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Ingevity Corp. (NGVT)

Q4 2025 Earnings Call

CORPORATE PARTICIPANTS

Surabhi Varshney

Interim Head-Investor Relations, Ingevity Corp.

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Phillip J. Platt

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

OTHER PARTICIPANTS

John P. McNulty

Analyst, BMO Capital Markets Corp.

Lee Jagoda

Analyst, CJS Securities, Inc.

Daniel Rizzo

Analyst, Jefferies LLC

Michael Sison

Analyst, Wells Fargo Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone, and welcome to the Ingevity Fourth Quarter and Full Year 2025 Earnings Call and Webcast. [Operator Instructions]

I will now hand over to our host, Surabhi Varshney, of Ingevity to begin. Surabhi, Please go ahead.

Surabhi Varshney

Interim Head-Investor Relations, Ingevity Corp.

Thank you. Good morning, and welcome to Ingevity's fourth quarter 2025 earnings call. Last evening, we posted a presentation on our Investors site that you can use to follow today's discussion. It can be found on ir.ingevity.com under Events & Presentations. Also, throughout this call we may refer to non-GAAP financial measures, which are intended to supplement, not substitute for, comparable GAAP measures. Definitions of these non-GAAP financial measures and reconciliations to comparable GAAP measures are included in our earnings release, and are also in our most recent Form 10-K. We may also make forward-looking statements regarding future events and future financial performance of the company during this call, and we caution you that these statements are projections, and actual results or events may differ materially from these projections, as further described in our earnings release.

Slide 3. Today, you will hear from Dave Li, our CEO and President; and Phil Platt, Senior Vice President, Finance, and incoming CFO. Mary Dean Hall, our outgoing CFO, will also be joining us for Q&A. Our prepared comments will focus on full-year total company results, and will include both continuing and discontinued operations, which refer to the divested Industrial Specialties product line. We will take any questions related to the quarter during the Q&A session right after the prepared remarks.

Dave, over to you.

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Thank you, Surabhi. And good morning, everyone. Please turn to slide 4.

Before we discuss the financial results, I'd like to remind everyone that in early December, we shared the findings of our strategic portfolio review through a virtual event. During this presentation, we laid out our plans for growing adjusted earnings per share by 10%, and free cash flow per share by 5% through 2027. We also announced the decision to initiate sales processes for our Advanced Polymer Technologies segment, and Road Markings product line. If you've not had a chance to listen to the webcast, I would highly recommend reviewing the materials on our website under Events & Presentations.

I'm also pleased to confirm that on January 1, 2026, we completed the sale of our North Charleston CTO refinery, and the majority of the Industrial Specialties product line, to Mainstream Pine Products. With this transaction complete, we have reduced our portfolio volatility, strengthened our profitability and cash flow profile, and enhanced our strategic flexibility.

Looking at our 2025 results, we are incredibly proud of the strong execution by our teams globally that enabled us to grow total company adjusted EBITDA by almost 10% over 2024, along with delivering industry-leading margins of over 30%. These results generated \$274 million of free cash flow, slightly exceeding our commitments. We used the cash to pay down debt, and reduce leverage to 2.6 times, and to buy back over 1 million shares.

Performance Materials continue to generate EBITDA margins above 50% and held revenue flat, despite lower global auto production, which was impacted by tariff uncertainty and supply chain challenges, delivering another year of near-record level sales. This strong performance is a testament to the differentiated value that our activated carbon technology delivers to customers globally. The momentum from continued adoption of hybrids and fuel-efficient ICE vehicles is encouraging, and supports our view of a long runway for this business. We also continue to be encouraged by the optimization of our filtration business, and see a bright future and good fit for the company in this application space.

Within the Performance Chemicals segment, we meaningfully lowered CTO exposure ahead of the Industrial Specialties divestiture. Also, Pavement Technologies grew year-over-year, as our innovative solutions facilitated the extension of the paving season into late fall, to allow catch-up of projects delayed by adverse weather earlier in the year. Advanced Polymer Technologies continue to face tough market conditions due to tariff uncertainty, and competitive pressure, which we are addressing with disciplined commercial actions and productivity initiatives. Overall, we start 2026 with confidence and optimism as we continue to drive performance in our core businesses.

And with that, I'll turn it over to Phil.

Phillip J. Platt

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

Thank you, Dave. And good morning, all. Please turn to slide 5.

Consistent with last quarter, and with our November 2025 outlook for the full year, I'll focus my comments on total company results, which will include both continuing and discontinued operations. As previously noted, beginning in the third quarter of 2025, the results of Industrial Specialties product line have been reported within discontinued operations. As Dave has mentioned, we completed the sale of that product line earlier this year.

Total company full year 2025 sales of \$1.3 billion declined 8% compared to last year. Performance Materials sales remained flat versus 2024, despite lower auto production driven by industry volatility from tariffs and supply chain disruptions. Performance Chemicals sales declined by \$86 million, primarily due to our repositioning actions within Industrial Specialties. We also continued to see weakness in demand from indirect tariffs, and competitive pressures in Advanced Polymer Technologies.

In 2025, we recorded a GAAP net loss of \$167 million, which included \$337 million of pre-tax special charges. These charges primarily consisted of a non-cash goodwill impairment of \$184 million in Advanced Polymer Technologies, and a non-cash asset impairment of \$109 million in Road Markings. For the remainder of my remarks, I will focus on the non-GAAP results, which exclude these special charges. Reconciliations of our non-GAAP financial measures to the most comparable GAAP measures, are included in the appendix to this presentation.

Adjusted gross profit of \$556 million increased 6.8% year-over-year, with gross margin expanding by 610 basis points. Total adjusted EBITDA increased 10% year-over-year to \$398 million, with margins expanding 500 basis points to 30.8%. Total diluted adjusted EPS improved 30% to \$4.55. This improvement in profitability reflects the successful execution of our PC repositioning actions, which have also resulted in lower overall raw materials, supply chain efficiencies, and plant footprint optimization. SG&A increased primarily due to higher variable compensation expense, driven by improved business performance. We delivered industry-leading margins, and this performance is a clear testament to the resilience and strength of our business model.

Moving on to slide 6. In the top left chart, you'll see how our strong earnings performance and disciplined capital management translated into free cash flow of \$274 million, the highest level that we have generated in the past five years, and exceeded our updated guidance from November. The \$220 million increase from 2024 was driven by the absence of approximately \$180 million in cash outflows related to the Performance Chemicals repositioning, higher overall earnings, and a working capital benefit in Industrial Specialties. With this free cash flow, we resumed share repurchases in 2025, deploying \$56 million to repurchase approximately 1 million shares. At year end, our remaining share repurchase authorization was just under \$300 million.

At the beginning of 2025, we committed to de-risking our balance sheet and reducing net leverage from 3.5 times to below 2.8 times. Through our disciplined capital management, we exceeded that target, reducing net leverage to 2.6 times, nearly a full turn improvement versus the prior year. Importantly, this reduction does not include any of the proceeds from the sale of our Industrial Specialties product line, which closed in early January.

With that, let's dive into the segment results, beginning with Performance Materials on slide 7. Sales of \$607 million were in line with the prior year, which is a strong result, given that 2024 was a record year for that business. Throughout 2025, the automotive industry faced significant disruption from tariff uncertainties, fires, and chip shortages. Against that backdrop, the resilience of our Performance Materials business becomes evident. While these dynamics led to slightly lower volumes, disciplined pricing actions helped to offset that impact, allowing us to hold year-over-year sales essentially flat.

Segment EBITDA declined 2% year-over-year due to lower volume and higher SG&A. Despite this, EBITDA margin remained strong at 53.8%. Looking ahead, we remain confident that this business will maintain margins north of 50%, supported by its technology-leading position and proven high-quality solutions that provide a compelling value proposition for both automotive and filtration customers.

Moving on to Performance Chemicals on slide 8. The combined Performance Chemicals results presented here include both continuing and discontinued operations, which means results from the divested Industrial Specialties product line are in the numbers. A reconciliation of Performance Chemicals results on a continuing operations basis to the total segment results is provided on this slide. As you'll note, the sales of the previously reported Road Technologies product line have been split into Pavement Technologies and Road Markings, which, together, represent Performance Chemicals continuing operations segment. Since we have initiated the sales process for Road Markings, we are now presenting its sales separately. Upon completion of that process, the segment will be renamed from Performance Chemicals to Pavement Technologies.

Total segment sales declined primarily due to the execution of the repositioning actions of the Industrial Specialties product line. Pavement Technologies' 2025 sales remained flat to 2024, as volume growth in NAFTA region was largely offset by lower infrastructure spend in South America. Pavement Technologies also benefited from pricing and favorable mix shift.

While adverse wet weather impacted results in the first half of 2025, demand shifted into the second half, and a combination of good weather and our season-extending technology enabled many projects to be completed within the year. Road Markings continue to experience price pressure from competition, although volumes grew slightly.

Total segment EBITDA increased by \$45 million over prior year, driven by the successful execution of our PC repositioning actions, which have resulted in lower overall raw material costs, improved logistics costs, and a more efficient manufacturing footprint. These actions helped to improve Industrial Specialties EBITDA by \$40 million year-over-year.

Performance Chemicals continuing EBITDA, which includes Pavement Technologies and Road Markings, increased by \$7 million, or 12%, supported by improved pricing, favorable mix, and lower raw material costs, partially offset by volume declines and higher SG&A. As a result, combined segment EBITDA margin expanded to 13.5%, up from 4% last year.

Please turn to slide 9. During 2025, APT faced headwinds from the indirect impact of tariffs and continued weak end market demand, primarily in automotive, footwear, and industrial end markets. In addition, competitive dynamics in China continue to pressure sales, most notably in the paint protective film markets. As a result, sales declined 15% and segment EBITDA was 18% lower year-over-year due to volume declines that more than offset improved operating efficiency.

Despite these pressures, we held pricing and maintained a stable mix. The team remained focused on operational discipline, which drove more reliable plant production and reduced operating costs. These efforts, combined with favorable foreign exchange, enabled a strong EBITDA margin of 20%.

Overall, 2025 was a great year. Our focus on execution generated solid earnings, driven by operational improvements and footprint optimization, despite weak end market demand, tariff uncertainties, and supply chain disruptions. We generated robust free cash flow, which enabled us to meaningfully reduce leverage and resume returning cash to investors via share buyback. Looking ahead, we expect to reach and maintain our target leverage ratio of 2 times to 2.5 times this year and complete \$300 million of share repurchases through 2027.

I will now turn the call back to Dave to share additional color on guidance for 2026.

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Thanks, Phil. Turning to slide 10, please note that the 2026 guidance includes a full year of APT and Road Markings, but excludes the divested Industrial Specialties product line. Sales processes for both APT and Road Markings are underway and we are encouraged by the interest shown in both. We'll provide updates as they advance and revise our outlook accordingly.

We expect 2026 adjusted EPS to be in the range of \$4.80 to \$5.20 in a year where we do not expect meaningful recovery in the global economy. Sales are expected to be between \$1.1 billion and \$1.2 billion, and adjusted EBITDA between \$380 million and \$400 million. Performance Materials sales are expected to grow low-single digits, supported by price increases in automotive, while delivering margins consistent with 2025.

Sales in Performance Chemicals, including Road Markings, are expected to grow mid-single digits with EBITDA margins in the mid-teens, reflecting our strong industry leadership and strategic advocacy efforts. In APT, we expect flat to low-single digit growth with margins around 20%, as recent commercial and productivity actions offset competitive pressures and weak end market demand. CapEx should be consistent with 2025 and be in the range of \$40 million to \$60 million. We expect to generate free cash flow of \$225 million to \$250 million. This amount does not include approximately \$95 million in pre-tax tax litigation-related payments to BASF in the second quarter.

We plan to use the free cash flow to continue buying back shares, in line with our prior guidance of \$300 million through 2027. So far in the first quarter, we've repurchased almost \$20 million worth of shares. Additionally, we plan to reduce and maintain net leverage within our long-term target range of 2 times to 2.5 times in 2026.

In 2025, we focused on stabilizing the business and optimizing our portfolio. That translated to total shareholder return of 45%, highest amongst our specialty chemicals peers and top-quartile among the Russell 2000 materials companies. We entered 2026 with good momentum, and we'll continue to execute the portfolio strategy, drive performance in our core businesses, and build Ingevity into a premier specialty materials company.

With that, I'll turn it over for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from John McNulty of BMO. John, your line is open. Please go ahead.

John P. McNulty

Analyst, BMO Capital Markets Corp.

Yeah. Good morning...

Q

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Morning, John.

A

John P. McNulty

Analyst, BMO Capital Markets Corp.

...Thanks for taking my question. Hi, there. Maybe we can start out. Just can you give us an update as to the progress you may be seeing regarding the potential asset sales? And I guess, somewhat related to that, on the \$300 million of buybacks that you expect to do between now and the end of 2027, does that come regardless of the asset sales? Is it dependent on the asset sales? It looks like you generate really solid free cash anyway. But, I guess, if you could help us to put that into context, that would be helpful.

Q

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Yeah, thanks. I'll provide an update on the processes, and then I'll let Phil talk to sort of the cash flow. We're very encouraged, obviously, with the cash flow generation of the business. So, for both processes, for APT and Road Markings, they continue to progress. We're encouraged by the interest shown in both assets. Obviously, we're going to be focused on value. And we continue to expect that we'll announce something before the end of the year. And so, things continue to progress. We'll, obviously, also update our guidance as things go along, but we're seeing good interest for both assets and we'll be focused on value.

A

Phillip J. Platt

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

Yeah. And with respect to the share buybacks and the proceeds, John, as Dave mentioned during the prepared remarks, the outlook does not include any of the proceeds associated with the APT or the Road Markings potential sales. So, we would expect to continue to execute those buybacks of \$300 million over the next two years. And the way you could think about it is, take a ratable cadence throughout the year, is how we're thinking about it in our guide.

A

John P. McNulty

Analyst, BMO Capital Markets Corp.

Got it. Okay, fair enough. And then maybe just as a follow-up. On the \$15 million of stranded costs that you expect to exit by the end of the year, I guess, can you help us to think about how much of that's pretty much locked in stone at this point? And also, maybe, how to think about the cadence as that flows throughout the year? Is it pretty much even like each quarter? Is it lumpier? I guess, how should we be thinking about that?

Q

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Yeah. Phil, why don't you take that one?

A

Phillip J. Platt

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

Yeah. So, as we said, we definitely have clear line of sight to eliminate that \$15 million by the end of the year. I think the way to look at it is it's going to be accumulating throughout the year, more so in the back-end of the year than the front-end of the year. Some of those costs are tied up in the TSA that we expect to, hopefully, wrap-up mid-year. So, that's how you can kind of think about the cadence throughout the year.

A

John P. McNulty

Analyst, BMO Capital Markets Corp.

Got it. Thanks very much for the color.

Q

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Thanks, John.

A

Operator: Thank you. [Operator Instructions] Our next question comes from Jon Tanwanteng of CJS. Jon, your line is open. Please go ahead.

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Hey, Jon.

A

Lee Jagoda

Analyst, CJS Securities, Inc.

Hi, good morning. It's actually Lee Jagoda for Jon. So, I guess, David, can we start on the Performance Materials business and maybe talk through some of your assumptions on the auto production volume side? And if you can get into some geographic commentary, that'd be helpful. And then also in terms of just the seasonal cadence, just given some of the headwinds we've seen in the US coming out of Q4 into Q1, that'd be helpful.

Q

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Sure. So, just as we think about the guidance that we just provided, what we sort of comprehended from an auto backdrop is stable, not predicting any very strong recovery. But if you pull back and think about what the auto industry has faced in 2025, it's been remarkably resilient. And Phil had some comments in the prepared remarks about the tariff uncertainty and supply chain challenges. But overall, we see it as a very resilient market.

A

And if you also think about the recent trend, especially in North America, where you've seen the pace of EV adoption really slow down, and I think there was just an announcement today by Stellantis of really leaning into some of their more ICE-efficient and hybrid product lines, and you've seen similar remarks by Ford. So, especially in the key North American market, where we have, obviously, the largest portion of our business, we see a positive trend there. But just to be clear, for 2026, what we've kind of baked in is a pretty stable environment.

And then talking about the fourth quarter that we just reported, we did see some of those supply chain challenges, whether it was the aluminum fire affecting Ford F-150, I think they've been pretty public about how they think about that and that production delay, or Honda with the chip shortages, I think they're still working through those. And our assumption and understanding is that production and demand would be made up this year. Ford mentioned more second half based. But we think of it as a pretty stable environment with potentially some upside if those supply chain issues abate, as well as in the backdrop of this reduced EV adoption trend that we're seeing in North America.

Lee Jagoda

Analyst, CJS Securities, Inc.

Q

Great. And then, I know at the investor event, you sort of talked about the ability, or the want to grow outside of automotive in Performance Materials in a margin-accretive fashion. Is any of those new products, new programs assumed in guidance? And just from a bigger picture standpoint, how long should we expect it to take to start to see some of the progress that you are making in the reported results?

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah. Thanks, Lee. So, what I think you're referring to is our focus in the near term, or kind of near in on filtration, and we're definitely encouraged by what we see there. Our focus is on the higher-value applications in filtration. So, we are already participating in a pretty significant way. We sell millions of pounds of our activated carbon into the filtration markets and the opportunity is just to optimize that volume into the higher-value applications.

So, those are – as we – we're definitely in the discovery process, thinking about where we have technical capabilities. Early on, we've identified, obviously, water as an area of focus, but also pharma and food and beverage. So, if we think about where we have technical advantage over other activated carbons, it's about the speed of the separation that we're able to provide, the selectivity. So, we're good at taking out large molecules, good at taking out flavor and odor. There's also a mouthfeel to some of our technical competence. So, we're trying to – we're definitely in the discovery process, but we're encouraged. And we've seen some good support from some of those end markets. So stay tuned.

The filtration aspect is built into our guidance, but it's a pretty small base right now. We expect it to expand over the next couple of years. And then farther out, we've talked about our interest to expand into energy solutions. So those are investments like Nexxon and CHASM. Those are not reflected in our next two-year financial outlooks, but we're also encouraged by our participation in those areas.

Lee Jagoda

Analyst, CJS Securities, Inc.

Q

I appreciate the color. I'll hop back in queue.

Operator: Thank you. Our next question comes from Daniel Rizzo of Jefferies. Daniel, your line is open. Please proceed with your question.

Daniel Rizzo

Analyst, Jefferies LLC

Q

Hey, guys. Thanks for taking my question. So, if we think about the three different segments as they are now, how should we think about peak or mid-cycle margins for both the new Road Markings business, or the new Pavement

business, and APT once recovery occurs? And in Performance Materials, is this kind of, are we at peak, or maybe even, I mean, a little bit below the peak of what we would expect, particularly given the moves you guys expect to make over the next couple of years?

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah. Dan, let me start, and then maybe Phil can provide some more color. So, for the three segments; Performance Materials, we're in the 50s, we've been in the 50s. That's a pretty heady space to be in and we expect to maintain that. We will continue increasing prices in the automotive aspect – area as we've done in the past. So, there could be some upside, as well as when we get traction in filtration. But, obviously, 50% is a good place to be. So, I'd assume somewhere north of 50% for Performance Materials.

For Performance Chemicals, when and if we transact Road Markings, we would expect some uplift to the margins there, so. And even in our investor update, we said sort of the higher-teens, or 18% that continues to be our expectation. APT has been in the 20s before. I think it's a very healthy, profitable business for us. And obviously, assuming we don't transact, we'd see some upside there, as well as we go into some higher-value applications, but assume sort of kind of low- to mid-20s for that business.

But Phil, why don't you provide some more color?

Phillip J. Platt

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

A

Yeah. Dave, I think you pretty much covered it all. The only thing I would add is in the guide for Performance Chemicals for the full year, we're guiding mid-teens, as Dave mentioned, that's a composition of both the businesses, [ph] performance technologies (00:31:47) as well as Road Markings. Obviously, Road Markings is a lower-margin business and currently diluting some of those margins. But also embedded in that is some of these stranded costs that are carried over into this year, so. But, as Dave just mentioned, looking further out in 2027, we would expect that that segment, Pavement Technologies, by itself, to put up around 18% margins.

Daniel Rizzo

Analyst, Jefferies LLC

Q

Okay. And then, with the sale of Industrial Specialties and the new Pavement and Road Markings business, could we – should we expect all the EBITDA for those two segments [ph] in this or I'd say almost all (00:32:24) in the second and third quarters, just given the weather-related aspect of those businesses?

Phillip J. Platt

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

A

Yeah, Dan, that's actually a great question. We've always talked about the Performance Chemicals segment as being very seasonal, Q2, Q3. It was muted in prior years by the Industrial Specialties business, which was pretty steady across all four quarters of the calendar year. Now that Industrial Specialties is gone from that portfolio, you'll be able to see the numbers in the 10-K when we release that later today, but about 90% of the annual EBITDA for that business is going to be recognized in Q2 and Q3, and 75% of the sales will be in Q2 and Q3. So, it'll become more prominent from a seasonality perspective.

Daniel Rizzo

Analyst, Jefferies LLC

Q

Okay. Thank you very much.

Operator: Thank you. [Operator Instructions] Our next question comes from Mike Sison of Wells Fargo. Mike, your line is open. Please go ahead.

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Hey, Mike.

A

Michael Sison

Analyst, Wells Fargo Securities LLC

Hey, good morning. Nice quarter and outlook. Could you remind me for Performance Materials, as I recall, the fact that you used wood to create your activated carbon, gives you a pretty big edge in the auto side. Does that sort of technology or base help you in the other areas? And maybe more chemistry-wise, why would that help you get a more premium area in other areas like water treatment and such?

Q

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Yeah. Thanks, Mike. We're definitely early in that process of identifying where we're actually adding value. Just to remind, this is a business that, as an area filtration, that we've been participating in for many years. So, the opportunity now is to spend more time with those end customers and understand exactly your question, where can – where we actually differentiated adding value. And we have, in many areas, identified that this hardwood-based activated carbon, the way we engineer it, has unique separation properties that are valued by our customers.

A

So, in certain applications, we actually understand that our activated carbon is combined with a lower-grade activated carbon, because we're actually able to provide that key separation technology. So again, early on, but the sectors that we're going to be focused on are water, pharma, and food and beverage, those we think we have technical advantage on. And again, this is just also a benefit of having that simplified portfolio, having the ability to focus more resources in these high-potential growth areas, is something that we're excited to do. And expect to hear more from us in the future.

Michael Sison

Analyst, Wells Fargo Securities LLC

Got it. And then, can you remind us, any major regulation over the next couple of years, even decade, that could sort of generate some growth for Performance Materials? I think China may be going to Tier 3 at some point, and maybe any other areas. And then, just kind of the mix of the outlook when you talk to customers, I mean, hybrids have been good, any thoughts on sort of more of that versus EVs or anything else? Thanks.

Q

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Sure. So I mentioned, I think in the first question, North America, we feel really good about that. And that's obviously our core market, especially in the backdrop of this reduced EV adoption, which we think will continue for the foreseeable future. You mentioned regulation, so the next most significant piece of regulation, will likely be China 7. So, that's China moving to essentially a Tier 3. Our teams are working closely with the folks in China. We continue to expect that to be adopted towards the end of the 2020. So 2028, 2029, you could see some buildup of inventory ahead of that. But that would be a pretty significant upgrade and more stringent emissions requirements that would require things like honeycombs, which obviously would be good for Ingevity.

A

Another region, I think to pay close attention to is India. So, India is a growing and mobilizing population, and they also have a pretty significant pollution issue. They also have very hot summers there. And so, they're going to need to do something from an emissions standard perspective. We're also working closely with them in terms of the emissions regulatory bodies there, and would expect to see something there. They're obviously earlier on in their journey of emissions requirements, so I think that's been a positive.

And then, the last one I mentioned North America, but recently there has been some changes by the administration. Things like the Endangerment Act. We actually think that's going to be a positive for Ingevity because without getting into too much detail, in the previous regulations that have now been taken away, for an automaker to be in compliance, essentially larger and larger portion of their mix would have to be EV. So now, with those gone away, it really clears the runway for more ICE, fuel-efficient ICE and hybrid parts of their portfolio. And you see them leaning into that. So, the North America backdrop also seems to be very promising for us as we look forward.

Michael Sison

Analyst, Wells Fargo Securities LLC

Q

And one quick last one. For Pavement Technologies, are there opportunities for acquisitions? Your balance sheet is in pretty good shape to maybe to add that as some growth over time. And maybe talk about some regions that could be a good area for you, or are there other sort of technologies or product lines that would fit well?

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

A

Yeah, we love the technologies that we have. We see a lot of runway for growth, especially with Evotherm. So, converting that mix asphalt to a warm mix, with significant value and technology advantages for our customers. Never say never, but I think we've been pretty public about for the next at least couple of years, acquisitions are not going to be a priority for us. Instead, we really want to focus on generating that cash flow and reducing the leverage on the balance sheet, as well as buying back shares.

Michael Sison

Analyst, Wells Fargo Securities LLC

Q

Thank you.

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

A

Thanks, Mike.

Operator: Thank you. We have no further questions registered on today's call, so I hand back over to Dave Li for any closing or final comments.

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Thanks. And as we wrap up, I would just like to remind our investors that new Ingevity is a simplified, more predictable, and extremely profitable specialty materials company. The company is highly cash generative, and we are committed to returning cash to investors. Our focus in 2026 will be the continued execution of our

commercial and operating strategies, so that we can deliver growth year-over-year on every metric from sales to EPS.

And lastly, as we close the call, I would like to again thank and congratulate Mary Hall, our outgoing CFO, on reaching this milestone in her career. This will be her last earnings call with us, and we are grateful for her years of service and contributions at Ingevity.

Thanks to everyone for their interest. And with that, Charlie, you can close the call.

Operator: Thank you. Of course. Ladies and gentlemen, this does conclude today's call. Thank you so much for joining. You may now disconnect your lines.

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