Berenberg Conference USA 2020

May 2020

PURIFY I PROTECT I ENHANCE

Disclaimer: This presentation contains "forward-looking statements" within the meaning of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such forward looking statements generally include the words "may," "could," "should," "believes," "plans," "intends," "targets," "will," "expects," "suggests," "anticipates," "outlook," "continues," "forecast," "prospect," "potential" or similar expressions. Forward-looking statements may include, without limitation, expected financial positions, results of operations and cash flows; financing plans; business strategies and expectations; operating plans; impact of coronavirus; synergies and the potential benefits of the acquisition of Perstorp Holding AB's Capa® caprolactone business (the "acquisition"); capital and other expenditures; competitive positions; growth opportunities for existing products; benefits from new technology and cost-reduction initiatives, plans and objectives; markets for securities and expected future repurchases of shares, including statements about the manner, amount and timing of repurchases. Like other businesses, Ingevity is subject to risks and uncertainties that could cause its actual results to differ materially from its expectations or that could cause other forward-looking statements to prove incorrect. Factors that could cause actual results to materially differ from those contained in the forward-looking statements, or that could cause other forward-looking statements to prove incorrect, include, without limitation, adverse effects from the COVID-19 pandemic; risks that the expected benefits from the acquisition may not be realized or will not be realized in the expected time period, the risk that the acquired business will not be integrated successfully and the risk of significant transaction costs and unknown or understated liabilities; adverse effects of general economic and financial conditions; risks related to international sales and operations; impacts of currency exchange rates and currency devaluation; compliance with U.S. and foreign regulations concerning our operations outside the U.S.; changes in trade policy, including the imposition of tariffs; the impact of the United Kingdom's withdrawal from the European Union; attracting and retaining key personnel; adverse conditions in the global automotive market or adoption of alternative and new technologies; competition from producers of alternative products and new technologies, and new or emerging competitors; competition from infringing intellectual property activity; worldwide air quality standards; a decrease in government infrastructure spending; declining volumes and downward pricing in the printing inks market; the limited supply of or lack of access to sufficient crude tall oil; a prolonged period of low energy prices; the provision of services by third parties at several facilities; natural disasters, such as hurricanes, winter or tropical storms, earthquakes, tornados, floods, fires; other unanticipated problems such as labor difficulties, equipment failure or unscheduled maintenance and repair; protection of intellectual property and proprietary information; information technology security breaches and other disruptions; complications with designing and implementing our new enterprise resource planning system; government policies and regulations, including, but not limited to, those affecting the environment, climate change, tax policies, tariffs and the chemicals industry; and lawsuits arising out of environmental damage or personal injuries associated with chemical or other manufacturing processes. These and other important factors that could cause actual results or events to differ materially from those expressed in forward-looking statements that may have been made in this document are and will be more particularly described in our filings with the U.S. Securities and Exchange Commission, including our Form 10-K for the year ended December 31, 2019 and our other periodic filings. Readers are cautioned not to place undue reliance on Ingevity's projections and forward-looking statements, which speak only as the date thereof. Ingevity undertakes no obligation to publicly release any revision to the projections and forward-looking statements contained in this presentation, or to update them to reflect events or circumstances occurring after the date of this presentation.

Non-GAAP Financial Measures: This presentation includes certain non-GAAP financial measures intended to supplement, not substitute for, comparable GAAP measures. Reconciliations of non-GAAP financial measures to GAAP financial measures are provided within the Appendix to this presentation. Investors are urged to consider carefully the comparable GAAP measures and the reconciliations to those measures provided.

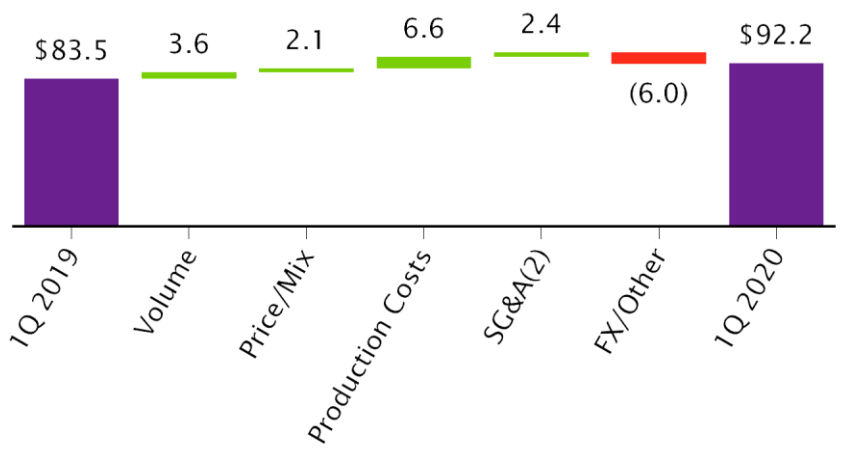
Today's Agenda

1. First Quarter Results
2. Company Overview
3. Performance Chemicals
4. Performance Materials

First Quarter 2020 Results

$ in millions	1Q 2020	1Q 2019	vs Prior Year ▲	vs Prior Year ▲%
Net Sales	**288.2**	**276.8**	**11.4**	**4.1%**
Adjusted EBITDA(1)	92.2	83.5	8.7	10.4%
Adjusted EBITDA(1) Margin	32.0%	30.2%	+180 bps	

1Q Adjusted EBITDA(1)



Performance Highlights

- Strong quarter despite initial impacts from coronavirus (COVID-19)
  - Effects from Chinese auto demand were as expected
  - Most other impacts in Performance Chemicals appear delayed
- Sales up 4 percent on volume and price/mix
  - Performance Materials with solid growth
  - Flat year-over-year results in Performance Chemicals
- Adjusted EBITDA up 10 percent
  - Reduction in production costs
  - FX/other impacts due to 1Q19 one-time events
- Outstanding free cash flow[1] of $41 million enabled us to reduce leverage to 2.7x net debt to adjusted EBITDA[1]

(1) *Please see appendices included at the end of this presentation for Ingevity's use of non-GAAP financial measures, definitions of those financial measures as well as the reconciliation to the nearest GAAP financial measure.*

(2) *SG&A includes research & technical expense.*

ingevity

Response to COVID-19

Crisis Management

- Business Continuity Team and Task Force activated; meet twice per week and daily, respectively
- Positive test response scenarios and communications tools developed and distributed
- Enhanced employee communications including SharePoint site, revised policies, Q&As, educational materials, semi-weekly newsletter, management videos, etc.
- Mass communications texting tool

Manufacturing Operations

- China locations resumed full operations
- Performance Chemicals' U.S. and U.K. manufacturing locations running normally
- Scale backs at Performance Materials plants; temporary furloughs for ~250 employees
- Raw materials, warehousing and trucking running smoothly
- Pandemic response and continuity plans in place
- Covington kiln replacement and Warrington, U.K., glassware replacement delayed until fall

Employee Health

- Work-from-home and social distancing measures
- Hand sanitizer, additional cleaning and disinfection
- Ban on all non-essential international and domestic business travel
- Limited visits to company locations by non-employees
- Free telehealth services for employees and dependents
- Temperatures taken at all production facilities

Financial Status

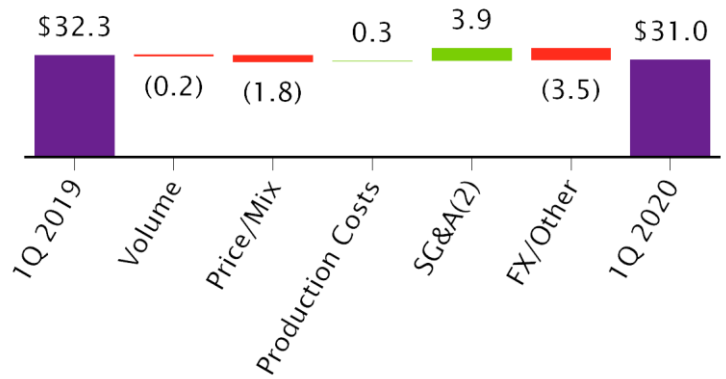
- Focus on liquidity and debt reduction
- $41 million in free cash flow[1]
- $250 million drawn from revolver
- Potential to defer approximately $5 million of payroll taxes under CARES Act
- Webinar series to provide investors with insights into strategies for each business

(1) *Please see appendices included at the end of this presentation for Ingevity's use of non-GAAP financial measures, definitions of those financial measures as well as the reconciliation to the nearest GAAP financial measure.*

Performance Chemicals

$ in millions	1Q 2020	1Q 2019	vs Prior Year ▲	vs Prior Year ▲%
Net Sales	**167.1**	**167.7**	**(0.6)**	**(0.4)%**
Industrial Specialties	79.9	95.8	(15.9)	(16.6)%
Oilfield Technologies	30.2	29.2	1.0	3.4%
Pavement Technologies	20.7	18.5	2.2	11.9%
Engineered Polymers	36.3	24.2	12.1	50.0%
Segment EBITDA	31.0	32.3	(1.3)	(4.0)%
Segment EBITDA Margin	18.6%	19.3%	-70 bps	

1Q Segment EBITDA



Performance Highlights

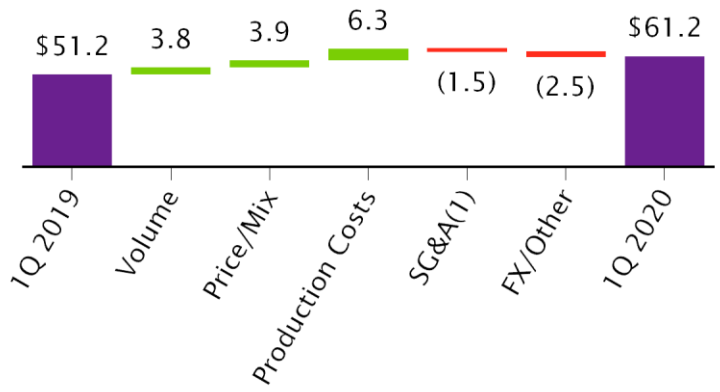
- Revenue essentially flat vs. prior year
  - *Industrial Specialties*: Sales decrease due to weak demand (especially in China); pressure on rosin markets
  - *Oilfield Technologies*: Sales increased slightly despite reduced North American drilling and price instability; sales to new export customers rose
  - *Pavement Technologies*: Solid start to paving season in both North and South America
  - *Engineered Polymers*: Sales down pro forma 13%(1) due to strong year-ago period; increased sales of thermoplastics, particularly in North America and Asia.
- Segment EBITDA of $31 million, down 4%
  - Reduced spending
  - Partially offset by lower volumes, price / mix and FX

(1) *Includes the impact of the Capa® caprolactone business acquisition. See appendix for more information.*
(2) *SG&A includes research & technical expense.*

Performance Materials

$ in millions	1Q 2020	1Q 2019	vs Prior Year ▲	vs Prior Year ▲%
Net Sales	**121.1**	**109.1**	**12.0**	**11.0%**
Automotive Technologies	112.9	99.7	13.2	13.2%
Process Purification	8.2	9.4	(1.2)	(12.8)%
Segment EBITDA	61.2	51.2	10.0	19.5%
Segment EBITDA Margin	50.5%	46.9%	+360 bps	

1Q Segment EBITDA



Performance Highlights

- Revenue increase of 11%
  - Significant sales increase in China as automakers essentially complete China 6 implementation
  - Growth hindered by February auto production downturn in China
    - Light vehicle production in China down 47%
    - Automakers now coming back on line
  - Strong growth in both base auto activated carbon and 'honeycomb' products in U.S. and Canada as automakers complete U.S. EPA Tier 3/LEV III implementation
    - Light vehicle production in North America down 11%
  - Combined, Europe and other regions flat
- Segment EBITDA of $61 million, up 20% versus prior year's quarter
  - Solid price and mix improvement
  - Reduced production costs
- Excellent execution led to sharp increase in segment EBITDA margins up to over 50%

(1) SG&A includes research & technical expense.

ingevity

First Quarter 2020 Financial Results

$ in millions except EPS	Q1 2020	Q1 2019	vs PY Δ%
Consolidated Income Statement:			
Net sales	**$288.2**	**$276.8**	**15.6%**
Gross Profit	$114.6	$97.1	**18.0%**
% Margin	39.8%	35.1%	***+470 bps***
Core SG&A (Non-GAAP) [1]	$30.5	$34.0	**(10.3)%**
Acquisition Amortization	8.0	5.1	**56.9%**
Total Selling, General & Admin Expense (GAAP)	$38.5	$39.1	**(1.5)%**
% of Net Sales - Total SG&A	*13.4%*	*14.1%*	***-70 bps***
% of Net Sales - Core SG&A	*10.6%*	*12.3%*	***-170 bps***
Adjusted EBITDA (Non-GAAP)[1]	$92.2	$83.5	**10.4%**
% Margin (Non-GAAP)[1]	***32.0%***	***30.2%***	***+180 bps***
Interest expense, net	$10.9	$11.1	**(1.8)%**
Provision for income taxes on Adjusted Earnings (Non-GAAP)[1]	$9.8	$12.0	**(18.3)%**
Adjusted earnings (loss) (Non-GAAP)[1]	$47.2	$41.9	**12.6%**
Diluted Adjusted EPS (Non-GAAP)[1]	$1.12	$0.99	**13.1%**
Consolidated Cash Flow Items:			
Cash Flow from Operations	$60.2	$(8.0)	
Less: Capital Expenditures	19.5	28.1	
Free Cash Flow (Non-GAAP) [1]	***$40.7***	***$(36.1)***	

(1) Please see appendices included at the end of this presentation for Ingevity's use of non-GAAP financial measures, definitions of those financial measures as well as the reconciliation to the nearest GAAP financial measure.

ingevity

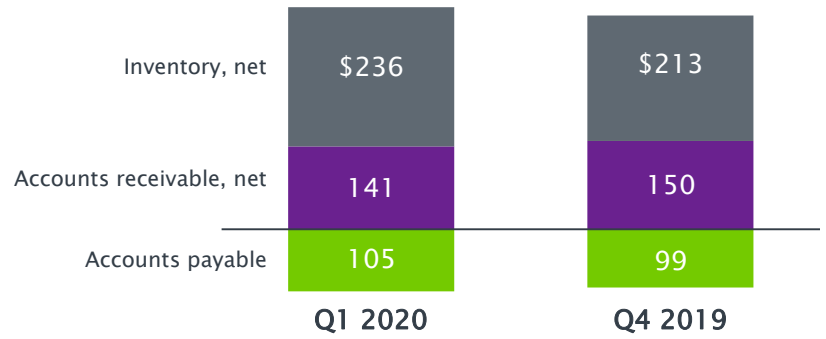
First Quarter 2020 Financial Summary

Capital Structure

$ in millions	Current Pricing	Amount
$750m Revolver	L+150	$375.0
Term Loans	L+100-150	735.9
$166m Interest Rate Swap (1)	*1.35%*	
Senior Notes	4.5%	300.0
Finance Lease & Other (2)	~8%	85.0
Total Debt		$1,495.9
Less: Cash Balance (3)		(310.4)
Less: Restricted Investment		(72.2)
Total Net Debt (4)		$1,113.3
Net Debt Ratio (4)		**2.7x**

Working Capital Management

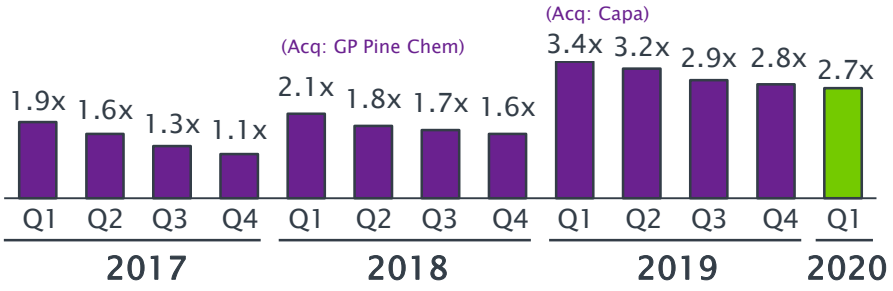
$ in millions



	Q1 2020	Q4 2019
Trade Working Capital (5)	**$272**	**$264**
% of LTM Net Sales	*21%*	*20%(6)*

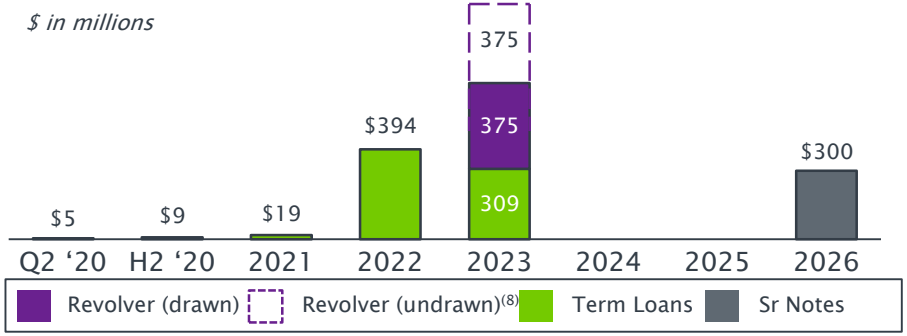
Historical Net Debt Ratio (4)

Targeted Net Debt ratio = 2.0 – 2.5x



Debt Maturity Schedule (7)

$ in millions



(1) *$166m interest rate swap through 2023*
(2) *Finance lease related to the Industrial Development Bond that is part of the financing for our Wickliffe, Kentucky facility; other relates to other short term borrowings less deferred financing fees*
(3) *Includes $7.7 million of Restricted Cash related to our New Market Tax Credit arrangement.*
(4) *See appendix for Non GAAP reconciliation.*
(5) *Trade Working Capital is defined as Inventory + Accounts Receivable – Accounts Payable*
(6) *Q4 2019 uses LTM Pro Forma Net Sales which includes the impact of the Capa® caprolactone business acquisition. See appendix for more information.*
(7) *Excludes ~$5m of other debt and $80m Finance Lease (due 2027) for simplicity*
(8) *As of March 31, 2020 $372.9 million was undrawn, reflecting $2.1 million of outstanding letters of credit.*

ingevity

2020 Outlook and Guidance Assumptions

Performance Chemicals

- Chinese gum rosin prices increase modestly
- Continued pressure on rosin markets
- Significant decline in North American drilling and production, partially offset by international
- WTI oil prices recover to high $20s / low $30s
- Paving remains essential industry; U.S. federal stimulus would be a tailwind
- China and EMEA have normal paving season
- Steady growth in engineered polymers; strong sales to American bioplastics market

Performance Materials

- Range of potential outcomes dependent on rates of recovery of auto sales in each region: China, Europe and North America
- All scenarios assume recovery to only 75 to 85% of 2019 levels at some point in remainder of year
- Continued global harmonization
- Increased orders in Europe







2020 Revised Guidance ($M)

Item	FY19 Actual	Initial FY20 Guidance	Revised FY20 Guidance
Revenue	$1,292.9	$1,300 to $1,350	$1,100 to $1,200
Adjusted EBITDA(1)	$396.9	$400 to $420	$310 to $350
Adjusted tax rate(1)	21.5%	22–24%	22–24%
Capital expenditures	$115	$95–$105	~$85
Free Cash Flow(2)	$161	$200–$220	$130–170
Net Debt Ratio(3)	2.84x	<2.25x before any share buybacks	~2.75 – 3.25x

2Q 2020 Guidance

- Revenues down 25% to 30% versus prior year quarter
- Adjusted EBITDA down 35% to 40% versus prior year quarter

Further Mitigation Tactics

- Reduced capital expenditures
- Additional temporary furloughs
- Sharply reduced travel and office costs
- SG&A / COGS reductions

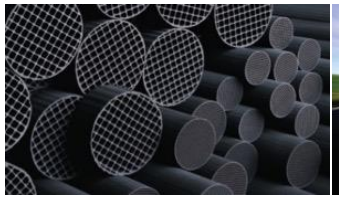
(1) A reconciliation of net income to adjusted EBITDA as projected for 2020 is not provided. Ingevity does not forecast net income as it cannot, without unreasonable effort, estimate or predict with certainty various components of net income. These components, net of tax, include further restructuring and other income (charges), net; additional acquisition and other related costs in connection with the acquisition of Perstorp Holding AB's Capa caprolactone business; additional pension and post and revisions due to future guidance and assessment of U.S. tax reform. 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 in adjusted EBITDA, that have a similar impact on comparability of periods, and which are not known at this time, may exist and impact adjusted EBITDA.

(2) Non-GAAP measure which represents Cash from Operations expected to range from $215M to $255M for FY2020 less Capital Expenditures.

(3) Defined as total debt including capital lease obligation excluding deferred financing fees less cash and cash equivalents less restricted investment divided by annual adjusted EBITDA.

ingevity

Company Overview

	Performance Materials	Performance Chemicals			
	Carbon Technologies	Pavement Technologies	Oilfield Technologies	Industrial Specialties	Engineered Polymers
					
2019 Sales	$491 million	$183 million	$111 million	$386 million	$122 million[1]
2019 Segment EBITDA	$213 million	$183 million			
Market Position	#1 in automotive	#1 or #2	#1 or #2 in oil-based muds	#1 or #2	#1
Applications	▪ Automotive ▪ Process purification	▪ Pavement preservation ▪ Recycling ▪ Evotherm® technologies	▪ Well Service Additives ▪ Production and Downstream	▪ Adhesives ▪ Agrochemicals ▪ Lubricants ▪ Inks ▪ Intermediates	▪ Coatings ▪ Resins ▪ Elastomers ▪ Adhesives ▪ Bioplastics
Select Competitors	CABOT, kuraray	Nouryon, ARKEMA, lamberti chemical specialties, KRATON, DRT, RESPOL			DAICEL, BASF
Select Customers	Aisan, KAYSER AUTOMOTIVE SYSTEMS, DELPHI	ERGON, FlintGroup, HALLIBURTON, SOLENIS, ENNIS-FLINT, arboris			(2)

1) *We acquired the Engineered Polymers division via the acquisition of the Capa Caprolactone business from Perstorp Holdings AB on February 13, 2019. This amount represents Ingevity's as-reported 2019 for the remainder of the year.*
2) *Not disclosed due to NDAs and confidentiality.*

ingevity

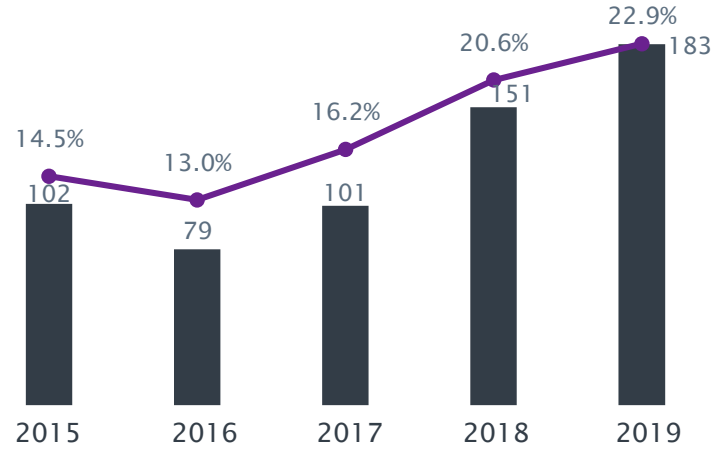
Segment Overview – Performance Chemicals

Segment Description

Specialty chemicals derived from co-products of the kraft pulping process, crude tall oil (CTO) and lignin

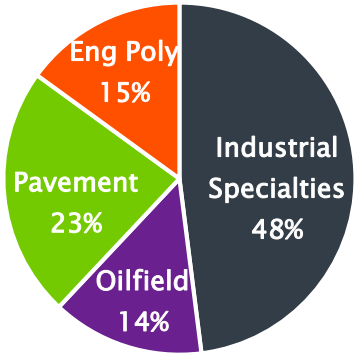
- Pavement Technologies: road construction, resurfacing, preservation, maintenance and recycling
- Oilfield Technologies: well service additives and chemistry for production and downstream applications
- Industrial Specialties: adhesive tackifiers, printing inks, paper chemicals, rubber, agrochemical dispersants, lubricants and other chemical intermediate applications

Segment EBITDA ($M) & EBITDA Margin %

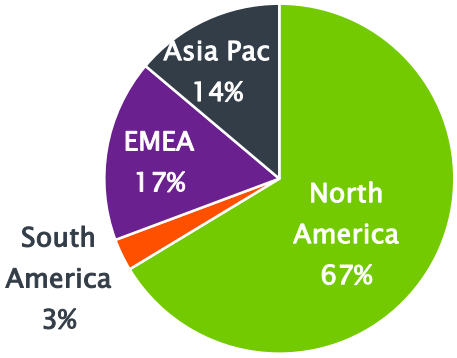


2019 Sales – $802M

By End Market



By Region

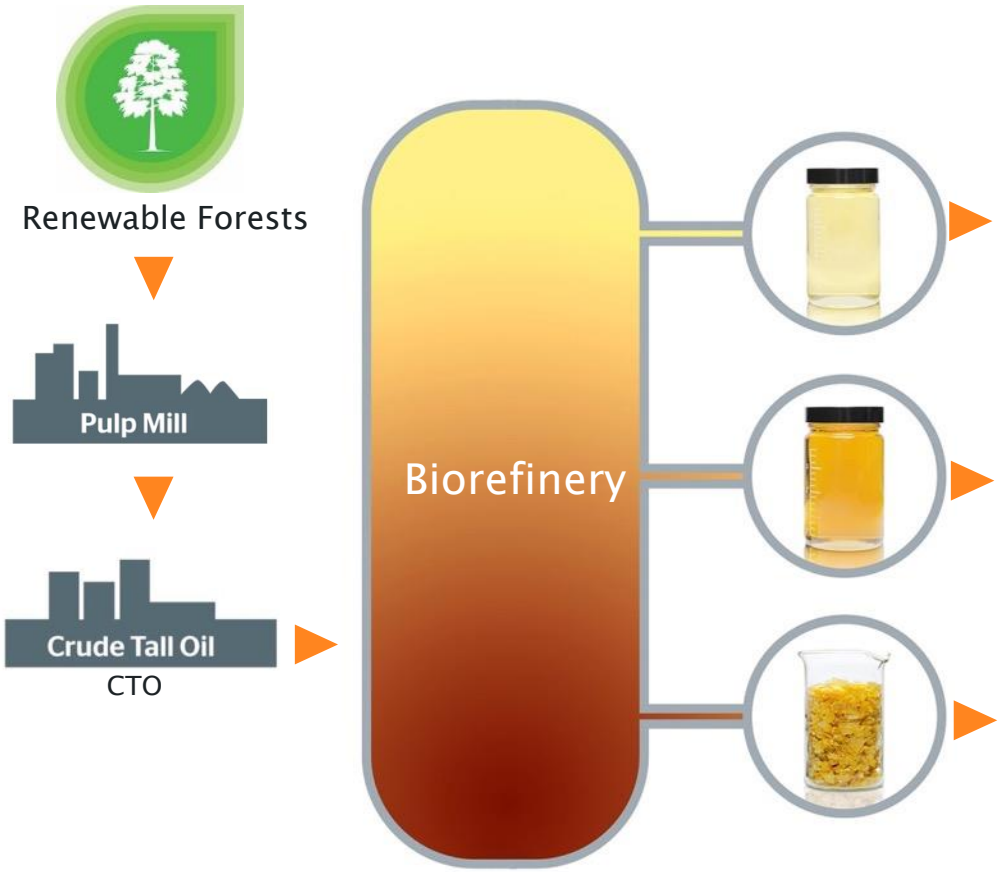


Global Footprint



Manufacturing	Laboratories
North Charleston, SC	North Charleston, SC
DeRidder, LA	Lille, France
Crossett, AR	Shanghai, China
Warrington, U.K.	Chennai, India

Pine Chemicals Value Chain
Enhanced value from intermediates and derivative products



Intermediate Products	Derivative Products
Tall Oil Fatty Acid	▪ Pavement preservation ▪ Evotherm (warm mix asphalt) ▪ Asphalt recycling ▪ Oil well service additives ▪ Oil production & downstream chemicals
Distilled Tall Oil	▪ Rubber emulsifiers ▪ Lubricants ▪ Intermediates
Tall Oil Rosin	▪ Adhesives ▪ Inks ▪ Paper size ▪ Rubber emulsifiers

ingevity

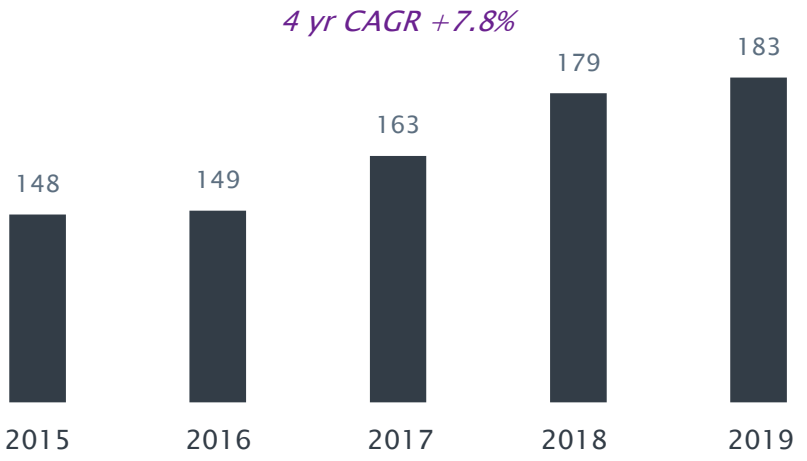
Business Overview – Pavement Technologies

Business Description

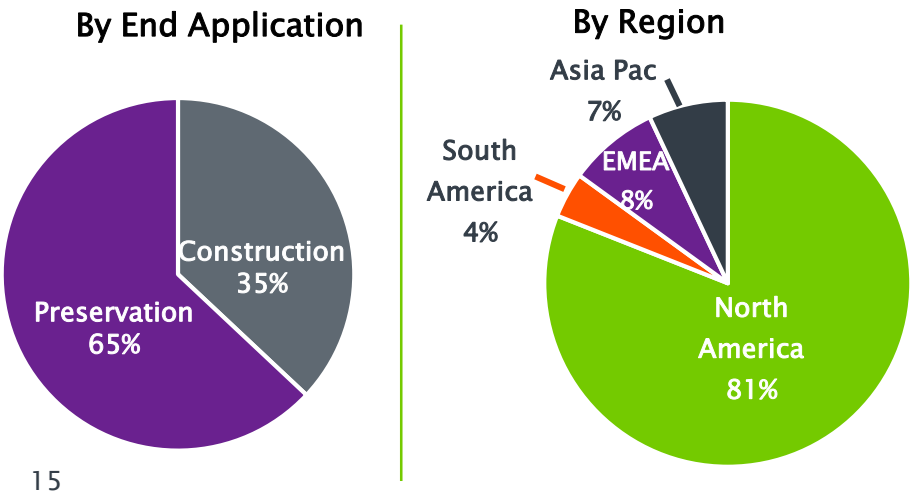
Asphalt additives derived from tall oil fatty acid, lignin, amines, surfactants and polymers

- Pavement Preservation: emulsifiers for specialty ultra-thin maintenance layers
- Evotherm Technologies: additives for road construction in the fast growing category of warm mix asphalt

Business Unit Sales

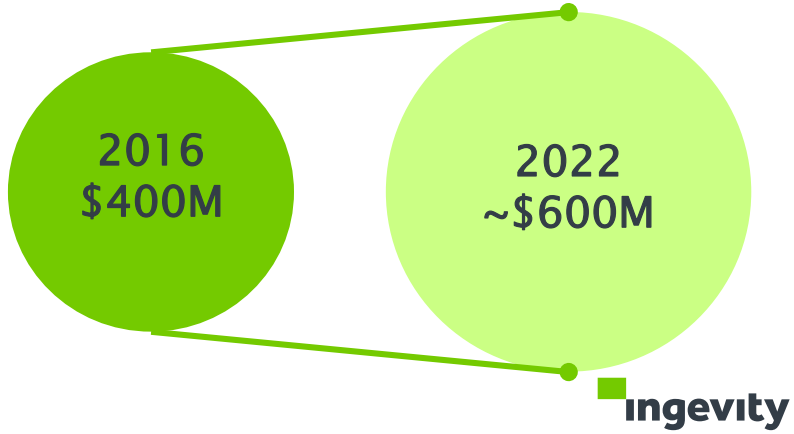


2019 Sales – $183M



Specialty Additives for Global Asphalt Paving[1]

Emulsifiers, engineered modifiers, adhesion promoters, warm mix additives, specialty polymers



(1) Management Estimates

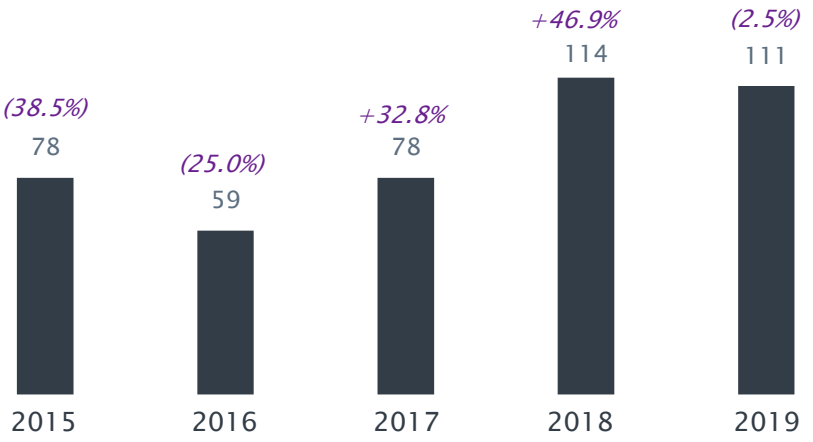
Business Overview – Oilfield Technologies

Business Description

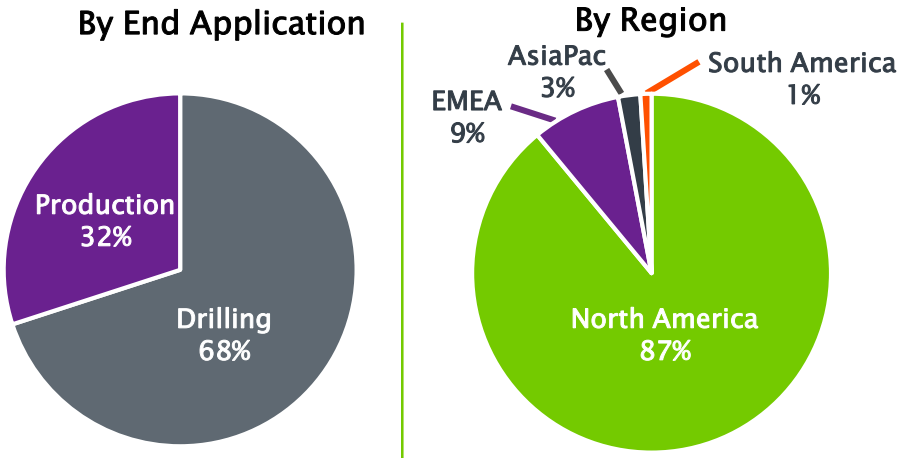
Specialty intermediates and TOFA used in Drilling, Production and Transportation of Crude Oil

- Emulsifiers for manufacture of oil-based muds
- Rheology modifiers and wetting agents for used muds
- Imidazolines and specialty derivatives for corrosion inhibition
- TOFA as raw material by integrated production service companies
- TOFA and dimers part of lubricant packages in water-based muds

Business Unit Sales

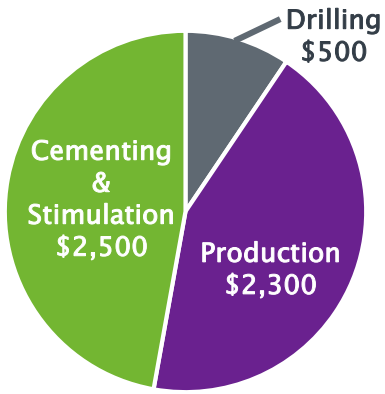


2019 Sales – $111M



2016 Specialty Chemicals for Global Oilfield(1)

Emulsifiers, rheology modifiers, corrosion inhibitors, cementing agents



(1) Management Estimates

ingevity

Business Overview – Industrial Specialties

Business Description

Industrial chemicals based on tall oil fatty acid, tall oil rosin, and lignin for the following applications:

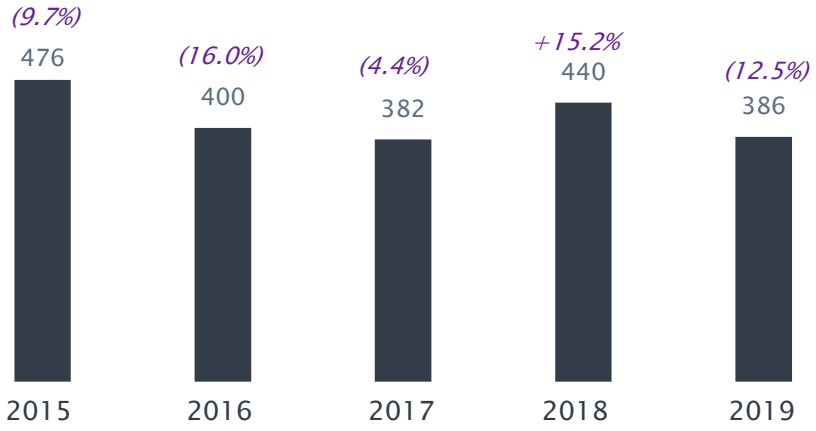
Tall Oil Rosin
- Ink resins
- Adhesives tackifiers
- Paper sizing
- Rubber emulsifiers

Lignin
- Agchem dispersants
- Dyes dispersants

Tall Oil Fatty Acid
- Lubricants
- Coatings
- Cleaners

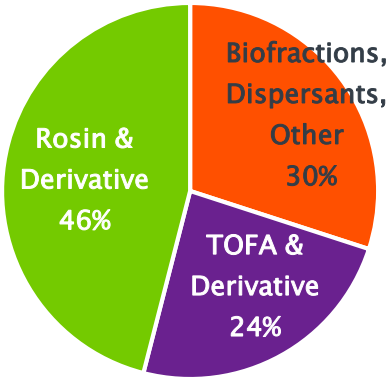
Biofractions
- Pharma phytosterols
- Renewable energy
- Roofing

Business Unit Sales

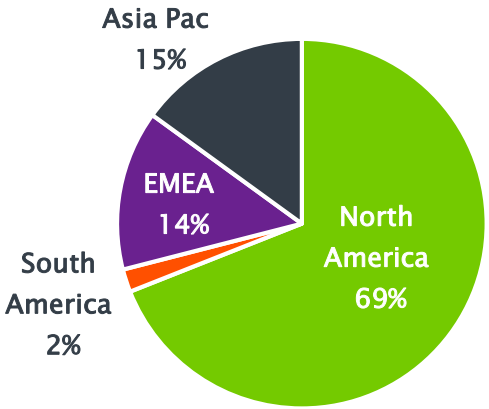


2019 Sales – $386M

By Material

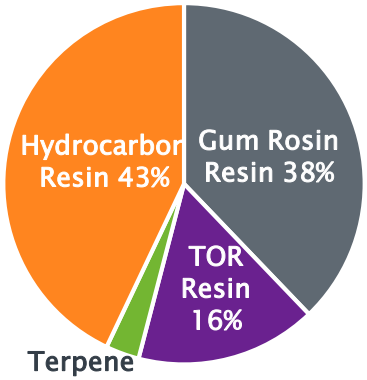


By Region

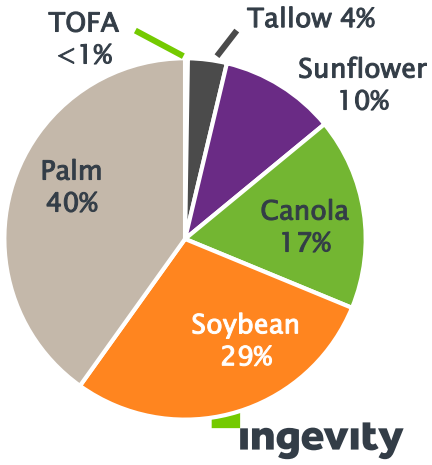


Global Rosin and Fatty Acids[1]

Global Resins – 2,400KT



Select Fatty Acids –175KT

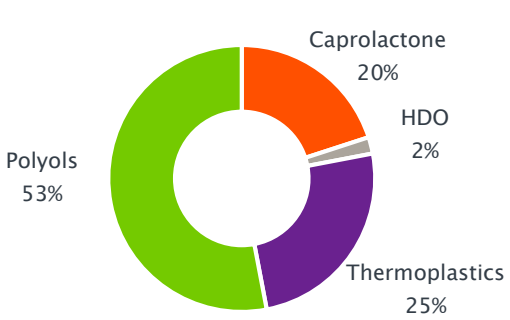


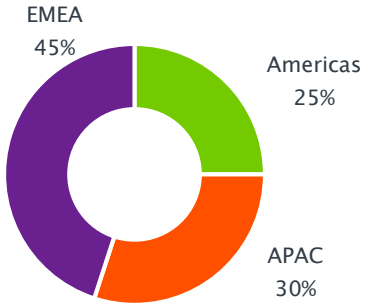
(1) Management Estimates

Engineered Polymers

- Capa holds the #1 market position in caprolactone technologies, with only two other major competitors worldwide
- Caprolactone is a critical input to many high-growth end-use applications
  - Note: Caprolactone is not caprolactam
- Single plant operation in Warrington, U.K.
- Experienced management team with approximately 90 employees globally

Revenue by Product and Geography (2019E)







(1) EUR / USD exchange rate: 1.15

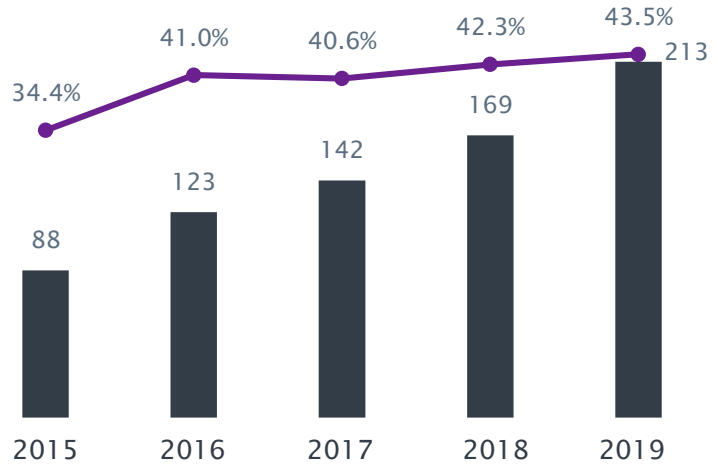
Segment Overview – Performance Materials

Segment Description

Specialty wood-based, chemically activated carbons engineered to have the optimal porosity for gasoline evaporative emissions control:

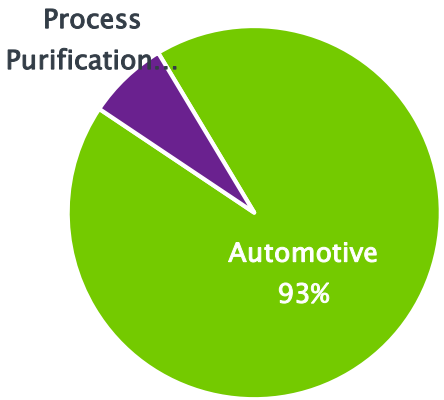
- **Canisters** – High capacity and superior durability granular and pellet activated carbons
- **"Near Zero" Canister Solutions** – Activated carbon honeycombs and bulk media to control diffusion emissions
- **Air Intake Systems** – Activated carbon sheets and honeycombs to control engine diffusion emissions
- Powdered activated carbons used in purification processes for water treatment, food & beverage and chemical & pharmaceutical applications

Segment EBITDA ($M) and EBITDA Margin %

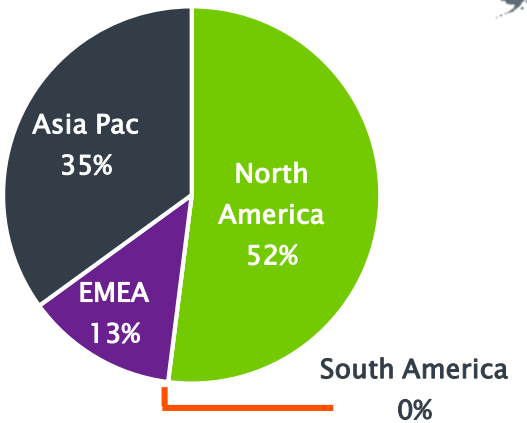


2019 Sales – $491M

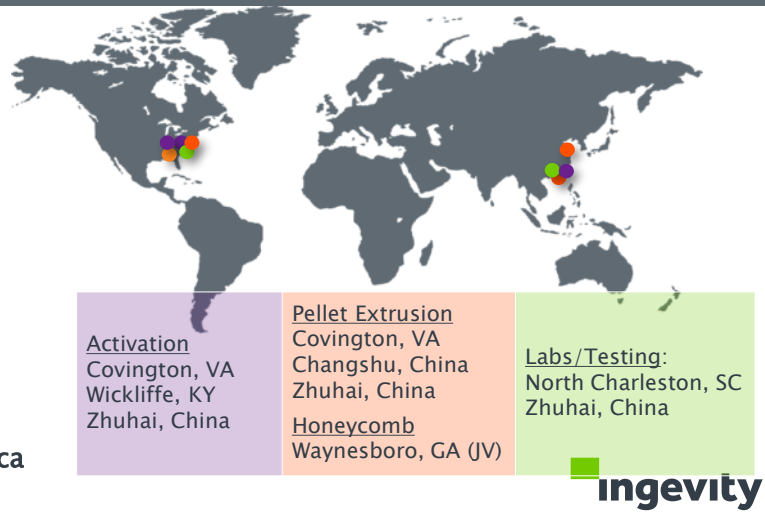
By End Market



By Region



Global Footprint



Current Evaporative Emissions Technology Around the World

	Control Technology	Countries	Vehicles* (millions)	NGVT Content ($/vehicle)
TIER 1	 1970-80s technology | 0.5 - 1.0L One-day or Multi-day Parking	Europe Japan Brazil India Russia Mexico	10.6 4.9 2.5 2.3 1.8 1.2	*$1-3*
TIER 2	 1990s technology | 2.0 - 3.0L • Multi-day parking & running loss • Plus refueling control	China	23.9	*$6-10*
TIER 3	 Modern technology "Near Zero" 2.0 - 3.0L + Scrubber	United States Canada	15.8 1.9	*$15-25*

* IHS 2019 Rivalry, gasoline using vehicle

45% of world's gasoline vehicles use 1970s technology

Regulatory Changes Driving Growth

Expect increasing regulatory standards to continue

Region	Gasoline Vehicles* (M)	One-day (e.g. Tier 1)	Multi-day (e.g. Euro 6)	Multi-day + ORVR + refueling (e.g. Tier 2 or China 6)	Near Zero (e.g. Tier 3)
US & Canada	17.7	Mid-1970s	1980s	Late 1990s	2017-2022
S. Korea	1.4	Late 1990s			2018-2022
China	23.9			2019-2020	Mid-20s
Brazil	2.5		2022	2023-2025	
Europe	10.6		2019	Mid-2020s	
Japan	4.9		Mid-2020s		
India	2.3		Mid-2020s		
Mexico	1.2				TBD

* July 2019 IHS Rivalry Forecast, Gasoline Using Light Vehicles.

Enacted Regulatory Requirement

Potential based on NGVT Management estimate

ingevity

Ingevity's '844 "Bleed" Emissions Patent
Currently relevant only to U.S./Canada

- These canister technologies are not covered by the "bleed" emissions patent
- Ingevity's granular and pellet carbon products are the preferred choice around the world to meet these regulatory standards
- Patent does not apply to China's shift to Tier 2 standards

- Ingevity's patent applies to U.S. and Canadian "near zero" standards
  - Patent expires in March 2022

Control Technology



TIER 1
1970-80s technology / 0.5-1.0L
One Day Parking
India – Europe
Japan – Brazil – S. Korea



TIER 2
1990s technology / 2.0-3.0L
- Multi-day parking & running loss
- Plus refueling control

China



TIER 3
Modern technology
"Near Zero"
2.0-3.0L + scrubber
U.S. & Canada

ingevity

Well Positioned for Value Creation



Market-leading global specialty chemical company

- Well-positioned to capitalize on:
  - Increasingly rigorous regulatory landscape
  - Emissions standards
  - Technology adoption
  - Infrastructure spending



Developing and delivering high-performance solutions

- Brings extensive technical and market expertise
- Diversified product portfolio including significant intellectual property and patents



Deep and longstanding customer relationships

- Relentless focus on developing, manufacturing, and bringing to market products and processes that help solve complex problems



Strong balance sheet and cash flow generation

- Support balanced capital deployment between investments in organic growth and opportunistic acquisitions, supported by prudent shareholder returns to drive sustained value



Experienced and proven management team

- Deep talent bench with the right skills to continue to execute strategic plan

ingevity

Appendix

Non-GAAP Financial Measures

Ingevity has presented certain financial measures, defined below, which have not been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and has provided a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP. These financial measures are not meant to be considered in isolation or as a substitute for the most directly comparable financial measure calculated in accordance with GAAP. The company believes these non-GAAP measures provide investors, potential investors, securities analysts and others with useful information to evaluate the performance of the business, because such measures, when viewed together with our financial results computed in accordance with GAAP, provide a more complete understanding of the factors and trends affecting our historical financial performance and projected future results.

Ingevity uses the following non-GAAP measures:

Adjusted earnings (loss) is defined as net income (loss) plus restructuring and other (income) charges, net, acquisition and other-related costs, pension and postretirement settlement and curtailment (income) charges and the income tax expense (benefit) on those items, less the provision (benefit) from certain discrete tax items.

Diluted adjusted earnings (loss) per share is defined as diluted earnings (loss) per common share plus restructuring and other (income) charges, net per share, acquisition and other-related costs per share, pension and postretirement settlement and curtailment (income) charges per share and the income tax expense (benefit) per share on those items, less the per share tax provision (benefit) from certain discrete tax items per share.

Adjusted EBITDA is defined as net income (loss) plus provision (benefit) for income taxes, interest expense, depreciation and amortization, restructuring and other (income) charges, net, acquisition and other-related costs, and pension and postretirement settlement and curtailment (income) charges.

Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Net sales.

Provision for Income Taxes on Adjusted Earnings is defined as provision for income taxes plus the tax expense (benefit) on restructuring and other (income) charges, net, acquisition and other-related costs, pension and postretirement settlement and curtailment (income) charges, less the provision (benefit) from certain discrete tax items.

Core SG&A is defined as selling, general, and administrative costs less intangible amortization expense related to acquisitions.

Net Debt is defined as the sum of short-term debt, current maturities of long-term debt and long-term debt less the sum of cash and cash equivalents and restricted investment.

Net Debt Ratio is defined as Net Debt divided by last twelve months Adjusted EBITDA, inclusive of acquisition-related pro forma adjustments.

Free Cash Flow is defined as the sum of cash provided by (used in) the following items: operating activities less capital expenditures

Ingevity also uses the above financial measures as the primary measures of profitability used by managers of the business. In addition, Ingevity believes Adjusted EBITDA and Adjusted EBITDA Margin are useful measures because they exclude the effects of financing and investment activities as well as non-operating activities. None of the above non-GAAP financial measures are 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. Reconciliations of these non-GAAP financial measures are set forth within the following pages.

ingevity

Reconciliation of Net Income (Loss) (GAAP) to Adjusted Earnings (Loss) (Non-GAAP)

In millions, except per data (unaudited)	Three Months Ended March 31, 2020	2019
Net income (loss) (GAAP)	$ 45.3	$ 22.7
Restructuring and other (income) charges [1]	0.5	—
Acquisition and other related costs [2]	1.3	31.2
Tax effect on items above	(0.4)	(5.3)
Certain discrete tax provision (benefit) [3]	0.5	(6.7)
Adjusted earnings (loss) (Non-GAAP)	$ 47.2	$ 41.9
Diluted earnings (loss) per common share (GAAP)	$ 1.08	$ 0.54
Restructuring and other (income) charges	0.01	—
Acquisition and other related costs	0.03	0.74
Tax effect on items above	(0.01)	(0.13)
Certain discrete tax provision (benefit)	0.01	(0.16)
Diluted adjusted earnings (loss) per share (Non-GAAP)	$ 1.12	$ 0.99
Weighted average common shares outstanding - Diluted	42.0	42.2

---

(1) For the three months ended March, 31 2020, restructuring charges of $0.2 million relate to Performance Chemicals and other charges of $0.3 million relate to business transformation initiative costs.

(2) Charges primarily relate to legal and professional fees, inventory step-up amortization, and a purchase price hedge incurred, associated with acquisitions in the Performance Chemicals segment.

In millions	Three Months Ended March 31, 2020	2019
Legal and professional service fees	$ 1.3	$ 10.1
Caprolactone Acquisition purchase price hedge adjustment	—	12.7
Acquisition-related costs	1.3	22.8
Inventory fair value step-up amortization [a]	—	8.4
Acquisition and other related costs	$ 1.3	$ 31.2

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

(3) Represents certain changes in estimates of tax matters related to prior fiscal years; certain changes in the realizability of deferred tax assets and related interim accounting impacts; excess tax benefits on stock compensation; and changes in tax law. Management believes excluding these discrete tax items assists investors, potential investors, securities analysts, and others in understanding the tax provision and the effective tax rate related to continuing operating results thereby providing useful supplemental information about operational performance.

Reconciliation of Net Income (GAAP) to Adjusted EBITDA (Non-GAAP)

In millions (unaudited)	Three Months Ended March 31, 2020	2019
Net income (loss) (GAAP)	$ 45.3	$ 22.7
Provision (benefit) for income taxes	9.9	—
Interest expense, net	10.9	11.1
Depreciation and amortization	24.3	18.5
Restructuring and other (income) charges, net	0.5	—
Acquisition and other related costs	1.3	31.2
Adjusted EBITDA (Non-GAAP)	$ 92.2	$ 83.5
Net sales	$ 288.2	$ 276.8
Net income (loss) margin	15.7%	8.2%
Adjusted EBITDA margin	32.0%	30.2%

Reconciliation of Provision for Income Taxes (GAAP) to Provision for Income Taxes on Adjusted Earnings (Non-GAAP)

In millions (unaudited)	Three Months Ended March 31, 2020	2019
Adjusted EBITDA (Non-GAAP)	$ 92.2	$ 83.5
Depreciation and amortization	24.3	18.5
Interest expense, net	10.9	11.1
Adjusted income before taxes (Non-GAAP)	$ 57.0	$ 53.9
Provision (benefit) for income taxes (GAAP)	$ 9.9	$ —
Tax effect on certain items	(0.4)	(5.3)
Discrete tax provision (benefit)	0.5	(6.7)
Provision for Income Taxes on Adjusted Earnings (Non-GAAP)	$ 9.8	$ 12.0
Tax Rate (GAAP)	17.9%	—%
Adjusted Tax Rate (Non-GAAP)	17.2%	22.3%

Reconciliation of Selling, General and Admin (SG&A) (GAAP) to Core SG&A (Non-GAAP)

In millions (unaudited)	Three Months Ended March 31,	
	2020	2019
SG&A (GAAP)	$ 38.5	$ 39.1
Intangible amortization related to acquisitions	8.0	5.1
Core SG&A (Non-GAAP)	$ 30.5	$ 34.0
Net sales	$ 288.2	$ 276.8
SG&A as a percent of Net sales	13.4%	14.1%
Core SG&A as a percent of sales	10.6%	12.3%

Calculation of Historical Net Debt Ratio (Non-GAAP)

In millions, except ratios (unaudited)	2016			2017				2018				2019				2020
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net Debt[1]	$ 445.2	$ 424.0	$ 391.7	$ 405.1	$ 370.2	$ 314.0	$ 295.8	$ 628.7	$ 600.2	$ 627.5	$ 610.2	$ 1,319.2	$ 1,267.7	$ 1,175.9	$ 1,121.0	$ 1,113.3
Adjusted EBITDA[2]	58.4	59.6	36.0	50.2	67.2	72.7	52.6	67.1	89.4	90.7	73.3	83.5	108.3	114.0	91.1	92.2
Pine Chemical Pro Forma[3]	—	—	—	6.0	5.6	7.5	7.8	4.8	—	—	—	—	—	—	—	—
Caprolactone Pro Forma [3]	—	—	—	—	—	—	—	15.1	14.5	16.7	14.8	5.5	—	—	—	—
Pro Forma Adjusted EBITDA	58.4	59.6	36.0	56.2	72.8	80.2	60.4	87.0	103.9	107.4	88.1	89.0	108.3	114.0	91.1	92.2
LTM Pro Forma Adjusted EBITDA	—	—	—	210.2	224.6	245.2	269.6	300.4	331.5	358.7	386.4	388.4	392.8	399.4	402.4	405.6
Net Debt Ratio	—	—	—	1.9x	1.6x	1.3x	1.1x	2.1x	1.8x	1.7x	1.6x	3.4x	3.2x	2.9x	2.8x	2.7x

---

(1) Represents total debt including capital lease obligation, excluding deferred financing fees, less cash and cash equivalents less restricted investment for each period included above. See the Company's Form 10-Q for each period for more information. This does not include any pro forma adjustment for acquisition related debt.

(2) Represents net income (loss) plus provision for income taxes, interest expense, depreciation and amortization, restructuring and other (income) charges, acquisition and other related costs, and pension and postretirement settlement and curtailment (income) charges for each period included above. See the Company's Form 10-Q for each period for more information.

(3) Pro forma amounts include historical results of the Pine Chemical Business and Caprolactone Business, prior to the acquisition dates of March 8, 2018 and February 13, 2019, respectively. These amounts also include adjustments as if the acquisitions had occurred on January 1st of the year preceding the acquisition date. The pro forma amounts do not include adjustments for expenses related to integration activities, cost savings, or synergies that have been or may have been realized had we acquired the businesses on January 1st of the year preceding the acquisition date. Details associated with the pro forma results for both acquisitions are included within the Management Discussion and Analysis section of the Company's Form 10-Q for each respective period.

ingevity

Calculation of Total Debt to Net Income (Loss) Ratio (GAAP) to Net Debt to Adjusted EBITDA Ratio (Non-GAAP)

In millions, except ratios (unaudited)	March 31, 2020
Notes payable and current maturities of long-term debt	$ 21.6
Long-term debt including finance lease obligations	1,467.8
Debt issuance costs	6.5
Total Debt	1,495.9
Less:	
Cash and cash equivalents [1]	310.4
Restricted investment	72.2
Net Debt	$ 1,113.3
Total Debt to Net income (loss) Ratio (GAAP)	
Twelve months ended December 31, 2019	$ 183.7
Three months ended March 31, 2019	(22.7)
Three months ended March 31, 2020	45.3
Net income (loss) - last twelve months (LTM) as of March 31, 2020	$ 206.3
Total debt to Net income (loss) ratio (GAAP)	7.25x
Net Debt Ratio (Non GAAP)	
Twelve months ended December 31, 2019	$ 396.9
Three months ended March 31, 2019	(83.5)
Three months ended March 31, 2020	92.2
Adjusted EBITDA - LTM as of March 31, 2020	$ 405.6
Net debt ratio (Non GAAP)	2.74x

(1) Includes $7.7 million of Restricted Cash related to our New Market Tax Credit arrangement.

ingevity

Reconciliation of Net Income (Loss) (GAAP) to Adjusted Earnings (Loss) (Non-GAAP)

In millions, except per data (unaudited)	Twelve Months Ended December 31, 2019	2018
Net income (loss)	$ 183.7	$ 181.8
Less: Net income (loss) attributable to noncontrolling interests	—	12.7
Net income (loss) attributable to Ingevity stockholders (GAAP)	183.7	169.1
Restructuring and other (income) charges [1]	1.8	(0.5)
Acquisition and other related costs [2]	35.3	12.2
Pension and postretirement settlement and curtailment charges (income)[4]	—	0.2
Tax effect on items above	(6.8)	(3.0)
Certain discrete tax provision (benefit) [3]	(5.9)	(2.8)
Adjusted earnings (loss) (Non-GAAP)	$ 208.1	$ 175.2
Diluted earnings (loss) per common share (GAAP)	$ 4.35	$ 3.97
Restructuring and other (income) charges	0.04	(0.01)
Acquisition and other related costs	0.84	0.28
Pension and postretirement settlement and curtailment charges (income)	—	0.01
Tax effect on items above	(0.16)	(0.07)
Certain discrete tax provision (benefit)	(0.14)	(0.07)
Diluted adjusted earnings (loss) per share (Non-GAAP)	$ 4.93	$ 4.11
Weighted average common shares outstanding - Diluted	42.2	42.6

(1) The restructuring activity relates to Performance Chemicals for all periods presented.

(2) Charges primarily relate to legal and professional fees, inventory step-up amortization, and a purchase price hedge incurred, associated with acquisitions in the Performance Chemicals segment.

In millions	Twelve Months Ended December 31, 2019	2018
Legal and professional service fees	$ 14.2	$ 6.9
Caprolactone Acquisition purchase price hedge adjustment	12.7	3.9
Acquisition-related costs	26.9	10.8
Inventory fair value step-up amortization [a]	8.4	1.4
Acquisition and other related costs	$ 35.3	$ 12.2

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

(3) Represents certain changes in estimates of tax matters related to prior fiscal years; certain changes in the realizability of deferred tax assets and related interim accounting impacts; excess tax benefits on stock compensation; and changes in tax law. Management believes excluding these discrete tax items assists investors, potential investors, securities analysts, and others in understanding the tax provision and the effective tax rate related to continuing operating results thereby providing useful supplemental information about operational performance.

(4) Charges relate to pension curtailment which are included in "Cost of sales" on the condensed statement of operations.

ingevity

Reconciliation of Net Income (GAAP) to Adjusted EBITDA (Non-GAAP)

In millions (unaudited)	Twelve Months Ended December 31, 2019	2018
Net income (loss) (GAAP)	$ 183.7	$ 181.8
Provision (benefit) for income taxes	44.2	40.0
Interest expense, net	46.9	29.8
Depreciation and amortization	85.0	57.0
Restructuring and other (income) charges, net	1.8	(0.5)
Acquisition and other related costs	35.3	12.2
Pension and postretirement settlement and curtailment charges (income)	—	0.2
Adjusted EBITDA (Non-GAAP)	$ 396.9	$ 320.5
Net sales	$ 1,292.9	$ 1,133.6
Net income (loss) margin	14.2%	16.0%
Adjusted EBITDA margin	30.7%	28.3%

Reconciliation of Provision for Income Taxes (GAAP) to Provision for Income Taxes on Adjusted Earnings (Non-GAAP)

In millions (unaudited)	Twelve Months Ended December 31, 2019	2018
Adjusted EBITDA (Non-GAAP)	$ 396.9	$ 320.5
Depreciation and amortization	85.0	57.0
Interest expense, net	46.9	29.8
Adjusted income before taxes (Non-GAAP)	$ 265.0	$ 233.7
Provision (benefit) for income taxes (GAAP)	$ 44.2	$ 40.0
Tax effect on certain items	(6.8)	(3.0)
Discrete tax provision (benefit)	(5.9)	(2.8)
Provision for Income Taxes on Adjusted Earnings (Non-GAAP)	$ 56.9	$ 45.8
Tax Rate (GAAP)	20.2%	18.0%
Adjusted Tax Rate (Non-GAAP)	21.5%	19.6%

ingevity

Calculation of Total Debt to Net Income (Loss) Ratio (GAAP) to Net Debt to Adjusted EBITDA Ratio (Non-GAAP)

In millions, except ratios (unaudited)	December 31, 2019
Notes payable and current maturities of long-term debt	$ 22.5
Long-term debt including finance lease obligations	1,228.4
Debt issuance costs	6.9
Total Debt	1,257.8
Less:	
Cash and cash equivalents [1]	64.2
Restricted investment	72.6
Net Debt	$ 1,121.0
Total Debt to Net income (loss) Ratio (GAAP)	
Net income (loss) - last twelve months (LTM) as of December 31, 2019	$ 183.7
Total debt to Net income (loss) ratio (GAAP)	6.85x
Net Debt Ratio (Non GAAP)	
Adjusted EBITDA - LTM as of December 31, 2019	396.9
Caprolactone Business Pro Forma Adjusted EBITDA LTM as of December 31, 2019 [2]	5.5
Adjusted EBITDA LTM inclusive of pro forma as of December 31, 2019	$ 402.4
Net debt ratio (Non GAAP)	2.79x

---

(1) Includes $7.7 million of Restricted Cash related to the New Market Tax Credit financing transaction which was entered into in November 2019.

(2) Pro forma amount includes historical results of the Caprolactone Business, prior to the acquisition date of February 13, 2019. This amount also includes adjustments as if the acquisition had occurred on January 1, 2018, including the effects of purchase accounting. The pro forma amounts do not include adjustments for expenses related to integration activities, cost savings, or synergies that have been or may have been realized had we acquired the businesses on January 1, 2018.

Calculation of Free Cash Flow (Non-GAAP)

In millions (unaudited)	Twelve Months Ended December 31,	
	2019	2018
Cash Flow from Operations	$ 275.7	$ 252.0
Less: Capital Expenditures	114.8	93.9
Free Cash Flow	**$ 160.9**	**$ 158.1**

ingevity

Supplemental Historical Quarterly Pro Forma Financial Information

The following unaudited pro forma condensed combined financial information has been prepared to also illustrate the effect of the acquisition of the Capa™ Caprolactone division ("Caprolactone Business") of Perstorp Holding AB (the "Seller") by Ingevity. The acquisition of the Caprolactone Business was completed on February 13, 2019 through the purchase of all outstanding equity in Perstorp UK Ltd. which was previously held by the Seller for a total of €578.9 million, less debt assumed plus accrued interest (the "Caprolactone Acquisition"). The Company funded the Caprolactone Acquisition through a combination of borrowings under Ingevity's revolving credit facilities and cash on hand. The unaudited pro forma condensed combined financial information gives effect to the Capa Acquisition.

The unaudited pro forma condensed combined financial information gives effect to the Caprolactone Acquisition and the incurrence of additional debt used to fund the acquisitions, as if the acquisition had been consummated on January 1, 2019, and combines Ingevity's historical results for the periods presented.

The unaudited pro forma condensed combined financial information gives effect to the Caprolactone Acquisition under the acquisition method of accounting in accordance with Financial Accounting Standards Board Accounting Standard Codification Topic 805, Business Combinations. The historical financial information has been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma adjustments that are (1) directly attributable to the acquisitions, (2) factually supportable, and (3) with respect to the statements of operations, expected to have a continuing impact. In addition, the historical combined financial statements of the Caprolactone Business have been adjusted to reflect certain reclassifications to conform to Ingevity's financial statement presentation.

The unaudited pro forma financial information included herein has been prepared by management in accordance with the regulations of the United States Securities and Exchange Commission ("SEC") and are not necessarily indicative of the combined financial position or results of operations that would have been realized had the Caprolactone Acquisition occurred as of the date indicated, nor are they meant to be indicative of any anticipated financial position or future results of operations. In addition, the accompanying unaudited pro forma financial information does not include any expected cost savings, operating synergies, or revenue enhancement, which may be realized subsequent to the Caprolactone Acquisition or the impact of any nonrecurring activity and one-time transaction-related costs. The ultimate recognition of such costs and liabilities would affect amounts in the unaudited pro forma condensed combined financial information, and such costs and liabilities could be material.

The estimated fair values used for the purpose of adjusting for the unaudited pro forma condensed combined financial information are preliminary, as the determination of fair value of the assets and liabilities requires extensive use of estimates and management's judgment. Final valuations will be performed and management anticipates that the values assigned to the assets acquired and liabilities assumed may be adjusted during the one-year measurement period following the date of completion of each acquisition. Differences between these preliminary estimates and the final acquisition accounting may occur and could have a material impact on the accompanying unaudited pro forma condensed combined financial information. The pro forma adjustments are based on information available to management and assumptions that management believes are factually supportable at the time the pro forma information was prepared. Ingevity undertakes no obligation to publicly release any revision to the unaudited pro forma information to update them to reflect events or circumstances occurring after the date of this disclosure.

For more information regarding Ingevity's unaudited pro forma condensed combined financial information, see "Unaudited Pro Forma Condensed Combined Financial Information" in Ingevity's Current Report on Form 8-K/A ("Form 8-K/A") filed with the U.S. Securities and Exchange Commission on April 12, 2019, copies of which may be obtained by visiting the web site of the Securities and Exchange Commission, or the SEC, at www.sec.gov. Presented below is a quarterly impact of certain pro forma adjustments for the quarter ended March 31, 2019.

Reconciliation of Condensed Statement of Operations to Pro Forma Condensed Statement of Operations
Quarter Ended March 31, 2019

In millions, except per share data	Historical Ingevity	Caprolactone Business [1]	Pro Forma
Net sales	$ 276.8	$ 17.7	$ 294.5
Cost of sales	179.7	2.6	182.3
Gross profit	97.1	15.1	112.2
Selling, general and administrative expenses	39.1	3.6	42.7
Research and technical expenses	5.1	—	5.1
Acquisition-related costs	22.8	(22.8)	—
Other (income) expense, net	(3.7)	0.5	(3.2)
Interest expense, net	11.1	3.0	14.1
Income (loss) before income taxes	22.7	30.8	53.5
Provision (benefit) for income taxes	—	7.6	7.6
Net income (loss)	22.7	23.2	45.9
Less: Net income (loss) attributable to noncontrolling interests	—	—	—
Net income (loss) attributable to Ingevity stockholders	$ 22.7	$ 23.2	$ 45.9
Diluted earnings (loss) per common share attributable to Ingevity stockholders			
Diluted	$ 0.54		$ 1.09

---

(1) Pro forma amount includes historical results of the Caprolactone Business, prior to the acquisition date of February 13, 2019. This amount also includes adjustments as if the acquisition had occurred on January 1, 2018, including the effects of purchase accounting. The pro forma amounts do not include adjustments for expenses related to integration activities, cost savings, or synergies that have been or may have been realized had we acquired the businesses on January 1, 2018.

ingevity

Reconciliation of Condensed Statement of Operations to Pro Forma Condensed Statement of Operations
Year Ended December 31, 2019

In millions, except per share data	Historical Ingevity	Caprolactone Business [1]	Pro Forma
Net sales	$ 1,292.9	$ 17.7	$ 1,310.6
Cost of sales	810.9	2.6	813.5
Gross profit	482.0	15.1	497.1
Selling, general and administrative expenses	163.1	3.6	166.7
Research and technical expenses	19.7	—	19.7
Restructuring and other (income) charges, net	1.8	—	1.8
Acquisition-related costs	26.9	(26.9)	—
Other (income) expense, net	(4.3)	0.5	(3.8)
Interest expense, net	46.9	3.0	49.9
Income (loss) before income taxes	227.9	34.9	262.8
Provision (benefit) for income taxes	44.2	6.7	50.9
Net income (loss)	183.7	28.2	211.9
Less: Net income (loss) attributable to noncontrolling interests	—	—	—
Net income (loss) attributable to Ingevity stockholders	$ 183.7	$ 28.2	$ 211.9
Diluted earnings (loss) per common share attributable to Ingevity stockholders	$ 4.35		$ 5.01

---

(1) Pro forma amount includes historical results of the Caprolactone Business, prior to the acquisition date of February 13, 2019. This amount also includes adjustments as if the acquisition had occurred on January 1, 2018, including the effects of purchase accounting. The pro forma amounts do not include adjustments for expenses related to integration activities, cost savings, or synergies that have been or may have been realized had we acquired the businesses on January 1, 2018.

ingevity

Reconciliation of Net Income (Loss) to Pro Forma Adjusted EBITDA
Quarter Ended March 31, 2019

In millions, expect percentages (unaudited)	Historical Ingevity	Pro Forma Adjustment [1]	Pro Forma
Net income (loss)	$ 22.7	$ 23.2	$ 45.9
Provision (benefit) for income taxes	—	7.6	7.6
Interest expense, net	11.1	3.0	14.1
Depreciation and amortization	18.5	2.9	21.4
Restructuring and other (income) charges, net	—	—	—
Acquisition and other related costs	31.2	(31.2)	—
Adjusted EBITDA	$ 83.5	$ 5.5	$ 89.0
Net sales	$ 276.8		$ 294.5
Net income (loss) margin	8.2%		15.6%
Adjusted EBITDA margin	30.2%		30.2%
Performance Chemicals Segment EBITDA	$ 32.3	$ 5.5	$ 37.8
Net sales	$ 167.7		$ 185.4
Segment EBITDA margin	19.3%		20.4%

(1) Pro forma amount includes historical results of the Caprolactone Business, prior to the acquisition date of February 13, 2019. This amount also includes adjustments as if the acquisition had occurred on January 1, 2018, including the effects of purchase accounting. The pro forma amounts do not include adjustments for expenses related to integration activities, cost savings, or synergies that have been or may have been realized had we acquired the businesses on January 1, 2018.

Comparison of Quarter Ended March 31, 2020 to Pro Forma March 31, 2019

In millions, expect percentages (unaudited)		Q1 2020	Pro Forma Q1 2019	$ Change	% Change
Total Ingevity	Net sales	$ 288.2	$ 294.5	$ (6.3)	(2.1)%
	Adjusted EBITDA	92.2	89.0	3.2	3.6%
Performance Chemicals Segment	Net sales	$ 167.1	$ 185.4	$ (18.3)	(9.9)%
	Adjusted EBITDA	31.0	37.8	(6.8)	(18.0)%

ingevity