



## Ashland reports financial results<sup>1</sup> for fourth-quarter fiscal 2023; issues outlook for first-quarter fiscal 2024

November 8, 2023

- Sales of \$518 million, down eighteen percent from the prior-year quarter
- Net loss (including discontinued operations) of \$4 million, or \$0.07 per diluted share
- Loss from continuing operations of \$8 million, or \$0.15 per diluted share
- Adjusted income from continuing operations excluding intangibles amortization expense of \$21 million, or \$0.41 per diluted share
- Adjusted EBITDA of \$74 million
- Cash flows provided by operating activities of \$130 million; ongoing free cash flow<sup>2</sup> of \$104 million

WILMINGTON, Del., Nov. 08, 2023 (GLOBE NEWSWIRE) -- Ashland Inc. (NYSE: ASH) today announced financial results<sup>1</sup> for the fourth quarter of fiscal year 2023, which ended September 30, 2023, together with its fiscal year 2023 results summary and first-quarter fiscal 2024 outlook. The global additives and specialty ingredients company holds leadership positions in high-quality, consumer-focused markets including pharmaceuticals, personal care and architectural coatings.

Sales were \$518 million, down eighteen percent versus the prior-year quarter. Results during the quarter reflect market-demand dynamics and underlying business performance that were generally consistent with previously communicated expectations. Pricing remained favorable for all segments other than Intermediates. Volumes during the quarter continued to be negatively impacted by customer inventory destocking across most end markets. Foreign currency favorably impacted sales by approximately two percent.

Net loss was \$4 million, down from \$57 million of income in the prior-year quarter. Loss from continuing operations was \$8 million, down from \$60 million of income in the prior-year quarter, or a loss of \$0.15 per diluted share, down from income of \$1.09. Adjusted income from continuing operations excluding intangibles amortization expense was \$21 million, down from \$80 million in the prior-year quarter, or \$0.41 per diluted share, down from \$1.46. Adjusted EBITDA was \$74 million, down fifty percent from \$147 million in the prior-year quarter, driven primarily by continued customer inventory destocking across most end markets and additional inventory-reduction actions taken to better position the company for more conservative demand scenarios.

Average diluted shares outstanding totaled 51 million as of September 30, 2023, down from 55 million in the prior-year quarter, following the company's share repurchase activities during the fiscal year. Earlier in fiscal year 2023, Ashland's Board of Directors approved a new \$1 billion evergreen share repurchase authorization.

Cash flows provided by operating activities totaled \$130 million, down from \$179 million in the prior-year quarter. Ongoing free cash flow<sup>2</sup> totaled \$104 million compared to \$93 million in the prior-year quarter, reflecting the company's efforts to reduce its inventory balances.

"Results in the September quarter were consistent with the earnings update we issued last week," said Guillermo Novo, chair and chief executive officer, Ashland. "Customer demand was generally consistent with our expectations in the fourth quarter. While we are seeing certain signs of stabilizing demand and reduced destocking actions by customers, there continues to be limited visibility regarding the timing of demand normalization."

"As a result, we proactively took additional inventory-control actions to manage production, reduce inventory levels and drive stronger free cash flow generation," continued Novo. "Although these actions will better position Ashland to operate in an uncertain and potentially lower demand environment, they resulted in Adjusted EBITDA for the quarter and full year that were below our original expectations. To drive improved performance, we are taking portfolio and investment actions during fiscal year 2024."

### Reportable Segment Performance

To aid in the understanding of Ashland's ongoing business performance, the results of Ashland's reportable segments are described below on an adjusted basis. In addition, EBITDA and adjusted EBITDA are reconciled to operating income in Table 4. Free cash flow, ongoing free cash flow and adjusted operating income are reconciled in Table 6 and adjusted income from continuing operations, adjusted diluted earnings per share and adjusted diluted earnings per share excluding intangible amortization expense are reconciled in Table 7 of this news release. These adjusted results are considered non-GAAP financial measures. For a full description of the non-GAAP financial measures used, see the "Use of Non-GAAP Measures" section that further describes these adjustments below.

### Life Sciences

Sales were \$203 million, down five percent from the prior-year quarter. Sustained pricing was more than offset by customer destocking in most end markets. Pharma demand remained healthy, though volumes declined compared to a strong prior-year period. Sales to nutrition customers remain weak due to persistent customer destocking. Sales of Nutraceuticals products demonstrated a solid recovery compared to a weak prior year. Foreign currency favorably impacted sales by \$5 million or two percent.

Adjusted operating income was \$31 million compared to \$40 million in the prior-year quarter. Adjusted EBITDA was \$48 million compared to \$57 million in the prior-year quarter, primarily reflecting the impact of favorable pricing, lower volumes and \$6 million of inventory-control actions. Foreign currency favorably impacted adjusted EBITDA by \$5 million, or nine percent.

#### **Personal Care**

Sales were \$146 million, down twenty-two percent from the prior-year quarter. Customer destocking across end markets more than offset sustained pricing. Foreign currency favorably impacted sales by \$5 million or three percent.

Adjusted operating income was \$14 million compared to \$35 million in the prior-year quarter. Adjusted EBITDA was \$36 million compared to \$56 million in the prior-year quarter, primarily reflecting the impact of lower volumes and \$5 million of inventory-control actions. Foreign currency favorably impacted adjusted EBITDA by \$3 million, or five percent.

#### **Specialty Additives**

Sales were \$144 million, down twenty-three percent from the prior-year quarter, primarily reflecting customer destocking across end markets, with architectural coatings less impacted by comparison. Foreign currency favorably impacted sales by \$3 million or two percent.

Adjusted operating loss was \$12 million, compared to income of \$24 million in the prior-year quarter. Adjusted EBITDA was \$8 million compared to \$43 million in the prior-year quarter, primarily reflecting the impact of lower volumes and \$38 million of inventory-control actions. Foreign currency favorably impacted adjusted EBITDA by \$1 million, or two percent.

#### **Intermediates**

Sales were \$37 million down forty-two percent from the prior-year quarter, driven by lower pricing and volumes for both merchant and captive sales. Captive internal butanediol (BDO) sales are recognized at market-based pricing which was down compared to the prior-year quarter.

Adjusted operating income was zero compared to \$14 million in the prior-year quarter. Adjusted EBITDA was \$3 million, including \$9 million of inventory-control actions, compared to \$17 million in the prior-year quarter.

#### **Unallocated & Other**

Unallocated and Other expense was \$43 million compared to \$34 million in the prior-year quarter. Adjusted Unallocated and Other expense EBITDA was \$21 million compared to \$26 million in the prior-year quarter, primarily reflecting lower incentive compensation accruals.

#### **Fiscal Year 2023 Results Summary**

Sales were \$2.2 billion, down eight percent from the prior year. Sustained pricing and resilient demand for pharmaceutical products was more than offset by persistent customer inventory destocking across most other end markets since early in the fiscal year.

Net income was \$178 million, down from \$927 million in the prior year. Net income in fiscal year 2022 included income from discontinued operations related to the sale of the Performance Adhesives business. Income from continuing operations was \$168 million, down from \$181 million in the prior year, or \$3.13 per diluted share, down from \$3.20. Adjusted income from continuing operations excluding intangibles amortization expense was \$218 million, down from \$322 million in the prior year, or \$4.07 per diluted share, down from \$5.70.

Adjusted EBITDA was \$459 million, down twenty-two percent from \$590 million in the prior year. Adjusted EBITDA margin decreased to twenty-one percent, a 380 basis-point decrease compared to the prior year.

Cash flows provided by operating activities totaled \$294 million, up from \$193 million in the prior year. Ongoing free cash flow<sup>2</sup> totaled \$217 million compared to \$127 million in the prior year, primarily driven by improved working capital inflows driven by inventory-reductions actions taken during the second-half of the year.

#### **Financial Outlook**

As part of its regular financial planning process and in concert with extensive customer discussions, the company has analyzed numerous demand-recovery scenarios for fiscal year 2024. While there is evidence that customer destocking across many end markets is slowing, a great deal of uncertainty remains. The company's view is that recovery is likely to be back-end loaded into the second half of the fiscal year. In addition, consideration for the impact in fiscal 2024 of the announced portfolio-optimization actions is being layered into forecast models as the commercial teams engage with customers. Given the overall uncertainty, at this time the company is not issuing an outlook for fiscal year 2024 but will provide an update regarding its financial outlook during its fiscal-first quarter earnings call.

For the fiscal-first quarter, demand in October has demonstrated some sequential improvement, though customer destocking continues across many end markets. First-quarter financial results will include carryover impacts from internal inventory-control actions that will negatively impact results compared to prior year. Customer order lead times have returned to more normalized levels and November orders are consistent with expectations. At this time, visibility into December demand is limited and uncertainty remains as to whether some customers decide to take year-end inventory control actions. Taking these factors into account, for the fiscal-first quarter the company expects sales in the range of \$470 million to \$490 million and adjusted EBITDA in the range of \$55 million to \$65 million.

"As I stated last week, we are repositioning Ashland to further reduce our participation in lower profitability markets where we do not have strong leadership positions. We plan to redeploy assets to support productivity or growth in the new technology platforms we outlined at our Innovation Day in early September," continued Novo. "These actions further enhance focus on our pharmaceuticals, personal care and coatings businesses and position the company well for improved performance and profitability. I look forward to discussing our fiscal-fourth quarter financial results and outlook in more detail during our earnings call and webcast tomorrow morning," concluded Novo.

#### **Conference Call Webcast**

The company's live webcast with securities analysts will include an executive summary and detailed remarks. The live webcast will take place at 8 a.m. ET on Thursday, November 9, 2023. Simultaneously, the company will post a slide presentation in the Investor Relations section of its website at <http://investor.ashland.com>.

To access the call by phone, please go to [this registration link](#) and you will be provided with dial in details. To avoid delays, we encourage participants to dial into the conference call fifteen minutes ahead of the scheduled start time.

Following the live event, an archived version of the webcast and supporting materials will be available for 12 months on <http://investor.ashland.com>.

### **Use of Non-GAAP Measures**

Ashland believes that by removing the impact of depreciation and amortization and excluding certain non-cash charges, amounts spent on interest and taxes and certain other charges that are highly variable from year to year, EBITDA, adjusted EBITDA, EBITDA margin and adjusted EBITDA margin provide Ashland's investors with performance measures that reflect the impact to operations from trends in changes in sales, margin and operating expenses, providing a perspective not immediately apparent from net income, operating income, net income margin and operating income margin. The adjustments Ashland makes to derive the non-GAAP measures of EBITDA, adjusted EBITDA, EBITDA margin and adjusted EBITDA margin exclude items which may cause short-term fluctuations in net income and operating income and which Ashland does not consider to be the fundamental attributes or primary drivers of its business. EBITDA, adjusted EBITDA, EBITDA margin and adjusted EBITDA margin provide disclosure on the same basis as that used by Ashland's management to evaluate financial performance on a consolidated and reportable segment basis and provide consistency in our financial reporting, facilitate internal and external comparisons of Ashland's historical operating performance and its business units, and provide continuity to investors for comparability purposes. EBITDA margin and adjusted EBITDA margin are defined as EBITDA and adjusted EBITDA divided by sales for the corresponding period.

Key items, which are set forth on Table 7 of this release, are defined as financial effects from significant transactions that, either by their nature or amount, have caused short-term fluctuations in net income and/or operating income which Ashland does not consider to reflect Ashland's underlying business performance and trends most accurately. Further, Ashland believes that providing supplemental information that excludes the financial effects of these items in the financial results will enhance the investor's ability to compare financial performance between reporting periods.

Tax-specific key items, which are set forth on Table 7 of this release, are defined as financial transactions, tax law changes or other matters that fall within the definition of key items as described above. These items relate solely to tax matters and would only be recorded within the income tax caption of the Statement of Consolidated Income. As with all key items, due to their nature, Ashland does not consider the financial effects of these tax-specific key items on net income to be the most accurate reflection of Ashland's underlying business performance and trends.

The free cash flow metrics enable Ashland to provide a better indication of the ongoing cash being generated that is ultimately available for both debt and equity holders as well as other investment opportunities. Unlike cash flow provided by operating activities, free cash flow and ongoing free cash flow include the impact of capital expenditures from continuing operations and other significant items impacting free cash flow, providing a more complete picture of current and future cash generation. Free cash flow, ongoing free cash flow, and free cash flow conversion are non-GAAP liquidity measures that Ashland believes provide useful information to management and investors about Ashland's ability to convert Adjusted EBITDA to ongoing free cash flow. These liquidity measures are used regularly by Ashland's stakeholders and industry peers to measure the efficiency at providing cash from regular business activity. Free cash flow, ongoing free cash flow, and free cash flow conversion have certain limitations, including that they do not reflect adjustments for certain non-discretionary cash flows such as mandatory debt repayments. The amount of mandatory versus discretionary expenditures can vary significantly between periods.

Adjusted diluted earnings per share is a performance measure used by Ashland and is defined by Ashland as earnings (loss) from continuing operations, adjusted for identified key items and divided by the number of outstanding diluted shares of common stock. Ashland believes this measure provides investors additional insights into operational performance by providing earnings and diluted earnings per share metrics that exclude the effect of the identified key items and tax specific key items.

Adjusted diluted earnings per share, excluding intangibles amortization expense metric enables Ashland to demonstrate the impact of non-cash intangibles amortization expense on earnings per share, in addition to key items previously mentioned. Ashland's management believes this presentation is helpful to illustrate how previous acquisitions impact applicable period results.

### **About Ashland**

Ashland Inc. (NYSE: ASH) is a global additives and specialty ingredients company with a conscious and proactive mindset for environment, social and governance (ESG). The company serves customers in a wide range of consumer and industrial markets, including architectural coatings, construction, energy, food and beverage, nutraceuticals, personal care and pharmaceutical. Approximately 3,800 passionate, tenacious solvers thrive on developing practical, innovative and elegant solutions to complex problems for customers in more than 100 countries. Visit [ashland.com](http://ashland.com) and [ashland.com/ESG](http://ashland.com/ESG) to learn more.

### **Forward-Looking Statements**

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Ashland has identified some of these forward-looking statements with words such as "anticipates," "believes," "expects," "estimates," "is likely," "predicts," "projects," "forecasts," "objectives," "may," "will," "should," "plans" and "intends" and the negative of these words or other comparable terminology. Ashland may from time to time make forward-looking statements in its annual reports, quarterly reports and other filings with the SEC, news releases and other written and oral communications. These forward-looking statements are based on Ashland's expectations and assumptions, as of the date such statements are made, regarding Ashland's future operating performance, financial, operating cash flow and liquidity, as well as the economy and other future events or circumstances. These statements include but may not be limited to Ashland's expectations regarding its ability to drive sales and earnings growth and manage costs.

Ashland's expectations and assumptions include, without limitation, internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, operating efficiencies and economic conditions (such as prices, supply and demand, cost of raw materials, and the ability to recover raw-material cost increases through price increases), and risks and uncertainties associated with the following: the impact of acquisitions and/or divestitures Ashland has made or may make (including the possibility that Ashland may not realize the anticipated benefits from such transactions); Ashland's substantial indebtedness (including the possibility that such indebtedness and related restrictive covenants may adversely affect Ashland's future cash flows, results of operations, financial condition and its ability to repay debt); severe weather, natural disasters, public health crises, cyber events and legal proceedings and claims (including product recalls, environmental and asbestos matters); the effects of the ongoing Ukraine and Russia conflict, on the geographies in which we operate, the end markets we serve and on our supply chain and customers, and without limitation, risks and uncertainties affecting Ashland that are described in Ashland's most recent Form 10-K (including Item 1A Risk Factors) filed with the SEC, which is available on Ashland's website at <http://investor.ashland.com> or on the SEC's website at <http://www.sec.gov>. Various risks and uncertainties may cause actual results to differ materially from those stated, projected or implied by any forward-looking statements. Ashland believes its expectations and assumptions are reasonable, but there can be no assurance that the expectations reflected herein will be achieved. Unless legally required, Ashland undertakes no obligation to update any forward-looking statements made in this news release whether as a result of

new information, future events or otherwise.

<sup>1</sup>Financial results are preliminary until Ashland's Form 10-K is filed with the U.S. Securities and Exchange Commission.

<sup>2</sup>The ongoing free cash flow metric excludes the impact of inflows and outflows from U.S. Accounts Receivable Sales Program and payments related to restructuring and environmental and litigation-related matters in both the current-year and prior-year periods.

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**Attachments**

- [Q4 2023 Earnings Release 20231108](#)
- [Q4 2023 Earnings Release with Tables 20231108](#)
- [ER Tables Q4 FY23 FNL 11.3.23](#)