Outlook for Pine Chemicals and the Rosin Industry

With a Focus on Industrial Specialties

August 25, 2021

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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.

Strong, Experienced Business Leadership



Mike Smith

Executive Vice President and President, Performance Chemicals

- Joined Ingevity in 2016
- 23 years at FMC Corporation, positions included:
  - Vice President, Health and Nutrition
  - Division General Manager Hydrogen Peroxide and Active Oxidants
  - Director of Business Planning and Strategy
  - Global Business Director, Process Additives, Manchester England
- Technical Sales Positions at Hercules in Paper Chemicals and Resins
- Bachelor of Arts degree in chemistry from the University of Virginia
- Master of Business Administration degree from the University of Michigan



Rich White

Vice President, Industrial Specialties

- Joined Ingevity in 2019
- Formerly Vice President of Global Accounts, DuPont Nutrition & Health – Copenhagen, Denmark
- 18 years at FMC Corporation, positions included:
  - General Manager, Health & Nutrition – EMEA
  - Global Sales Director, Health & Nutrition
  - Global Procurement Director
  - Marketing and Sales Director, Specialty Alkali and Lithium
- Bachelor of Arts degree in chemistry from Morgan State University
- Master of Business Administration degree from the University of Pittsburgh

Today's Agenda

1. Industrial Specialties Business Strategy
2. Tall Oil Rosin Market Dynamics
3. Tall Oil Fatty Acid Market Dynamics
4. Innovative and Emerging Uses for Industrial Specialties

1 Industrial Specialties Business Strategy

We're Strategically Focused on High Value-Added Products and Markets

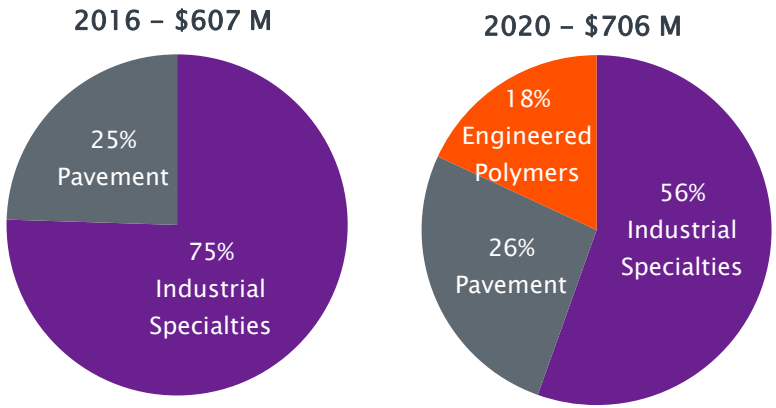
Ingevity business model across the value chain

Denotes Industrial Specialties

STRATEGICALLY VALUING UP REVENUES

	Sustainable raw materials	Essential ingredients	Technology partner
Ingevity products	▪ Tall oil fatty acid (TOFA) ▪ Tall oil rosin (TOR)	▪ Adhesives ▪ Ag chem ▪ Lubricants ▪ Paper sizing ▪ Oilfield chemicals ▪ Rubber ▪ Inks	▪ Activated carbon ▪ Pavement technologies ▪ Agricultural chemicals ▪ Engineered polymers
Margin profile	Low – medium	Medium – high	High

Performance Chemicals revenue



- Segment EBITDA margin growth **from 13% in 2016 to 21% in 2020**
- Addition of higher-margin Engineered Polymers business
- Growth in high-margin Pavement Technologies business
- Industrial Specialties initiatives to shed less profitable accounts and improve product mix, drive innovation and focus on higher-margin niche applications

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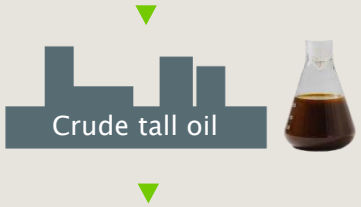
We Add Value Throughout the Pine Chemicals Chain



- **CTO contracts in place to cover ~90% of 2022 demand**; 65% covered by long-term supply agreements
- **Anticipated cost inflation over the next 4-5 years**









Intermediate products


Lignin


Tall oil fatty acid


Tall oil rosin


Biofractions

Derivative end-uses

- Ag chem
- Pavement
- Batteries
- Dyes

- Pavement
- Lubricants
- Oilfield
- Biodiesel (1)

- Adhesives
- Paper size
- Rubber
- Inks

- Sterols
- Renewable energy
- Mining

1| Early stages of market exploration and/or participation

Industrial Specialties is Driving Value From Pine-Based Chemistry

Driving value in pine chemistry

TOR-based derivatives

- Tackifier adhesives
- Paper sizing
- Rubber emulsifiers
- Ink resins

TOFA-based derivatives

- Lubricants
- Oilfield
- Mining
- Biodiesel (1)

Biofractions

- Sterols
- Renewable energy
- Mining

Customers

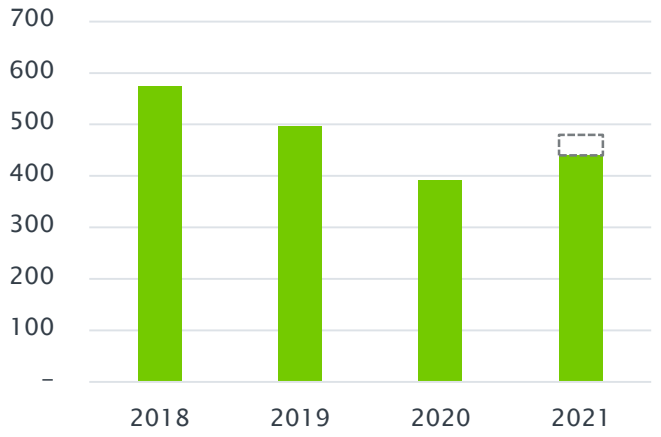
PPG, H.B. Fuller, syngenta, FlintGroup, SOLENIS, HALLIBURTON

- 500+ customers in 45 countries
- Top 20 represent 46% of business

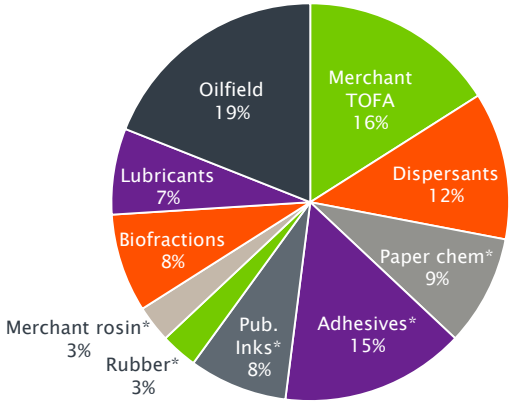
Competitors

KRATON, DRT the Best for Nature, forchem RESPOL GROUP

Sales ($M) (2)



2020 sales by market – $392 M



*rosin markets

1| Early stages of market exploration and/or participation
2| 2018 includes $20.2 million of pro forma sales; all other years are as reported

Industrial Specialties Has a Multi-Faceted Strategy

HIGHER-VALUE POSITION

- Leverage sustainable nature of renewable raw material-based pine chemistry to help meet customer ESG goals
- Focus on higher-growth applications and differentiated products

INNOVATION

- Leverage strong customer relationships to drive collaborative innovation
- Strengthen utilization of technical service capabilities
- Drive stage gate process toward commercial launch of new products

OPERATIONAL EXCELLENCE

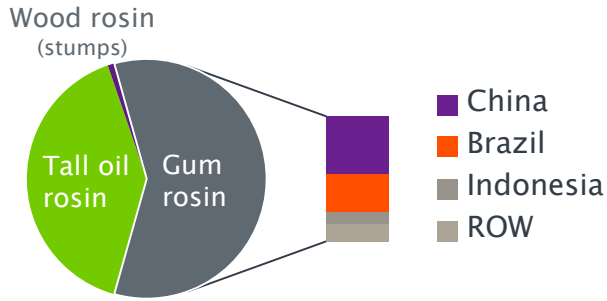
- Drive cost efficiencies across manufacturing facility network and supply chain
- Leverage manufacturing network to optimize production, product quality and flexibility in response to market conditions and growth initiatives

2 Tall Oil Rosin (TOR) Market Dynamics

Chinese and Brazilian Gum Rosin Represent the Majority of the Rosin Market

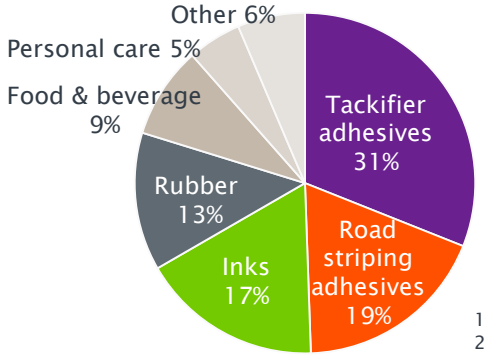
The global rosin landscape

Production by source (1)



Does not include hydrocarbon resins

Use by application (2)



1| Ingevity management estimates
2| Persistence Market Research Data

The production of Chinese gum rosin (CGR)



Gum rosin harvesting

- Chinese gum rosin is harvested annually between July – Nov. in forests via a labor-intensive process
- It is further processed into rosin and turpentine

Factors affecting supply

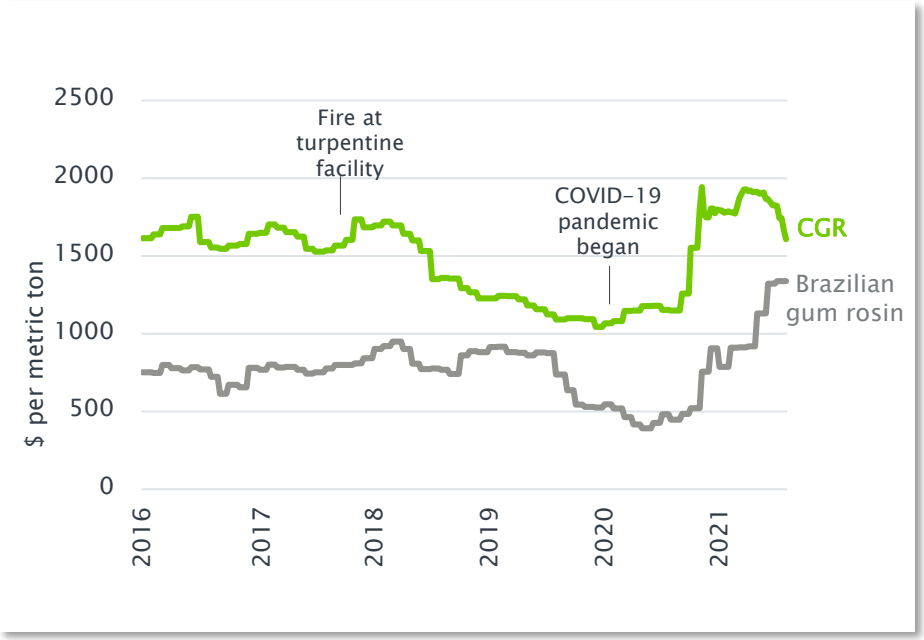
- Weather / length of harvesting season
- Harvesting labor availability
- Land leases
- Quality

Factors affecting price

- Domestic Chinese demand for gum rosin
- Availability of Brazilian/Indonesian farmed rosin
- Demand/price for natural/synthetic turpentine
- Exchange rates

TOR Pricing Is Correlated to Chinese and Brazilian Gum Rosin

Pricing behavior of TOR substitutes (1, 2)



CGR prices are up 50% compared to 12 months ago

CGR supply impact on rosin pricing

TOR pricing directionally follows CGR but typically with a timing lag

If CGR…	▶	Then producers…
Short supply (i.e. price up)	▶	Gain pricing leverage
Long supply (i.e. price down)	▶	Lose pricing leverage
Price gap between other materials increases	▶ ▶ ▶	Customers potentially alter formulas to take advantage of lower-cost material

Potential advantage or disadvantage for us

1| Chinese gum rosin: www.rosinnet.com; Chinese gum rosin is Elliotti
2| Brazil source: Aresb Aresb – Associação dos Resinadores do Brasil

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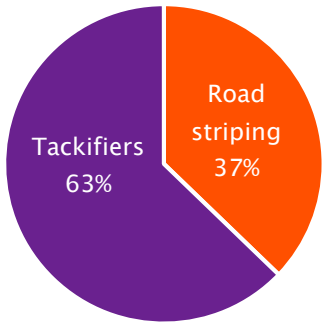
KEY GROWTH MARKET DYNAMICS

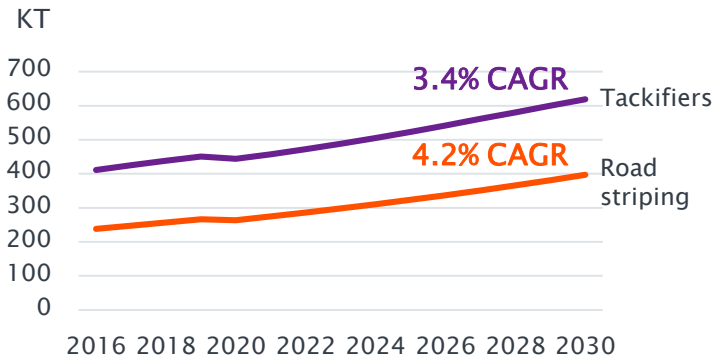
We're Combining Performance and Sustainability to Drive Growth in Adhesives

Globally, adhesives is a roughly $1B market with significant opportunity for Ingevity. (1)

Rosin use in adhesives (1)



Rosin in adhesives growth rates (1)



Key trends

- Continued emergence of **new adhesive types**
- **E-commerce driving increases in packaging** as online retailers demand more flexible, bio-based options over HCRs
- **Rosin for safety road striping** will grow with infrastructure investment; need for wider stripes to improve road safety with more autonomous vehicles on roads

Our Strategy

Most Ingevity resins are over 90% bio-based

INNOVATE

- Introduced low-color, low-odor products to better compete with H2 hydrocarbon resins
- Offer economical dark resin product for non-color sensitive applications (WestRez® 7101)
- Develop tackifiers compatible with newer higher-performing polymer grades

MARKET

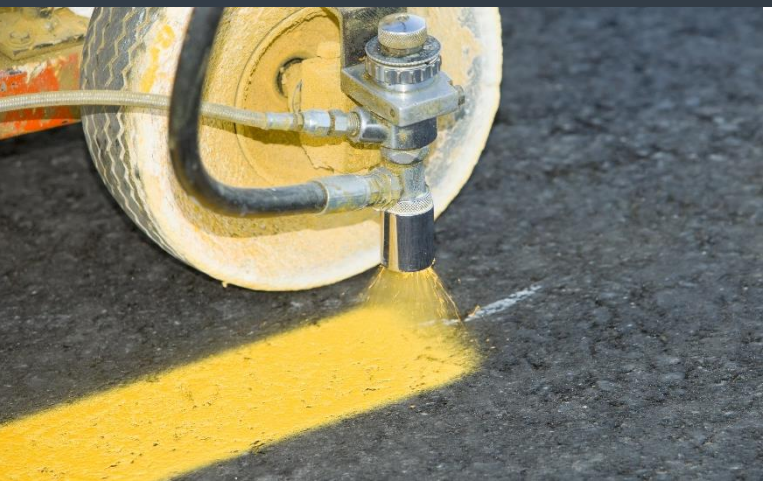
- Grow share in EMEA and Asia while increasing customer diversification

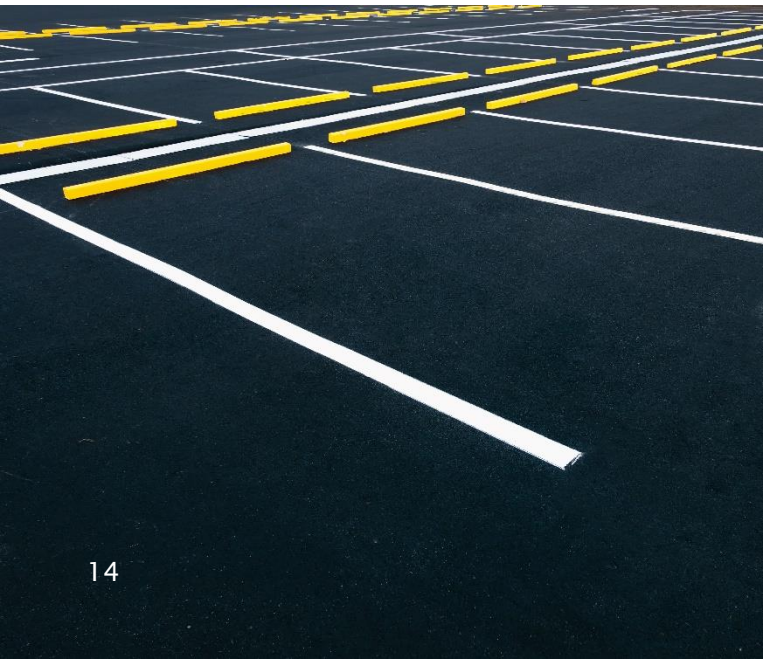
1|Persistence Market Research; 2016 – 2018, actuals; 2019 – 2030, estimates

KEY GROWTH MARKET SPOTLIGHT

Safety Road Striping Adhesives

WestRez is a 90% bio-based rosin technology that enhances adhesive performance and increases driver safety





Industry challenge

The U.S. spends $2 billion per year on safety road marking materials and transportation agencies continue to seek ways to enhance the adhesion, visibility and size of safety markings to reduce fatalities, especially considering expectations for increased use of autonomous vehicles. (1)

WestRez benefits

This market represents 50% of our adhesive sales

- TOR-based products are over 90% bio-based and outperform competing hydrocarbon resins
- Road markings containing WestRez provide improved resistance to vehicle residue, reflectivity and visibility for drivers

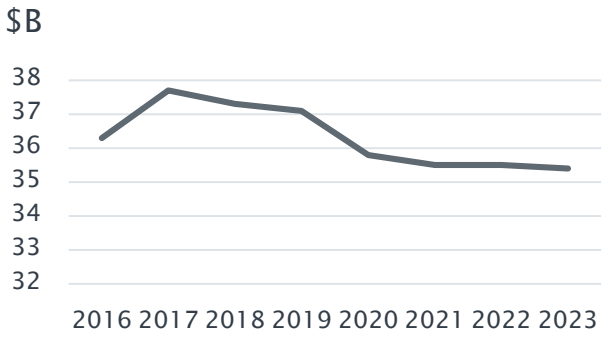
1| Data combined from U.S. Federal Highway Administration and Roads & Bridges

LEGACY MARKET DYNAMICS

We're Supporting the Inks Market With Phenol- and Formaldehyde-Free Resins

The global printing inks market is in decline but we're also seeing a positive shift to sales of our sustainable products in this space.

Global printing inks market size (1)



Since 2020, between 25% to 40% of our inks sales have come from our no-phenol, no-formaldehyde product offering (our "no no" technology).

Key trends

- Ongoing decrease in the application since 2018 expected to continue, with 2021 decline of 6% to 7% across publications space
- Online shopping is suffocating brick-and-mortar retailers, the largest print advertisers
- Ink companies' increased focus on packaging
- Sustainability preferences and regulatory pressure continue; elimination of phenol and mineral oils in inks

Our strategy

MARKET

- Maintain existing N. American business
- Selectively expand into European market with new technology
- Continue diversifying customers

SUPPLY

- Continue to drive costs out of products and supply chain

INNOVATE

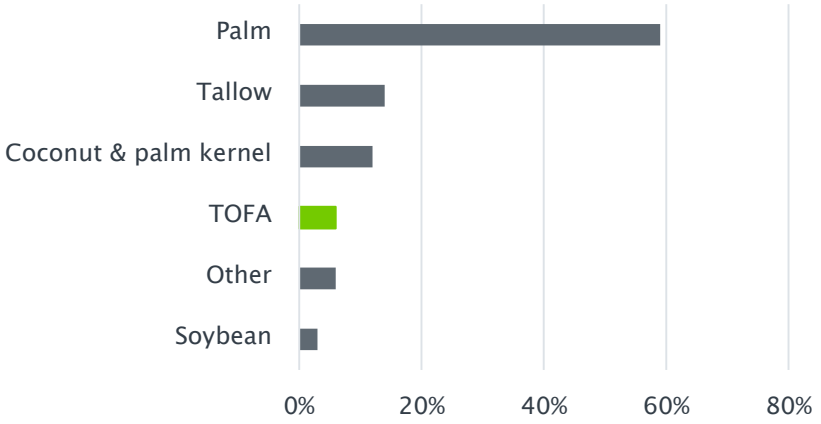
- Secure growing sales for phenol- and formaldehyde-free resins

1| The Business Research Company; 2016 – 2019, actuals; 2020 – 2023, estimated

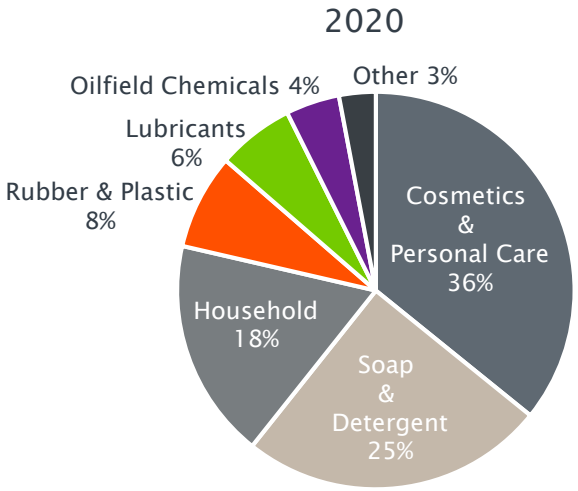
3 Tall Oil Fatty Acid (TOFA) Market Dynamics

TOFA Is a Small Fraction of the Total Global Non-Food Fatty Acid Market

Non-food fatty acid production by source (1)



Non-food fatty acid use (2)



Factors impacting TOFA supply and pricing

- Supply and pricing of other fatty acids to the degree they participate in non-food markets, considering factors such as harvest acreage, weather and labor availability
- Direct competition from other TOFA producers
- TOR demand and production
- Duties and tariffs
- Regulatory initiatives that favor certain fatty acids over others (biofuels, RED II)

1| IHS Markit "Natural Fatty Acids" data and Ingevity management estimates
2| The Business Research Company data and Ingevity management estimates

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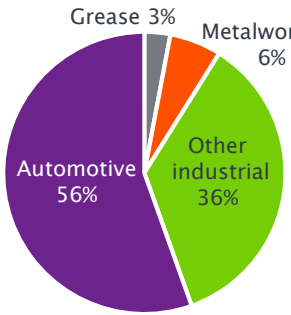
KEY GROWTH MARKET DYNAMICS

We're Leveraging the Bio-Based Nature of TOFA Derivatives into Lubricants

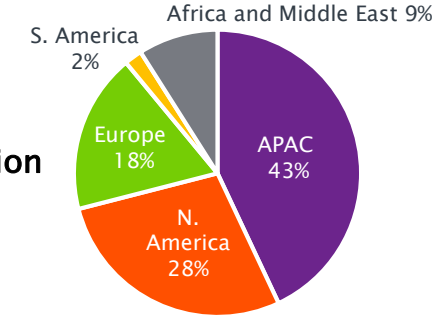
The lubricants market has a 3-4% CAGR with the largest demand occurring in China and expected further growth globally as part of continued vehicle electrification.

Global lubricants demand (1)

By application



By region



1| Kline Group 2019 data

Key trends

- **Industry consolidation** driving demand for additives that hold regulatory approval globally
- **Vehicle electrification and tighter regulations on vehicle weight** leading to need for lighter, high-strength alloys that require specialized additives to impart lubricity for easier metal formation
- **Global carbon-neutrality initiatives** expected to drive further demand for
  - High-performing greases (wind turbines)
  - More environmentally friendly hydraulic fluids (heavy-duty equipment, machinery)

Our strategy

MARKET

- Leverage existing business with multinationals to drive geographic expansion within accounts
- Expand customer base globally
- Continued focus on capturing maximum margins through product mix

INNOVATE

- Innovate additive technologies beyond metalworking fluids
- Focus on development of bio-based solutions to support growth in vehicle electrification and industrial applications

LEGACY MARKET DYNAMICS

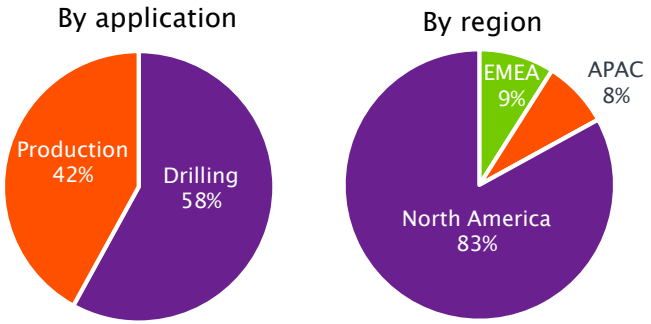
We See Continued Opportunity to Grow Adoption of Our Products in Oilfield

The oilfield market continues to recover.

Global oilfield chemicals spend/year [1]



Ingevity 2020 sales – $75.6 M



Key trends

- Oil price, supply-demand balance support industry upcycle
- N. America linear feet drilled up 23% in Q2 2021 compared to Q2 2020 [1]
- Emissions reduction trends have E&P companies focused on eco-friendly initiatives and products
- Capital discipline is a key driver for project selection
- Increased operational efficiencies call for green, high-performing specialty additive

Our strategy

MARKET
- Grow specialty additives via performance and cost
- Focus on adjacent areas (production, stimulation)
- Leverage technical service to drive product success

INNOVATE
- Diversify product pipeline
- Conduct product lifecycle evaluations
- Pull through Ingevity chemistry across value chain

GEOGRAPHY
- Build global relationships with service companies
- Customize solutions regionally; Middle East focus
- Secure global registrations for pine chemistry use

1| Spears and Associates; Actual 2016 – 2019; Estimated 2020 – 2025

LEGACY MARKET SPOTLIGHT

Oilfield Drilling and Production

Our EnvaDry® powder emulsifier additive enhances drilling mud formulation safety and is more environmentally friendly



Industry challenge

Liquid emulsifiers often pose challenges for offshore and cold-weather oil drilling and production locations due to their susceptibility to freezing temperatures and harsh conditions.

Ingevity's EnvaDry powder emulsifier

- Facilitates easier use in cold climates, as spray-dry powder is 100% active and removes challenge of pouring
- Dual-function nature of product imparts properties for fluid loss and emulsification in single product
- Reduces drum cleaning and disposal
- Requires no diluent, enhancing safety and environmental friendliness
- Reduces storage and handling costs

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4 Innovative and Emerging Uses for Industrial Specialties

Agricultural Chemicals

Our lignin-based portfolio contains sustainable, multifunctional formulation enhancers



Industry challenge

- Crop protection, micronutrients and seed treatment are high-growth global markets
- Customer base consolidation
- Safer and more complex formulations are being required

Our derivative product benefits

Crop protection

- **AltaHance™**, **AltaOil™** and **AltaSolv™** improve pesticide, insecticide and herbicide effectiveness, enabling lower treatment frequency
- **AltaBio™** dispersants line for low water-use, high-efficiency biologicals formulations

Plant health

- Slow- and controlled-release biodegradable fertilizer coatings help fertilizer last longer and extend nutrient absorption time
- Can be safely used on plants and as part of nutrient complexing agents for additional UV light protection

22

Emerging Industrial Specialties Technologies





Industry challenge

- GHG reduction push for transportation fuels driving biofuels investment in U.S. and Europe
- Demand and prices for fats, oils, residues rising; increases expected for renewable diesel
- Significant hydro-treated vegetable oil capacity from new biorefineries or traditional refinery conversation announced

- ESG goals and government regulations shifting formulations to bio-based products
- Customers highly value expanded portfolio of high-performing formulation options
- Ongoing CTO inflation

Our technology Strategy / progress

- Obtained qualification at select customers and further testing with others
- Received International Sustainability and Carbon Certification (ISCC) approval for N. Charleston plant; DeRidder, Crossett in process

- Identifying specialty products and markets outside of traditional TOFA markets; determined AFA as optimal fit for our current refinery setup
- Developing partnerships with key fatty acid suppliers for consistent feedstock
- Optimizing refinery network to produce new product stream
- Obtained initial commercial sales of AFA and AFA derivatives in H1 2021

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Industrial Specialties Has a Multi-Faceted Strategy

HIGHER-VALUE POSITION

- Leverage sustainable nature of renewable raw material-based pine chemistry to help meet customer ESG goals
- Focus on higher-growth applications and differentiated products

INNOVATION

- Leverage strong customer relationships to drive collaborative innovation
- Strengthen utilization of technical service capabilities
- Drive stage gate process toward commercial launch of new products

OPERATIONAL EXCELLENCE

- Drive cost efficiencies across manufacturing facility network and supply chain
- Leverage manufacturing network to optimize production, product quality and flexibility in response to market conditions and growth initiatives