on how we conducted our portfolio review. Throughout this process, one key question guided us, where is Ingevity the best owner? Not just today, but for the future? Performance Materials and Pavement Technologies share three competitive strengths, which we consider unique core competencies.

First, unique technology. Our technology, patents and know-how allow our teams to solve complex problems for our customers with engineered materials and additives that are extremely difficult to replicate. Second, unparalleled applications and technical support, our deep customer relationships, strong applications and technical support combined with our decades of experience in both industries, create sustainable and significant barriers to entry.

And third, strategic advocacy. We help shape and often write the standards and regulations governing our industry, I believe this is an unappreciated aspect of our business and leadership. Some recent examples of this advocacy include our work with Chinese regulators on future emission standards, including the upcoming new standard called China 7, which will drive more demand for advanced Ingevity content.

And our collaborations with US transportation authorities to advance Pavement Technologies towards warm mix asphalt solutions, where we are the clear leader. Few companies can shape their industries to the degree we can. These strengths, supported by operational excellence worldwide, create sustainable businesses with strong returns.

This slide highlights our evolution from pre-2023 to today and where we are headed. From our beginnings as a diversified specialty chemicals provider, we're becoming a more focused, more profitable, more resilient company anchored in high-value applications and our IngeviWay culture of operational excellence and continuous improvement.

Let me walk you through our two segments. Performance Materials is our crown jewel. We engineer and manufacture hardwood-based activated carbon used primarily in automotive emission control systems, capturing gasoline vapors in internal combustion engines and hybrids. Our technology prevents the release of an estimated 8 million gallons of gasoline emissions globally every day. Going forward, we see emerging and stricter emissions regulations, as well as the continued growth of hybrid and more efficient ICE vehicles, driving more demand for advanced Ingevity content over the next decade.

Beyond automotive, our activated carbon supports high-value filtration applications, including food and beverage, water treatment and chemical purification, areas where we see significant long-term growth potential. Durable demand in automotive combined with emerging opportunities in filtration and advanced materials makes this a highly attractive, long-lived business.

Performance Materials is a $600 million business, with exceptional EBITDA margins, above 50%. Sustained profitability at this level and at scale is something I've personally never seen in a specialty materials business in my many years in the industry. And more importantly, we believe reflects the value and criticality our solutions provide to our demanding customers in automotive and advanced filtration.

Now, let's take a deeper look at the automotive industry and why we believe there are positive trends that should benefit us at Ingevity. Two years ago, global industry forecasts expected a rapid transition to battery electric vehicles, as well as a return to peak automotive production. Today, that consensus has shifted significantly. First, global auto production remains around 6 million units below prior peaks, with a return to peak still expected in the future. And second, expected BEV penetration is meaningfully lower, resulting in more than 3 million additional

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ICE and hybrid vehicles over the same time period. All of this translates into more vehicles requiring Ingevity solutions, not just in the next two years, but well into the future.

Beyond automotive, we are repositioning our participation in filtration and purification, where our unique activated carbon provides strong technical advantages. Historically, this business was opportunistic and margin dilutive. We're now executing a strategic shift to focus on high value, demanding applications so that we expand our role in mission-critical filtration markets and achieve margin expansion with no additional CapEx.

We already sell meaningful volumes into these markets today, upwards of 20% or more of our activated carbon capacity. By optimizing our approach, we expect to deliver revenue growth, material EBITDA contribution and optimize a long-term platform for growth in the filtration market.

Expect to hear more on this exciting initiative in the future as we continue building Ingevity into a leading name in the filtration market. We're also excited to talk about our broad pipeline of emerging opportunities across energy storage, renewable gas and other advanced materials, all aligned with our core competencies, which we expect can become pathways for growth in the future. These initiatives are not reflected in our near-term financials, but represent future option value and long-term strategic growth.

To sum up Performance Materials, our first priority is to maintain our leadership position in automotive with our highly engineered, activated carbon solutions supported by sustained consumer demand for ICE and hybrid vehicles and our strategic advocacy efforts.

Second, we plan to broaden and strengthen our business by expanding beyond automotive and pursuing high-potential adjacent markets, particularly advanced filtration, where we are well-positioned and already participate meaningfully today.

And third, we'll continue to execute with discipline through continuous improvement, operational excellence and industry-leading product quality, the foundation of what's made Ingevity successful now and into the future. There's a reason we call this our crown jewel. It's a uniquely positioned business with global leadership in automotive activated carbon, sustainable 50-plus-percent margins, and strong demand tailwinds that give us a very long runway. And now, with future growth in high-value filtration markets, this segment becomes an even more powerful engine for New Ingevity.

Pavement Technologies is another business where Ingevity is clearly the best owner. The vast majority of North American roads use asphalt. And we participate in nearly every critical layer through our technologies in pavement preservation and pavement construction. This business is built on proven technology, strong industry leadership and benefits from tailwinds in infrastructure spending.

At a glance, Pavement Technologies is a $300 million business, with mid to high-teen margins, mid to high-single digit growth, and primarily focused on North America with international reach. We see this as a growing, profitable, technology-driven platform, with clear room for expansion as infrastructure needs grow and we continue to grow our participation, particularly through our warm mix solutions.

As we look deeper into Pave Tech, you can see just how broadly we participate across all layers of the road, essentially everywhere. Our competitive advantages include: highly agile formulation teams that respond quickly to customer needs; strong technical service support; and the advocacy capabilities that are rooted in deep industry know-how.

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On the left, you see our additives for pavement preservation and repair. This part of the business represents roughly half of segment revenue, where we hold a clear market-leading position. It's a stable, cash-generating operation that grows roughly in line with GDP.

On the right are products used in new road construction, which account for about a third of segment revenue today and offer significant room for expansion. This is where our flagship Evotherm platform comes in. Let me share why we're so excited about Evotherm. Evotherm is a unique warm mix technology that enables asphalt to be produced at significantly lower temperatures.

Why does that matter? First, it reduces paving costs for our customers by cutting energy consumption. Second, it delivers superior road performance. Evotherm can extend pavement life by up to 30%. And third, lower production temperatures allow contractors to extend the paving season, enabling more projects to be completed within a calendar year.

The market opportunity is substantial. Today, roughly 80% of North American asphalt is still made using traditional hot mix processes. That leaves a large conversion runway for warm mix technologies. Combining our unique technology, compelling value proposition and strong advocacy efforts, we believe we can accelerate adoption of this $400 million revenue opportunity as the clear leader of the warm mix application space. As warm mix becomes a larger share of North American asphalt production, we believe we are exceptionally well-positioned to lead that transition and expect this will contribute meaningful growth in the future.

Given our competitive advantages and the significant addressable market opportunity, we expect to generate mid to high-single digit revenue growth and double-digit EBITDA growth over the next two years. Our focus will be on the North American market and the $400 million opportunity to drive greater warm mix adoption through our technology, strong application support and advocacy efforts.

To summarize, here's what defines New Ingevity. First, we are a focused, high-performing specialty materials company built on two industry-leading businesses with lasting demand and sustainable positions. Second, a business model that will deliver best-in-class margins and strong free cash flow, which we intend to utilize towards deleveraging and meaningful capital returns. And third, a trajectory that supports double-digit EPS growth over the next two years. Investing in New Ingevity today means investing in a disciplined industry leader with scale and a long runway for value creation.

With that, I'll turn it over to Mary and Phil.

Mary Dean Hall

Chief Financial Officer & Executive Vice President, Ingevity Corp.

Thanks, Dave, and good morning, all. New Ingevity as a leaner, stronger, more focused company, expected to generate superior, consistent profitability and best-in-class free cash flow. We are committed to using our robust free cash flow to de-lever and return significant capital to shareholders.

On the next slide, the hard work we've done over the past two years to reposition performance chemicals is evident in our improving free cash flow and leverage. New Ingevity is a cash flow juggernaut, expected to generate strong and consistent free cash flow of greater than $200 million per year and growing. We heard you loud and clear about reducing our leverage and have made significant progress towards our target of 2 to 2.5 times. As we noted in our Q3 earnings call, we expect to finish this year at about 2.6 times. For the next couple of years, we are committed to achieving and maintaining leverage in the 2 to 2.5 times range and that range is our target leverage for the longer term. Our balance sheet is strong, with excellent liquidity. And our nearest debt

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maturity is in 2027 when our revolving credit facility expires. We plan to amend and extend this facility in the next few months.

Now, let's talk more about capital allocation. On the left-hand pie chart, you can see that over the past three years, we have deployed about $1 billion across M&A, CapEx, debt reduction and a relatively small slice toward share repurchases. Over the next two years, we expect to generate almost $1 billion of deployable cash from operations and divestiture proceeds.

Our priorities, as shown on the right pie chart, are clear. One, we will invest in the business, including strategic initiatives that advance our next generation growth pathways. Two, reduce debt and maintain our target leverage. And three, return cash to shareholders. In fact, we expect to use our remaining $300 million of share repurchase authorization over these next two years.

Please note that there is no hard line between the blue and purple on the right pie chart. This is to reinforce our disciplined approach of balancing debt reduction and share repurchases as we generate excess cash. As we noted in our Q3 earnings call, we repurchased $25 million of shares in Q3 and have repurchased over $30 million of shares so far in Q4. The most striking difference you can see between the two pie charts is that M&A is not a [indiscernible] (00:24:58) these next two years, freeing up significant cash flow to de-lever and return cash to shareholders.

Now, I'll turn it over to Phil, who will dive into the financials of New Ingevity in more detail.

Phillip J. Platt

Chief Accounting Officer, Senior Vice President-Finance & Incoming Chief Financial Officer, Ingevity Corp.

Thank you, Mary. As you can see on the right-hand side of this slide, over the next two years, we are targeting annual revenue and EBITDA growth of over 3%, with EBITDA margins at the midpoint, above 37%. Performance Materials remains the foundation of New Ingevity, delivering strong, stable margins, well above 50%. As Pavement Technologies continues to take share of the hot mix paving market, we expect 6% annual growth and about 300 basis points of margin improvement. We are providing greater transparency in our cost structure by introducing a new corporate segment for reporting purposes.

As Mary just covered, we will be a cash-generating juggernaut by deploying excess cash to share repurchases, when combined with expected operating performance. We expect annual EPS growth above 10% and annual free cash flow per share growth of nearly 6%. As you can see on the left, New Ingevity will continue to be best-in-class in our key operating performance metrics of EBITDA margin and free cash flow margin, placing New Ingevity clearly in the top quartile when compared to our specialty chemical and material peers.

On the right side of this slide, you'll see Ingevity today, our current free cash flow yield and current enterprise multiple compared to our peers. Today, we are clearly trading at a discount, which is why we believe New Ingevity offers a compelling value proposition. As we executed our strategic portfolio review, our focus was on enhancing shareholder value. We believe that through maintaining our leading market positions, optimizing our margins, generating strong free cash flow and being disciplined in our capital deployment, New Ingevity is positioned for both immediate and long-term value creation. We are confident in our ability to execute over these next two years. And that New Ingevity will be a predictable value creation engine, with significant compounding future value.

Thank you for your time. And now, I'll turn it back to Dave for closing remarks.

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David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Thanks, Phil. To wrap up, New Ingevity will be focused on high margin, less cyclical, low capital intensity businesses. We're delivering best-in-class free cash flow, with disciplined capital allocation. And we're accelerating debt reduction and are committed to returning cash to investors. We're confident that New Ingevity will deliver significant value to all our shareholders, and I'm very excited to have you join us on this journey.

And with that, we'll open up the call for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question comes from John McNulty with BMO Capital Markets. Please go ahead.

Caleb Boehnlein

Analyst, BMO Capital Markets Corp.

Q

Hey, good morning. This is Caleb on for John. I was just hoping you can provide a little more detail on how you're thinking on balancing the high-margin Performance Materials business while also expanding, like, the non-core pieces of that.

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah. Thanks, Caleb. Thanks for your question. So, I think you're talking about our efforts to expand PM beyond automotive and into filtration. First, I would say we're really excited about filtration. It's not a new opportunity for us. Actually, we are already selling upwards of 20% or more of our activated carbon today into those filtration markets and pretty much at negligible margins. So, our efforts going forward – the strategy is very different, we've brought in a new leader, we brought in some more resources. And what we're trying to do there is really identify high-value applications in areas like chemical purification, food and beverage and water treatments, where we can add value and in turn get the value back for activated carbon.

So, if you think about it this way, today PM is at 50-plus-percent EBITDA margins, that already includes the 20% of our volume that we're selling at pretty negligible margins. If we're able to top grade those opportunities at all, that should go – actually be accretive and flow directly to our bottom line. We're early on in those efforts, but we've actually seen some encouraging validation. We've recently won a few bids in the water treatment area, where we were not the lowest bidder but were selected because our product was differentiated, that's an example. And we got there with a higher price. So that's an example of us validating that in certain markets, we can become really a differentiated provider in the filtration space. So expect to hear more from us about filtration and Ingevity in the future.

And the other thing, just to follow up on your question is, one of the things we wanted to do this time around is affirm our expectation for margins for PM for the foreseeable future will be 50-plus-percent. So you can see our confidence not only growing in filtration, but maintaining that profitability.

Caleb Boehnlein

Analyst, BMO Capital Markets Corp.

Q

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Got you. Okay. Thanks. I appreciate the extra color. And then also on, like, slide 13, you've highlighted some, like, other opportunities, which I believe you said are not included in your 2027 numbers. But maybe just can you talk like where you see – like, where's the greatest opportunity for Ingevity here to kind of further expand PM?

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

Yeah. For those of you that may not have this slide in front of you, that was kind of a portfolio of strategic initiatives in areas like energy storage and advanced materials. I think my opinion would be the energy storage area actually holds the most potential. That includes things like our partnership with Nexeon. You may have also seen a recent press release about our partnership with CHASM. So obviously, as we think about where is growth in the future, energy storage is one of those really interesting areas. But I would say, as you mentioned, Caleb, it's early on, so we haven't included any of those in our two-year projections. But expect us to update those that progress as we go forward.

Caleb Boehnlein
Analyst, BMO Capital Markets Corp.
Q

Okay. Thanks for the color. I'll drop back into the queue.

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

Thank you.

Operator: Your next question comes from the line of Daniel Rizzo with Jefferies. Please go ahead.

Daniel Rizzo
Analyst, Jefferies LLC
Q

Hey. Thanks for taking my questions. So, I guess, just with the filtration applications, I mean, have you given the size of what the tangible addressable market is? And how fragmented it is? I mean, how competitive it is? How should we think about just the broader opportunity there in terms of what you can attack?

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

Yeah. Thanks, Dan. And again, I kind of mentioned this on my previous comment, but worth revisiting, we're very excited about the space. As you know, the filtration application is a huge market. And we're already participating there in a meaningful way. We just have not identified those opportunities where we think we're adding the most value. So for example, water treatment. We're already selling millions of pounds into those filtration applications, so it's really just about identifying which applications can we provide value and really get that value back in terms of the profitability for the business.

Today, we're pretty much selling at negligible margins. So in the future, as we upgrade that business, that just flows to the bottom line. I'd say water treatment is probably one of our top priorities. As I mentioned, we've already had some early wins in that space.

Daniel Rizzo
Analyst, Jefferies LLC
Q

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And then, if I think about Pavement Technologies and activated carbon, are there – I mean, what are the, I mean, production or manufacturing synergies that exist there? Or is it more just like kind of more just general corporate stuff where the cost synergies exist?

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

Yeah. Thanks. So your question was, really, what are the synergies that go across the two core businesses going forward? So we're very excited about both Performance Materials and Pavement Technologies. The way we thought about it, Dan was really, what are we really good at? What are our core competencies? So things like the differentiated technology, the high customer touch and application support that's needed and the advocacy. Both those businesses share those core competencies and we're able to leverage those across both businesses.

And in the prepared comments, we took a little bit more time this time to go through the advocacy part, because I think that's a little bit of an underappreciated part of our business. And certainly, both of those businesses today, where we're leaders and expect to grow faster than the market, benefit from our technology, but also our advocacy efforts.

Daniel Rizzo
Analyst, Jefferies LLC
Q

All right. And then, final question, I assume the dividend is just not being considered at this point. You're more focused on growing the business and share repurchases. Is dividends something you guys have talked about in the past, or I don't know?

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

Well, why don't I start and I'll let Phil chime in.

Phillip J. Platt
Chief Accounting Officer, Senior Vice President-Finance & Incoming Chief Financial Officer, Ingevity Corp.
A

Yeah.

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

Our board and management, we obviously understand that all options are things that we should discuss, especially given the profitability of our business. But at this point, we're not talking about a dividend, but you can be assured that our board and management think about all options for shareholder return. And we think we have a very compelling story today to talk about from a shareholder return perspective.

But Phil, anything you want to add to that?

Phillip J. Platt
Chief Accounting Officer, Senior Vice President-Finance & Incoming Chief Financial Officer, Ingevity Corp.
A

Yeah, not much more than that. Obviously, dividends is one form of cash back to shareholders. We evaluate it that as an option. It's always on the table. We think, sitting here today, that buying back shares is the best option for us.

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Daniel Rizzo
Analyst, Jefferies LLC

Q

All right. Thank you very much.

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

A

Thanks, Dan.

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

Jon Tanwanteng
Analyst, CJS Securities, Inc.

Q

Hi. Good morning and thank you for taking my questions. If you could talk about the $1 billion in deployable cash target for 2027. $300 million, I think, you're targeting for buyback, $120 million-ish for CapEx. Could you talk about the plans for the remainder, that other $480 million? I assume that you won't need as much to remain in that 2% to 2.5% EBITDA range continue to be close right now. So what is the plan for the excess cash?

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

A

Yeah. I'll let Phil tackle that. I would just like to use the opportunity that both Phil and Mary both said cash flow juggernaut. So I wanted the opportunity to bring that into the Q&A. But go ahead, Phil, provide some more color.

Phillip J. Platt
Chief Accounting Officer, Senior Vice President-Finance & Incoming Chief Financial Officer, Ingevity Corp.

A

Yeah, yeah. Jon, so when you think about our priorities, our number one priority is obviously organic growth. And so, we called out the $60 million of traditional CapEx. We also called out the strategic initiatives such as Nexeon that we've done in the past, or CHASM that was just recently announced. That's incorporated in that although we didn't provide that granularity of dollar value associated with those strategic initiatives. Second, in the priority list is debt pay-down. And then, last in the list is the $300 million at a minimum that we expect to buy back over the next two years.

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

A

So, Jon, we have a lot of flexibility. But I would expect the majority of the remaining cash generated to go towards debt repay down.

Jon Tanwanteng
Analyst, CJS Securities, Inc.

Q

Understood. Thank you. And then if you could just help us with the EPS target for 2027, $6.40 at the midpoint in EPS, I think the consensus estimate is closer to $5.70. But EBITDA is going down, assuming you sell some businesses. So what's the math to get there? Is that all buybacks and lower interest expense? Or is there something else in there that we should be thinking about?

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

A

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Yeah. I got to throw that one to Phil as well.

Phillip J. Platt
Chief Accounting Officer, Senior Vice President-Finance & Incoming Chief Financial Officer, Ingevity Corp.
A

Yeah, you got it right, Jon. Obviously as we de-lever significant pull-back on interest expense and when we're thinking about a minimum of $300 million of share buyback, that's about 15% of our outstanding float today. So, it's the combination of the two plus the operating performance over that two-year period.

Mary Dean Hall
Chief Financial Officer & Executive Vice President, Ingevity Corp.
A

Exactly. Let's not forget earnings increasing as well.

Phillip J. Platt
Chief Accounting Officer, Senior Vice President-Finance & Incoming Chief Financial Officer, Ingevity Corp.
A

That's right.

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

Yeah. So, Jon, I think both Mary and Phil said it well. But one of the reasons why we're so excited to talk about New Ingevity today is that expectation of double-digit EPS growth over the next few years.

Jon Tanwanteng
Analyst, CJS Securities, Inc.
Q

Got it. Thank you. And then if I could ask one more, just the expectation to sell or, I guess, explore strategic alternatives for APT and the Road Markings business. How confident are you in getting a good price for both of those businesses? I know there's an implied price in the cash that you're expecting, but given both of them, let's say, a little bit more competitive challenge recently, can you just tell us what you're expecting there and kind of how do you expect to reposition them or restructure them in order to get better pricing? Or do you think the recovery is in cards for both those businesses in the future?

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

Yeah, thanks. So, regarding the two businesses that we talked about for initiating sales processes, so one is our Advanced Polymer Technologies business, the other is Road Markings. We actually think both of those are really good businesses. They're just businesses where we're not the best owner. I think we will find better owners for those businesses. But we're early on, we've just started those sales processes and we're going to be focused on value, right? Just as we were with Industrial Specialties and the CTO refinery, we're able to find a really great partner to work with us and eventually own the business. By the way, that's on track to close by early 2026 in the same way we're going to be focused on finding the right owners for APT and markings for those good businesses. And we'll be focused on value. We're just getting started, Jon, so we'll look forward to updating you as we make more progress on both of those initiatives.

Jon Tanwanteng
Analyst, CJS Securities, Inc.
Q

Got it. Thank you.

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Operator: And we have no further questions over the phone.

John E. Nypaver, Jr.
Vice President, Treasurer & Investor Relations, Ingevity Corp.

A

Thanks, Krista. Well, we have some questions that people have submitted online, so we'll turn to those. The financial projections are only for two years. Why only – why are you only taking the two-year view and where does the growth come from?

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

A

Yeah, thanks. So, the two-year outlook was actually quite intentional. I've been at Ingevity for over six months now and we thought it was an important moment to talk about this intermediate phase of our journey. And that intermediate phase is really about simplifying the portfolio and sharpening our focus on delivering. So, really, margin expansion we talk about in our prepared comments and really if you think about – as we think about the next two years, that focused execution, we've talked about the $1 billion cash we expect to generate, which will deploy towards cash share repurchases and debt pay-down. Also, while we're seeding growth in the business in areas like filtration and energy storage. So, we thought this first two-year update was really a great opportunity to talk about why we're so excited about New Ingevity, and we'll continue to provide updates in the future.

John E. Nypaver, Jr.
Vice President, Treasurer & Investor Relations, Ingevity Corp.

A

Great. Thank you. Thank you. And then this is a bit of a follow-up to that. So, M&A was notably absent from our capital allocation priorities, given the amount of deployable cash, $1 billion, at our disposal, and the need to find additional growth opportunities, why would M&A not be a higher priority?

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

A

Yeah, I think – and Mary and Phil mentioned it in their prepared comments, M&A for the next two years at least is not going to be a priority for us because we recognize we've got to get the company in a more stable position financially, that means paying down debt. We'll also buy back a lot of shares. We mentioned we already bought back $30 million of shares this quarter. We expect to buy at least $300 million of shares over the next two years. That will provide significant EPS growth. And given our business model and really best-in-class EBITDA margins, we'll have plenty of firepower for M&A in the future. It's just not going to be a priority for us for the next couple of years.

John E. Nypaver, Jr.
Vice President, Treasurer & Investor Relations, Ingevity Corp.

A

Great. Thank you. Given the ongoing volatility in the auto market, how are you feeling about the results for this quarter in the back half of the year?

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

A

Yeah, I was going to anticipate that question. So, even though this is a strategic update, what I would say on the quarter is, at this point, we don't see any reason why our results will be any different than within the guidance range that we mentioned in Q3. One of the things we're obviously closely monitoring is all the volatility in the auto

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production area. So, things like the aluminum fires, the chip shortages. Since we released in Q3, there's – I think there was another aluminum fire, the chip shortage has also not been resolved.

The way I think about those is really if auto production is delayed or interrupted in any way, that's more of a timing issue rather than a structural issue. And what we've seen is that that production gets made up in subsequent periods. So, although we're closely monitoring it, we don't see our results – we're affirming our guidance, essentially saying that results will come in within that guidance range that we provided in Q3.

John E. Nypaver, Jr.
Vice President, Treasurer & Investor Relations, Ingevity Corp.

A

Okay. Thank you. How should we think about the bridge from the current EBITDA range to the future range that you provided for New Ingevity?

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

A

Phil, why don't I give you that one? Thanks.

Phillip J. Platt
Chief Accounting Officer, Senior Vice President-Finance & Incoming Chief Financial Officer, Ingevity Corp.

A

Yeah, we – actually in the prepared materials that are available on our website, in the appendix, is actually a bridge from the midpoint of our current guidance to the pro forma 2025 estimated EBITDA of New Ingevity of $335 million. And that provides the earnings that we'll be pulling out as a part of the two businesses that we will divest as well as some costs that will be stranded. I will remind you that even at $335 million, we expect EBITDA margin to be in excess of 37%. And in fact, when we think about our guide for 2027, we expect the New Ingevity to have return on invested capital in excess of 25%.

John E. Nypaver, Jr.
Vice President, Treasurer & Investor Relations, Ingevity Corp.

A

Thank you. At this point there – it appears there's no additional questions. We've hit on many of them. So, I'll turn it back over to you, Dave, for closing comments.

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

Thanks, John. Thanks for everyone's interest. I would just say a few closing remarks. First is, we think the company is firing on all cylinders. We're really excited today to talk about a simplified portfolio and a sharper focus on what we think really drives value. This was a two-year update, so really what we're focused on in the next two years is really execution and delivering margin expansion and really driving value through – there's a lot of ways you can drive shareholder value.

This next two years is really going to be focused on margin expansion and delivering growth through bottom line performance. So, expect us to deliver double-digit EPS growth, generate $1 billion of deployable cash, which we'll use towards share repurchase and debt repay down that includes the – over $200 million a year that our core businesses will generate. And so, we see a very exciting future for New Ingevity and we hope that many of you will be along for the journey with us. Thanks.

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John E. Nypaver, Jr.

Vice President, Treasurer & Investor Relations, Ingevity Corp.

Thank you. Thank you, panel. Thank you all for joining us today. Really appreciate your interest in Ingevity and have a great rest of your day. Thank you.

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