UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-37586

INGEVITY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**47-4027764**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4920 O'Hear Avenue Suite 400	**North Charleston**	**South Carolina**	**29405**
	(Address of principal executive offices)		(Zip code)

843-740-2300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock ($0.01 par value)	**NGVT**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant had 36,231,266 shares of common stock, $0.01 par value, outstanding at October 31, 2023.

Ingevity Corporation
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INGEVITY CORPORATION

Condensed Consolidated Statements of Operations (Unaudited)

In millions, except per share data	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net sales	$ 446.0	$ 482.0	$ 1,320.4	$ 1,284.7
Cost of sales	317.0	305.7	908.0	820.0
Gross profit	129.0	176.3	412.4	464.7
Selling, general, and administrative expenses	40.0	54.2	140.3	142.9
Research and technical expenses	7.8	7.6	24.6	23.1
Restructuring and other (income) charges, net	24.6	3.3	49.4	10.6
Acquisition-related costs	0.1	1.9	3.8	1.9
Other (income) expense, net	1.3	2.0	(13.9)	(1.0)
Interest expense, net	23.1	11.5	64.3	37.3
Income (loss) before income taxes	32.1	95.8	143.9	249.9
Provision (benefit) for income taxes	6.9	20.4	32.5	53.9
Net income (loss)	$ 25.2	$ 75.4	$ 111.4	$ 196.0
Per share data				
Basic earnings (loss) per share	$ 0.70	$ 1.99	$ 3.05	$ 5.10
Diluted earnings (loss) per share	0.69	1.98	3.03	5.06

The accompanying notes are an integral part of these financial statements.

INGEVITY CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	**2023**	**2022**	**2023**	**2022**
Net income (loss)	$ 25.2	$ 75.4	$ 111.4	$ 196.0
Other comprehensive income (loss), net of tax:				
Foreign currency adjustments:				
Foreign currency translation adjustment	(21.4)	(55.3)	(6.9)	(124.9)
Unrealized gain (loss) on net investment hedges, net of tax provision (benefit) of zero, $1.0, zero, $3.2	—	3.4	—	10.7
Total foreign currency adjustments, net of tax provision (benefit) of zero, $1.0, zero, $3.2	(21.4)	(51.9)	(6.9)	(114.2)
Derivative instruments:				
Unrealized gain (loss), net of tax provision (benefit) of $(0.1), $0.8, $(0.8), $3.5	(0.1)	2.7	(2.5)	11.4
Reclassifications of deferred derivative instruments (gain) loss, included in net income (loss), net of tax (provision) benefit of $0.3, $(0.7), $0.7, $(1.7)	1.1	(2.4)	2.2	(5.7)
Total derivative instruments, net of tax provision (benefit) of $0.2, $0.1, $(0.1), $1.8	1.0	0.3	(0.3)	5.7
Pension & other postretirement benefits:				
Reclassifications of net actuarial and other (gain) loss and amortization of prior service cost, included in net income, net of tax of zero for all periods	—	—	0.1	0.1
Total pension and other postretirement benefits, net of tax of zero for all periods	—	—	0.1	0.1
Other comprehensive income (loss), net of tax provision (benefit) of $0.2, $1.1, $(0.1), $5.0	(20.4)	(51.6)	(7.1)	(108.4)
Comprehensive income (loss)	$ 4.8	$ 23.8	$ 104.3	$ 87.6

The accompanying notes are an integral part of these financial statements.

INGEVITY CORPORATION

Condensed Consolidated Balance Sheets

In millions, except share and par value data	September 30, 2023	December 31, 2022
	(Unaudited)	
Assets		
Cash and cash equivalents	$ 84.5	$ 76.7
Accounts receivable, net of allowance for credit losses of $0.5 - 2023 and $0.5 - 2022	216.6	224.8
Inventories, net	386.7	335.0
Prepaid and other current assets	46.7	42.5
Current assets	734.5	679.0
Property, plant, and equipment, net	800.0	798.6
Operating lease assets, net	68.7	56.6
Goodwill	520.1	518.5
Other intangibles, net	375.6	404.8
Deferred income taxes	6.1	5.7
Restricted investment, net of allowance for credit losses of $0.3 - 2023 and $0.6 - 2022	80.2	78.0
Strategic investments	99.3	109.8
Other assets	82.3	85.5
Total Assets	$ 2,766.8	$ 2,736.5
Liabilities		
Accounts payable	$ 197.3	$ 174.8
Accrued expenses	64.5	54.4
Accrued payroll and employee benefits	16.5	53.3
Current operating lease liabilities	18.4	16.5
Notes payable and current maturities of long-term debt	3.0	0.9
Income taxes payable	5.4	3.6
Current liabilities	305.1	303.5
Long-term debt including finance lease obligations	1,469.7	1,472.5
Noncurrent operating lease liabilities	50.6	40.8
Deferred income taxes	105.0	106.5
Other liabilities	117.7	114.9
Total Liabilities	2,048.1	2,038.2
Commitments and contingencies (Note 13)		
Equity		
Preferred stock (par value $0.01 per share; 50,000,000 shares authorized; zero issued and outstanding - 2023 and 2022)	—	—
Common stock (par value $0.01 per share; 300,000,000 shares authorized; issued: 43,443,512 - 2023 and 43,228,172 - 2022; outstanding: 36,231,063 - 2023 and 37,298,989 - 2022)	0.4	0.4
Additional paid-in capital	162.6	153.0
Retained earnings	1,119.1	1,007.7
Accumulated other comprehensive income (loss)	(53.9)	(46.8)
Treasury stock, common stock, at cost (7,212,449 shares - 2023 and 5,929,183 shares - 2022)	(509.5)	(416.0)
Total Equity	718.7	698.3
Total Liabilities and Equity	$ 2,766.8	$ 2,736.5

The accompanying notes are an integral part of these financial statements.

INGEVITY CORPORATION

Condensed Consolidated Statements of Cash Flows (Unaudited)

In millions	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash provided by (used in) operating activities:		
Net income (loss)	$ 111.4	$ 196.0
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	97.7	78.6
Non cash operating lease costs	13.8	13.5
Deferred income taxes	(2.3)	(2.2)
Disposal/impairment of assets	12.6	1.9
LIFO reserve	62.6	10.7
Share-based compensation	8.3	11.1
Gain on sale of strategic investment	(19.3)	—
Other non-cash items	14.8	13.3
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable, net	6.1	(98.4)
Inventories, net	(118.1)	(63.3)
Prepaid and other current assets	(5.8)	(2.3)
Accounts payable	20.6	48.2
Accrued expenses	9.0	5.3
Accrued payroll and employee benefits	(36.7)	(2.7)
Income taxes	4.2	10.1
Pension contribution	(2.0)	—
Operating leases	(16.6)	(15.5)
Changes in other operating assets and liabilities, net	0.2	10.6
Net cash provided by (used in) operating activities	$ 160.5	$ 214.9
Cash provided by (used in) investing activities:		
Capital expenditures	$ (80.6)	$ (93.3)
Proceeds from sale of strategic investment	31.5	—
Purchase of strategic investment	(2.4)	(62.8)
Net investment hedge settlement	—	14.7
Other investing activities, net	(4.8)	(3.3)
Net cash provided by (used in) investing activities	$ (56.3)	$ (144.7)
Cash provided by (used in) financing activities:		
Proceeds from revolving credit facility	$ 237.1	$ 788.0
Payments on revolving credit facility	(240.1)	(279.0)
Payments on long-term borrowings	—	(628.1)
Debt issuance costs	—	(3.0)
Debt repayment costs	—	(3.8)
Finance lease obligations, net	(0.6)	(0.4)
Borrowings (repayments) of notes payable and other short-term borrowings, net	2.4	—
Tax payments related to withholdings on vested equity awards	(4.8)	(2.2)
Proceeds and withholdings from share-based compensation plans, net	4.7	2.8
Repurchases of common stock under publicly announced plan	(92.1)	(139.2)
Net cash provided by (used in) financing activities	$ (93.4)	$ (264.9)
Increase (decrease) in cash, cash equivalents, and restricted cash	10.8	(194.7)
Effect of exchange rate changes on cash	(3.0)	(8.6)
Change in cash, cash equivalents, and restricted cash	7.8	(203.3)
Cash, cash equivalents, and restricted cash at beginning of period	77.3	276.1
Cash, cash equivalents, and restricted cash at end of period[1]	$ 85.1	$ 72.8

(1) Includes restricted cash of $0.6 million and $0.5 million and cash and cash equivalents of $84.5 million and $72.3 million at September 30, 2023 and 2022, respectively. Restricted cash is included within "Prepaid and other current assets" within the condensed consolidated balance sheets.

Supplemental cash flow information:	2023	2022
Cash paid for interest, net of capitalized interest	$ 57.9	$ 35.9
Cash paid for income taxes, net of refunds	27.9	42.6
Purchases of property, plant, and equipment in accounts payable	6.1	5.1
Leased assets obtained in exchange for new finance lease liabilities	0.2	—
Leased assets obtained in exchange for new operating lease liabilities	26.0	9.2

The accompanying notes are an integral part of these financial statements.

Note 1: Background

Description of Business

Ingevity Corporation ("Ingevity," "the Company," "we," "us," or "our") provides products and technologies that purify, protect, and enhance the world around us. Through a team of talented and experienced people, we develop, manufacture, and bring to market solutions that help customers solve complex problems and make the world more sustainable. During the first quarter of 2023, we realigned our segment reporting structure to increase transparency for our investors and better align with how our chief operating decision maker intends to measure segment operating performance and allocate resources across our operating segments. We separated our engineered polymers product line from the Performance Chemicals reportable segment into its own reportable segment, Advanced Polymer Technologies. This reportable segment change also resulted in our Performance Chemicals reporting unit for goodwill being split into two separate reporting units for the purposes of goodwill impairment testing.

We operate in three reportable segments: Performance Chemicals, which includes specialty chemicals and pavement technologies; Advanced Polymer Technologies, which includes biodegradable plastics and polyurethane materials; and Performance Materials, which includes activated carbon. Our products are used in a variety of demanding applications, including adhesives, agrochemicals, asphalt paving, bioplastics, coatings, elastomers, lubricants, pavement markings, publication inks, oil exploration and production and automotive components.

Basis of Consolidation and Presentation

These unaudited Condensed Consolidated Financial Statements reflect the consolidated operations of the Company and have been prepared in accordance with United States Securities and Exchange Commission ("SEC") interim reporting requirements. Accordingly, the accompanying Condensed Consolidated Financial Statements do not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for full financial statements and should be read in conjunction with the Annual Consolidated Financial Statements for the years ended December 31, 2022, 2021 and 2020, collectively referred to as the “Annual Consolidated Financial Statements,” included in our Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Annual Report").

In the opinion of management, the Condensed Consolidated Financial Statements contain all adjustments which include only normal recurring adjustments necessary to fairly state the condensed consolidated results for the interim periods presented. The consolidated results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

The preparation of the Condensed Consolidated Financial Statements requires management to make estimates and assumptions with respect to the reported amounts of assets, liabilities, revenue, and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Certain prior year amounts have been reclassified to conform with the current year's presentation.

Note 2: New Accounting Guidance

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or "Codification") is the sole source of authoritative GAAP other than SEC issued rules and regulations that apply only to SEC registrants. The FASB issues an Accounting Standards Update ("ASU") to communicate changes to the Codification. We consider the applicability and impact of all ASUs. Recently issued ASUs that are not listed within this Form 10-Q have been assessed and determined to be either not applicable or are not expected to have a material impact on the consolidated financial statements.

Note 3: Revenues

Disaggregation of Revenue

The following table presents our Net sales disaggregated by reportable segment and product line.

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	2023	2022	2023	2022
Performance Materials segment	$ 147.2	$ 144.9	$ 433.2	$ 415.7
Performance Chemicals segment	$ 256.0	$ 267.6	$ 725.6	$ 683.9
Pavement Technologies product line	*129.7*	*88.3*	*316.4*	*194.0*
Industrial Specialties product line	*126.3*	*179.3*	*409.2*	*489.9*
Advanced Polymer Technologies segment	$ 42.8	$ 69.5	$ 161.6	$ 185.1
Net sales	$ 446.0	$ 482.0	$ 1,320.4	$ 1,284.7

The following table presents our Net sales disaggregated by geography, based on the delivery address of our customer.

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	2023	2022	2023	2022
North America	$ 292.4	$ 291.9	$ 854.3	$ 759.7
Asia Pacific	92.4	113.6	264.3	297.3
Europe, Middle East, and Africa	48.6	62.6	167.6	194.0
South America	12.6	13.9	34.2	33.7
Net sales	$ 446.0	$ 482.0	$ 1,320.4	$ 1,284.7

Contract Balances

The following table provides information about contract assets and contract liabilities from contracts with customers. The contract assets primarily relate to our rights to consideration for products produced but not billed at the reporting date. The contract assets are recognized as accounts receivables when the rights become unconditional and the customer has been billed. Contract liabilities represent obligations to transfer goods to a customer for which we have received consideration from our customer. For all periods presented, we had no contract liabilities.

	Contract Asset	
	September 30,	
In millions	2023	2022
Beginning balance	$ 6.4	$ 5.3
Contract asset additions	13.2	14.3
Reclassification to accounts receivable, billed to customers	(11.7)	(13.4)
Ending balance [(1)]	$ 7.9	$ 6.2

(1) Included within "Prepaid and other current assets" on the condensed consolidated balance sheets.

Note 4: Fair Value Measurements

Fair Value Measurements

Recurring Fair Value Measurements

The following information is presented for assets and liabilities that are recorded in the condensed consolidated balance sheets at fair value measured on a recurring basis. There were no transfers of assets and liabilities that were recorded at fair value between the three-level fair value hierarchy during the periods reported.

In millions	Level 1[(1)]	Level 2[(2)]	Level 3[(3)]	Total
September 30, 2023				
Assets:				
Deferred compensation plan investments [(4)]	$ 2.4	$ —	$ —	$ 2.4
Total assets	$ 2.4	$ —	$ —	$ 2.4
Liabilities:				
Deferred compensation arrangement [(4)]	$ 15.1	$ —	$ —	$ 15.1
Total liabilities	$ 15.1	$ —	$ —	$ 15.1
December 31, 2022				
Assets:				
Deferred compensation plan investments [(4)]	$ 1.1	$ —	$ —	$ 1.1
Total assets	$ 1.1	$ —	$ —	$ 1.1
Liabilities:				
Deferred compensation arrangement [(4)]	$ 12.5	$ —	$ —	$ 12.5
Total liabilities	$ 12.5	$ —	$ —	$ 12.5

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(1) Quoted prices in active markets for identical assets.
(2) Quoted prices for similar assets and liabilities in active markets.
(3) Significant unobservable inputs.
(4) Consists of a deferred compensation arrangement, through which we hold various investment securities. Both the asset and liability are recorded at fair value, and are included within "Other assets" and "Other liabilities" on the condensed consolidated balance sheets, respectively. In addition to the investment securities, we also have company-owned life insurance ("COLI") related to the deferred compensation arrangement. COLI is recorded at cash surrender value and included in "Other assets" on the condensed consolidated balance sheets in the amount of $13.8 million and $13.3 million at September 30, 2023 and December 31, 2022, respectively.

Nonrecurring Fair Value Measurements

There were no nonrecurring fair value measurements in the condensed consolidated balance sheet during the quarters ended September 30, 2023, and December 31, 2022.

Strategic Investments

Equity Method Investments

The aggregate carrying value of all strategic equity method investments totaled $16.1 million and $28.2 million at September 30, 2023 and December 31, 2022, respectively. During the first quarter of 2023, we sold a strategic equity method investment for $31.5 million, resulting in a $19.3 million gain, recorded within "Other (income) expense, net" on the condensed consolidated statement of operations. There were no adjustments to the carrying value of equity method investments for impairment for the periods ended September 30, 2023 and December 31, 2022.

Measurement Alternative Investments

The aggregate carrying value of all measurement alternative investments where fair value is not readily determinable totaled $83.2 million and $80.8 million at September 30, 2023 and December 31, 2022, respectively. There were no adjustments to the carrying value of the measurement alternative method investments for impairment or observable price changes for the periods ended September 30, 2023 and December 31, 2022.

Restricted Investment

At September 30, 2023 and December 31, 2022, the carrying value of our restricted investment, which is accounted for as held-to-maturity ("HTM") and therefore recorded at amortized costs, was $80.2 million and $78.0 million, net of an allowance for credit losses of $0.3 million and $0.6 million, and included cash of $9.1 million and $7.0 million, respectively. The fair value at September 30, 2023 and December 31, 2022 was $76.4 million and $74.7 million, respectively, based on Level 1 inputs.

The following table shows the total amortized cost of our HTM debt securities by credit rating, excluding the allowance for credit losses and cash. The primary factor in our expected credit loss calculation is the composite bond rating. As the rating decreases, the risk present in holding the bond is inherently increased, leading to an increase in expected credit losses.

	HTM Debt Securities						
In millions	AA+	AA	AA-	A	A-	BBB+	Total
September 30, 2023	$ 13.3	—	10.4	13.2	24.4	10.1	$ 71.4
December 31, 2022	$ 13.4	—	10.5	13.2	14.1	20.4	$ 71.6

Debt and Finance Lease Obligations

At September 30, 2023 and December 31, 2022, the carrying value of finance lease obligations was $101.3 million and $101.9 million, respectively, and the fair value was $103.6 million and $106.2 million, respectively. The fair value of our finance lease obligation associated with our Performance Materials' Wickliffe, Kentucky, manufacturing site is based on the period-end quoted market prices for the obligations, using Level 2 inputs. The fair value of all other finance lease obligations approximates their carrying values.

The carrying amount, excluding debt issuance fees, of our variable interest rate long-term debt was $825.0 million and $828.0 million as of September 30, 2023 and December 31, 2022, respectively. The carrying value is a reasonable estimate of the fair value of the outstanding debt based on the variable interest rate of the debt.

At September 30, 2023 and December 31, 2022, the carrying value of our fixed rate debt was $550.0 million and $550.0 million, respectively, and the fair value was $453.9 million and $471.8 million, respectively, based on Level 2 inputs.

Note 5: Inventories, net

In millions	September 30, 2023	December 31, 2022
Raw materials	$ 172.9	$ 106.7
Production materials, stores, and supplies	29.9	27.9
Finished and in-process goods	274.3	228.2
Subtotal	$ 477.1	$ 362.8
Less: LIFO reserve [1]	(90.4)	(27.8)
Inventories, net	$ 386.7	$ 335.0

(1) The increase in the LIFO balance in 2023 is primarily attributable to the significant inflation in the price of crude tall oil ("CTO") which is the primary raw material for our Performance Chemicals reportable segment.

Note 6: Property, Plant, and Equipment, net

In millions	September 30, 2023	December 31, 2022
Machinery and equipment	$ 1,218.1	$ 1,162.7
Buildings and leasehold improvements	210.5	200.9
Land and land improvements	26.3	24.9
Construction in progress	110.9	120.9
Total cost	$ 1,565.8	$ 1,509.4
Less: accumulated depreciation	(765.8)	(710.8)
Property, plant, and equipment, net	$ 800.0	$ 798.6

Note 7: Goodwill and Other Intangible Assets, net

Goodwill

As described in Note 1, we reorganized our segment reporting structure to increase transparency for our investors and better align with the markets and customers we serve through each of our segments. This structure is also consistent with the manner in which information is presently used internally by our chief operating decision maker to evaluate performance and make resource allocation decisions. This reportable segment change impacted the identification of our Performance Chemicals reporting unit, resulting in two reporting units, Performance Chemicals and Advanced Polymer Technologies.

We have reallocated goodwill as of January 1, 2023 to align to our new reporting unit structure by using a relative fair value approach and tested goodwill for impairment immediately before and after the realignment; no impairment was identified.

	Reporting Units			
In millions	Performance Materials	Performance Chemicals	Advanced Polymer Technologies	Total
December 31, 2022	$ 4.3	$ 514.2	$ —	$ 518.5
Segment change reallocation	—	(165.0)	165.0	—
Foreign currency translation	—	—	1.6	1.6
September 30, 2023	$ 4.3	$ 349.2	$ 166.6	$ 520.1

During the third quarter of 2023, continued reduction in demand in industrial end markets has negatively impacted our ability to offset elevated CTO costs through pricing actions within our Performance Chemicals' reportable segment, particularly in our industrial specialties product line. CTO is essential to our industrial specialties and some of our pavement technologies product lines within our Performance Chemicals reportable segment. As a result, we concluded that a triggering event occurred for our Performance Chemicals' reporting unit, and we performed an analysis of the reporting unit's goodwill, intangibles and long-lived assets as of September 1, 2023. Our analysis included significant assumptions such as: revenue growth rate, Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") margin, and discount rate which are judgmental and variations in any assumptions could result in materially different calculations of fair value. Based on our analysis, the headroom associated with our Performance Chemicals' reporting unit, which is defined as the percentage difference between the fair value of a reporting unit and its carrying value, is 19 percent at September 30, 2023. Consequently, we concluded that there was no impairment for the quarter ended September 30, 2023.

Other Intangible Assets

In millions	Customer contracts and relationships	Brands [1]	Developed Technology	Total
Gross Asset Value				
December 31, 2022	$ 388.5	$ 89.2	$ 88.5	$ 566.2
Foreign currency translation	1.4	0.6	0.6	2.6
September 30, 2023	$ 389.9	$ 89.8	$ 89.1	$ 568.8
Accumulated Amortization				
December 31, 2022	$ (113.8)	$ (23.9)	$ (23.7)	$ (161.4)
Amortization	(20.0)	(4.3)	(7.1)	(31.4)
Foreign currency translation	(0.3)	—	(0.1)	(0.4)
September 30, 2023	$ (134.1)	$ (28.2)	$ (30.9)	$ (193.2)
Other intangibles, net	$ 255.8	$ 61.6	$ 58.2	$ 375.6

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(1) Represents trademarks, trade names, and know-how.

Intangible assets subject to amortization were attributed to our business segments as follows:

In millions	September 30, 2023	December 31, 2022
Performance Materials	$ 1.5	$ 1.7
Performance Chemicals	180.7	198.0
Advanced Polymer Technologies	193.4	205.1
Other intangibles, net	$ 375.6	$ 404.8

Amortization expense related to our intangible assets is included in Selling, general and administrative expenses on the condensed consolidated statement of operations. During the three and nine months ended September 30, 2023, we recognized amortization expense of $10.5 million and $31.4 million, respectively, and during the three and nine months ended September 30, 2022, we recognized amortization expense of $7.9 million and $23.8 million, respectively. The increase in amortization expense in 2023 as compared to 2022 was due to the Ozark Materials, LLC ("OM"), and Ozark Logistics, LLC ("OL" and, together with OM, "Ozark Materials") acquisition as further described in Note 16.

Based on the current carrying values of intangible assets, estimated pre-tax amortization expense for the next five years is as follows: $10.5 million for the remainder of 2023, 2024 - $41.6 million, 2025 - $41.3 million, 2026 - $40.6 million, and 2027 - $40.6 million. The estimated pre-tax amortization expense may fluctuate due to changes in foreign currency exchange rates.

Note 8: Financial Instruments and Risk Management

Net Investment Hedges

In the third quarter of 2022, we terminated our fixed-to-fixed cross-currency interest rate swaps, accounted for as net investment hedges. During the three and nine months ended September 30, 2023, we recognized net interest income associated with this financial instrument of zero and zero, respectively, and during the three and nine months ended September 30, 2022, we recognized net interest income associated with this financial instrument of $0.1 million and $2.8 million, respectively.

Cash Flow Hedges

Foreign Currency Exchange Risk Management

As of September 30, 2023, there were $6.0 million open foreign currency derivative contracts. The fair value of the designated foreign currency hedge contracts was a net asset (liability) of $0.1 million and $(0.5) million at September 30, 2023 and December 31, 2022, respectively.

Commodity Price Risk Management

As of September 30, 2023, we had 0.8 million and 0.1 million mm BTUS (millions of British Thermal Units) in aggregate notional volume of outstanding natural gas commodity swap contracts and zero cost collar option contracts, respectively, designated as cash flow hedges. As of September 30, 2023, open commodity contracts hedge forecasted transactions until May 2024. The fair value of the outstanding designated natural gas commodity hedge contracts as of September 30, 2023 and December 31, 2022, was a net asset (liability) of $(0.8) million and $(1.6) million, respectively.

Interest Rate Risk Management

During 2022, we had floating-to-fixed interest rate swaps effectively converting a portion of our floating rate debt to a fixed rate. In the second quarter of 2022, we terminated the interest rate swap instruments. Upon termination of the interest rate swap instruments, we reclassified a $1.7 million gain from AOCI into Interest expense, net on the condensed consolidated statement of operations.

Effect of Cash Flow and Net Investment Hedge Accounting on AOCI

In millions	Amount of Gain (Loss) Recognized in AOCI		Amount of Gain (Loss) Reclassified from AOCI into Net income		Location of Gain (Loss) Reclassified from AOCI in Net income
	Three Months Ended September 30,				
	2023	2022	2023	2022	
Cash flow hedging derivatives					
Currency exchange contracts	$ 0.1	$ 0.5	$ (0.2)	$ 0.8	Net sales
Natural gas contracts	(0.3)	3.0	(1.2)	2.3	Cost of sales
Interest rate swap contracts	—	—	—	—	Interest expense, net
Total	$ (0.2)	$ 3.5	$ (1.4)	$ 3.1	

	Amount of Gain (Loss) Recognized in AOCI		Amount of Gain (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing)		Location of Gain or (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing)
	Three Months Ended September 30,				
	2023	2022	2023	2022	
Net investment hedging derivative					
Currency exchange contracts[(1)]	$ —	$ 4.4	$ —	$ 0.1	Interest expense, net
Total	$ —	$ 4.4	$ —	$ 0.1	

In millions	Amount of Gain (Loss) Recognized in AOCI		Amount of Gain (Loss) Reclassified from AOCI into Net income		Location of Gain (Loss) Reclassified from AOCI in Net income
	Nine Months Ended September 30,				
	2023	2022	2023	2022	
Cash flow hedging derivatives					
Currency exchange contracts	$ —	$ 1.8	$ (0.7)	$ 1.6	Net sales
Natural gas contracts	(3.3)	7.4	(2.2)	4.1	Cost of sales
Interest rate swap contracts	—	5.7	—	1.7	Interest expense, net
Total	$ (3.3)	$ 14.9	$ (2.9)	$ 7.4	

In millions	Amount of Gain (Loss) Recognized in AOCI		Amount of Gain (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing)		Location of Gain or (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing)
	Nine Months Ended September 30,				
	2023	2022	2023	2022	
Net investment hedging derivative					
Currency exchange contracts [(1)]	$ —	$ 13.9	$ —	$ 2.8	Interest expense, net
Total	$ —	$ 13.9	$ —	$ 2.8	

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(1) Reclassifications from AOCI to Net Income were zero for all periods presented. Gains and losses would be reclassified from AOCI to Other (income) expense, net.

Within the next twelve months, we expect to reclassify $2.1 million of net gains from AOCI to income, before taxes.

Fair Value Measurements

The following information is presented for derivative assets and liabilities that are recorded in the condensed consolidated balance sheets at fair value measured on a recurring basis. There were no transfers of assets and liabilities that are recorded at fair value between Level 1 and Level 2 during the periods reported. There were no nonrecurring fair value measurements related to derivative assets and liabilities on the condensed consolidated balance sheets as of September 30, 2023, or December 31, 2022.

	September 30, 2023			
In millions	Level 1(1)	Level 2(2)	Level 3(3)	Total
Assets:				
Currency exchange contracts (4)	$ —	$ 0.5	$ —	$ 0.5
Total assets	$ —	$ 0.5	$ —	$ 0.5
Liabilities:				
Currency exchange contracts(5)	$ —	$ 0.4	$ —	$ 0.4
Natural gas contracts (5)	—	0.8	—	0.8
Total liabilities	$ —	$ 1.2	$ —	$ 1.2

	December 31, 2022			
In millions	Level 1(1)	Level 2(2)	Level 3(3)	Total
Liabilities:				
Natural gas contracts (5)	$ —	$ 1.6	$ —	$ 1.6
Currency exchange contracts (5)	—	0.5	—	0.5
Total liabilities	$ —	$ 2.1	$ —	$ 2.1

(1) Quoted prices in active markets for identical assets.
(2) Quoted prices for similar assets and liabilities in active markets.
(3) Significant unobservable inputs.
(4) Included within "Prepaid and other current assets" on the condensed consolidated balance sheet.
(5) Included within "Accrued expenses" on the condensed consolidated balance sheet.

Note 9: Debt, including Finance Lease Obligations

Current and long-term debt including finance lease obligations consisted of the following:

In millions, except percentages	September 30, 2023	December 31, 2022
Revolving Credit Facility and other lines of credit [(1)]	$ 825.0	$ 828.0
3.88% Senior Notes due 2028	550.0	550.0
Finance lease obligations	101.3	101.9
Other notes payable	2.0	—
Total debt including finance lease obligations	$ 1,478.3	$ 1,479.9
Less: debt issuance costs	5.6	6.5
Total debt, including finance lease obligations, net of debt issuance costs	$ 1,472.7	$ 1,473.4
Less: debt maturing within one year [(2)]	3.0	0.9
Long-term debt including finance lease obligations	$ 1,469.7	$ 1,472.5

(1) Letters of credit outstanding under the revolving credit facility were $2.3 million and $2.3 million and available funds under the facility were $172.7 million and $169.7 million at September 30, 2023 and December 31, 2022, respectively.

(2) Debt maturing within one year is included in "Notes payable and current maturities of long-term debt" on the condensed consolidated balance sheets.

Debt Covenants

Our Senior Notes indenture contains certain customary covenants (including covenants limiting Ingevity's and its restricted subsidiaries' ability to grant or permit liens on certain property securing debt, declare or pay dividends, make distributions on or repurchase or redeem capital stock, make investments in unrestricted subsidiaries, engage in sale and lease-back transactions, and engage in a consolidation or merger, or sell, transfer or otherwise dispose of all or substantially all of the assets of Ingevity and our restricted subsidiaries, taken as a whole) and events of default (subject in certain cases to customary exceptions, as well as grace and cure periods). The occurrence of an event of default under the 2028 Senior Notes could result in the acceleration of the notes of such series and could cause a cross-default resulting in the acceleration of other indebtedness of Ingevity and its subsidiaries. We were in compliance with all covenants under the indenture as of September 30, 2023.

The credit agreement governing our revolving credit facility contains customary default provisions, including defaults for non-payment, breach of representations and warranties, insolvency, non-compliance with covenants and cross-defaults to other material indebtedness. The occurrence of an uncured event of default under the credit agreement could result in all loans and other obligations becoming immediately due and payable and our revolving credit facility being terminated. The credit agreement also contains certain customary covenants, including financial covenants. The revolving credit facility financial covenants require Ingevity to maintain on a consolidated basis a maximum total net leverage ratio of 4.0 to 1.0 (which may be increased to 4.5 to 1.0 under certain circumstances) and a minimum interest coverage ratio of 3.0 to 1.0. As calculated per the credit agreement, our net leverage for the four consecutive quarters ended September 30, 2023 was 2.5, and our actual interest coverage for the four consecutive quarters ended September 30, 2023 was 6.8. We were in compliance with all covenants under the credit agreement at September 30, 2023.

Note 10: Equity

The tables below provide a roll forward of equity.

In millions, shares in thousands	Common Stock Shares	Common Stock Amount	Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Equity
Balance at December 31, 2022	43,228	$ 0.4	$ 153.0	$ 1,007.7	$ (46.8)	$ (416.0)	$ 698.3
Net income (loss)	—	—	—	50.7	—	—	50.7
Other comprehensive income (loss)	—	—	—	—	8.0	—	8.0
Common stock issued	139	—	—	—	—	—	—
Exercise of stock options, net	41	—	2.2	—	—	—	2.2
Tax payments related to vested restricted stock units	—	—	—	—	—	(4.5)	(4.5)
Share repurchase program	—	—	—	—	—	(33.4)	(33.4)
Share-based compensation plans	—	—	3.7	—	—	0.7	4.4
Balance at March 31, 2023	43,408	$ 0.4	$ 158.9	$ 1,058.4	$ (38.8)	$ (453.2)	$ 725.7
Net income (loss)	—	—	—	35.5	—	—	35.5
Other comprehensive income (loss)	—	—	—	—	5.3	—	5.3
Common stock issued	22	—	—	—	—	—	—
Exercise of stock options, net	—	—	—	—	—	—	—
Tax payments related to vested restricted stock units	—	—	—	—	—	—	—
Share repurchase program	—	—	—	—	—	(58.7)	(58.7)
Share-based compensation plans	—	—	4.7	—	—	1.6	6.3
Balance at June 30, 2023	43,430	$ 0.4	$ 163.6	$ 1,093.9	$ (33.5)	$ (510.3)	$ 714.1
Net income (loss)	—	—	—	25.2	—	—	25.2
Other comprehensive income (loss)	—	—	—	—	(20.4)	—	(20.4)
Common stock issued	13	—	—	—	—	—	—
Exercise of stock options, net	—	—	—	—	—	—	—
Tax payments related to vested restricted stock units	—	—	—	—	—	(0.2)	(0.2)
Share repurchase program	—	—	—	—	—	—	—
Share-based compensation plans	—	—	(1.0)	—	—	1.0	—
Balance at September 30, 2023	43,443	$ 0.4	$ 162.6	$ 1,119.1	$ (53.9)	$ (509.5)	$ 718.7

	Common Stock						
In millions, shares in thousands	**Shares**	**Amount**	**Additional paid in capital**	**Retained earnings**	**Accumulated other comprehensive income (loss)**	**Treasury stock**	**Total Equity**
Balance at December 31, 2021	43,102	$ 0.4	$ 136.3	$ 796.1	$ 13.1	$ (272.1)	$ 673.8
Net income (loss)	—	—	—	60.8	—	—	60.8
Other comprehensive income (loss)	—	—	—	—	(10.1)	—	(10.1)
Common stock issued	42	—	—	—	—	—	—
Exercise of stock options, net	36	—	0.4	—	—	—	0.4
Tax payments related to vested restricted stock units	—	—	—	—	—	(1.8)	(1.8)
Share repurchase program	—	—	—	—	—	(40.4)	(40.4)
Share-based compensation plans	—	—	2.9	—	—	0.5	3.4
Balance at March 31, 2022	43,180	$ 0.4	$ 139.6	$ 856.9	$ 3.0	$ (313.8)	$ 686.1
Net income (loss)	—	—	—	59.8	—	—	59.8
Other comprehensive income (loss)	—	—	—	—	(46.7)	—	(46.7)
Common stock issued	18	—	—	—	—	—	—
Exercise of stock options, net	2	—	0.1	—	—	—	0.1
Tax payments related to vested restricted stock units	—	—	—	—	—	(0.2)	(0.2)
Share repurchase program	—	—	—	—	—	(49.5)	(49.5)
Share-based compensation plans	—	—	3.3	—	—	1.4	4.7
Balance at June 30, 2022	43,200	$ 0.4	$ 143.0	$ 916.7	$ (43.7)	$ (362.1)	$ 654.3
Net income (loss)	—	—	—	75.4	—	—	75.4
Other comprehensive income (loss)	—	—	—	—	(51.6)	—	(51.6)
Common stock issued	8	—	—	—	—	(0.2)	(0.2)
Exercise of stock options, net	5	—	0.3	—	—	—	0.3
Tax payments related to vested restricted stock units	—	—	—	—	—	—	—
Share repurchase program	—	—	—	—	—	(49.3)	(49.3)
Share-based compensation plans	—	—	4.2	—	—	0.8	5.0
Balance at September 30, 2022	43,213	$ 0.4	$ 147.5	$ 992.1	$ (95.3)	$ (410.8)	$ 633.9

Accumulated other comprehensive income (loss)

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Foreign currency translation				
Beginning balance	$ (31.3)	$ (43.9)	$ (45.8)	$ 18.4
Net gains (losses) on foreign currency translation	(21.4)	(55.3)	(6.9)	(124.9)
Gains (losses) on net investment hedges	—	4.4	—	13.9
Less: tax provision (benefit)	—	1.0	—	3.2
Net gains (losses) on net investment hedges	—	3.4	—	10.7
Other comprehensive income (loss), net of tax	(21.4)	(51.9)	(6.9)	(114.2)
Ending balance	$ (52.7)	$ (95.8)	$ (52.7)	$ (95.8)
Derivative instruments				
Beginning balance	$ (2.7)	$ 3.3	$ (1.4)	$ (2.1)
Gains (losses) on derivative instruments	(0.2)	3.5	(3.3)	14.9
Less: tax provision (benefit)	(0.1)	0.8	(0.8)	3.5
Net gains (losses) on derivative instruments	(0.1)	2.7	(2.5)	11.4
(Gains) losses reclassified to net income	1.4	(3.1)	2.9	(7.4)
Less: tax (provision) benefit	0.3	(0.7)	0.7	(1.7)
Net (gains) losses reclassified to net income	1.1	(2.4)	2.2	(5.7)
Other comprehensive income (loss), net of tax	1.0	0.3	(0.3)	5.7
Ending balance	$ (1.7)	$ 3.6	$ (1.7)	$ 3.6
Pension and other postretirement benefits				
Beginning balance	$ 0.5	$ (3.1)	$ 0.4	$ (3.2)
Unrealized actuarial gains (losses) and prior service (costs) credits	—	—	—	—
Less: tax provision (benefit)	—	—	—	—
Net actuarial gains (losses) and prior service (costs) credits	—	—	—	—
Amortization of actuarial and other (gains) losses, prior service cost (credits), and settlement and curtailment (income) charge reclassified to net income	—	—	0.1	0.1
Less: tax (provision) benefit	—	—	—	—
Net actuarial and other (gains) losses, amortization of prior service cost (credits), and settlement and curtailment (income) charge reclassified to net income	—	—	0.1	0.1
Other comprehensive income (loss), net of tax	—	—	0.1	0.1
Ending balance	$ 0.5	$ (3.1)	$ 0.5	$ (3.1)
Total AOCI ending balance at September 30	$ (53.9)	$ (95.3)	$ (53.9)	$ (95.3)

Reclassifications of accumulated other comprehensive income (loss)

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Derivative instruments				
Currency exchange contracts [1]	$ (0.2)	$ 0.8	$ (0.7)	$ 1.6
Natural gas contracts [2]	(1.2)	2.3	(2.2)	4.1
Net investment hedge contract[3]	—	—	—	1.7
Total before tax	(1.4)	3.1	(2.9)	7.4
(Provision) benefit for income taxes	0.3	(0.7)	0.7	(1.7)
Amount included in net income (loss)	$ (1.1)	$ 2.4	$ (2.2)	$ 5.7
Pension and other post retirement benefits				
Amortization of prior service costs [2]	$ —	$ —	$ 0.1	$ 0.1
Total before tax	—	—	0.1	0.1
(Provision) benefit for income taxes	—	—	—	—
Amount included in net income (loss)	$ —	$ —	$ 0.1	$ 0.1

(1) Included within "Net sales" on the condensed consolidated statement of operations.
(2) Included within "Cost of sales" on the condensed consolidated statement of operations.
(3) Included within "Interest expense, net" on the condensed consolidated statement of operations.

Share Repurchases

On July 25, 2022, our Board of Directors authorized the repurchase of up to $500 million of our common stock, and rescinded the prior outstanding repurchase authorization with respect to the shares that remained unused under the prior authorization. Shares may be purchased through open market or privately negotiated transactions at the discretion of management based on its evaluation of market prevailing conditions and other factors, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

During the three and nine months ended September 30, 2023, we repurchased zero and $92.1 million, inclusive of $0.8 million in excise tax, in common stock, representing zero and 1,269,373 shares of our common stock at a weighted average cost per share of zero and $71.93, respectively. At September 30, 2023, $353.4 million remained unused under our Board-authorized repurchase program.

During the three and nine months ended September 30, 2022, we repurchased $49.3 million and $139.2 million in common stock, representing 697,523 and 2,027,206 shares of our common stock at a weighted average cost per share of $70.75 and $68.68, respectively.

Note 11: Restructuring and Other (Income) Charges, net

Detail on the restructuring charges and other (income) charges, net, is provided below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	2023	2022	2023	2022
Severance and other employee-related costs(1)	$ 1.5	$ —	$ 8.9	$ —
Other(2)	—	—	2.7	—
Restructuring charges	1.5	—	11.6	—
Alternative Feedstock Transition	11.8	—	18.4	—
North Charleston Plant Transition	9.8	—	12.7	—
Business transformation costs	1.5	3.3	6.7	10.6
Other (income) charges, net	23.1	3.3	37.8	10.6
Total restructuring and other (income) charges, net	$ 24.6	$ 3.3	$ 49.4	$ 10.6

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(1) Represents severance and employee benefit charges.
(2) Primarily represents other miscellaneous exit costs.

Restructuring Charges

Beginning in the first quarter of 2023, we initiated several measures to pursue greater cost efficiency which included a reorganization to streamline certain functions and reduce ongoing costs. During the second and third quarters, we expanded our cost reduction actions to reorganize our operations and in the fourth quarter we announced further actions as described in Note 17. The combined restructuring program is expected to cost approximately $12-14 million and is expected to be completed over the remainder of 2023. During the three and nine months ended September 30, 2023, we recorded $1.5 million and $8.9 million in severance and other employee-related costs and zero and $2.7 million in other restructuring charges, including asset write-offs associated with our reorganization, respectively.

Restructuring Reserves

Restructuring reserves which are included within Accrued expenses on the condensed consolidated balance sheets were $3.2 million and $0.5 million at September 30, 2023 and December 31, 2022, respectively.

Other (income) charges, net

Alternative Fatty Acid Transition

In April 2023, we began the feedstock transition of our Crossett, Arkansas manufacturing plant (“Crossett”). This transition will convert Crossett from a CTO based feedstock production facility to produce fatty acids from alternative plant based feedstocks. To initiate this transition, we halted all production at Crossett in April.

During the three and nine months ended September 30, 2023, we incurred $11.8 million and $18.4 million in costs, respectively. We expect to incur approximately $20-25 million of expense in 2023, representing non-capital retooling and stranded costs, with modest levels of capital expenditure.

North Charleston Plant Transition

Our North Charleston, South Carolina Performance Chemicals manufacturing plant is co-located with a WestRock Company (“WestRock”) paper mill. WestRock provides certain critical operating services to us including steam, water and wastewater. WestRock also disposes of brine, a by-product resulting from our conversion of black liquor soap skimmings into CTO and provides other non-critical services that support our operations. In May 2023, WestRock announced that it will permanently cease operating its North Charleston paper mill by August 31, 2023 and notified us that it is terminating the shared services in accordance with our operating agreement.

We expect to incur approximately $15-20 million of non-capital transition costs in 2023 as we continue to transition those shared services and minimize disruption to our operations and are continuing to evaluate the future impact. During the three and nine months ended September 30, 2023, we incurred $9.8 million and $12.7 million in costs, respectively.

Business transformation costs

We embarked upon a business transformation initiative that includes the implementation of an upgraded enterprise resource planning ("ERP") system. The implementation of our new ERP occurred in multiple phases beginning with our pilot deployment which occurred during the first quarter of 2022 and concluded with our final deployment in the first quarter of 2023. Costs incurred, during the three and nine months ended September 30, 2023, totaled $1.5 million and $6.7 million, respectively, and during the three and nine months ended September 30, 2022, totaled $3.3 million and $10.6 million, respectively. Costs are directly associated with the business transformation initiative that, in accordance with GAAP, cannot be capitalized. We expect to complete this initiative by the end of 2023 and anticipate incurring an additional $1-2 million in non-capitalizable costs.

Note 12: Income Taxes

The effective tax rates, including discrete items, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Effective tax rate	21.5 %	21.3 %	22.6 %	21.6 %

We determine our interim tax provision using an Estimated Annual Effective Tax Rate methodology (“EAETR”). The EAETR is applied to the year-to-date ordinary income, exclusive of discrete items. The tax effects of discrete items are then included to arrive at the total reported interim tax provision.

The determination of the EAETR is based upon a number of estimates, including the estimated annual pre-tax ordinary income in each tax jurisdiction in which we operate. As our projections of ordinary income change throughout the year, the EAETR will change period-to-period. The tax effects of discrete items are recognized in the tax provision in the period they occur. Depending on various factors, such as the item’s significance in relation to total income and the rate of tax applicable in the jurisdiction to which it relates, discrete items in any quarter may materially impact the reported effective tax rate. As a global enterprise, our tax expense may be impacted by changes in tax rates or laws, the finalization of tax audits and reviews, as well as other factors. As such, there may be significant volatility in interim tax provisions.

The below table provides a reconciliation between our reported effective tax rates and the EAETR.

	Three Months Ended September 30,					
	2023			2022		
In millions, except percentages	Before tax	Tax	Effective tax rate % impact	Before tax	Tax	Effective tax rate % impact
Consolidated operations	$ 32.1	$ 6.9	21.5 %	$ 95.8	$ 20.4	21.3 %
Discrete items:						
Restructuring and other (income) charges, net (1)	1.5	0.4		—	—	
Sale of strategic investment (2)	(0.1)	—		—	—	
Other tax only discrete items	—	2.3		—	(0.3)	
Total discrete items	1.4	2.7		—	(0.3)	
Consolidated operations, before discrete items	$ 33.5	$ 9.6		$ 95.8	$ 20.1	
EAETR (3)			28.7 %			21.0 %

	Nine Months Ended September 30,					
	2023			2022		
In millions, except percentages	Before tax	Tax	Effective tax rate % impact	Before tax	Tax	Effective tax rate % impact
Consolidated operations	$ 143.9	$ 32.5	22.6 %	$ 249.9	$ 53.9	21.6 %
Discrete items:						
Restructuring and other (income) charges, net (1)	8.9	2.1		—	—	
Sale of strategic investment (2)	(19.3)	(4.5)		—	—	
Other tax only discrete items	—	2.8		—	(1.1)	
Total discrete items	(10.4)	0.4		—	(1.1)	
Consolidated operations, before discrete items	$ 133.5	$ 32.9		$ 249.9	$ 52.8	
EAETR (3)			24.6 %			21.1 %

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(1) See Note 11 for further information.
(2) See Note 4 for further information.
(3) Increase in EAETR for three and nine months ended September 30, 2023, as compared to September 30, 2022, is due to an overall change in the mix of forecasted earnings in various tax jurisdictions with varying rates, a significant decrease in the foreign derived intangible income benefit, and the corporate tax rate in the UK increasing from 19% to 25% on April 1, 2023. Furthermore, changes in estimates used in the EAETR during the third quarter of 2023 as compared to the second quarter of 2023 attributed to the increase in the EAETR during the three months ended September 30, 2023.

At September 30, 2023 and December 31, 2022, we had deferred tax assets of $10.3 million and $9.2 million, respectively, resulting from certain historical net operating losses from our Brazil and China operations and U.S. state tax credits for which a valuation allowance has been established. The ultimate realization of these deferred tax assets depends on the generation of future taxable income during the periods in which these net operating losses and tax credits are available to be used. In evaluating the realizability of these deferred tax assets, we consider projected future taxable income and tax planning strategies in making our assessment. As of September 30, 2023, we cannot objectively assert that these deferred tax assets are more likely than not to be realized and therefore we have maintained a valuation allowance. We intend to continue maintaining a valuation allowance on these deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances. A release of all or a portion of the valuation allowance could be possible, if we determine that sufficient positive evidence becomes available to allow us to reach a conclusion that the valuation allowance will no longer be needed. A release of the valuation allowance would result in the recognition of certain deferred tax assets and a reduction to income tax expense for the period the release is recorded. However, the exact timing and amount of the valuation allowance release are subject to change based on the level of profitability that we are able to actually achieve.

Undistributed earnings of Ingevity’s foreign subsidiaries have historically been indefinitely reinvested offshore. Management does not currently expect to repatriate cash earnings from our foreign operations to fund U.S. operations; however, during the second quarter of 2023, we determined that the current year's earnings of our China subsidiaries are no longer permanently reinvested. No deferred tax liability was recorded as a result of this change in our assertion, as the impacts will be captured in the year current earnings are distributed.

Note 13: Commitments and Contingencies

Legal Proceedings

On July 19, 2018, we filed suit against BASF Corporation (“BASF”) in the United States District Court for the District of Delaware (the “Delaware Proceeding”) alleging BASF infringed Ingevity’s patent covering canister systems used in the control of automotive gasoline vapor emissions (U.S. Patent No. RE38,844) (the “844 Patent”). On February 14, 2019, BASF asserted counterclaims against us in the Delaware Proceeding, alleging two claims for violations of U.S. antitrust law (one for exclusive dealing and the other for tying) as well as a claim for tortious interference with an alleged prospective business relationship between BASF and a BASF customer (the “BASF Counterclaims”). The BASF Counterclaims relate to our enforcement of the 844 Patent and our entry into several supply agreements with customers of our fuel vapor canister honeycombs. The U.S. District Court dismissed our patent infringement claims on November 18, 2020, and the case proceeded to trial on the BASF Counterclaims in September 2021.

On September 15, 2021, a jury in the Delaware Proceeding issued a verdict in favor of BASF on the BASF Counterclaims and awarded BASF damages of approximately $28.3 million, which trebled under U.S. antitrust law to approximately $85.0 million. On May 18, 2023, the court in the Delaware Proceeding entered judgment on the jury’s verdict, which commenced the post-trial briefing stage. In addition, BASF is seeking pre-judgment interest and has indicated it will seek attorneys’ fees and costs in amounts that they will have to support at a future date. Unless the judgment is set aside, BASF will be entitled to post-judgment interest pursuant to the rate provided under federal law.

We disagree with the verdict, including the court’s application of the law and entry of judgment, and are seeking judgment as a matter of law, or a new trial in the alternative, in the Delaware Proceeding post-trial briefing stage and intend to do so on appeal, if necessary. In addition, we may challenge the U.S. District Court’s November 2020 dismissal of our patent infringement claims against BASF. Ingevity believes in the strength of its intellectual property and the merits of its position and intends to pursue all legal relief available to challenge these outcomes in the Delaware Proceeding. Final resolution of these matters could take up to 30 months.

As of September 30, 2023, nothing has occurred in the post-trial proceedings to warrant any change to our conclusions as disclosed within our 2022 Annual Report. The full amount of the trebled jury's verdict, $85.0 million, is accrued in Other liabilities on the condensed consolidated balance sheet as of September 30, 2023. In addition, as a result of the judgment being officially entered on May 18, 2023, we have started accruing for the post-judgment interest. The amount of any liability we may ultimately incur could be more or less than the amount accrued.

Note 14: Segment Information

Segment change

As described in Note 1, effective in the first quarter of 2023, we separated our engineered polymers product line from the Performance Chemicals reportable segment into its own reportable segment, Advanced Polymer Technologies. We have recast the data below to reflect the changes in our reportable segments to conform to the current year presentation.

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net sales				
Performance Materials	$ 147.2	$ 144.9	$ 433.2	$ 415.7
Performance Chemicals	256.0	267.6	725.6	683.9
Advanced Polymer Technologies	42.8	69.5	161.6	185.1
Total net sales (1)	$ 446.0	$ 482.0	$ 1,320.4	$ 1,284.7
Segment EBITDA (2)				
Performance Materials	$ 74.5	$ 61.2	$ 208.5	$ 194.7
Performance Chemicals	24.7	65.7	89.9	158.2
Advanced Polymer Technologies	11.2	11.3	36.6	25.4
Total Segment EBITDA (2)	$ 110.4	$ 138.2	$ 335.0	$ 378.3
Interest expense, net	(23.1)	(11.5)	(64.3)	(37.3)
(Provision) benefit for income taxes	(6.9)	(20.4)	(32.5)	(53.9)
Depreciation and amortization - Performance Materials	(9.5)	(8.9)	(28.7)	(26.7)
Depreciation and amortization - Performance Chemicals	(17.8)	(9.7)	(45.6)	(29.4)
Depreciation and amortization - Advanced Polymer Technologies	(7.9)	(7.1)	(23.4)	(22.5)
Restructuring and other income (charges), net (3), (6)	(20.0)	(3.3)	(43.8)	(10.6)
Acquisition and other-related costs (4)	(0.1)	(1.9)	(4.6)	(1.9)
Gain on sale of strategic investment (5)	0.1	—	19.3	—
Net income (loss)	$ 25.2	$ 75.4	$ 111.4	$ 196.0

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(1) Relates to external customers only, all intersegment sales and related profit have been eliminated in consolidation.
(2) Segment EBITDA is the primary measure used by our chief operating decision maker to evaluate the performance of and allocate resources among our operating segments. Segment EBITDA is defined as segment revenue less segment operating expenses (segment operating expenses consist of costs of sales, selling, general and administrative expenses, research and technical expenses, other (income) expense, net, excluding depreciation and amortization). We have excluded the following items from segment EBITDA: interest expense, net, associated with corporate debt facilities, income taxes, depreciation, amortization, restructuring and other (income) charges, net, acquisition and other related costs, litigation verdict charges, (losses) and gains from the sale of strategic investments, and pension and postretirement settlement and curtailment (income) charges, net.
(3) For the three and nine months ended September 30, 2023, charges of $1.3 million and $7.5 million relate to the Performance Materials segment, charges of $18.3 million and $34.0 million relate to the Performance Chemicals segment, and charges of $0.4 million and $2.3 million relate to the Advanced Polymer Technologies segment, respectively. For the three and nine months ended September 30, 2022, charges of $1.1 million and $3.7 million relate to the Performance Materials segment, charges of $1.7 million and $5.4 million relate to the Performance Chemicals segment, and charges of $0.5 million and $1.5 million relate to the Advanced Polymer Technologies segment, respectively. For more detail on the charges incurred see Note 11.
(4) For the three and nine months ended September 30, 2023 and September 30, 2022, all charges relate to the acquisition and integration of Ozark Materials into the Performance Chemicals segment. For more detail see Note 16.
(5) For the three and nine months ended September 30, 2023, gain on sale of strategic investment relates to the Performance Materials segment. For more detail see Note 4.
(6) Excludes $4.6 million and $5.6 million of depreciation and amortization for the three and nine months ended September 30, 2023, relating to the alternative feedstock transition and North Charleston plant transition within our Performance Chemicals reportable segment. Refer to Note 11 for more information.

Note 15: Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common shares and potentially dilutive common shares outstanding for the period. The calculation of diluted net income per share excludes all antidilutive common shares.

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions, except share and per share data	2023	2022	2023	2022
Net income (loss)	$ 25.2	$ 75.4	$ 111.4	$ 196.0
Basic and Diluted earnings (loss) per share				
Basic earnings (loss) per share	$ 0.70	$ 1.99	$ 3.05	$ 5.10
Diluted earnings (loss) per share	0.69	1.98	3.03	5.06
Shares *(in thousands)*				
Weighted average number of common shares outstanding - Basic	36,225	37,839	36,585	38,451
Weighted average additional shares assuming conversion of potential common shares	162	295	226	269
Shares - diluted basis	36,387	38,134	36,811	38,720

The following average number of potential common shares were antidilutive, and therefore, were not included in the diluted earnings per share calculation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
In thousands	2023	2022	2023	2022
Average number of potential common shares - antidilutive	491	209	400	204

Note 16: Acquisitions

Ozark Materials

On October 3, 2022, we completed our acquisition of Ozark Materials, pursuant to that certain Equity Purchase Agreement (the “Purchase Agreement”), by and among Ingevity, Ozark Materials and Ozark Holdings, Inc. (“Seller”). In accordance with the Purchase Agreement, we acquired from Seller, all of the issued and outstanding limited liability company membership interests of Ozark Materials for a purchase price of $325.0 million, subject to customary adjustments for working capital, indebtedness and transaction expenses (the "Acquisition"). The Acquisition has been integrated into our Performance Chemicals segment and is included within our pavement technologies product line. We funded the Acquisition through a combination of borrowings under our existing credit facilities and cash on hand.

The Acquisition is not considered significant to our condensed consolidated financial statements for the three and nine months ended September 30, 2023; therefore, proforma results of operations have not been presented.

Purchase Price Allocation

Ozark Materials is considered an acquisition of a business under business combinations accounting guidance, and therefore we applied acquisition accounting. Acquisition accounting requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The aggregate purchase price noted above was allocated to the major categories of assets acquired and liabilities assumed based upon their estimated fair values at the acquisition date using primarily Level 2 and Level 3 inputs. These Level 2 and Level 3 valuation inputs include an estimate of future cash flows and discount rates. Additionally, estimated fair values are based, in part, upon outside appraisals for certain assets, including specifically-identified intangible assets. See Note 4 for an additional explanation of Level 2 and Level 3 inputs. We finalized the purchase price allocation in the third quarter of 2023.

Purchase Price Allocation

In millions	Weighted Average Amortization Period	Fair Value
Cash and cash equivalents		$ 8.0
Accounts receivable		28.7
Inventories (1)		48.4
Prepaid and other current assets		2.0
Property, plant and equipment		43.1
Intangible assets (2)		
Brands	10 years	15.0
Customer relationships	15 years	88.6
Developed technology	7 years	23.5
Goodwill (3)		109.8
Other assets, including operating leases		0.1
Total fair value of assets acquired		$ 367.2
Accounts payable		13.9
Other liabilities		2.6
Total fair value of liabilities assumed		$ 16.5
Less: Cash acquired		(8.0)
Plus: Amounts due from Seller		1.8
Total cash paid, less cash and restricted cash acquired		$ 344.5

(1) Fair value of finished goods inventories acquired included a step-up in the value of $1.8 million, of which zero and $0.8 million was expensed in the three and nine months ended September 30, 2023. The expense is included within "Cost of sales" on the consolidated statement of operations. Inventories are accounted for on a FIFO basis of accounting.
(2) The aggregate amortization expense was $2.7 million and $8.2 million for the three and nine months ended September 30, 2023. Estimated amortization expense is as follows: $2.7 million for the remainder of 2023, 2024 - $10.9 million, 2025 - $10.7 million, 2026 - $10.0 million, and 2027 - $10.0 million.
(3) Goodwill largely consists of expected cost synergies and economies of scale resulting from the business combination. We expect the full amount to be deductible for income tax purposes. This acquired goodwill has been included within our Performance Chemicals reporting unit. See Note 7 for further information regarding our allocation of goodwill among our reporting units.

Acquisition and other-related costs

Costs incurred to complete and integrate acquisitions and other strategic investments are expensed as incurred on our consolidated statement of operations. The following table summarizes the costs incurred associated with these combined activities.

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	2023	2022	2023	2022
Legal and professional service fees	$ 0.1	$ 1.9	$ 3.8	$ 1.9
Acquisition-related costs	0.1	1.9	3.8	1.9
Inventory fair value step-up amortization (1)	—	—	0.8	—
Acquisition and other-related costs	$ 0.1	$ 1.9	$ 4.6	$ 1.9

(1) Included within "Cost of sales" on the consolidated statement of operations.

Note 17: Subsequent Events

On November 1, 2023, we announced a number of strategic actions designed to further reposition our Performance Chemicals segment to improve the profitability and reduce the cyclicality of the Performance Chemicals business and the Company as a whole. These actions increase our focus on growing our most profitable Performance Chemicals product lines such as Pavement Technologies and accelerate our transition to non-CTO-based fatty acids. The announced actions include the permanent closure of our Performance Chemicals manufacturing plant located in DeRidder, Louisiana (the “DeRidder Plant”) as well as additional corporate and business cost reduction actions. We expect to close the DeRidder Plant by the end of the first half of 2024.

We expect to incur aggregate charges of approximately $280.0 million associated with these actions, consisting of approximately $180.0 million in asset-related charges, approximately $15.0 million in severance and other employee-related costs, and approximately $85.0 million in other restructuring costs including decommissioning, dismantling and removal charges, and contract termination costs. We expect approximately $180.0 million of the total charges to be non-cash. The majority of non-cash charges and 50-60 percent of cash charges are expected to be recognized by the end of the first half of 2024. Excluded from the $280.0 million of estimated aggregate charges are potential costs we may incur associated with excess volumes of CTO that we may be obligated to purchase through October 2025 under existing long-term CTO supply contracts. We intend to manage our CTO inventories by reselling excess volumes in the open market which, based on what we believe to be market rates today, may result in $30.0 million to $80.0 million of incremental losses in 2024.

The charges we currently expect to incur in connection with these actions are subject to a number of assumptions and risks, and actual results may differ materially. We may also incur other material charges not currently contemplated due to events that may occur as a result of, or in connection with, these actions.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

Management’s discussion and analysis of Ingevity Corporation's (“Ingevity,” “the company,” “we,” “us,” or “our”) financial condition and results of operations (“MD&A”) is provided as a supplement to the Condensed Consolidated Financial Statements and related notes included elsewhere herein to help provide an understanding of our financial condition, changes in financial condition and results of our operations. The following discussion should be read in conjunction with Ingevity’s consolidated financial statements as of and for the year ended December 31, 2022 filed on February 28, 2023 with the Securities and Exchange Commission ("SEC") as part of the Company's Annual Reporting on Form 10-K ("2022 Annual Report") and the unaudited interim Condensed Consolidated Financial Statements and notes to the unaudited interim Condensed Consolidated Financial Statements, which are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Investors are cautioned that the forward-looking statements contained in this section and other parts of this Quarterly Report on Form 10-Q involve both risk and uncertainty. Several important factors could cause actual results to differ materially from those anticipated by these statements. Many of these statements are macroeconomic in nature and are, therefore, beyond the control of management. See "Cautionary Statements About Forward-Looking Statements" below and at the beginning of our 2022 Annual Report.

Cautionary Statements About Forward-Looking Statements

This section and other parts of this Quarterly Report on Form 10-Q contain forward-looking statements, within the meaning of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995 that reflect our current expectations, beliefs, plans or forecasts with respect to, among other things, future events and financial performance. Forward-looking statements are often characterized by words or phrases such as “may,” “will,” “could,” “should,” “would,” “anticipate,” “estimate,” “expect,” “outlook,” “project,” “intend,” “plan,” “believe,” “target,” “prospects,” “potential” and “forecast,” and other words, terms and phrases of similar meaning. Forward-looking statements involve estimates, expectations, projections, goals, forecasts, assumptions, risks and uncertainties. We caution readers that a forward-looking statement is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statement. Such risks and uncertainties include, among others, those discussed in Part I, Item 1A. Risk Factors of our 2022 Annual Report, as well as in our unaudited Condensed Consolidated Financial Statements, related notes, and the other information appearing elsewhere in this report and our other filings with the SEC. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. In addition to any such risks, uncertainties and other factors discussed elsewhere herein, risks, uncertainties and other factors that could cause or contribute to actual results differing materially from those expressed or implied by the forward-looking statements include, but are not limited to the following:

- the anticipated timing, charges and costs of the closure of our DeRidder, Louisiana plant may differ materially from our estimates due to events that may occur as a result of, or in connection with, the plant closure;
- we may be adversely affected by general global economic, geopolitical, and financial conditions beyond our control, including inflation and the Russia-Ukraine war and the Israel-Gaza war;
- we are exposed to risks related to our international sales and operations;
- adverse conditions in the automotive market have and may continue to negatively impact demand for our automotive carbon products;
- we face competition from substitute products, new technologies, and new or emerging competitors;
- if more stringent air quality standards worldwide are not adopted, our growth could be impacted;
- we may be adversely affected by a decrease in government infrastructure spending;
- adverse conditions in cyclical end markets may continue to adversely affect demand for our products;
- our Performance Chemicals segment is highly dependent on crude tall oil ("CTO") which is limited in supply and subject to price increases that have negatively impacted the business and will continue to do so if our ability to pass through such price increases remains limited;

- lack of access to raw materials upon which we depend would impact our ability to produce our products;
- the inability to make or effectively integrate future acquisitions and other investments may negatively affect our results;
- we are dependent upon third parties for the provision of certain critical operating services at several of our facilities;
- adverse effects of the novel coronavirus ("COVID-19") pandemic;
- we may continue to be adversely affected by disruptions in our supply chain;
- the occurrence of natural disasters and extreme weather or other unanticipated problem such as labor difficulties (including work stoppages), equipment failure, or unscheduled maintenance and repair, which could result in operational disruptions of varied duration;
- we are dependent upon attracting and retaining key personnel;
- we are dependent on certain large customers;
- from time to time, we are and may be engaged in legal actions associated with our intellectual property rights;
- if we are unable to protect our intellectual property and other proprietary information, we may lose significant competitive advantage;
- information technology security breaches and other disruptions;
- complications with the design or implementation of our new enterprise resource planning system, including higher than anticipated associated costs;
- government policies and regulations, including, but not limited to, those affecting the environment, climate change, tax policies, tariffs, and the chemicals industry; and
- losses due to lawsuits arising out of environmental damage or personal injuries associated with chemical or other manufacturing processes.

Overview

Ingevity is a leading global manufacturer of specialty chemicals and high performance activated carbon materials. We provide innovative solutions to meet our customers' unique and demanding requirements through proprietary formulated products. We report in three reportable segments, Performance Materials, Performance Chemicals, and Advanced Polymer Technologies.

Recent Developments

Performance Chemicals Repositioning

On November 1, 2023, we announced a number of strategic actions designed to further reposition our Performance Chemicals segment to improve the profitability and reduce the cyclicality of the Performance Chemicals business and the Company as a whole. These actions increase our focus on growing our most profitable Performance Chemicals businesses such as Pavement Technologies and accelerate our transition to non-CTO-based fatty acids. The announced actions include the permanent closure of our Performance Chemicals manufacturing plant located in DeRidder, Louisiana (the "DeRidder Plant") as well as additional corporate and business cost reduction actions. We expect to close the DeRidder Plant by the end of the first half of 2024.

We expect to incur aggregate charges of approximately $280.0 million associated with these actions, consisting of approximately $180.0 million in asset-related charges, approximately $15.0 million in severance and other employee-related costs, and approximately $85.0 million in other restructuring costs including decommissioning, dismantling and removal charges, and contract termination costs. We expect approximately $180.0 million of the total charges to be non-cash. The majority of non-cash charges and 50-60 percent of cash charges are expected to be recognized by the end of the first half of 2024.

The charges we currently expect to incur in connection with these actions are subject to a number of assumptions and risks, and actual results may differ materially. We may also incur other material charges not currently contemplated due to events that may occur as a result of, or in connection with, these actions.

Supply Agreements

On November 1, 2023, Ingevity Corporation (the "Company"), and WestRock Shared Services, LLC and WestRock MWV, LLC, on behalf of the affiliates of WestRock Company ("WestRock"), entered into Amendment No.1 (the "Amendment") to that certain Amended and Restated Crude Tall Oil and Black Liquor Soap Skimmings Agreement, dated as of March 20, 2023, by and between the Company and WestRock.

Performance Chemicals Reporting Unit

During the third quarter of 2023, continued reduction in demand in industrial end markets has negatively impacted our ability to offset elevated crude tall oil ("CTO") costs through pricing actions within our Performance Chemicals' reportable segment, particularly in our industrial specialties product line. CTO is essential to our industrial specialties and some of our pavement technologies product lines within our Performance Chemicals reportable segment. As a result, we concluded that a triggering event occurred for our Performance Chemicals' reporting unit, and we performed an analysis of the reporting unit's goodwill, intangibles and long-lived assets as of September 1, 2023. Our analysis included significant assumptions such as: revenue growth rate, Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") margin, and discount rate which are judgmental and variations in any assumptions could result in materially different calculations of fair value. Based on our analysis, the headroom associated with our Performance Chemicals' reporting unit, which is defined as the percentage difference between the fair value of a reporting unit and its carrying value, is currently 19 percent. Consequently, we concluded that there was no impairment for the quarter ended September 30, 2023.

	Performance Chemicals Reporting Unit - Headroom Sensitivity Analysis			
	Reporting Unit Fair Value	Revenue Growth Rate Declines by 100 Bps	EBITDA Margin Declines by 100 Bps	Discount Rate increases by 100 Bps
Headroom	19%	14%	14%	7%

Results of Operations

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net sales	$ 446.0	$ 482.0	$ 1,320.4	$ 1,284.7
Cost of sales	317.0	305.7	908.0	820.0
Gross profit	129.0	176.3	412.4	464.7
Selling, general, and administrative expenses	40.0	54.2	140.3	142.9
Research and technical expenses	7.8	7.6	24.6	23.1
Restructuring and other (income) charges, net	24.6	3.3	49.4	10.6
Acquisition-related costs	0.1	1.9	3.8	1.9
Other (income) expense, net	1.3	2.0	(13.9)	(1.0)
Interest expense, net	23.1	11.5	64.3	37.3
Income (loss) before income taxes	32.1	95.8	143.9	249.9
Provision (benefit) for income taxes	6.9	20.4	32.5	53.9
Net income (loss)	$ 25.2	$ 75.4	$ 111.4	$ 196.0

Net sales

The table below shows the 2023 Net sales and variances from 2022:

In millions	Prior year Net sales	Change vs. prior year: Volume	Change vs. prior year: Price/Mix	Change vs. prior year: Currency effect	Current year Net Sales
Three months ended September 30, 2023 vs. 2022	$ 482.0	(72.1)	38.3	(2.2)	$ 446.0
Nine months ended September 30, 2023 vs. 2022	$ 1,284.7	(97.1)	142.4	(9.6)	$ 1,320.4

Three Months Ended September 30, 2023 vs. 2022

The sales decrease of $36.0 million in 2023 was driven by unfavorable volume decline of $72.1 million (15 percent) primarily within our Performance Chemicals and Advanced Polymers Technologies reportable segments and unfavorable foreign currency exchange of $2.2 million (zero percent). These unfavorable impacts to Net sales were partially offset by favorable price/mix of $38.3 million (eight percent) across all segments.

Nine Months Ended September 30, 2023 vs. 2022

The sales increase of $35.7 million in 2023 was driven by favorable price/mix of $142.4 million (11 percent) across all segments, partially offset by unfavorable volume decline, particularly in our Performance Chemicals' Industrial Specialties product line and Advanced Polymer Technologies, for a combined impact of $97.1 million (eight percent), and unfavorable foreign currency exchange of $9.6 million (one percent).

Gross Profit

Three Months Ended September 30, 2023 vs. 2022

Gross profit decrease of $47.3 million was driven by increased manufacturing costs of $42.6 million due to raw material inflationary pressures, primarily CTO within our industrial specialties product line, and unfavorable sales volume of $36.7 million, primarily driven by our Performance Chemicals and Advanced Polymer Technologies reportable segments. The decrease was partially offset by favorable pricing and product mix of $26.9 million, and favorable foreign currency exchange of $5.1 million. Refer to the Segment Operating Results section included within this MD&A for more information on the drivers to the changes in gross profit period over period for all segments.

Nine Months Ended September 30, 2023 vs. 2022

Gross profit decrease of $52.3 million was driven by increased manufacturing costs of $140.2 million due to raw material inflationary pressures, primarily CTO within our industrial specialties product line in our Performance Chemicals reportable segment, and unfavorable sales volume of $44.3 million. The decrease was partially offset by pricing improvements and favorable mix of $127.4 million primarily driven by our industrial specialties product line, and favorable foreign currency exchange of $4.8 million. Refer to the Segment Operating Results section included within this MD&A for more information on the drivers to the changes in gross profit period over period for all segments.

Selling, general and administrative expenses

Three Months Ended September 30, 2023 vs. 2022

Selling, general and administrative expenses ("SG&A") were $40.0 million (nine percent of Net sales) and $54.2 million (11 percent of Net sales) for the three months ended September 30, 2023 and 2022, respectively. The decrease in SG&A as a percentage of Net sales was driven by lower employee-related costs of $12.0 million, and decreased travel and other miscellaneous costs of $5.1 million, partially offset by increased amortization expense of $2.9 million primarily driven by the Ozark Materials, LLC and Ozark Logistics, LLC (collectively, "Ozark Materials") acquisition.

Nine Months Ended September 30, 2023 vs. 2022

Selling, general and administrative expenses ("SG&A") were $140.3 million (11 percent of Net sales) and $142.9 million (11 percent of Net sales) for the nine months ended September 30, 2023 and 2022, respectively. SG&A as a percentage of Net sales was unchanged as the impact of increased amortization costs of $9.2 million, primarily driven by the Ozark Materials acquisition, was offset by decreased employee-related costs of $7.0 million, and decreased travel and other miscellaneous costs of $4.8 million.

Research and technical expenses

Three Months Ended September 30, 2023 vs. 2022

Research and technical expenses as a percentage of Net sales remained relatively consistent period over period, increasing to 1.7 percent from 1.6 percent for the three months ended September 30, 2023 and 2022, respectively.

Nine Months Ended September 30, 2023 vs. 2022

Research and technical expenses as a percentage of Net sales remained relatively consistent period over period, increasing to 1.9 percent from 1.8 percent for the nine months ended September 30, 2023 and 2022, respectively.

Restructuring and other (income) charges, net

Three and Nine Months Ended September 30, 2023 vs. 2022

Restructuring and other (income) charges, net were $24.6 million and $49.4 million for the three and nine months ended September 30, 2023, respectively, and $3.3 million and $10.6 million for the three and nine months ended September 30, 2022, respectively. Severance and other employee-related costs increased $1.5 million and $8.9 million, and other restructuring charges increased zero and $2.7 million, respectively. Additionally, alternative fatty acid transition costs increased $11.8 million and $18.4 million, and costs associated with the North Charleston plant transition increased $9.8 million and $12.7 million, both for the three and nine months ended September 30, 2023, respectively. The increase was partially offset by a $1.8 million and $3.9 million decrease related to our business transformation initiative for the three and nine months ended September 30, 2023, respectively. See Note 11 within the Condensed Consolidated Financial Statements for more information.

Acquisition-related costs

Three and Nine Months Ended September 30, 2023 vs. 2022

Acquisition-related costs were $0.1 million and $3.8 million for the three and nine months ended September 30, 2023, respectively, and $1.9 million for the three and nine months ended September 30, 2022, respectively. All charges relate to the integration of Ozark Materials into our Performance Chemicals segment. See Note 16 within the Condensed Consolidated Financial Statements for more information.

Other (income) expense, net

Three and Nine Months Ended September 30, 2023 vs. 2022

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	**2023**	**2022**	**2023**	**2022**
Foreign currency exchange (income) loss	$ 1.7	$ 1.2	$ 4.4	$ 1.6
Gain on sale of strategic investment	(0.1)	—	(19.3)	—
Other (income) expense, net	(0.3)	0.8	1.0	(2.6)
Total Other (income) expense, net	$ 1.3	$ 2.0	$ (13.9)	$ (1.0)

Interest expense, net

Three and Nine Months Ended September 30, 2023 vs. 2022

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	**2023**	**2022**	**2023**	**2022**
Finance lease obligations	$ 1.9	$ 1.8	$ 5.5	$ 5.5
Revolving credit and term loan facilities (1)	15.0	5.4	43.2	11.5
Senior notes (1)	5.6	5.6	16.8	27.5
Litigation related interest expense (2)	1.3	—	1.7	—
Other interest (income) expense, net	(0.7)	(1.3)	(2.9)	(7.2)
Total Interest expense, net	$ 23.1	$ 11.5	$ 64.3	$ 37.3

(1) See Note 9 within the Condensed Consolidated Financial Statements for more information.
(2) See Note 13 within the Condensed Consolidated Financial Statements for more information.

Provision (benefit) for income taxes

Three and Nine Months Ended September 30, 2023 vs. 2022

For the three months ended September 30, 2023 and 2022, our effective tax rate was 21.5 percent and 21.3 percent, respectively. Excluding discrete items, the effective rate was 28.7 percent compared to 21.0 percent in the three months ended September 30, 2023 and 2022, respectively. See Note 12 within the Condensed Consolidated Financial Statements for more information.

For the nine months ended September 30, 2023 and 2022, our effective tax rate was 22.6 percent and 21.6 percent, respectively. Excluding discrete items, the effective rate was 24.6 percent compared to 21.1 percent in the nine months ended September 30, 2023 and 2022, respectively. See Note 12 within the Condensed Consolidated Financial Statements for more information.

Segment Operating Results

In addition to the information discussed above, the following sections discuss the results of operations for all of Ingevity's segments. Our segments are (i) Performance Materials, (ii) Performance Chemicals and (iii) Advanced Polymer Technologies. Segment Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") is the primary measure used by the Company's chief operating decision maker to evaluate the performance of and allocate resources among our operating segments. Segment EBITDA is defined as segment revenue less segment operating expenses (segment operating expenses consist of costs of sales, selling, general and administrative expenses, research and technical expenses, other (income) expense, net, excluding depreciation and amortization). We have excluded the following items from segment EBITDA: interest expense, net associated with corporate debt facilities, income taxes, depreciation, amortization, restructuring and other (income) charges, net, acquisition and other-related costs, litigation verdict charges, (losses) and gains from the sale of strategic investments, and pension and postretirement settlement and curtailment (income) charges.

In general, the accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies in the Annual Consolidated Financial Statements included in our 2022 Annual Report.

Performance Materials

Performance Summary

Sales in our Performance Materials segment increased compared to the prior year quarter, mainly due to increased sales of automotive carbon in North America and Asia Pacific. Segment EBITDA growth was driven primarily by product mix and lower SG&A.

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	**2023**	**2022**	**2023**	**2022**
Total Performance Materials - Net sales	$ 147.2	$ 144.9	$ 433.2	$ 415.7
Segment EBITDA	$ 74.5	$ 61.2	$ 208.5	$ 194.7

Net Sales Comparison of Three and Nine Months Ended September 30, 2023 and September 30, 2022:

		Change vs. prior year			
Performance Materials ***(In millions)***	**Prior year Net sales**	**Volume**	**Price/Mix**	**Currency effect**	**Current year Net sales**
Three months ended September 30, 2023 vs. 2022	$ 144.9	(2.4)	8.0	(3.3)	$ 147.2
Nine months ended September 30, 2023 vs. 2022	$ 415.7	3.4	23.4	(9.3)	$ 433.2

Three Months Ended September 30, 2023 vs. 2022

Segment net sales. The increase of $2.3 million in 2023 was driven by favorable mix of $8.0 million (six percent), partially offset by unfavorable foreign currency exchange of $3.3 million (two percent) and a volume decrease of $2.4 million (two percent).

Segment EBITDA. The increase of $13.3 million in 2023 was driven by the increase in sales as noted above, decreased SG&A and research and technical expenses of $6.8 million, favorable mix of $3.4 million, decreased manufacturing costs of $2.8 million, and favorable foreign currency exchange of $1.7 million. The increase was partially offset by a volume decrease of $1.4 million.

Nine Months Ended September 30, 2023 vs. 2022

Segment net sales. The increase of $17.5 million in 2023 was driven by favorable mix of $23.4 million (six percent) and a volume increase of $3.4 million (one percent). The increase was partially offset by unfavorable foreign currency exchange of $9.3 million (two percent).

Segment EBITDA. The increase of $13.8 million in 2023 was driven by the increase in sales as noted above, favorable mix of $16.3 million, decreased SG&A and research and technical expenses of $7.7 million, and a volume increase of

$2.7 million. The increase was partially offset by increased manufacturing costs of $11.7 million, and unfavorable foreign currency exchange of $1.2 million.

Performance Chemicals

Performance Summary

Sales in our Performance Chemicals segment decreased compared to the prior year quarter, primarily due to lower volume in our industrial specialties product line. The segment EBITDA decline is primarily due to higher raw material costs, specifically CTO.

Pavement technologies sales increased as a result of higher pricing in legacy pavement applications as well as the acquisition of Ozark Materials.

Industrial specialties sales decrease was driven by volume declines attributed primarily to weak demand across end markets, particularly adhesives and printing inks. In addition, we began to see weakness in oilfield with lower drilling activity during the quarter.

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	**2023**	**2022**	**2023**	**2022**
Total Performance Chemicals - Net sales	$ 256.0	$ 267.6	$ 725.6	$ 683.9
Pavement Technologies product line	*129.7*	*88.3*	*316.4*	*194.0*
Industrial Specialties product line	*126.3*	*179.3*	*409.2*	*489.9*
Segment EBITDA	$ 24.7	$ 65.7	$ 89.9	$ 158.2

<u>Net Sales Comparison of Three and Nine Months Ended September 30, 2023 and September 30, 2022:</u>

		Change vs. prior year			
Performance Chemicals ***(In millions)***	**Prior year Net sales**	**Volume**	**Price/Mix**	**Currency effect**	**Current year Net Sales**
Three months ended September 30, 2023 vs. 2022	$ 267.6	(38.7)	27.0	0.1	$ 256.0
Nine months ended September 30, 2023 vs. 2022	$ 683.9	(55.0)	97.4	(0.7)	$ 725.6

Three Months Ended September 30, 2023 vs. 2022

Segment net sales. The decrease of $11.6 million was driven by a volume decrease of $38.7 million (14 percent), primarily in industrial specialties ($65.1 million), partially offset by an increase in pavement technologies ($26.4 million), primarily due to Ozark Materials. This decrease was partially offset by favorable mix of $27.0 million (10 percent), driven by increases in industrial specialties ($11.9 million) and pavement technologies ($15.1 million), and favorable foreign currency exchange of $0.1 million.

Segment EBITDA. The decrease of $41.0 million was driven by higher manufacturing costs of $47.3 million, primarily due to CTO, and a volume decrease of $22.0 million. The decrease was partially offset by favorable mix of $20.2 million, and lower SG&A of $8.1 million.

Nine Months Ended September 30, 2023 vs. 2022

Segment net sales. The increase of $41.7 million was driven by favorable mix of $97.4 million (14 percent), attributed to increases in industrial specialties ($70.3 million) and pavement technologies ($27.1 million). This was partially offset by a volume decrease of $55.0 million (eight percent), driven by a decrease in industrial specialties ($150.7 million), partially offset by an increase in pavement technologies ($95.7 million).

Segment EBITDA. The decrease of $68.3 million was driven by higher manufacturing costs of $129.0 million, primarily due to CTO, a volume decrease of $28.7 million, and higher SG&A of $0.1 million. The decrease was partially offset by favorable mix of $89.4 million.

Advanced Polymer Technologies

Performance Summary

Our Advanced Polymer Technologies segment sales decreased compared to the prior year quarter due to market weakness across the segment's end markets in all regions, partially offset by higher prices. Segment EBITDA was flat, as lower raw material and energy costs offset decreased volume.

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	**2023**	**2022**	**2023**	**2022**
Total Advanced Polymer Technologies - Net sales	$ 42.8	$ 69.5	$ 161.6	$ 185.1
Segment EBITDA	$ 11.2	$ 11.3	$ 36.6	$ 25.4

Net Sales Comparison of Three and Nine Months Ended September 30, 2023 and September 30, 2022:

		Change vs. prior year			
Advanced Polymer Technologies ***(In millions)***	**Prior year Net sales**	**Volume**	**Price/Mix**	**Currency effect**	**Current year Net sales**
Three months ended September 30, 2023 vs. 2022	$ 69.5	(31.0)	3.3	1.0	$ 42.8
Nine months ended September 30, 2023 vs. 2022	$ 185.1	(45.5)	21.6	0.4	$ 161.6

Three Months Ended September 30, 2023 vs. 2022

Segment net sales. The decrease of $26.7 million in 2023 was driven by a volume decline of $31.0 million (45 percent), partially offset by favorable mix of $3.3 million (five percent), and favorable foreign currency exchange of $1.0 million (one percent).

Segment EBITDA. The slight decrease of $0.1 million was driven by a volume decline of $13.3 million, and unfavorable foreign currency exchange of $1.0 million, mostly offset by decreased manufacturing costs, primarily energy costs, of $7.3 million, decreased SG&A and research and technical expenses of $3.6 million, and favorable mix of $3.3 million.

Nine Months Ended September 30, 2023 vs. 2022

Segment net sales. The decrease of $23.5 million in 2023 was driven by a volume decline of $45.5 million (25 percent), partially offset by favorable mix of $21.6 million (12 percent), and favorable foreign currency exchange of $0.4 million (zero percent).

Segment EBITDA. The increase of $11.2 million was driven by favorable mix of $21.7 million, decreased manufacturing costs of $8.3 million, and decreased SG&A and research and technical expenses of $2.9 million, partially offset by a volume decline of $18.3 million and unfavorable foreign currency exchange of $3.4 million.

Use of Non-GAAP Financial Measure - Adjusted EBITDA

Ingevity has presented the financial measure, Adjusted EBITDA, defined below, which has not been prepared in accordance with GAAP and has provided a reconciliation to net income, the most directly comparable financial measure calculated in accordance with GAAP. Adjusted EBITDA is not meant to be considered in isolation nor as a substitute for the most directly comparable financial measure calculated in accordance with GAAP. Adjusted EBITDA is utilized by management as a measure of profitability.

We believe this non-GAAP financial measure provides management as well as investors, potential investors, securities analysts and others with useful information to evaluate the performance of the business, because such measure, when viewed together with our financial results computed in accordance with GAAP, provides a more complete understanding of the factors and trends affecting our historical financial performance and projected future results. We believe Adjusted EBITDA is a useful measure because it excludes the effects of financing and investment activities as well as non-operating activities.

Adjusted EBITDA is defined as net income (loss) plus provision (benefit) for income taxes, interest expense, net, depreciation, amortization, restructuring and other (income) charges, net, acquisition and other-related costs, litigation verdict charges, (losses) and gains from the sale of strategic investments, and pension and postretirement settlement and curtailment (income) charges, net.

This non-GAAP measure is not intended to replace the presentation of financial results in accordance with GAAP and investors should consider the limitations associated with these non-GAAP measures, including the potential lack of comparability of these measures from one company to another. A reconciliation of Adjusted EBITDA to net income is set forth within this section.

Reconciliation of Net Income (Loss) to Adjusted EBITDA

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net income (loss) (GAAP)	$ 25.2	$ 75.4	$ 111.4	$ 196.0
Interest expense, net	23.1	11.5	64.3	37.3
Provision (benefit) for income taxes	6.9	20.4	32.5	53.9
Depreciation and amortization - Performance Materials	9.5	8.9	28.7	26.7
Depreciation and amortization - Performance Chemicals	17.8	9.7	45.6	29.4
Depreciation and amortization - Advanced Polymer Technologies	7.9	7.1	23.4	22.5
Restructuring and other (income) charges, net (1)	20.0	3.3	43.8	10.6
Gain on sale of strategic investment	(0.1)	—	(19.3)	—
Acquisition and other-related costs	0.1	1.9	4.6	1.9
Adjusted EBITDA (Non-GAAP)	$ 110.4	$ 138.2	$ 335.0	$ 378.3

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(1) Excludes $4.6 million and $5.6 million of Depreciation and amortization for the three and nine months ended September 30, 2023, relating to the alternative feedstock transition and North Charleston plant transition within our Performance Chemicals reportable segment. Refer to Note 11 for more information.

Adjusted EBITDA

Three and Nine Months Ended September 30, 2023 vs. 2022

The factors that impacted adjusted EBITDA period to period are the same factors that affected earnings discussed in the Results of Operations and Segment Operating Results sections included within this MD&A.

Current Full Year Company Outlook vs. Prior Year

Net sales are expected to be between $1.6 billion and $1.7 billion for the full year 2023. We expect improvement in global automobile production over prior year, which will support growth in our Performance Materials reportable segment. In our Performance Chemicals reportable segment we expect growth from the pavement technologies product line with the inclusion of our Ozark Materials acquisition and continued geographic expansion in our legacy business, partially offset by volume pressure within the industrial specialties product line, primarily in rosin-based products, as well as other industrial end markets. Our Advanced Polymer Technologies reportable segment is expected to see growth in the automotive end market, however, we expect pressure in all other end markets.

Adjusted EBITDA is expected to be between $375 million to $390 million for the full year 2023. We expect EBITDA growth for our Performance Materials segment as volumes shift to higher margin automotive carbon due to improved global automotive production. For Advanced Polymer Technologies, we anticipate improved margins on a combination of pricing and lower input costs. In Performance Chemicals, we expect a significant increase in the cost of CTO, a primary raw material, partially offset by continued growth in the pavement technologies product line.

A reconciliation of net income to adjusted EBITDA as projected for 2023 is not provided. Ingevity does not forecast net income as it cannot, without unreasonable effort, estimate or predict with certainty various components of net income. These components, net of tax, include further restructuring and other income (charges), net; additional acquisition and other-related costs; litigation verdict charges; (losses) and gains from the sale of strategic investments; additional pension and postretirement settlement and curtailment (income) charges; and revisions due to legislative tax rate changes. Additionally, discrete tax items could drive variability in our projected effective tax rate. All of these components could significantly impact such financial measures. Further, in the future, other items with similar characteristics to those currently included within adjusted EBITDA, that have a similar impact on the comparability of periods, and which are not known at this time, may exist and impact adjusted EBITDA.

Liquidity and Capital Resources

The primary source of liquidity for our business is the cash flow provided by operating activities. We expect our cash flow provided by operations combined with cash on hand and available capacity under our revolving credit facility to be sufficient to fund our planned operations and meet our interest and other contractual obligations for at least the next twelve months. As of September 30, 2023, our undrawn capacity under our revolving credit facility was $172.7 million. Over the next twelve months, we expect to fund the following: interest payments, capital expenditures, expenditures related to our business transformation initiative, purchases pursuant to our stock repurchase program (and related excise tax payments), income tax payments, and restructuring activities such as our alternative feedstock transition, North Charleston plant transition, and the actions announced in the fourth quarter of 2023 as further described Note 17 within the condensed consolidated financial statements. In addition, we may also evaluate and consider strategic acquisitions, joint ventures, or other transactions to create stockholder value and enhance financial performance. In connection with such transactions, or to fund other anticipated uses of cash, we may modify our existing revolving credit facility, redeem all or part of our outstanding senior notes, seek additional debt financing, issue equity securities, or some combination thereof.

Cash and cash equivalents totaled $84.5 million at September 30, 2023. We continuously monitor deposit concentrations and the credit quality of the financial institutions that hold our cash and cash equivalents, as well as the credit quality of our insurance providers, customers, and key suppliers.

Due to the global nature of our operations, a portion of our cash is held outside the U.S. The cash and cash equivalents balance at September 30, 2023, included $74.3 million held by our foreign subsidiaries. Cash and earnings of our foreign subsidiaries are generally used to finance our foreign operations and their capital expenditures. We believe that our foreign holdings of cash will not have a material adverse impact on our U.S. liquidity. If these earnings were distributed, such amounts would be subject to U.S. federal income tax at the statutory rate less the available foreign tax credits, if any, and would potentially be subject to withholding taxes in the various jurisdictions. The potential tax implications of the repatriation of unremitted earnings are driven by facts at the time of distribution, therefore, it is not practicable to estimate the income tax liabilities that might be incurred if such cash and earnings were repatriated to the U.S. Management does not currently expect to repatriate cash earnings from our foreign operations in order to fund U.S. operations.

Accounts Receivable Securitization

On October 2, 2023, we entered into a $100.0 million accounts receivable securitization program with a global financial institution. The program requires that we establish a bankruptcy-remote special purpose entity ("SPE"), wholly owned and fully consolidated by Ingevity Corporation. Trade receivables will be sold to this SPE and held as secured collateral for the borrowings under the program. The borrowings will be presented on our balance sheet as short-term debt, and cash flows will be presented as financing on our cash flow statement.

Other Potential Liquidity Needs

Share Repurchases

On July 25, 2022, our Board of Directors authorized the repurchase of up to $500 million of our common stock and rescinded the prior outstanding repurchase authorizations with respect to the shares that remained unused under the prior authorization. Shares may be purchased through open market or privately negotiated transactions at the discretion of management based on its evaluation of market prevailing conditions and other factors, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

During the three and nine months ended September 30, 2023, we repurchased zero and $92.1 million, inclusive of $0.8 million in excise tax, in common stock, representing zero and 1,269,373 shares of our common stock at a weighted average cost per share of zero and $71.93, respectively. At September 30, 2023, $353.4 million remained unused under our Board-authorized repurchase program.

During the three and nine months ended September 30, 2022, we repurchased $49.3 million and $139.2 million in common stock, representing 697,523 and 2,027,206 shares of our common stock at a weighted average cost per share of $70.75 and $68.68, respectively.

Capital Expenditures

Projected 2023 capital expenditures are $95-$105 million. We have no material commitments associated with these projected capital expenditures as of September 30, 2023.

Cash flow comparison of the Nine Months Ended September 30, 2023 and 2022

	Nine Months Ended September 30,	
In millions	**2023**	**2022**
Net cash provided by (used in) operating activities	$ 160.5	$ 214.9
Net cash provided by (used in) investing activities	(56.3)	(144.7)
Net cash provided by (used in) financing activities	(93.4)	(264.9)

Cash flows provided by (used in) operating activities

Cash flows provided by (used in) operating activities, which consists of net income (loss) adjusted for non-cash items including the cash impact from changes in operating assets and liabilities (i.e., working capital), totaled $160.5 million for the nine months ended September 30, 2023.

Cash provided by (used in) operating activities for the nine months ended September 30, 2023 was driven by a net increase in overall working capital of $29.5 million, despite a decrease in trade working capital (accounts receivable, inventory, and accounts payable) of $22.1 million. Cash flow from operations was reduced by an increase in cash interest paid of $22.0 million due to rising interest rates and outstanding borrowings during 2023 when compared to 2022, and decreased cash earnings of $17.6 million. This was partially offset by a reduction in tax payments of $14.7 million.

Cash flows provided by (used in) investing activities

Cash used in investing activities in the nine months ended September 30, 2023 was $56.3 million and was primarily driven by capital expenditures of $80.6 million, partially offset by the proceeds from the sale of a strategic investment for $31.5 million. In the nine months ended September 30, 2023 and 2022, capital spending included the base maintenance capital supporting ongoing operations and growth and cost improvement spending, primarily related to our business transformation initiative (see Note 11 within the Condensed Consolidated Financial Statements for more information).

Capital expenditure categories	Nine Months Ended September 30,	
In millions	**2023**	**2022**
Maintenance	$ 44.7	$ 45.9
Safety, health and environment	9.4	10.7
Growth and cost improvement	26.5	36.7
Total capital expenditures	$ 80.6	$ 93.3

Cash flows provided by (used in) financing activities

Cash used in financing activities in the nine months ended September 30, 2023, was $93.4 million and was primarily driven by payments on our revolving credit facility of $240.1 million, and the repurchase of common stock of $92.1 million, partially offset by borrowings on our revolving credit facility of $237.1 million.

Cash used in financing activities in the nine months ended September 30, 2022 was $264.9 million and was primarily driven by payments on long-term borrowings of $628.1 million, payments on revolving credit facility of $279.0 million, and the repurchase of common stock of $139.2 million, partially offset by borrowings on our revolving credit facility of $788.0 million.

New Accounting Guidance

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or "Codification") is the sole source of authoritative GAAP other than SEC issued rules and regulations that apply only to SEC registrants. The FASB issues an Accounting Standards Update ("ASU") to communicate changes to the Codification. We consider the applicability and impact of all ASUs. Recently issued ASUs that are not listed within this Form 10-Q have been assessed and determined to be either not applicable or are not expected to have a material impact on the consolidated financial statements.

Critical Accounting Policies and Estimates

Our Condensed Consolidated Financial Statements are prepared in conformity with GAAP. The preparation of our financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We have described our accounting policies in Note 2 to our consolidated financial statements included in our 2022 Annual Report. We have reviewed these accounting policies, identifying those that we believe to be critical to the preparation and understanding of our financial statements. Critical accounting policies are central to our presentation of results of operations and financial condition and require management to make estimates and judgments on certain matters. We base our estimates and judgments on historical experience, current conditions and other reasonable factors. For a description of our critical accounting policies and estimates, refer to Part II, Item 7, Critical Accounting Policies and Estimates in our 2022 Annual Report. Our critical accounting policies have not substantially changed from those described in the 2022 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign currency exchange rate risk

We have foreign-based operations, primarily in Europe, South America and Asia, which accounted for approximately 21 percent of our net sales in the first nine months of 2023. We have designated the local currency as the functional currency of our significant operations outside of the U.S. The primary currencies for which we have exchange rate exposure are the U.S. dollar versus the euro, the Japanese yen, the pound sterling, and the Chinese renminbi. In addition, certain of our domestic operations have sales to foreign customers. In the conduct of our foreign operations, we also make inter-company sales. All of this exposes us to the effect of changes in foreign currency exchange rates. Our earnings are therefore subject to change due to fluctuations in foreign currency exchange rates when the earnings in foreign currencies are translated into U.S. dollars. In some cases, to minimize the effects of such fluctuations, we use foreign exchange forward contracts to hedge firm and highly anticipated foreign currency cash flows. Our largest exposures are to the Chinese renminbi and the euro. A hypothetical 10 percent adverse change, excluding the impact of any hedging instruments, in the average Chinese renminbi and euro to U.S. dollar exchange rates during the nine months ended September 30, 2023, would have decreased our net sales and income before income taxes by approximately $13.2 million or one percent, and $3.9 million or one percent, respectively. Comparatively, a hypothetical 10 percent adverse change, excluding the impact of any hedging instruments, in the average Chinese renminbi and euro to U.S. dollar exchange rates during the nine months ended September 30, 2022, would have decreased our net sales and income before income taxes by approximately $15.0 million or one percent, and $5.9 million or two percent, respectively.

Interest rate risk

As of September 30, 2023, approximately $827.0 million of our borrowings include a variable interest rate component. As a result, we are subject to interest rate risk with respect to such floating-rate debt. A hypothetical 100 basis point increase in the variable interest rate component of our borrowings for the nine months ended September 30, 2023, would have increased our annual interest expense by approximately $8.3 million or ten percent. Comparatively, a 100 basis point increase in the variable interest rate component of our borrowings for the nine months ended September 30, 2022, would have increased our interest expense by approximately $5.1 million or ten percent.

Commodity price risk

A portion of our manufacturing costs includes purchased raw materials, which are commodities whose prices fluctuate as market supply and demand fundamentals change. Accordingly, product margins and the level of our profitability tend to fluctuate with the changes in these commodity prices.

Crude tall oil price risk

Our results of operations are directly affected by the cost of our raw materials, particularly CTO, which represented approximately 25 percent of our consolidated cost of sales for the nine months ended September 30, 2023. Comparatively, CTO represented approximately 13 percent of our consolidated cost of sales for the nine months ended September 30, 2022. Pricing for CTO is driven by the limited supply of the product and competing demands for its use, both of which drive pressure on its price. Our gross profit and margins have been and could continue to be adversely affected by increases in the cost of CTO if we are unable to pass the increases on to our customers. Based on average pricing during the nine months ended September 30, 2023, a hypothetical unhedged, unfavorable 10 percent increase in the market price for CTO would have increased our cost of sales for the nine months ended September 30, 2023, by approximately $22 million or two percent, which we may not have been able to pass on to our customers. Comparatively, based on average pricing during the nine months ended September 30, 2022, a hypothetical unhedged, unfavorable 10 percent increase in the market price for CTO would have increased our cost of sales for the nine months ended September 30, 2022, by approximately $10 million or one percent.

Other market risks

Information about our other remaining market risks for the period ended September 30, 2023, does not differ materially from that discussed under Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk of our 2022 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

Ingevity maintains a system of disclosure controls and procedures designed to give reasonable assurance that information required to be disclosed in Ingevity's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. These controls and procedures also give reasonable assurance that information required to be disclosed in such reports is accumulated and communicated to management to allow timely decisions regarding required disclosures.

As of September 30, 2023, Ingevity's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, conducted an evaluation of the effectiveness of Ingevity's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the CEO and CFO concluded that these disclosure controls and procedures are effective at the reasonable assurance level described above.

b) Changes in Internal Control over Financial Reporting

We have implemented a new global enterprise resource planning (“ERP”) system, which has replaced our prior operating and financial systems. The implementation began with our pilot deployment in the first quarter of 2022, followed by our second deployment in the fourth quarter of 2022. The final phase of our ERP implementation occurred in early 2023. We have implemented updates and changes to our processes and related control activities as a result of this implementation and have evaluated the operating effectiveness of related key controls.

Except as described above, there have been no changes in Ingevity's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended September 30, 2023 that materially affected, or are reasonably likely to materially affect, Ingevity's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding certain of these matters is set forth below and in Note 13 – Commitments and Contingencies within the Condensed Consolidated Financial Statements.

ITEM 1A. RISK FACTORS

Part I, Item 1A, Risk Factors of our 2022 Annual Report sets forth information relating to important risks and uncertainties that could materially adversely affect the Company's business, financial condition and operating results. Except as set forth below, there have been no material changes in Ingevity's risk factors disclosed in Part I, Item 1A, Risk Factors of our 2022 Annual Report for the quarter ended September 30, 2023.

There may be negative impacts to our business arising out of the closure of our plant in DeRidder, Louisiana.

On November 1, 2023, we announced our plan to permanently close our plant in DeRidder, Louisiana (the "DeRidder Plant"). The anticipated timing, charges, and costs of the closure of the DeRidder Plant could materially differ from our estimates if the plant closure results in adverse legal or regulatory actions, if personnel required to effect the shutdown become unavailable, or we are affected by other factors not currently contemplated. As a result of the Deridder Plant closing and reduced CTO refining capacity, we expect to have CTO inventory available for sale. Depending on the then current market price for CTO at the time of such sales, we expect to have to sell the CTO at a loss, which may adversely affect our financial condition and results of operations.

The closure of WestRock's paper mill in North Charleston may negatively impact our production, financial condition, and results of operations.

On May 2, 2023, WestRock Company ("WestRock") announced that it will permanently cease operating its paper mill in North Charleston, South Carolina and notified Ingevity that it is terminating the Reciprocal Plant Operating Agreement between WestRock Charleston Kraft LLC and Ingevity South Carolina, LLC dated as of July 1, 2008, as amended (the "RPOA"), effective as of August 31, 2023. WestRock provides certain critical operating services to us at our plant in North Charleston, South Carolina under the RPOA, including steam, water and wastewater. WestRock also disposes of brine, a by-product resulting from our conversion of black liquor soap skimmings into crude tall oil, and provides other non-critical services that support our operations. We may be required to expend significant capital to provide these services ourselves if we are unable to obtain these services from other third parties on a timely and cost-effective basis. The costs associated with replacing these services may be significant and any delay in our ability to replace these services could result in interruptions to our operations, both of which could adversely affect our financial condition and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table summarizes information with respect to the purchase of our common stock during the three months ended September 30, 2023.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs(1)
July 1-31, 2023	—	$ —	—	$ 353,384,633
August 1-31, 2023	—	$ —	—	$ 353,384,633
September 1-30, 2023	—	$ —	—	$ 353,384,633
Total	—		—	

(1) On July 25, 2022, our Board of Directors authorized the repurchase of up to $500.0 million of our common stock and rescinded the prior outstanding repurchase authorizations with respect to the shares that remained unused under the prior authorization. Our repurchase program does not include a specific timetable or price targets and may be suspended or terminated at any time. Shares may be purchased through open market or privately negotiated transactions at the discretion of management based on its evaluation of market prevailing conditions and other factors, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibit
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Company's Principal Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Company's Principal Financial Officer.
32.1	Section 1350 Certification of the Company's Principal Executive Officer. The information contained in this Exhibit shall not be deemed filed with the Securities and Exchange Commission nor incorporated by reference in any registration statement filed by the registrant under the Securities Act of 1933, as amended.
32.2	Section 1350 Certification of the Company's Principal Financial Officer. The information contained in this Exhibit shall not be deemed filed with the Securities and Exchange Commission nor incorporated by reference in any registration statement filed by the registrant under the Securities Act of 1933, as amended.
101	Inline XBRL Instance Document and Related Items - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	The cover page from the Company's Quarterly Report on Form 10-Q formatted in Inline XBRL (included in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INGEVITY CORPORATION
(Registrant)

By: /S/ MARY DEAN HALL

Mary Dean Hall
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

Date: November 2, 2023

Exhibit 31.1

CERTIFICATIONS

I, John C. Fortson, certify that:

1. I have reviewed this report on Form 10-Q of Ingevity Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2023

By: /S/ JOHN C. FORTSON

John C. Fortson

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Mary Dean Hall, certify that:

1. I have reviewed this report on Form 10-Q of Ingevity Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2023

By: /S/ MARY DEAN HALL

Mary Dean Hall

Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification of CEO Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, John C. Fortson, President and Chief Executive Officer of Ingevity Corporation ("the Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, based on my knowledge that:

1. the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 2, 2023

/S/ JOHN C. FORTSON

John C. Fortson
President and Chief Executive Officer

Exhibit 32.2

Certification of CFO Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, Mary Dean Hall, Executive Vice President and Chief Financial Officer of Ingevity Corporation (“the Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, based on my knowledge that:

1. the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2023 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 2, 2023

/S/ MARY DEAN HALL

Mary Dean Hall
Executive Vice President and Chief Financial Officer