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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Ashland Global Holdings Inc. Fourth Quarter 2020 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker for today, Seth Mrozek. You may begin.

Seth A. Mrozek ***Ashland Global Holdings Inc. - Director of IR***

Thank you, Towanda. Good morning, everyone, and welcome to Ashland's Fourth Quarter Fiscal Year 2020 Earnings Conference Call and Webcast. My name is Seth Mrozek, Director, Ashland Investor Relations. Joining me on the call today are Dr. Guillermo Novo, Ashland's Chairman and Chief Executive Officer; and Kevin Willis, Senior Vice President and Chief Financial Officer.

We released preliminary results for the quarter ended September 30, 2020, at approximately 5:00 p.m. Eastern Time yesterday, November 10. The news release issued last night was furnished to the SEC in a Form 8-K. During this morning's call, we will reference slides that are currently being webcast on our website, ashland.com, under the Investor Relations section. The slides can also be found on the Investor Relations section of our website. We encourage you to follow along with the webcast during the call.

Please turn to Slide 2. As a reminder, during today's call, we will be making forward-looking statements on several matters, including our outlook for fiscal year 2021. These forward-looking statements are subject to risks and uncertainties that could cause future results or events to differ materially from today's projections. We believe any such statements are based on reasonable assumptions but cannot assure that such expectations will be achieved.

Please refer to Slide 2 of the presentation for a more complete explanation of those risks and uncertainties and the limits applicable to forward-looking statements. Please also note that we will be referring to certain actual and projected financial metrics of Ashland on an adjusted basis, which are non-GAAP financial measures. We will refer to these measures as adjusted and present them in order to supplement your understanding and assessment of the financial performance of our ongoing business. Non-GAAP measures should not be considered a substitute for or superior to financial measures calculated in accordance with GAAP. The most directly comparable GAAP measures as well as reconciliations of the non-GAAP measures to those GAAP measures are available on our website and in the appendix of today's slide presentation.

Please turn to Slide 3. Guillermo will begin the call this morning with an overview of Ashland's results in the fourth fiscal quarter. Next, Kevin will provide a more detailed review of financial results for the quarter and the fiscal year. Finally, Guillermo will close with key priorities and planning in the current economic environment in addition to providing his thoughts on important next steps. We will then open the line for questions. Now if you'd please turn to Slide 5, I will turn the call over to Guillermo for his opening comments. Guillermo?

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

Thank you, Seth, and good morning to everyone. Before I begin, I'd like to thank you for your participation this morning. I hope that everyone is safe and healthy in these unprecedented times. As we have stated throughout the year, our first priority has been protecting the health and safety of our employees. Second, we have continued to supply our customers with -- in the critical industries that we serve. Despite all the challenges that presented this year, we have also remained committed to executing our strategy. Importantly, this means expanding our margins, enhancing our free cash flow conversion, demonstrating the resilience of our business and working to accelerate organic growth in each of our business units. I will discuss these aspects of the strategy in more detail at the end of this call.

Please turn to Slide 6. In summary, Q4 results demonstrated the value of our leadership positions in high-quality end markets and the importance of the actions we are taking internally. Our consumer business continues to demonstrate strong resilience, posting 4% sales growth during the quarter. And we realized substantial sequential improvement in the industrial business as global demand continues to recover during the quarter. On the self-help side, we continue to make significant progress on driving our business focus, restructuring costs, improving margin and reducing inventory levels. This resulted in improved free cash flow generation in both the quarter and the full year. Kevin will review our inventory actions and the impact to free cash flow in more detail in a few minutes. I'd like to recognize the entire Ashland team for their focus and commitment to our success during these challenging times. It's a real privilege to be a part of this team.

Let me pass the call over to Kevin to review our Q4 results and full year in more detail. Kevin?

John Kevin Willis ***Ashland Global Holdings Inc. - Senior VP & CFO***

Thank you, Guillermo, and good morning, everyone. Please turn to Slide 8. Total Ashland sales in the quarter were $609 million, flat with the prior year period and up 6% compared to the June quarter. These results reflect continued strength in our consumer businesses and substantial sequential improvement in our industrial businesses. Excluding key items, SG&A and R&D costs again declined in the quarter as we realized the positive impact of the cost reduction program and new cost actions. In total, Ashland's adjusted EBITDA was $154 million, a 3% increase over the prior year quarter, and adjusted EBITDA margin was 25.3%, a 70 basis point improvement over last year. Adjusted EPS, excluding acquisition amortization, was $1.25 per share, up 21% from the prior year.

Now let's review the results of each of our 3 business groups. Please turn to Slide 9. First, I'll begin with Consumer Specialties. Sales were $344 million, up 4% from the prior year quarter. The impact from favorable currency represents approximately 1 percentage point of this increase. Within Life Sciences, Pharma continued to perform well, up high single-digits in the quarter, driven by strong demand for pharma excipients. And after a few challenging quarters, the nutraceuticals business returned to growth, thanks to a lot of hard work and dedication by the team. Nutrition sales were down during the quarter as our food and beverage customers continue to be challenged during the pandemic.

Personal Care sales were down low single-digits during the quarter as we continued to lap prior year business losses in Oral Care and experienced lower demand for Hair Styling and Sun Care products due to the pandemic. Home Care sales were up as the market for our hand sanitizer additives continued to grow. Avoca sales also grew. And while the business remains challenged, we're making progress in stabilizing the sclareolide business. We're now focused on leveraging the biofunctional extraction capabilities in this business to develop new product lines to drive growth across new markets in both our Personal Care and Household businesses.

Price/mix was favorable during the quarter, which drove improvement in gross profit margin. Adjusted EBITDA margin in Life Sciences improved to over 28%; while in Personal Care and Household, adjusted EBITDA margin declined slightly to 28%. In total, Consumer Specialties' adjusted EBITDA margin improved by 170 basis points to 28.2%.

Please turn to Slide 10. Turning to Industrial Specialties, sales were $240 million, down 3% from the prior year quarter and up 17% from the June quarter. This reflects substantial sequential improvement in global industrial demand following the trough in April and May of this year. Our coatings business was up double digits during the quarter, reflecting strong global demand for architectural paint, particularly in DIY applications. And while we saw modest growth in construction products, our energy business was down significantly, reflecting lower drilling activity across the globe.

Sales of pressure-sensitive adhesives were down year-over-year but showing signs of recovery with continued sequential improvement. Structural adhesives sales were also down but demonstrated strong sequential improvement in demand for automotive and building applications. And our laminated and coatings adhesives business is growing due to increased demand for food packaging. Price/mix was favorable in both Specialty Additives and Performance Adhesives, which drove nice margin improvement. Adjusted EBITDA margin in Specialty Additives improved to 27.5%, while in Performance Adhesives adjusted EBITDA margin improved to 26%. In total, Industrial Specialties adjusted EBITDA margin improved by 160 basis points to 26.7%.

Please turn to Slide 11. Turning to Intermediates & Solvents. Sales were $28 million, down from the year-ago period, primarily reflecting both lower volumes and pricing. Intercompany sales of BDO to Consumer Specialties totaled only $3 million in the September quarter as the Consumer Specialties business executed on its inventory control measures. Adjusted EBITDA of $6 million for I&S was down from $13 million in the prior year period.

Please turn to Slide 12. Before I review the results for the full fiscal year, I'd like to spend a few moments on the inventory control actions we pursued during the fourth quarter. As we said on the last earnings call, we implemented a systems-wide program to right size overall inventory levels. This included slowing and, in many cases, shutting down production on certain lines and facilities for a period of time. By the end of the quarter, we substantially exceeded our original estimates and reduced overall inventory levels by $99 million compared to June 30, excluding an $11 million FX impact on the remaining inventory balance. To achieve these results, we incurred roughly $47 million of onetime costs, mainly related to abnormal production variances expensed during the quarter.

Given the extraordinary and onetime nature of the program and in order to improve the comparability of our quarterly results, we are excluding these costs from our adjusted results, including adjusted EBITDA. We are very pleased with the progress the team made during the quarter. The onetime inventory control actions are now complete. And to be clear, the business unit leaders are tasked with staying focused and disciplined regarding improved inventory management going forward. The inventory actions also contributed to improved free cash flow during the quarter. We generated $116 million of free cash flow compared to $83 million in the prior year quarter. While both periods include payments for restructuring activities, our free cash flow improved in Q4 due primarily to the inventory reductions and improved earnings.

Please turn to Slide 13. Before I turn the call back over to Guillermo, I'd like to make a few comments about Ashland's results during fiscal year 2020. While the underlying businesses performed as expected, the full year sales decline reflects the dramatic decline in global industrial demand due to the COVID-19 pandemic as well as the impact of headwinds from prior year share losses in Consumer Specialties. As we enter fiscal year 2021, we have now lapped the impact of the share losses. And while uncertainty remains in the global marketplace, we have seen resilient performance in our consumer businesses and steady sequential improvement in demand over the past few months in our industrial businesses.

The important self-help actions that we executed this year are evident in our earnings. And what turned out to be a year full of uncertainty, Ashland generated $528 million of adjusted EBITDA, down only 1% from last year. Adjusted EBITDA margin improved by 140 basis points to 22.7%, reflecting the progress we made on reducing SARD expenses during the year. Adjusted EPS, excluding intangible amortization, improved 10% to $3.90 per share, again reflecting these important actions. And free cash flow improved by over $100 million to $175 million, including $30 million of restructuring payments related to our cost reduction initiatives during the year.

In summary, despite operating in a year of great uncertainty, I'm pleased by the tremendous progress made by the team and look forward to stronger performance in fiscal year '21.

With that, I'll now turn the call back over to Guillermo to address our priorities, outlook and strategic focus. Guillermo?

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

Thank you, Kevin. Please turn to Slide 15. As we look to our fiscal year 2021, our priorities are very clear: drive margin expansion; enhanced free cash flow conversion; continue to demonstrate business and operating resilience; and accelerating profitable growth. To achieve these objectives, we have clear levers that we plan to act on with the same discipline we showed in 2020. Capture cost savings carryover from the $50 million SARD cost reduction actions we've completed in 2020 and accelerate the capture of the $50 million of cost of goods sold reductions we have already identified. Drive productivity and mix improvement from innovation, focused on -- focusing on our more profitable strategic segments and exiting some lower end product lines. And align our capital allocation priorities for CapEx and working capital consistent with our strategic priorities.

During fiscal year 2020, we had the opportunity to demonstrate the underlying resilience of our businesses as well as our improved operating discipline. We will maintain focus on driving continuous improvement in our business-centric model and our operating discipline. As I will comment later, fiscal year 2020 has not been just about our transformation and margin improvement. We have used this time to reset our strategy for each business and rebalance our innovation portfolio to accelerate growth. As we enter fiscal year 2021, our focus will be shifting to accelerating profitable growth drivers, both organic and inorganic.

Please turn to Slide 16. For fiscal year 2021, the drivers of performance are revenue growth and the net impact of our self-help actions, partially offset by some cost reset items. Although we do not control the COVID impact on demand, we do have control over our self-help actions and our cost management discipline. While the macroeconomic environment continues to improve sequentially in parts of the world, recent developments are a reminder that there is still a high level of uncertainty around the potential impact of COVID on market demand and global supply chains. Given such high uncertainty, we will not provide specific guidance for fiscal year 2021. However, based on the clarity of our planned self-help actions, which are in our control, and the sustained trend of continued demand improvements, we will provide more specific comments on the expected key performance drivers for fiscal year 2021.

The areas of most uncertainty of demand remain the impact of COVID-19 and the potential actions governments can take in response. Assuming no long-term vaccine solutions are meaningfully implemented until later in our fiscal year 2021, our base scenario assumes the continued trend line of demand. This scenario, together with our plans to exit some lower end product lines, which impact revenue but not EBITDA, would mean sales growth in the range of 2% to 4% for fiscal year 2021.

We do recognize there is significant upside potential, like what we saw in our fiscal Q4, given that demand in many of our industrial market segments are still below 2019 levels. Absent any major shutdowns in key economies, we do not expect significant changes in consumer macro trends or increased downside demand risk in industrial segments. However, if industrial markets recover quicker, there could be upside from higher volumes given benefits to both gross profit growth as well as improved cost absorption.

Given the self-help opportunities we control, we feel confident about our EBITDA outlook. Between the cost reductions we have just completed, the new cost reductions we are now planning to capture offset by cost reset items such as incentive comp, LTIP and benefits, we expect these self-help actions to improve EBITDA by at least $20 million to $25 million over and above organic EBITDA growth. Our path is clear, focus on driving the actions we control and building resilience and agility in our business to capitalize on the market developments for the factors we do not control.

Please turn to Slide 17. As we've communicated, our strategic focus is to expand our additive portfolio, and build-out our biotech capabilities, accelerate our growth in Asia, build a customer-focused and innovation-centric culture, and accelerate our digital modernization.

Please turn to Slide 18. I'm very proud of the Ashland team and the accomplishments they've achieved during 2020. I continue to be impressed by the level of energy, ownership and accountability our teams have demonstrated during the period of significant internal change and external challenges. This transformation positions us well for the future. Although I will clearly stay committed to completing and delivering the value of our transformation activities, I know that I can count on our leaders to execute on the plans we have developed. We're now in a different stage in our journey, and my primary focus will be shifting to accelerating profitable growth and advancing our ESG agenda. We've already made a lot of progress in these areas. So my focus will be on accelerating impact.

On growth, the focus will be on driving innovation impact and advancing our strategy through targeted M&A in key market segments. Regarding our environmental, social and governance, or ESG, agenda, Ashland has been ever -- on an ever-evolving journey, defining and driving sustainability progress under 3 core areas: sourcing, operations and solutions. Our focus will be on committing to create specific targets and delivering them. We will become a signatory to the UN Global Compact and are developing science-based targets for

CO_2, water and waste, and we will be a steward of global social responsibility. Although a significant part of our portfolio already has a strong sustainability profile, sustainability is an integral part of our innovation priorities for each business. As Ashland moves forward, we are committed to making the world a better place through the application of specialty materials.

We will continue to respect, protect and advance the people we work with, customers we serve, shareholders who invest in our future, the communities we're part of and the planet we share. As we continue to focus on organic growth and our future, we will be planning an Investor Day for mid-year 2021. We will provide more details over the coming month.

Please turn to Slide 20. In closing, I want to once again thank the Ashland team for their leadership and proactive participation in an uncertain environment. We're fortunate to be a premier specialty materials company with high-quality businesses that have leadership positions in defensive markets. I'm pleased by the resilience demonstrated by our people and businesses and look forward to the opportunities that lie ahead.

Thank you. Operator, can we move to Q&A?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Chris Parkinson with Crédit Suisse.

Christopher S. Parkinson ***Crédit Suisse AG, Research Division - Director of Equity Research***

Great. Can you just talk a little bit more about your cost programs and reconcile your $100 million target with your remarks on the additional $20 million to $25 million of cost benefit for '21 highlighted on Slide 16? And then also the COGS cost reductions, so just put simply, isolating any EBITDA contribution from revenue growth, how can we isolate these factors for fiscal year '21 and even '22?

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

Okay. So if you look -- if you remember what we talked about in our journey, on a minimum, we wanted to improve our cost structure by $100 million. This year, we focused on this SG&A, R&D, SARD. We've already identified, hit the run rate for $50 million. We have -- part of it came in this year. The bulk will be coming in next year, and then there's a little bit that will spill over into 2022. But the majority of it will be done by -- it's already in the run rate, so it will be coming through. So a big part of that number is the carryover of that SARD part that we did today.

I think the good news for us on the cost of goods sold, we had two objectives. The minimum was another $50 million. But we also see that there are other opportunities that we look at plant footprint, networks, other things we wanted to do. But we set a goal of hard cost savings of another $50 million. The good news is, we've already identified that $50 million, plus or minus a few million, and we're already executing on it. So the issue now is how quickly we can move. And so what the net impact will be for the year will be an issue of how quickly we can bring those costs in. Part of that is in the U.S. and Europe. If you look at our manufacturing footprint, we have one plant in Asia. So we just have to manage on the timing of that.

And how big that will be? We do have some cost resets in terms of incentive comp and other areas. So I'm assuming right now that some of that will just offset the cost resets, but there is potential for more if we can accelerate more. The plan is -- we've already identified what we're going to do and that's not a surprise. It's really going to be more of the timing. And similar to what we did in this year is we're not waiting to do all the math of what timing is, we're just going to do it and we'll report it as we go. I think that worked well for us in terms of moving with speed, moving forward.

John Kevin Willis ***Ashland Global Holdings Inc. - Senior VP & CFO***

Yes. We'll let you know in the December quarter earnings call in January kind of where we are from a run rate perspective on the COGS savings at the end of December. But the team is very much focused on executing on those items. And as Guillermo said, we have a detailed list of it all, and we're right at $50 million mark. So we feel really good about that.

Christopher S. Parkinson ***Crédit Suisse AG, Research Division - Director of Equity Research***

That's helpful. And just as a quick follow-up, when we look at our PC&H on the growth front, can you just parse out the trends that you're seeing in Personal Care? Just any high-level remarks on skin, hair and sun, understanding the latter is obviously in the seasonally weak period. Just trying to get a sense of your general assessments of how these end markets should grow to normalize environments and also just how sustainable are the benefits in hand sanitizers?

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

So I would say the -- for the quarter, frankly, other than the stronger recovery in some of the industrial segments, everything sort of played out the way we've talked about and communicated before; all segments, including Personal Care, performed in line with what we had been expecting. If you look at the Personal Care segment, the two segments that are mostly impacted by COVID and the demand impact it has, it's on the hairstyling, the salons, people aren't going to salons as much, and the sun care. Those are the two -- they remain the two areas and depending on what happens in 2021 with COVID, I think those will still be the areas of focus and potential upside improvement depending on how things develop.

The other ones, we don't see any major changes. I think from a market perspective, hand sanitizers, it's evolved. The first thing was just get the product out there because of the urgency. I do think that there will be a little bit of inventory absorption across the entire chain that -- early on, there was a lot of lower end product that's made. But what we're seeing now is this is becoming a long-term category that everybody expects will continue. So the product sophistication is increasing. So we've actually expanded our product line offering so that we can now offer different value points for our customers in terms of cost, in terms of sensory feeling of, if you want, different texture or moisture, if you go into some of the stores where they give you free -- some becomes sticky or has a residue after that. All these -- the products for the future are going to evolve and get more sophisticated, so that brings an opportunity for more targeted technology.

So we've actually -- it's not one product we're selling, it's a portfolio of products. And some of the new formulations are really focusing on sustainability, biodegradability, natural products. So there's a lot more happening there. I would say -- the other part that I would comment on in the Personal Care and Household is the -- our Avoca. Obviously, Kevin mentioned, that is -- has still been challenged this year. But as we go into next year, I think our production rates will increase, so that will be good on our absorption. And I'm really excited about -- I mean, this is one of the biotech areas for us in terms of high-volume extraction, purification activities that we do, and the team really has done a great job in finding new product lines, some that we can -- that are already kicking in and we're getting new capacity in working with some customers. But there's a lot of new products, I think, that we want to bring into the Household segment that are exciting too. So more to come there, but there's -- obviously, the team has been very busy in that area.

Operator

Our next question comes from the line of John Roberts with UBS.

John Ezekiel E. Roberts ***UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals***

Since we're midway through the fourth -- through the December quarter, could you -- and you probably have your orders, I would guess, through November at this point, can you give us some sense of what the December quarter is looking like?

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

Again, I don't want to look forward too much because there is a lot of uncertainty right now. Specifically, if you look at what's happening in Europe, U.S., I can say that things are strong. We don't see a change in the trend line that we had from prior quarter at this point in time.

John Ezekiel E. Roberts ***UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals***

And then could you talk about what your average [operating numerics] are now since you're through the inventory controls, maybe compare them with the pre-COVID levels or maybe just for the large units like cellulosics, acetylenics and BDO?

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

Yes. So I think one of the big messages is, look, we're entering 2021 lean and ready to roar. I mean we've taken a lot of actions, costs. There's more things we're going to do, inventory. So right now, obviously, as Kevin said, we want to stay disciplined in terms of not letting inventories creep and we're not -- we're really going to try to operate with a very disciplined S&OP process, sales, operations, planning process, so that we're meeting demand. So most of our plants are improving our absorption rates, obviously, versus this year. The -- you saw the numbers on the inventory reduction. But if you look at prior quarters, relative to prior year, our absorption rates were lower. So there's a lot of upside potential as we move there.

I don't have right now -- Kevin, I don't know if you have any comments on the utilization rates by groups. I mean, we don't give out by plants but by groups. But it's much improved, and, I think, that's one of the upside potential. If you look at recovery, every 1% of sales has a significant impact, obviously, on the gross profit, but that absorption rate, our contribution margin rate is much, much higher. So that would be very positive for us.

John Kevin Willis ***Ashland Global Holdings Inc. - Senior VP & CFO***

Yes, that's fair. And John, I would say that our plant footprint is operating normally at this point. We got through the inventory control piece which was obviously huge. And everything is operating, I would say, normally and as it should be at this stage of the game. To Guillermo's point, to the extent we can see more of a recovery above and beyond what we talked about in that 2% to 4% range, there's only upside in terms of contribution margin because we do have some large plants that conversion cost is pretty high. And so to the extent you do increase top line and volumes in those big facilities like the Calvert City, Texas City, Hopewell, you do see a lot of uplift in the margin.

Operator

Our next question comes from the line of John McNulty with BMO Capital Markets.

John Patrick McNulty ***BMO Capital Markets Equity Research - Analyst***

I guess, the first one would be on the top line. You highlighted that there's going to be a number of product lines that you discontinue or shut down. I guess, can you quantify what that impact to the top line overall would be roughly?

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

I mean, we haven't shared that, obviously, because we have to work with customers and we want to do this in an organized way. But it's a lot of what we've talked about in the past of buy resale products. It's tens of millions of dollars. In a time where everybody is looking at every percentage, it does impact on that, but it's marginal. And mostly, I would say, in the Personal Care area, and -- but it doesn't impact our EBITDA at all. I mean the margins are not -- that's not our priority. We're not here to sell anything. We have a clear strategy, and we're focusing on where we're adding value and can create value for our customers.

John Kevin Willis ***Ashland Global Holdings Inc. - Senior VP & CFO***

Should also enable that the team to be better focused as we remove this, what I would call, maybe a distraction from the mix.

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

And working capital.

John Kevin Willis ***Ashland Global Holdings Inc. - Senior VP & CFO***

Correct. Yes. Yes.

John Patrick McNulty ***BMO Capital Markets Equity Research - Analyst***

Got it. Okay. Okay. That's helpful. And then, I guess, the other question would just be on the CEO priorities that you had listed on the slides. One of them was around M&A. And I know that was something you were holding off on until you kind of got things a little bit more in order at Ashland overall. I guess, do you feel like you're at a position now with line of sight in terms of the things that you're working on to improve? Do you think you're at a point now where we could actually look to M&A starting to roll-in in 2021? Is that kind of what that messaging is about?

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

Yes. We have -- I mean -- and if you look at it, in the segments that we've articulated, additives, biotech -- I mean, when we talk about biotech, it's also about additives. It's just because we need to build broader capabilities. That's the priority area. So -- and Asia, obviously, growth in Asia would be the other one. So I would look at -- the key priorities is Pharma, Personal Care, Coatings, those are what we said are sort of our big areas and expanding our adhesive business globally would be -- I would add that, although it's not an additive area, it is a very profitable business and we are committed to driving its growth, too.

Operator

Our next question comes from the line of David Begleiter with Deutsche Bank.

David L. Begleiter ***Deutsche Bank AG, Research Division - MD and Senior Research Analyst***

Guillermo, Kevin, on the 2% to 4% sales growth, can you break it down between volume and price/mix, any FX headwinds you might see next year?

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

Kevin, I'll give you some time to think through the -- all the other details. But I would say at the core growth, volume, which is the big driver, our consumer business has performed this year. We can see it continuing it. So it's really that level of growth moving forward. I would say, on the percent impact, obviously, the exiting lower end. Again, it's not a meaningful EBITDA impact, but it will -- as a percent -- I mean long term, it doesn't really change anything for us. But this year, obviously, at a percent level, it reduces the Personal Care a little bit. But I would say it's more of a continuation in the consumer side.

I think the part that we're projecting what we're seeing today. We recognize the upside. We don't -- we're not ignoring it, but we don't control it. I think that's where we were saying, look, the 2% to 4% improvement that we're seeing in our underlying business in the industrial side, we're comfortable with this projection in a sense that there is limited downside. Unless everything shuts down again, we don't see that going back. The part that we don't want to get ahead of ourselves or the hope is that everything is just going to recover. To be clear, I mean, we hope that things are going to improve and the underlying recovery accelerates, but hope is not a strategy and we're not here to sell hope, we're here to deliver results. And I think it's probably better for us to plan on the things that will drive a more disciplined operating performance, and we're comfortable with the numbers we're laying out right now based on those scenarios. But Kevin, I don't know if you want to add any other color.

John Kevin Willis ***Ashland Global Holdings Inc. - Senior VP & CFO***

Yes, sure. As you know, the volume side of the equation is much heavier levered to the industrial businesses. And it's probably a 70-30 split, give or take, between industrial and consumer on the volume, even though the consumer revenue is a fair bit higher. As we look at 2021, I'd say the main driver is going to be volume and a lot of that is going to be on the industrial side. And we're going to be looking to areas like coatings and adhesives in general to drive that. Energy is going to continue to be a headwind, we expect. I don't see that changing. It's not a huge part of the business, but it's down pretty significantly. And that's probably going to continue. Should see some positive mix as well, which will help margin.

I think the mix between price and raws is going to be pretty well balanced on an overall basis. And so I think that's kind of going to be the story. And just take a step back and look at it. I think the consumer businesses are going to continue to perform as they have. Guillermo mentioned the -- and we've talked about some of the purchase for resale stuff that we'll be exiting. Not a big impact, you'll see a top line, bottom line, not -- and really, it kind of comes down to how do those industrial end markets perform. And to the extent they recover better, then we should see that flow through our results in a pretty meaningful way.

David L. Begleiter ***Deutsche Bank AG, Research Division - MD and Senior Research Analyst***

And towards that question, Kevin, and Guillermo, incremental gross profit margins next year on these higher sales, how should we be thinking about that dynamic?

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

I mean, if you just look -- I mean, you can although we didn't give guidance, I think you have some good numbers to model different things. But 1% incremental growth, you can look at our current gross profit so what that does on the gross profit. And then on the absorption, right now, Kevin, I mean, it depends on the mix, but if it's more towards the industrial side that is the higher acid cellulosics, as an example, you could see a significant percentage increase in terms of margin impact for those products. So...

John Kevin Willis ***Ashland Global Holdings Inc. - Senior VP & CFO***

That's right. In the larger facilities, and this is going to be cellulosics and the acetylenics primarily. Adhesives not, because their conversion costs are a much smaller percentage of COGS. But if you look at those big facilities, contribution margins can be north of 50% for incremental volumes, and that's more of a rule of thumb. It depends on the plant, it depends on the product line. But rule of thumb is 50-plus percent contribution margins.

Operator

Our next question comes from the line of Laurence Alexander with Jefferies.

Laurence Alexander ***Jefferies LLC, Research Division - VP & Equity Research Analyst***

I have 2 questions. Just to follow-up on that. Given the incremental margins and the cost savings and the favorable mix effect and the fixed cost absorption of the large units, it looks like you're bridging effectively to a 10% to 14% EBITDA growth. Can you talk a little bit about what factors might be against that in terms of stepping up SG&A investments or growth or any other kind of levers that you might have or areas of leakage? And the second question is on sustainability. Roughly what percentage of your products are kind of in the disadvantaged column? And of those, how many are effectively protected from substitution because they're in regulated or highly tailored specced formulations and so any kind of displacement would be for several years or a decade.

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

Okay. So let me first comment on the growth and EBITDA and leakage. I mean, frankly, we've been very focused on what we're doing. And, I think, the slide of the growth drivers, it's pretty simple for us right now. It is revenue growth. And frankly, it's mostly the recovery. We are doing a lot of work in revamping our entire innovation, driving growth. That's what I want to focus moving forward. But some of these things take time. So developing new products, new technologies, I am more focused right now. I don't control how quickly the market recovers. If it doesn't recover this year, it will recover next year. So it's an issue of timing of that.

And what I want to make sure is that we're positioned to be resilient. So if the demand comes faster, we capitalize, and that's where the upside would be for -- relative to what we're saying in terms of the 2% to 4% and the net EBITDA growth on self-help. So there is -- that's where the upside is. So being resilient. But the part that we need to drive, not just for this year but for 2022, 2023 is getting traction on core innovation and any inorganic M&A, again, aligned with our strategy. So that's where I want to see the growth. That's what, I think, we control and which really will determine our long-term performance. So that's priority #1.

If you look at sustainability, we will -- we -- this will be a big item when we do our Investor Day. I mean, we look at -- a big part of our portfolio already has a big sustainability profile, as you can imagine, cellulose. I mean, we have a lot of natural products or raw materials. The issue is when you start looking at -- I would say, we have the ones that are highly sustainable, some that are partially and, as you said, some that we need to continue to work on the technologies. In some areas, we can provide value to our customers as the technology evolves. So moving to sustainable to natural products, biodegradability, we can build that into our products, and that's part of the value that we're going to give our customers.

In other areas, and I would say acrylics is an example or polyurethanes in our adhesive business. It's not necessary that we're going to change our products, but can we enable our customer to drive sustainability in their products. So I think structural adhesives are a good example, lightweighting cars, enabling wood materials for construction. So there's a lot of areas that -- when we look at these objectives that we've set for ourselves of sourcing, operations and solutions. The first two are things that we can do internally and change. The solution, it's a much broader base than just, are your products advantage or disadvantage. It's also about the value that you can create to your customers to advantage their products, too. So it's a little bit more complicated.

I think that the other comment I would say on sustainability -- on biodegradability, remember -- I mean, we have obviously biodegradable products, but the issue is not if a product is biodegradable, it's also about tailoring the product to meet specific requirements. I mean, in one country or in one region maybe the requirement to be classified as sustainable, it's got to biodegrade in X amount of time and in another place, they might set a different target. So it's not just the question of is it biodegradable? Is -- the question is, is it biodegradable in line with the targets that have been set? And how do you dial that into the products that you develop. So there's a lot more discussion that will come in this area. It's not just a simple yes and no answer to most of the questions that come there. So we'll present a better picture of what we're doing as we move forward. But we are starting from a very good place right now.

Operator

(Operator Instructions) Our next question comes from the line of Mike Harrison with Seaport Global Securities.

Michael Joseph Harrison ***Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst***

Guillermo, you've talked a little bit about the coatings industry and wanting to maybe add some things around that specialty additives business. And in particular, you mentioned the strength you're seeing in architectural coatings. Have you started to tap into some of these opportunities around industrial coatings at this point? And is that something that you can do organically? Or is that really where you need the M&A in order to increase your exposure in that non-architectural piece of the coatings space?

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

Right. We're definitely doing things. The teams -- this is part of what I was mentioning around revamping their innovation portfolios, and we can do a lot of things organically. I mean, as you all know, as you look at industrial, there's still a lot of solvent-based products, but there's -- the industry continues to move to water-based powder. I mean there's a lot of other types of products that are going. In the water base, specifically, where we have a big position, the issue is performance that some of the products that perform for architectural when you're protecting structures, both -- the performance needs to increase. So I think we need to do both. Some of it is organically through the technology development and some of it will be inorganically, expand the portfolio.

And I don't separate the 2 architectural, industrial, from my -- just my past history. There's a lot of movement of technology across those 2 areas. It's just how you dial it, same as I said on the sustainability. It's how much you dial into the performance that you want. Obviously, dialing down tends to be easier than dialing up. And in the case of moving from architectural to industrial, the issue is you got to dial up properties: water resistance, corrosion resistance. Things that the products go and I think we're well underway in that area.

Michael Joseph Harrison ***Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst***

All right. And then on the nutraceuticals business, you mentioned that returned to growth. Can you give an update on some of the actions that you've taken to get that growth back where you wanted? And in particular, some of the margin actions. Would you say that this business is stabilized at this point or poised for growth? Maybe just some color there?

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

Thank you for that question because I do want to recognize that team. I mean, coming into the company, I mean, obviously, that was an area that was getting hit hard, and there's a lot of commentary. If I go back to a year ago when my first call, and this team really has stepped up and done a fantastic job. And it's not just they recovered market position, new business with new customers. It's not about tolling only one big customer, it's really been more diversified. Having heart to heart discussions with customers on what their product needs are? What the quality, reliability of supply we need to hit? They've really moved the needle on that and are well underway to continue to drive. The space in itself is still growing, health and wellness. In this environment, people are concerned, and there is fundamental demand.

So they've done a fantastic job. But I also want to recognize -- I mean our plants, a lot of them are in the New Jersey area. This year, they have done a phenomenal job, in the middle of COVID, supplying our customers, operating. I applaud that entire team and what they've accomplished. And we are making good traction also on the cost savings, productivity. So they haven't dropped the ball. And, I think, the end of the year really with an incredible performance. They were hitting -- our run rates at the end of the year were back up to pre-share loss moments with a better portfolio, more robust. So kudos to them.

Operator

Our next question comes from the line of Jeff Zekauskas with JPMorgan.

Jeffrey John Zekauskas ***JPMorgan Chase & Co, Research Division - Senior Analyst***

You talked about a positive price/mix effect in consumer specialties. Was this more than 1% or less? Can you quantify what the benefit was there?

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

So let me sort of give you where the drivers were and, Kevin, you can comment more. But if you look at the mix in the consumer side, I mean, on Life Science, obviously, Pharma being stronger, it's a higher margin, higher mix -- better quality mix area. So that's been very strong. The improvement in the nutraceutical side that I just talked about, obviously, a big driver. The part that's softer is our nutrition business. Our nutrition business, a lot of the products that go into food and beverage, that still has been impacted by COVID. Beer, wine, and so a lot of foods. The travel, restaurant, entertainment industry is still down. So that's down, but that tends to be lower-margin business for us. So that obviously was favorable to the mix in terms of the growth areas.

And in the personal care, again, we're shifting our focus to the areas that are strategic to us. And those tend to be the higher margin, more profitable areas that are driving our mix. So it's more the mix side in these segments. It's more the mix, there's more price stability in that area. There could be some areas that we had some impact. Probably Avoca is the only one where we probably saw some price erosion early on, so that's not anything new. And it hasn't changed that much towards the back end of the year. But Kevin, I don't know if you have other comments you would add.

John Kevin Willis ***Ashland Global Holdings Inc. - Senior VP & CFO***

Yes. I mean on an absolute basis, it was, call it, $10 million, $12 million positive between price/mix and raws. So we saw some contribution from each of those. I would echo Guillermo. A lot of that is mix. I mean, when the Pharma business is up high single-digits, it's our highest margin business, it really does help the overall mix of the consumer business pretty significantly.

Jeffrey John Zekauskas ***JPMorgan Chase & Co, Research Division - Senior Analyst***

Okay. Great. And in the quarter, you took a $22 million restructuring charge and a $7 million environmental charge. How would you allocate those charges to cost of goods sold and to SG&A or other overhead expenses? And in general, what are your cash outlays for restructuring and environmental next year?

John Kevin Willis ***Ashland Global Holdings Inc. - Senior VP & CFO***

So I'll take that one. The $22 million is mostly severance. I'd say the vast majority of that is severance related to the cost of goods sold, work that will be ongoing throughout fiscal '21. And given that, that's $50 million of hard dollar cost, typically, we run about $0.70 on the dollar when we do these things. And so that -- we could have -- we could certainly have more of that in the December quarter. I don't really expect much after the December quarter, but we want to get through this and be done with it. And so yes -- so most of that, not all of it, but most of it is related to COGS in terms -- and it's mostly people in terms of severance costs, et cetera.

On the environmental, again, mostly legacy sites. And most years, we spend somewhere between $20 million and $30 million of cash in terms of environmental remediation. And just happened to be a little bit bigger number than we're accustomed to and so we wanted to call it out for the quarter. But -- and again, these are mostly legacy items that mostly run through corporate. We don't have a lot of environmental that runs through the business units. It's relatively small, it's very small actually. Because it's, again, mostly legacy stuff. And so that's kind of where we are. Again, annual spend, typically $20 million to $30 million. I think last year it was maybe $26 million. So...

Operator

I'm showing no further questions in the queue. I would now like to turn the call back over to Guillermo for closing remarks.

Guillermo Novo ***Ashland Global Holdings Inc. - Chairman & CEO***

Okay. Well, I wanted to thank everybody for your participation and your questions. I hope everybody stays safe. As I hope you heard, we're really pleased with the closing of this year. Strong progress for the entire business across multiple areas, very well positioned for 2021, with, I think, a lot of actions that we can control internally. And we're really switching now to a growth mindset that will be the exciting time moving forward from all this transformation to really driving and creating value for our customers. So we're looking forward to updating you as the year goes, and thank you for your attention. So thank you very much.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.