



Ashland reports financial results for fourth-quarter fiscal 2024¹, issues outlook for full-year fiscal 2025, provides portfolio optimization update and announces strategy update event

November 6, 2024

Financial results for fourth-quarter fiscal 2024¹

- Sales of \$522 million, up one percent from the prior-year quarter
- Sold nutraceuticals business to Turnspire Capital Partners LLC
- Previously announced carboxymethylcellulose (CMC), methylcellulose (MC) and nutraceuticals portfolio optimization initiatives reduced overall sales by approximately \$24 million or five percent versus the prior-year quarter
- Income from continuing operations of \$19 million, or \$0.39 per diluted share
- Adjusted income from continuing operations excluding intangibles amortization expense of \$61 million, or \$1.26 per diluted share
- Adjusted EBITDA of \$124 million, up 68 percent from the prior-year quarter
- Adjusted EBITDA below expectations, driven primarily by hydroxyethyl cellulose (HEC) operating issues of approximately \$5 million while commissioning productivity investments in Specialty Additives, and softer coatings demand in China.
- Cash flows provided by operating activities of \$80 million; ongoing free cash flow² of \$88 million
- Repurchased 1.7 million shares

WILMINGTON, Del., Nov. 06, 2024 (GLOBE NEWSWIRE) -- Ashland Inc. (NYSE: ASH) today announced financial results¹ for the fourth quarter of fiscal year 2024, which ended September 30, 2024, together with its fiscal year 2024 results summary, full-year fiscal 2025 outlook and provided an update on portfolio optimization activities. Ashland, a global additives and specialty ingredients company, holds leadership positions in high-quality, consumer-focused markets including pharmaceuticals, personal care and architectural coatings.

Sales in the fourth quarter were \$522 million, versus \$518 million in the prior-year quarter. Sales volume improved within the Personal Care, Specialty Additives and Intermediates segments, partially offset by lower Life Sciences sales volumes. Sales volume in Life Sciences was lower due to the CMC and nutraceuticals portfolio optimization initiatives. Consolidated year-over-year quarterly sales volumes increased, up four percent. Pricing was softer versus the prior year in a moderately deflationary raw material environment. The previously announced CMC, MC and nutraceuticals portfolio optimization initiatives reduced overall sales by approximately \$24 million or five percent during the fourth quarter as certain lower margin products were curtailed or divested. Foreign currency favorably impacted sales by \$2 million.

Net income was \$16 million, up from a net loss of \$4 million in the prior-year quarter. Income from continuing operations was \$19 million, up from a loss of \$8 million in the prior-year quarter, or income of \$0.39 per diluted share, up from a loss of \$0.15. Adjusted income from continuing operations excluding intangibles amortization expense was \$61 million, up from \$21 million in the prior-year quarter, or \$1.26 per diluted share, up from \$0.41. Adjusted EBITDA was \$124 million, up 68 percent from \$74 million in the prior-year quarter, driven by a sales and production volume recovery versus inventory corrective actions in the prior year, improving product mix due to portfolio optimization and deflationary raw materials, partially offset with lower pricing. Foreign currency had a \$5 million favorable impact on Adjusted EBITDA when compared to the prior-year quarter.

Average diluted shares outstanding totaled 49 million in the fourth quarter, down from 51 million in the prior-year quarter following the company's share repurchase activities over the past 12 months. Ashland repurchased 1.7 million shares during the fourth quarter and now has \$620 million remaining under the existing evergreen share repurchase authorization.

Cash flows provided by operating activities totaled \$80 million, down from \$130 million in the prior-year quarter. Ongoing free cash flow² totaled \$88 million compared to \$104 million in the prior-year quarter.

"Customer demand was generally consistent with our expectations in the fourth quarter and all business units delivered organic sales volume growth," said Guillermo Novo, chair and chief executive officer, Ashland. "We generated high-single-digit revenue growth versus the prior year when adjusting for the full-quarter impact of our nutraceuticals divestiture and portfolio improvement initiatives. While most of our markets remain resilient, there were specific areas of weakness, primarily in China."

"Year-over-year profitability grew significantly as our sales volume converged with customer end market demand and we compare against last year's inventory reduction actions. Overall absorption at one of our U.S. cellulosic facilities was lower than expected due to unplanned manufacturing challenges related to the start-up of HEC productivity investments. Production at the site has normalized starting in early October," concluded Novo.

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 \$192 million, down five percent from the prior-year quarter, primarily reflecting the CMC and nutraceuticals portfolio optimization initiatives, partially offset with pharma and crop-care sales growth. Pharma generated six percent revenue growth versus the prior-year quarter with stronger sales volumes that were partially offset by lower pricing. The CMC portfolio optimization initiative and nutraceuticals disposition reduced life sciences sales by approximately \$15 million or seven percent during the fourth quarter. Foreign currency had a \$1 million favorable impact on sales when compared to the prior-year quarter.

Adjusted operating income was \$41 million compared to \$31 million in the prior-year quarter. Adjusted EBITDA was \$56 million, up 17 percent from \$48 million in the prior-year quarter. Adjusted EBITDA growth primarily reflects higher production volumes, improved product mix, partially offset by lower pricing and the nutraceuticals divestiture. Foreign currency favorably impacted Adjusted EBITDA by \$1 million when compared to the prior-year quarter.

Personal Care

Sales were \$162 million, up 11 percent from the prior-year quarter, primarily reflecting higher sales volume, particularly in skin care and hair care, on improved demand in most regions. Personal Care's globalization initiatives for biofunctionals and microbial protection delivered strong growth versus the prior-year quarter. As expected, oral care sales were adversely impacted by order timing with a key customer. The performance impact from Avoca moderated in the quarter, reflecting the start of actions to sell or exit the business. The CMC portfolio optimization initiative reduced personal care sales by approximately \$3 million or two percent during the fourth quarter. Foreign currency had a negligible impact on sales when compared to the prior-year quarter.

Adjusted operating income was \$27 million compared to \$14 million in the prior-year quarter. Adjusted EBITDA was \$47 million, up 31 percent from \$36 million in the prior-year quarter. Adjusted EBITDA growth primarily reflects the impact of higher sales volumes and improved product mix. Foreign currency had a negligible impact on Adjusted EBITDA when compared to the prior-year quarter.

Specialty Additives

Sales were \$144 million, consistent with the prior-year quarter, primarily reflecting higher sales volumes in coatings and performance specialties, offset by MC and CMC portfolio optimization and lower pricing. Lower pricing was primarily in coatings with the largest impact in China. The negative performance impact from energy end markets moderated on a soft comparison in the prior year. The CMC and MC portfolio optimization initiative reduced Specialty Additives sales by approximately \$6 million or four percent during the fourth quarter. Foreign currency favorably impacted sales by \$1 million or one percent.

Adjusted operating income was \$13 million compared to a loss of \$12 million in the prior-year quarter. Adjusted EBITDA was \$29 million, up 263 percent from \$8 million in the prior-year quarter. Adjusted EBITDA growth primarily reflects the impact of significantly higher production volumes, partially offset by lower pricing. Foreign currency had a negligible impact on Adjusted EBITDA when compared to the prior-year quarter.

Intermediates

Sales were \$36 million, down three percent from the prior-year quarter. Merchant sales totaled \$24 million, down from \$25 million in the prior-year quarter, driven primarily by lower n-methyl-2-pyrrolidone (NMP) pricing which was partially offset with increased merchant butanediol (BDO) volumes. Captive internal BDO sales were \$12 million, in-line with the prior-year quarter. Captive internal BDO sales are recognized at market-based pricing. Foreign currency had a negligible impact on sales when compared to the prior-year quarter.

Adjusted operating income was \$7 million compared to zero in the prior-year quarter. Adjusted EBITDA was \$10 million, up 233 percent from \$3 million in the prior-year quarter. Adjusted EBITDA growth primarily reflects the impact of significantly higher production volumes and improved product mix, partially offset by lower pricing. Foreign currency had a negligible impact on Adjusted EBITDA when compared to the prior-year quarter.

Unallocated & Other

Unallocated and other expense was \$41 million compared to \$43 million in the prior-year quarter. Adjusted unallocated and other expense EBITDA was \$18 million compared to \$21 million in the prior-year quarter.

Fiscal Year 2024 Results Summary

Sales were \$2.1 billion, down four percent from the prior year. A second half demand recovery was more than offset by portfolio optimization actions, softer pricing and normalized competitive dynamics and the related share shift in vinyl pyrrolidone and derivatives (VP&D) pharma.

Net income was \$169 million, down from \$178 million in the prior year. Income from continuing operations was \$199 million, up from \$168 million in the prior year, or \$3.95 per diluted share, up from \$3.13. Adjusted income from continuing operations excluding intangibles amortization expense was \$224 million, up from \$218 million in the prior year, or \$4.45 per diluted share, up from \$4.07.

Adjusted EBITDA was \$459 million, in-line with the prior year. A second half demand recovery paired with increased production volumes, deflationary raw materials and improved product mix due to portfolio optimization was offset by first half inventory destocking, softer pricing and higher selling, administrative, research and development (SARD) expenses, primarily related to the reset of variable compensation. Adjusted EBITDA margin increased to twenty-two percent: an 80 basis-point increase compared to the prior year.

Cash flow provided by operating activities totaled \$462 million, up from \$294 million in the prior year. Ongoing free cash flow² totaled \$270 million compared to \$217 million in the prior year.

Portfolio Optimization Actions

Ashland is taking the following actions to offset the impact of portfolio optimization and to further strengthen the company's core:

- Reviewing strategic alternatives for Avoca business line,
- Completed a share buyback program of \$150 million to offset the annual adjusted earnings per share impact from the

divestiture of nutraceuticals and the future exit of Avoca,

- Initiation of \$30 million restructuring plan to offset impact from the nutraceuticals sale and other portfolio optimization actions, with 50 percent realization in fiscal year 2025 and 50 percent in fiscal year 2026,
- Advancing a multi-year manufacturing optimization restructuring plan to improve operational cost and strengthen the competitive position of HEC and VP&D which is expected to generate pre-tax savings of \$60 million once fully achieved, including savings of \$5 million in fiscal year 2025.

Financial Outlook

For fiscal year 2025, Ashland's outlook is based on the following assumptions:

- Continued geopolitical and economic uncertainty results in lower overall growth in most regions,
- China's economy will remain challenged for the fiscal year, especially the property market,
- Increased competitive intensity in China and several export markets result in volume growth being partially offset by additional price erosion,
- +\$45 million in improved first-half absorption when compared to inventory actions in fiscal 2024,
- +\$20 million in realized cost reduction actions,
- generally stable raw material environment,
- (\$30) million from reduced earnings and stranded costs from our nutraceuticals sale and other portfolio optimization actions,
- (\$20) million in negative price carryover from fiscal year 2024,
- For Avoca, Ashland exited an unprofitable tolling operation and will sell or close the remaining sclareolide business; (\$15) million year-over-year EBITDA erosion, and
- (\$10) million in variable incentive reset.

For fiscal year 2025, Ashland expects sales to be in the range of \$1.90 billion to \$2.05 billion, and Adjusted EBITDA to be in the range of \$430 million to \$470 million.

"Our portfolio optimization actions allow us to focus on high-value areas where we have technical and market leadership and our Globalize and Innovate initiatives will provide longer term growth catalysts," said Guillermo Novo. "Although overall demand trends are improving, there is uncertainty around specific industry and regional dynamics, primarily related to challenging market conditions in China. In fiscal year 2025, we anticipate growing volumes to be partially offset with increased pricing competition."

"In an environment with moderate growth and elevated uncertainty, we are increasing our focus on controllables that drive near term financial performance," continued Novo. "Our priorities are to strengthen our core businesses and maximize performance by bolstering our competitive position."

"To strengthen our core, we are initiating a restructuring plan to reduce our cost structure, increase manufacturing productivity and reduce our product cost, especially in our HEC and VP&D businesses. We have strengthened our teams, and they remain focused on driving our strategy of Execute, Globalize, and Innovate to deliver profitable organic growth. We are confident our strategy positions us well for the upcoming fiscal year and beyond. I look forward to sharing more insight into our plans as well as our outlook for fiscal year 2025 during our earnings call tomorrow morning," finished 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 9 a.m. ET on Thursday, November 7, 2024. 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>.

Strategy update event

Ashland will host a strategy update event on Tuesday, December 10, 2024, in New York City. Presentations are expected to begin at 9:00 a.m. ET and conclude following Q&A sessions at 11:00 a.m. ET. After Q&A, in-person attendees will have the opportunity to discuss key initiatives with business line leaders and scientists in breakout sessions until 12:00 p.m. ET. The company will provide an in-depth review of Ashland's strategic priorities and key initiatives with an increased emphasis on driving near-term performance.

The event will include presentations and prepared remarks from members of Ashland's executive team, as well as breakout sessions for in-person attendees. There will be an opportunity for both live and webcast attendees to ask questions during moderated Q&A sessions. By the start of the live event, Ashland will post the presentation and supporting materials and make them available for 12 months on <http://investor.ashland.com>.

Early registration is encouraged because in person seating is limited. To register, participants should use the following link: [registration page](#).

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.

The 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.

Ashland does not quantitatively reconcile our guidance ranges for our non-GAAP measures to their most comparable GAAP measures in the Financial Outlook section of this press release. The guidance ranges for GAAP and non-GAAP financial measures reflect Ashland's assessment of potential sources of variability in financial results and are informed by evaluation of multiple scenarios, many of which have interactive effects across several financial statement line items. Providing guidance for individual reconciling items between our non-GAAP financial measures and the comparable GAAP measures would imply a degree of precision and certainty in those reconciling items that is not a consistent reflection of our scenario-based process to prepare our guidance ranges. To the extent that a material change affecting the individual reconciling items between the Company's forward-looking non-GAAP and comparable GAAP financial measures is anticipated, the Company has provided qualitative commentary in the Financial Outlook section of this press release for your consideration. However, as the impact of such factors cannot be predicted with a reasonable degree of certainty or precision, a quantitative reconciliation is not available without unreasonable effort.

About Ashland

Ashland Inc. (NYSE: ASH) is a global additives and specialty ingredients company with a conscious and proactive mindset for environmental, 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, personal care and pharmaceutical. Approximately 3,200 passionate, tenacious solvers – from renowned scientists and research chemists to talented engineers and plant operators – thrive on developing practical, innovative and elegant solutions to complex problems for customers in more than 100 countries. Visit ashland.com and 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 statements with respect to Ashland's anticipations and expectations regarding its portfolio optimization activities, including anticipated savings (including pre-tax savings) for fiscal year 2025; expectations regarding maximizing performance and driving longer-term growth initiatives; management's expectations and beliefs regarding Ashland's fiscal-year 2025 results and outlook; and expectations regarding Ashland's innovation strategies.

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/Russia and Israel/Hamas conflicts 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.

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

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

TMTrademark, Ashland or its subsidiaries, registered in various countries.

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Attachments

- [Ashland Q4 2024 Earnings Release with Financial Tables FNL 20241106](#)
- [Earnings Release Financial Tables Q4 FY24 FNL 20241106](#)
- [Ashland Q4 2024 Earnings Release FNL 20241106](#)