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Ingevity Corp. (NGVT)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

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Daniel Rizzo
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MANAGEMENT DISCUSSION SECTION

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

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

Mickey Walsh

Treasurer & Vice President-Investor Relations, Ingevity Corp.

Thank you. Good morning and welcome again to Ingevity's second quarter 2026 earnings call. Last evening, we posted a presentation on our investor site that you can use to follow today's discussion. It can be found on our website, ir.ingevity.com under Events & Presentations. Throughout this call, we may refer to non-GAAP financial measures which are intended to supplement not substitute comparable GAAP measures. Definitions of these non-GAAP financial measures and reconciliations to comparable GAAP measures are included in our earnings release.

We may 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 just projections and actual results or events may differ materially from those projections described in our earnings release. The agenda for today's call is listed on slide 3.

Today you will hear from Dave Li, our CEO and President; and Phil Platt, our CFO. Our prepared comments will focus on results from the second quarter of 2026, from continuing operations and recent business highlights. Following the prepared remarks, we will open the line for a Q&A session.

I will now turn the call over to Dave.

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Thank you, Mickey, and good morning, everyone. Please turn to slide 4. This quarter represents another period of outstanding execution across the company and further demonstrates the progress we're making in building a stronger, higher quality Ingevity.

Our businesses delivered excellent commercial and operational performance. Excluding the Road Markings divestiture, sales increased 5% with growth across all three segments. More importantly, adjusted EBITDA increased nearly 14% and adjusted EBITDA margins expanded to 36.6%, demonstrating the earnings power of our portfolio and the discipline with which our teams continue to operate.

Performance Materials once again delivered exceptional results, with EBITDA margins approaching 54%. Beyond the quarter, we continue to benefit from a structural shift in consumer buying habits toward hybrid vehicles.

Hybrid vehicles require our most advanced carbon solutions and contribute a higher value product mix. We believe this represents a sustainable market trend that reinforces both the long-term earnings power and competitive positioning of the business.

Pavement Technologies continue to build positive momentum while Advanced Polymer Technologies delivered meaningful year-over-year improvement through pricing actions, product mix and operational execution. Both businesses performed well despite facing some headwinds from the volatile geopolitical environment.

Along with this strong operating performance, we also continued executing our portfolio strategy. During the quarter, we completed the sale of our Road Markings product line. Combined with the Industrial Specialties divestiture completed earlier this year, these actions continue improving the quality of our portfolio while allowing us to focus resources on our highest return opportunities.

In addition, the strategic alternatives process for Advanced Polymer Technology (sic) [Technologies] (00:04:41) continues to progress well and is now in an advanced stage. Our priority remains achieving the best outcome for shareholders while continuing to sharpen our strategic focus. Our disciplined and balanced capital allocation strategy also remained unchanged.

During the quarter, we repurchased $35 million of shares and remain ahead of pace towards our $300 million share repurchase commitment by the end of 2027. We also continue to reduce leverage and invest in attractive organic growth opportunities. Together, these actions strengthen our financial flexibility and support our long-term value creation potential.

Finally, we're beginning to see encouraging commercial validation of several organic growth initiatives, particularly filtration, where our carbon technology is demonstrating differentiated performance. I'll discuss these opportunities in more detail later in the call.

Overall, I'm extremely proud of what our teams accomplished this quarter. We are executing with discipline, strengthening the business and building a stronger, higher quality Ingevity with more durable earnings power while investing in long-term growth opportunities.

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

Phillip J. Platt

Senior Vice President & Chief Financial Officer, Ingevity Corp.

Thank you, Dave and good morning, everyone. Please turn to slide 5. As Dave mentioned, our second quarter results highlight the continued improvement in the earnings quality of our businesses and demonstrate the benefits of our portfolio transformation strategy.

Sales for the quarter were $314 million, while reported sales declined 5% due to the divestiture of the Road Markings product line on April 15. Sales, excluding Road Markings, increased over 5% with growth across all three segments.

Adjusted EBITDA increased 14% to $115 million, while margins expanded over 600 basis points to 36.6%. These results were driven by higher pricing, a favorable product mix, improved asset utilization, and disciplined operational execution across the company. Adjusted earnings per share increased to $1.74, benefiting from the stronger operating performance, lower interest expense and a reduced share count from our ongoing share repurchase program.

Turning to slide 6. These charts highlight our continued focus on strengthening the balance sheet and generating cash. Beginning with the chart on the left, free cash flow, excluding the litigation settlement payment, made this quarter was approximately $89 million, and free cash flow per share increased to $2.52.

Compared to the prior year, the improvement was driven by stronger earnings, lower interest expense resulting from debt reduction and reduced restructuring spending. Capital expenditures remained disciplined at approximately $10 million.

Turning to net leverage. Trailing 12-month adjusted EBITDA increased to approximately $403 million, while net leverage improved to 2.5 times. As a result, we have reached the upper end of our target leverage range outlined during the strategic portfolio update.

We also repurchased $35 million of shares during the quarter, leaving approximately $211 million available under our current authorization. As Dave mentioned, we remain fully committed to the $300 million share repurchase plan that we announced last December while continuing to maintain our leverage objectives.

Now, let's turn to the segment results, beginning with Performance Materials on slide 7. Performance Materials delivered another strong quarter and remains a highly differentiated business, with industry-leading profitability and growth opportunities in both automotive and in higher value filtration applications.

Sales increased 4% to $161 million, driven by higher volumes, favorable mix and annual pricing actions. The continued shift in consumer preference towards hybrid vehicles, which utilize more advanced and higher value carbon solutions, further supported both growth in revenue and profitability. Segment EBITDA increased 6% to $86 million and EBITDA margins expanded to 53.6% as higher volumes improved price and mix and stronger plant utilization more than offset higher SG&A spending.

Demand remained solid throughout the quarter, supporting efficient plant utilization and inventory levels that remained largely unchanged from the first quarter. For the remainder of the year, we expect plant utilization to normalize, reflecting lower expected auto production as well as the execution of planned maintenance outages. While this dynamic benefited second quarter profitability, it represents a timing shift that is reflected in our expectations for the back half of this year.

Let's turn to slide 8. Beginning this quarter, we have renamed the Performance Chemicals segment to Pavement Technologies, following the completion of the Road Markings divestiture on April 15. Reported sales declined 22% as a result of the divestiture. Excluding Road Markings, sales increased 3% as favorable pricing and volume growth drove stronger performance in the remaining business. Growth was led by North America and was partially offset by softer demand in China and South America, as higher asphalt prices impacted project costs and drove project delays.

Segment EBITDA declined by $3.4 million due to the absence of approximately $6 million of Road Markings earnings included in the prior year period. Segment EBITDA decline was partially offset by improved pricing and volumes in the core Pavement Technologies business. Overall, excluding the impact of the Road Markings divestiture, both sales and EBITDA increased year-over-year and EBITDA margin expanded 300 basis points to 24.4%, highlighting the improved earnings profile of the remaining Pavement Technologies business.

Let's turn to slide 9. Advanced Polymer Technologies delivered meaningful year-over-year improvement during the quarter, reflecting the benefits of a more favorable product mix and higher asset utilization. Sales increased 14% to $49 million, benefiting from pricing surcharges and improved mix towards higher value derivative products.

As a reminder, the pricing surcharges were implemented in response to higher raw material and energy costs following the conflict in the Middle East. Segment EBITDA increased to $11 million from $2 million a year ago, and EBITDA margin improved to 22.7%. The improvement reflects a favorable product mix, higher plant utilization, and the absence of the operational downtime associated with the boiler installation project that impacted results in 2025. Results also benefited from competitor supply disruptions resulting from the Middle East conflict that began in the late part of the first quarter of this year.

In summary, we continue to demonstrate our ability to execute our portfolio simplification strategy while delivering solid operating performance. We are focused on maximizing value through commercial and operational excellence and remain committed to our capital allocation strategy.

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

David H. Li

President, Chief Executive Officer & Director, Ingevity Corp.

Thanks, Phil. Turning to slide 10. The strength and consistency of our first half performance gives us confidence to raise our outlook for the full year. Performance Materials continues to deliver exceptional profitability supported by healthy demand and favorable product mix.

As I mentioned earlier, we continue to benefit from the structural shift toward hybrid vehicles, which requires increasingly advanced carbon solutions. Pavement Technologies continues to perform well, and Advanced Polymer Technologies has improved meaningfully from last year. Collectively, these results reinforce our confidence that the business we are building is capable of delivering more durable and predictable earnings, stronger cash generation and attractive returns across a variety of market conditions.

Our updated outlook reflects the strength of our first half execution and financial results across the company. As we project our second half outlook, there are few factors that we expect to influence the cadence of results.

First, we will execute planned maintenance outages at two of our Performance Materials facilities. Second, auto production in North America is expected to be weaker in the back half of the year. And lastly, the macroeconomic environment remains dynamic. As a result, we are increasing our adjusted EBITDA and EPS guidance.

We now expect adjusted EBITDA of $380 million to $400 million and adjusted earnings per share of $5 to $5.45. The EBITDA outlook represents a 5% increase over prior year at the midpoint, which is in line or slightly ahead of expectations discussed at our strategic portfolio update in December.

Additionally, we are raising the low end of our free cash flow guidance. Our free cash flow range is now $220 million to $245 million, as improved earnings are partially offset by higher inventory levels to support our customers amid strong demand in automotive end markets and seasonal inventory build in pavement.

Advanced Polymer Technologies remains included in our reported results and guidance. As I noted earlier, the sale process continues to progress well and is now in an advanced stage. And our guidance does not assume any proceeds from a potential transaction. We are also encouraged by the progress of several organic growth initiatives that leverage our technology leadership in advanced carbon materials. During the quarter, we secured our first municipal water treatment contract for PFAS filtration.

This represents an encouraging early milestone and provides commercial validation that our technology can deliver meaningful customer value and clear differentiation in the attractive water treatment market. While still early in its development, we believe filtration has the potential to become an important long-term growth driver for Ingevity. We expect to share more over time as we continue advancing both the technology and commercial development of this opportunity. Beyond filtration, we continue advancing attractive opportunities in warm mix asphalt technologies and energy storage, further diversifying our long- term organic growth profile.

In closing, we are building a stronger, higher quality Ingevity, one with a more focused portfolio, more durable earnings, multiple organic growth vectors and disciplined capital allocation. We believe those characteristics position us to create sustainable, long-term shareholder value.

And with that, I'll turn it over for questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Jon Tanwanteng with CJS Securities. Your line is now open. Please go ahead.

Lee Jagoda
Analyst, CJS Securities, Inc.

Q

Hey, it's actually Lee Jagoda for Jon. Good morning.

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

A

Morning.

Lee Jagoda
Analyst, CJS Securities, Inc.

Q

So, I guess a couple of questions on Performance Materials and then maybe one on the other segments. In terms of the Performance Materials, were the planned outages factored in to the prior outlook in terms of the timing being in Q3?

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

A

Yeah. I'll let Phil take that one.

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

A

Yeah. Hey, Lee. Thanks for the question. Yes, those planned outages are already baked into the outlook that we previously provided.

Lee Jagoda
Analyst, CJS Securities, Inc.

Q

Okay. Perfect. And then just on the margins in that segment, in general, a couple of questions. Obviously, really impressive performance in the quarter. How do we think about the short-term, kind of, margins relative to Q2, assuming that the US auto stuff is supposed to be down, so, the geographic mix changes a little bit. And then kind of medium-term, as we think about margins starting to include some of the positive benefits from potentially this PFAS opportunity and or other opportunities. How does that change the margin structure in Performance Materials more structurally over time?

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

A

Yeah. Well, I'll start and then I'm sure Phil can pepper in some more details. So first, we're really encouraged by the strong first half and we saw both, all the segments performing well. As to your question on the second half, yes. So, we're watching all the industry forecasts and sort of the cadence of auto production is expected to be a bit softer in the second half and obviously, our sales would follow that.

One of the things that we talked about and called out that I think is really going to be a more structural and enduring positive for us is this transition to hybrids. So, we saw that in the first quarter. We saw that continue in the second quarter, seems like the hybrids, especially in North America, are really hitting a sweet spot for the consumer.

Obviously, hybrids also require our most advanced carbon solutions and also produce a higher value product mix. So, that's a real positive for us. And then as you mentioned, we saw some early commercial validation of our filtration opportunity. All of that we think is in the mid-term very positive for the Performance Materials margins. But in the second half, we would expect likely some step back just given the kind of cadence and plant outages that that Phil mentioned. But what would you say, Phil?

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

Yeah. Lee, I'd point you to our commentary on slide 10 of the deck where our expectation for the full year of 2026 is around mid-50s for that segment. Obviously, to Dave's point, that would imply slight pressure in the second half compared to the first half.

Lee Jagoda
Analyst, CJS Securities, Inc.
Q

Sure. Great. And then one more on APT, if I can slip it in here. So $11 million of quarterly EBITDA really strong. Nice improvement. And I know it's being influenced by a couple of different factors. Can you kind of talk about or remind us if there's any seasonality in that business or if that's the sort of run rate that that business is capable of in the environment that we're in right now going forward?

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

Yeah, there's not really seasonality. We are coming off a trough in the last couple of years in terms of industrial demand. The team is doing a great job in a pretty volatile environment. We mentioned earlier, I think last quarter that we actually saw some benefit from the Middle East conflict because there some of our fellow suppliers had some supply challenges. So we're able to step in there and fill that supply need.

I think that's normalized now. And what we'd expect to see is sort of more normalized trends going forward. The business has performed very strongly and we're encouraged by that. But I think there's not really seasonality and we'd expect some more normalization through the year.

Lee Jagoda
Analyst, CJS Securities, Inc.
Q

Sounds great. I will hop back in the queue.

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

Thanks.

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

John P. McNulty
Analyst, BMO Capital Markets Corp.

Q

Yeah, good morning. Thanks for taking my question. Maybe two quick ones. So on the road paving side or Pavement Technologies, I think in the prepared remarks you commented on rising asphalt prices and the potential that it may impact road spending. Is it fair to assume that anything that may get curtailed just because logic you're seeing and things are getting a little bit tricky as people get to the end of the year because of raw material inflation and what have you, that spending likely gets pushed out just to the next year. It's not like the road is half paved and just is left there. Is that a fair way to think about it or is it just – is this potentially an ongoing issue that that may drag through 2027 as well if raws are difficult and budgets are still thin?

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

A

Yeah, John. So first, thanks for the question. You know, we – despite the challenging environment, we also – we actually saw growth in pavement absent the markings divestiture, in fact Evotherm, the warm mix additive grew 8% year-over-year. So we're encouraged by that and we still think there is a long runway for penetration of that technology.

We did start to see some of that impacts from the Middle East. So, the reality is, given the higher oil prices, asphalt prices are up almost 50%. We saw that most pronounced in the international opportunities. So, for example, China, although it's not a big part of our business, was down almost 80%. In North America, I think there's – projects are still continue to go through. But obviously, if the environment remains elevated, you could see that start to impact the business and that's all comprehended in our outlook. So, we saw it most pronounced in the international projects, less so in North America. Obviously, we're continuing to monitor that situation closely.

John P. McNulty
Analyst, BMO Capital Markets Corp.

Q

Got it. Okay. Fair enough. And then just a question in PM on the filtration initiative, and, in particular, the – sounds like you landed something for the use of filtering PFAS out. As part of that, did you find or did the customer find that your activated carbon solution is maybe better than the traditional carbon solution, I guess, or is it just, hey, look, you're a new entrant. You're kind of more aggressively kind of going after business and really kind of chasing it down where maybe in the past you hadn't in certain areas. And this is just the first win, I guess. How should we think about that?

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

A

Yeah. Thanks, John. We're really encouraged by that, that first win. We think it's a key milestone for us. You know, it's a situation where we were not the low bidder for that opportunity. We were chosen because of the differentiation of our technology. And I think this is – as most know – this is a really fast growing market, especially in the US, where many municipalities are looking to reach those expected requirements for PFAS.

Our technology as we continue in this discovery process we believe offers customers kind of an easy drop in and it's lower cost as well. And it's really good for taking out some of the larger molecules associated with PFAS. And so there is definitely some technology differentiation where we're continuing our efforts there. The team is doing a great job and we're really excited. We think this is just the beginning for us.

John P. McNulty
Analyst, BMO Capital Markets Corp.
Q

Got it. Thanks very much for the color.

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

Thanks.

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

Daniel Rizzo
Analyst, Jefferies LLC
Q

Hey, guys. Thanks for taking my questions. So with the Road Markings business, you mentioned that North America is relatively strong, offsetting some cost hiccups. But I think you said you saw some weakness in China and South America. I guess, how meaningful is that, though? I thought that was – you were mostly North American for this business, particularly after all the moves you guys have made.

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

Yeah, you're right. Dan. Thanks for the question. So, I think that was one of the reasons why we're able to grow despite those headwinds. International is not the biggest part of that business, but it represents growth opportunities. As a reminder, we recently were kind of regulated or got approval in Germany. So that was a good indication of the continued validation of the technology in Europe. I think what we'd say is that without those headwinds, the business would have grown even more strongly.

Daniel Rizzo
Analyst, Jefferies LLC
Q

Okay. That's helpful. And then it was just like looking at EBITDA margins kind of broadly, so, you have maybe down the road some mix headwinds from – in activated carbon, but overall [indiscernible] (00:30:22) expand. But I guess my question is, is that coming from just improved mix broadly and improved cost absorption or are there other productivity moves you are making that are going to continue to bear fruit because you've done a lot already? I was wondering if the cost cutting, like, aspect of it is kind of finished.

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

Yeah, I'll let Phil take that one.

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

Yeah. You're talking specific to Performance Materials, is that right, Dan?

Daniel Rizzo
Analyst, Jefferies LLC
Q

No. Oh, just – no, just overall, actually.

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

A

Yeah. Well, I mean, part...

Daniel Rizzo
Analyst, Jefferies LLC

Q

Yeah.

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

A

...of the margin uplift you're seeing is the removal of Road Markings, which we said was near zero EBITDA. So, that's a benefit there. You know, we did – I love to talk about it, but we did have some stranded costs that were leftover from our Industrial Specialties sale as well as the Road Markings sale. So as a reminder, that was about $20 million. And what we said is we expect to eliminate at least $15 million of that. Happy to report through Q2, we've eliminated $10 million of that.

So, there is some cost benefit that we're seeing. But really what you're what you're seeing a lot in the margin uplift is really the mix in Performance Materials. And our ability to run the plants at really high throughputs.

Daniel Rizzo
Analyst, Jefferies LLC

Q

Okay. Okay. Thank you very much.

Operator: This concludes the question-and-answer session. I will now turn the call back to Dave Li for closing remarks.

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

Thank you again for joining us today. As we conclude, I leave you with five key takeaways. First, our portfolio transformation is nearing completion and continues to improve the quality of our portfolio and sharpen our strategic focus. Second, our core businesses continue to demonstrate resilient margins and strong cash generation across a dynamic operating environment.

Third, our first half performance demonstrates the durability and resilience of the business and the strength of our execution. This is reflected in our margin expansion, strong cash generation and increased full-year guidance. Fourth, disciplined capital allocation remains a priority. We are investing in high return growth opportunities with minimal capital investment, strengthening our balance sheet and returning meaningful capital to shareholders.

To wrap up, we are delivering on the commitments we set out in our strategic portfolio update and remain on track to achieve our financial commitments. We are building a stronger, higher quality Ingevity with a more focused portfolio, differentiated technology positions, expanded earnings power and financial flexibility to create long-term value for our shareholders.

Thank you again for your interest and support of Ingevity. And with that, we'll conclude today's call.

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