

# Ashland: Creating Two Great Companies

Investor Day | November 11, 2015



**ASHLAND**

With good chemistry great things happen.™



# Agenda

Time	Topic	Presenter
8:30 a.m. – 8:35 a.m.	Introduction and Safe Harbor	Jason Thompson ( <i>Separation lead</i> )
8:35 a.m. – 8:50 a.m.	Creating Two Great Companies	Bill Wulfsohn ( <i>Chairman &amp; CEO</i> )
8:50 a.m. – 9:50 a.m.	The New Ashland (incl. Q&A)	Luis Fernandez-Moreno ( <i>Chemicals President</i> ), Bill Wulfsohn ( <i>Chairman &amp; CEO</i> )
<b>Refreshment Break – 15 minutes</b>		
10:05 a.m. – 11:05 a.m.	Valvoline (incl. Q&A)	Sam Mitchell ( <i>Valvoline President</i> ), Bill Wulfsohn ( <i>Chairman &amp; CEO</i> )
11:05 a.m. – 11:20 a.m.	Financial overview	Kevin Willis ( <i>CFO</i> )
11:20 a.m. – 11:45 a.m.	Conclusion (incl. Q&A)	Bill Wulfsohn ( <i>Chairman &amp; CEO</i> )
<b>Lunch</b>		



# Forward Looking Statements

This presentation 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,” “may,” “will,” “should” and “intends” and the negative of these words or other comparable terminology. In addition, Ashland may from time to time make forward-looking statements in its annual report, quarterly reports and other filings with the Securities and Exchange Commission (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 and financial condition, including the proposed separation of its specialty chemicals and Valvoline businesses, the expected timetable for completing the separation, the future financial and operating performance of each company, strategic and competitive advantages of each company, the leadership of each company, and future opportunities for each company, as well as the economy and other future events or circumstances. 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 possibility that the proposed separation will not be consummated within the anticipated time period or at all, including as the result of regulatory, market or other factors; the potential for disruption to Ashland’s business in connection with the proposed separation; the potential that the new Ashland and Valvoline do not realize all of the expected benefits of the separation, 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); the impact of acquisitions and/or divestitures Ashland has made or may make (including the possibility that Ashland may not achieve the anticipated benefits from such transactions); the global restructuring program (including the possibility that Ashland may not realize the anticipated revenue and earnings growth, cost reductions and other expected benefits from the program); Ashland’s ability to generate sufficient cash to finance its stock repurchase plans; severe weather, natural disasters, and legal proceedings and claims (including environmental and asbestos matters). Various risks and uncertainties may cause actual results to differ materially from those stated, projected or implied by any forward-looking statements, including, without limitation, risks and uncertainties affecting Ashland that are described in its 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>. 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 presentation whether as a result of new information, future event or otherwise.

## Regulation G: Adjusted Results

The information presented herein regarding certain unaudited adjusted results does not conform to generally accepted accounting principles in the United States (U.S. GAAP) and should not be construed as an alternative to the reported results determined in accordance with U.S. GAAP. Ashland has included this non-GAAP information to assist in understanding the operating performance of the company and its reportable segments. The non-GAAP information provided may not be consistent with the methodologies used by other companies. All non-GAAP information related to previous Ashland filings with the SEC has been reconciled with reported U.S. GAAP results.



# Presenters for today



**William A. Wulfsohn**  
Chairman & CEO

**Mr. Wulfsohn** joined Ashland Inc. as chairman and chief executive officer on January 1, 2015. Prior to joining Ashland, he served four years as president and CEO of Carpenter Technology Corporation. Prior to that, he served as senior vice president, Industrial Coatings at PPG Industries. Mr. Wulfsohn began his professional career with McKinsey & Company. He holds a chemical engineering degree from the University of Michigan and a master of business administration degree from Harvard University.



**Luis Fernandez-Moreno**  
President – Chemicals

**Mr. Fernandez-Moreno** joined Ashland in 2012 as president of Ashland Water Technologies. In April 2015, he was promoted to senior vice president of Ashland and president, Chemicals Group. A 30-year veteran of the global chemical industry, Fernandez-Moreno previously served as executive vice president of Arch Chemicals, Inc. Fernandez-Moreno holds a Bachelor's degree in chemical engineering from Universidad Iberoamericana and has completed the Wharton Management Program at the University of Pennsylvania.



**Sam Mitchell**  
President – Valvoline

**Mr. Mitchell** has been the president of Valvoline since 2002. He joined Ashland in 1997 as director of marketing for Valvoline's brand management group. Prior to joining Ashland, he held brand and category management leadership positions at The Clorox Company for eight years. Mitchell earned a bachelor's degree from Miami University, Oxford, Ohio, and a master's degree in business administration from the University of Chicago.



**Kevin Willis**  
Chief Financial Officer

**Mr. Willis**, was elected senior vice president and chief financial officer of Ashland in 2013. Willis joined Ashland in 1987 as an associate auditor in the internal audit department. He served in various management positions of increasing responsibility, including leading teams on major projects in the business services, information technology, accounting and finance areas. Kevin earned a bachelor's degree in accounting from Eastern Kentucky University and an MBA from the Kellogg School of Management at Northwestern University.



# Other leaders with us today

## Corporate



**Eric Boni**  
VP & Treasurer



**Peter Ganz**  
SVP, General Counsel  
and Secretary



**Jack Joy**  
VP, Corporate  
Development



**Seth Mrozek**  
Director, Investor  
Relations



**Jason Thompson**  
Separation Team Lead

## New Ashland



**Ed Connors**  
Group VP, Industrial  
Specialties, ASI



**Linda Foltis**  
VP, Care Specialties  
R&D, ASI



**Andy Johnston**  
Group VP, Composites,  
APM



**Jim Mish**  
Group VP, Consumer  
Specialties, ASI



**Osama Musa**  
VP & Technology  
Chief, ASI

## Valvoline



**Fran Lockwood**  
SVP, Technology



**Tom Gerrald**  
SVP, Installer Channels



**Heidi Matheys**  
SVP & GM,  
DIY Channels

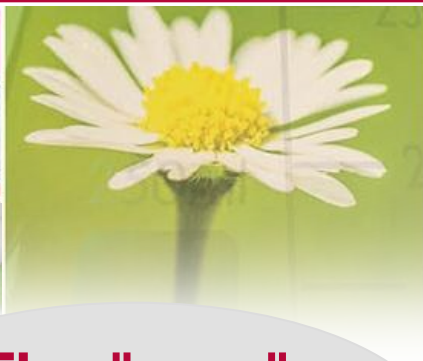


**Craig Moughler**  
SVP & MD, International  
Channels



**Tony Puckett**  
President, Valvoline  
Instant Oil Change





The "new"  
**ASHLAND**



# Creating Two Great Companies

Bill Wulfsohn – Chairman & CEO

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# Context for today

## Our objectives for today are to

- ✓ Share our thinking on the transaction and why it makes a compelling value case
- ✓ Convey why we are excited about creating two great companies
- ✓ Clarify how each of the two businesses will create incremental shareholder value

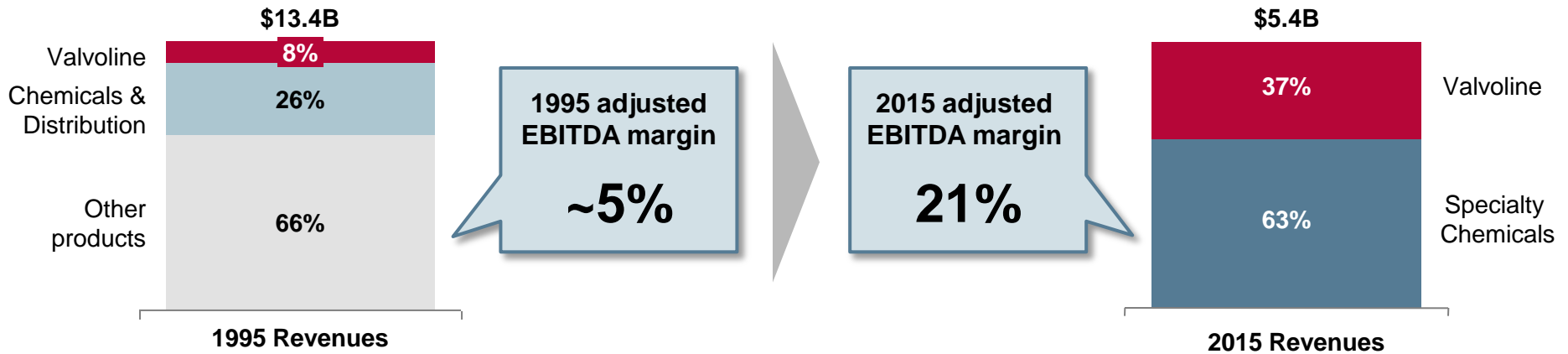
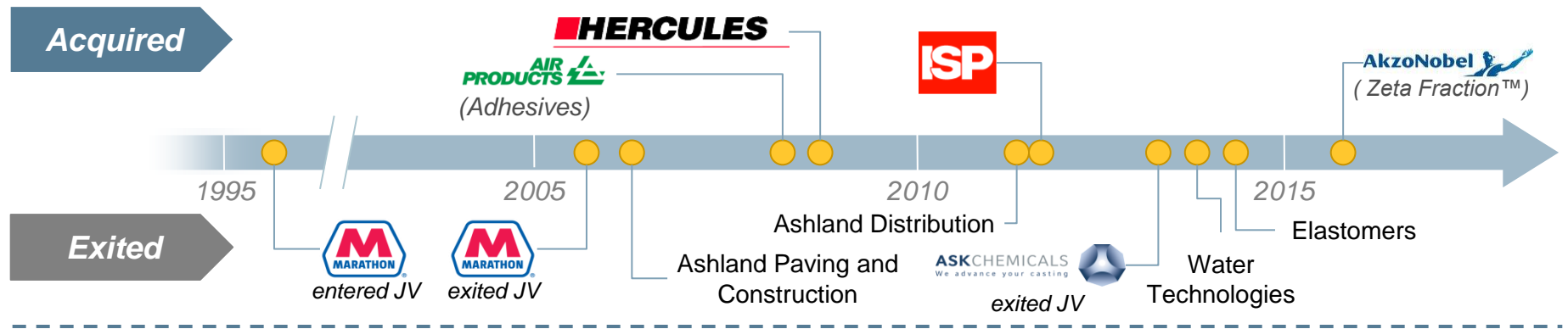
## Will provide details on additional topics as process unfolds

- \* Updates on transaction timeline and structure
- \* Balance sheet design decisions, capital structure, etc.
- \* Standalone financials
- \* Transaction costs



Today, we will focus on what makes these two companies *great*

# The Ashland team has executed successfully on a challenging transformation

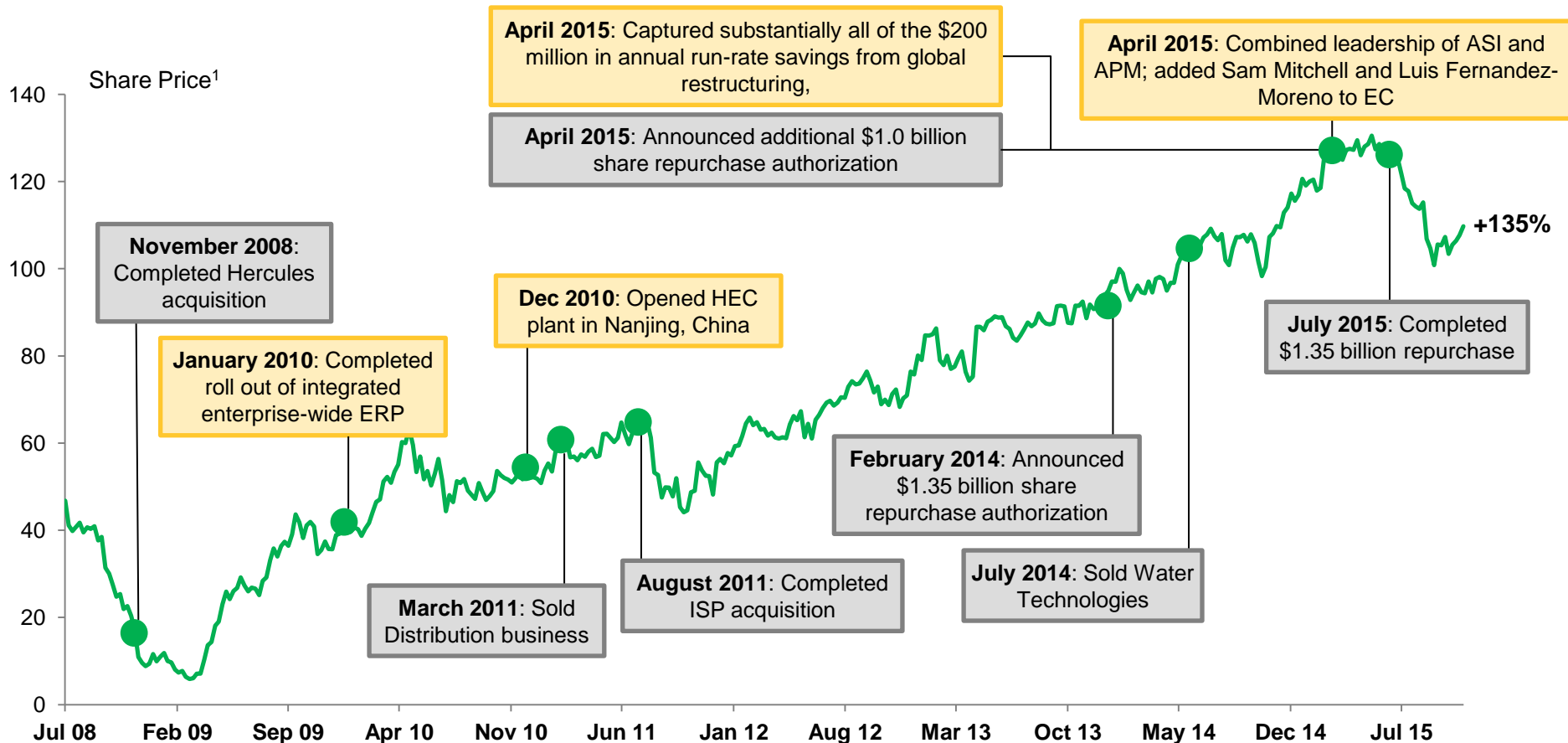


**We are a different, more profitable business today than at the start of our transformation**

Note: The calculation of 1995 Adjusted EBITDA Margin is based on originally reported results at that time and therefore has limitations when comparing similar metrics that have been based on current US GAAP accounting standards.



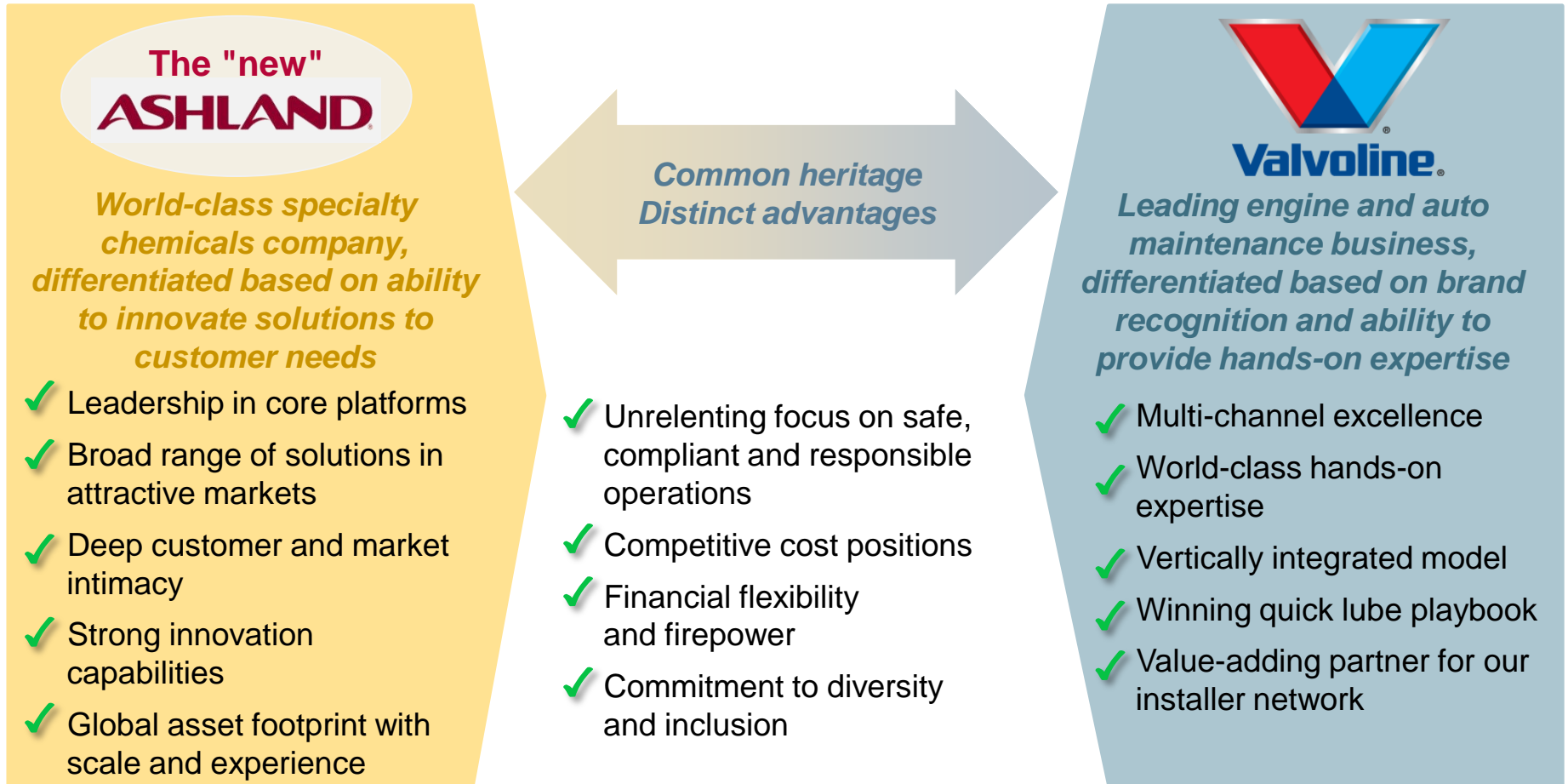
# In the process, Ashland has created significant value for our shareholders



**Returns since Jul-08: Ashland +135%, S&P500 +65%, S&P500 Chemicals +55%**

1. Ashland weekly share price data from July 4, 2008 to October 30, 2015.  
 Note: ~10.5% annualized TSR from September, 1995 to October, 2015 Source: S&P Capital IQ

# Historically, the corporate center has acted as a strong financial sponsor



Now, we have two great businesses



## The time is right for separation



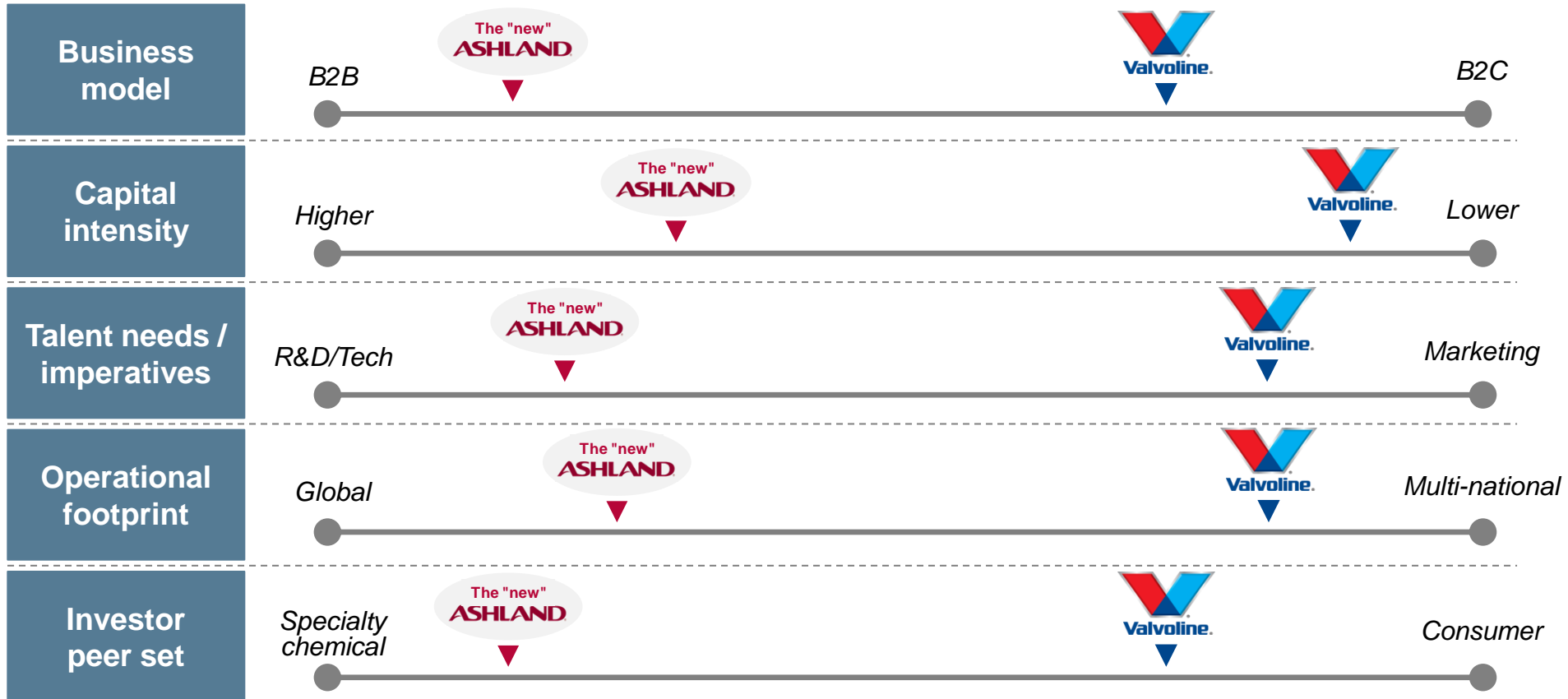
### Two key conclusions drove our decision making

- These two businesses will be stronger separate than together
- This transaction will create *incremental* shareholder value

Two great businesses will now become two great companies



# Distinct needs for each business



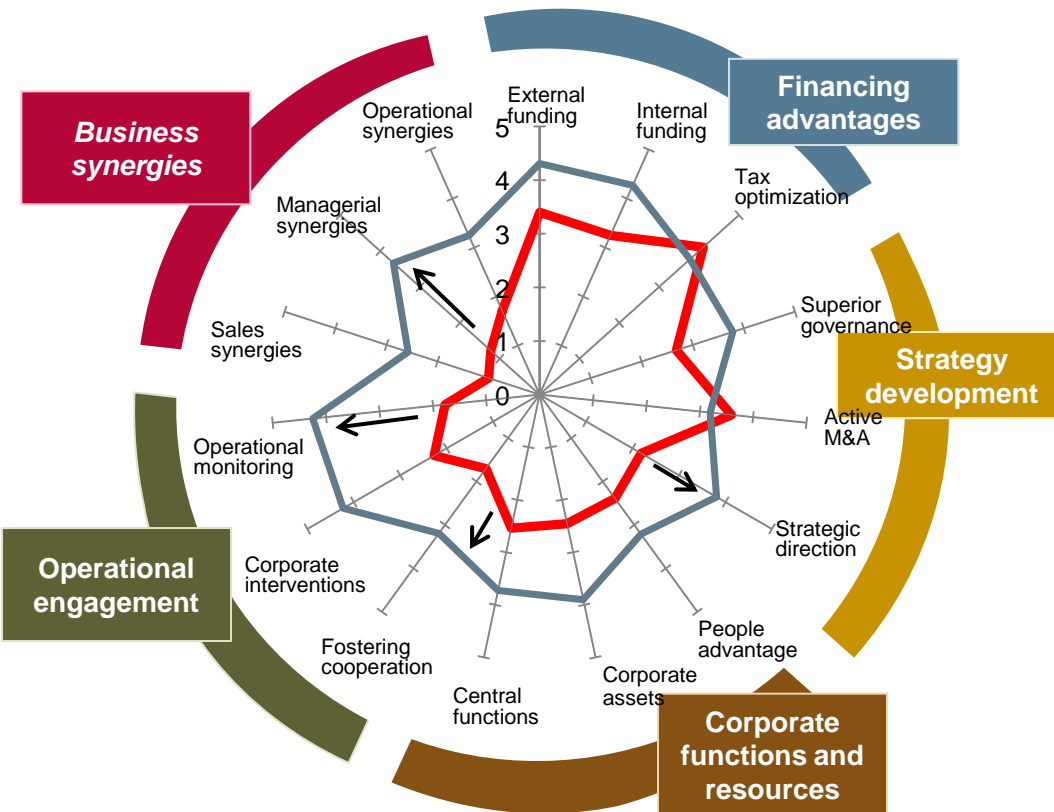
Given differing needs, critical for center to shift away from pure Financial Sponsor role

# Separating the businesses will enable us to create tailored corporate centers



## Transforming from 'Financial Sponsor' to two 'Hands-on Managers'

## New centers better positioned to drive value for the business



Responsibility for strategic direction and vision closer to CEOs

Corporate functions more aligned with distinct business needs

More tailored opportunities for leadership and talent development

Continued emphasis on strategy, corporate development, and optimal financing

— Ashland today—Financial Sponsor  
— Standalone companies—Hands-on Manager  
 0 = Unimportant lever of parent value added  
 5 = Very important lever of parent value added





# Drive superior performance through focus

The "new"  
**ASHLAND**



## Strong basis / strategy

- Customer intimacy and innovation
- Strategic capital deployment


- 150-year-old brand heritage
- Merchandising excellence, marketing know-how



## Operational imperatives

- Supply chain excellence
- Process technology and engineering excellence

- Digital strategy – targeted digital marketing & e-commerce
- Organic & inorganic store growth



## Tangible benefits / value creation

- Growth in high-margin, differentiated areas
- High incremental ROIC

- Organic top-line growth
- Capital-light with high cash conversion



## High-performance organizations

- Innovation excellence
- Nimble service and solution development

- Hands-on expertise
- Cross-channel go-to-market excellence

**Fundamentally different approaches to running the "new" Ashland and Valvoline**

# Both businesses will be set up to succeed and grow as independent companies



## Strategy

### Deep sources of sustainable competitive advantage

- New Ashland: Leadership in Core Technology Platforms, innovation capability
- Valvoline: 150-year-old brand heritage, multi-channel excellence

## Scale

### Sufficient scale to compete effectively

- Size commensurate with key competitors
- Support functions already decentralized following 2015 restructuring

## Financial firepower

### Well capitalized to continue executing on growth priorities

- Financial leverage expected to remain in-line with historic Ashland levels
- Took action to de-risk legacy liabilities
- Firepower to execute on growth priorities

## Costs

### Competitive cost position

- Costs in-line with or better than key competitors
- Committed to ensuring a cost neutral separation

## Talent

### Opportunity to unlock leadership potential

- Deep bench of leadership talent to execute on priorities
- Opportunities for top talent to "step up"

# Separation enables us to accelerate value creation for shareholders



## Enhanced optionality

- Optionality for shareholders with distinctive theses
- Optionality for new Ashland and Valvoline to execute on distinct priorities
- Firepower for value-creating projects

## Significant value unlock

- Track record of superior performance vs. market
- Release conglomerate discount
- Close multiple gap vs. peer groups

## Ongoing value creation

- Path to minimize frictional costs
- Customized capital allocation priorities and policies
- Tailored drivers for shareholder value creation



# We are excited to create Two Great Companies

Starting with a *strong team* and a *proven track record*...

...we are creating two *great, independent* companies

These companies will *grow faster* by pursuing their *distinct needs*

Enables *optimal capital allocation* and *increased optionality* for shareholders

This transformation is the best next step to unlock  
incremental shareholder value



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**Lunch**





# The "new" Ashland

Luis Fernandez-Moreno – Chemicals President | Bill Wulfsohn – Chairman & CEO

**ASHLAND**<sup>®</sup>

With good chemistry great things happen.™



## Our vision

**ASHLAND**<sup>®</sup>

With good chemistry great things happen.<sup>™</sup>

We aspire to be the world's **PREMIER  
SPECIALTY CHEMICAL COMPANY**

# Strong and experienced leadership team in the room today



## **Ed Connors**

Group VP, Industrial  
Specialties, ASI

- Nearly 25 years of experience in specialty chemicals
- Leads global business in coatings, adhesives, and other industrial end-markets



## **Linda Foltis**

VP, Care Specialties  
R&D, ASI

- 31 years of experience in personal care chemistry and new product innovation
- Prior experience in skin care and hair care R&D at L'Oreal USA



## **Andy Johnston**

Group VP,  
Composites, APM

- Nearly 30 years of experience in specialty chemicals
- Experience across sales, marketing, technology, management and M&A



## **Jim Mish**

Group VP, Consumer  
Specialties, ASI

- 30 years of experience in the specialty chemicals industry
- Leads global business in personal care, pharmaceuticals, nutrition, and other consumer end-markets



## **Osama Musa**

VP & Technology  
Chief, ASI

- More than 20 years of specialty chemicals experience; holds more than 50 patents
- Leads research and development across all segments



# Leading specialty chemicals company



**\$3.4B in sales**  
**20% EBITDA**

**5,000 employees**  
**60+ global facilities**  
**Sales in >100 countries**

## Key end markets for our products

### Pharmaceuticals

- Functional excipients—timed release, targeted delivery
- Tablet coatings

### Personal care

- Texture & rheology modifiers
- Hair styling and conditioning ingredients
- Oral care active delivery
- Biofunctionals for skin, hair, oral

### Architectural coatings

- Additives for improved hiding and application, reduced solvent usage

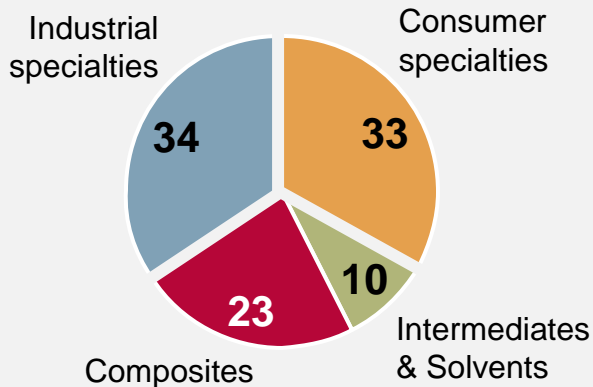
### Nutrition

- Flavor enhancers
- Mouthfeel ingredients
- Clarifiers & texture modifiers

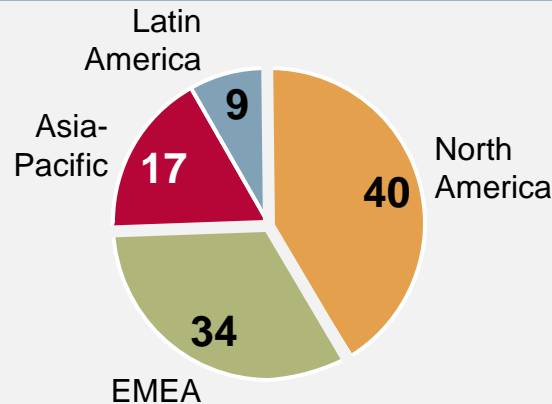
### Automotive

- Lightweight resins & adhesives

By division



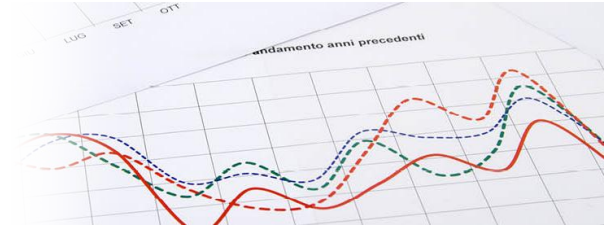
By geography



**Differentiated technology and deep customer relationships in attractive and growing end markets**

Note: Employee count excludes shared Ashland resources

# What being a premier specialty chemical company means to us



## Specialty TECHNOLOGIES

- Small portion of customer product cost, **big impact** on product performance
- **Highly differentiated** products built on **performance**, not to common specification
- Margins **not impacted** by commodity cycle
- **Expertise is essential** for product safety & health
- Deep know-how; **difficult to emulate**

## Specialty ENABLERS

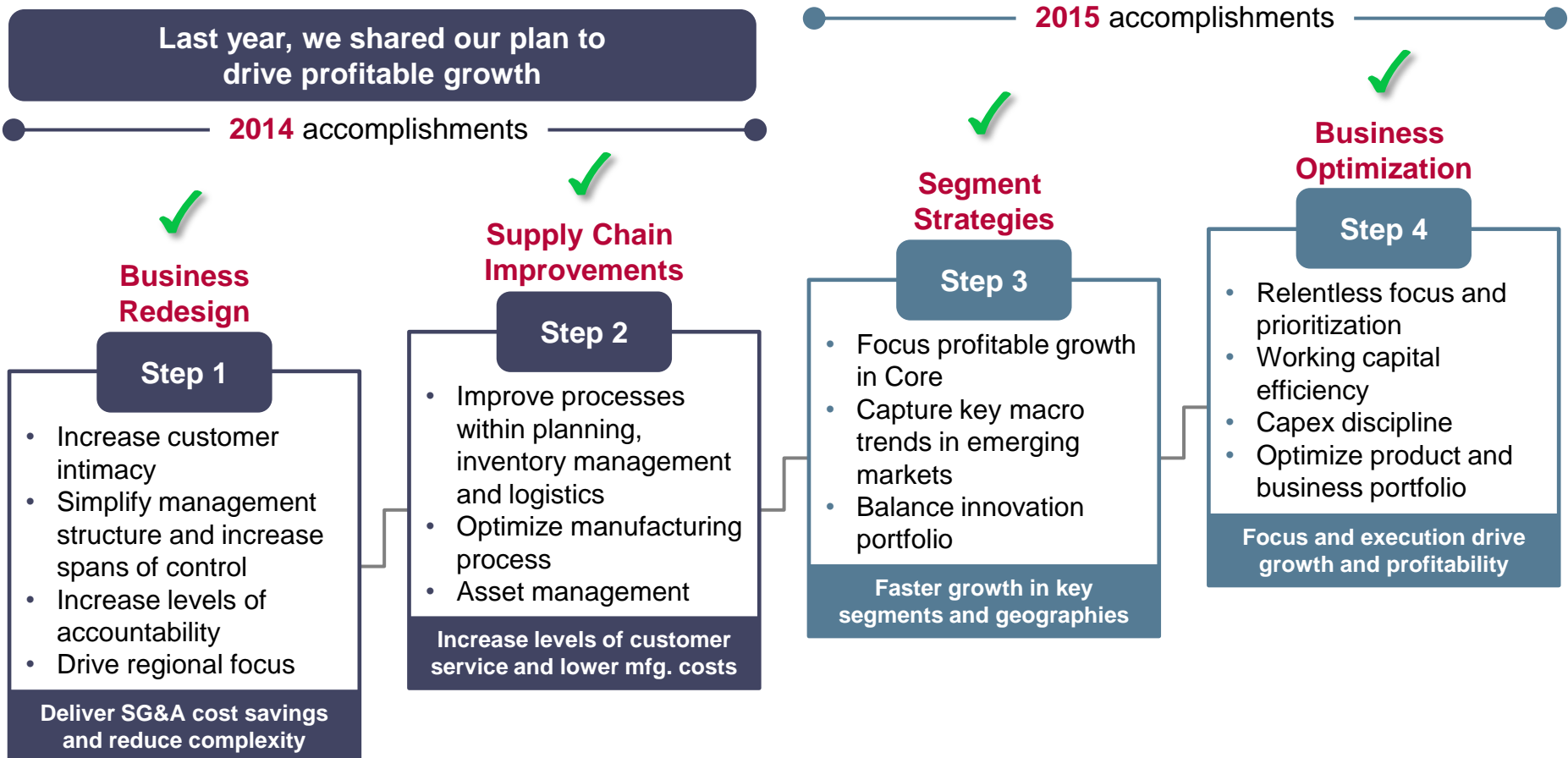
- **World-class team** and winning mindset
- **Science-driven culture**—with a proven ability to **commercialize innovation**
- **Global reach** to act quickly and solution for our customers
- Customer intimacy and **joint problem-solving**
- **Commercial excellence** across sales, marketing, tech service
- Emphasis on **driving value**, not price or volume

## Specialty METRICS

- Focus on **ROIC** and **EBITDA%**
- **Market share** improvement
- Productivity of **new product pipeline**
- Customer **satisfaction**
- Sustained **margins** driven by value to customer



# We have taken concrete steps to improve our business



**Since 2013, we have expanded adjusted EBITDA margins by >350bp**

# Separating into a focused specialty chemical company will accelerate growth and performance



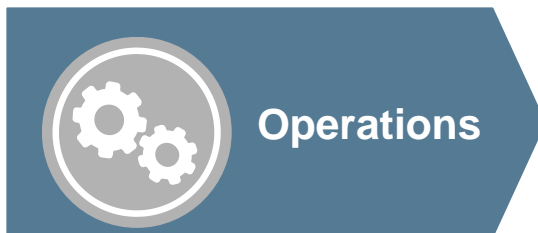
Strategy

Increased focus throughout the organization on **product leadership** and our **differentiated solutions strategy**



Culture

**Unified culture** that emphasizes **customer intimacy**, **technological innovation**, and **zero-incident operations**



Operations

**Tailored central support** for the specific needs of specialty chemicals—from **IT systems** to our **talent development** process



Finance

Clearer **performance objectives** and **capital investment priorities** that fit with our solutions strategy

# We have consciously built a portfolio of differentiated Technology Platforms



## Our differentiated Technology Platforms

*With select examples of our products and brands*

<p><b>Ashland</b> <i>pre-2008</i></p>	<p><b>UPR</b></p> <ul style="list-style-type: none"> <li>• Arotran®</li> </ul>	<p><b>EVER</b></p> <ul style="list-style-type: none"> <li>• Derakane®</li> </ul>	<p><b>Adhesives</b></p> <ul style="list-style-type: none"> <li>• Pliogrip®</li> <li>• Aroset®</li> </ul>
<p><b>Hercules</b> <i>2008</i></p>	<p><b>Cellulosics</b></p> <ul style="list-style-type: none"> <li>• Klucel® HPC</li> <li>• Benecel® HPMC</li> <li>• Aquasolve® HPMCAS</li> <li>• Natrosol® HEC</li> <li>• Aqualon® EC</li> </ul>		<p><b>Guar derivatives</b></p> <ul style="list-style-type: none"> <li>• Galactasol®</li> <li>• N-Hance®</li> <li>• Aquacat®</li> </ul>
<p><b>ISP</b> <i>2011</i></p>	<p><b>Acetylenics</b></p> <ul style="list-style-type: none"> <li>• Plasdone® PVP</li> <li>• Polyplasdone® PVPP</li> <li>• Gantrez® VE</li> </ul>		<p><b>Biofunctionals</b></p> <ul style="list-style-type: none"> <li>• Neomatrix®</li> <li>• Chronogen®</li> <li>• Elixiance®</li> </ul>
<p><b>Extensions</b> <i>since 2011</i></p>	<p><b>Zeta Fraction™</b></p>		<p><b>Hybrids</b></p>

**Cellulosics and Acetylenics, our Core Technology Platforms, form the backbone of our strategy**

# Leadership in Core Technology Platforms drives our sustainable competitive advantage



**Top-two** market share in our Core Technology Platforms

**>70 years of experience** manufacturing cellulosics and acetylenics



**Global asset footprint** that is costly and complex to replicate

**Sustainable competitive advantage**

**Complex chemistries** that we know better than anyone



Capability to succeed in **highly regulated markets** demanding **advanced process and safety expertise**

**Few companies have the experience or scale to compete in our Core Technology Platforms**

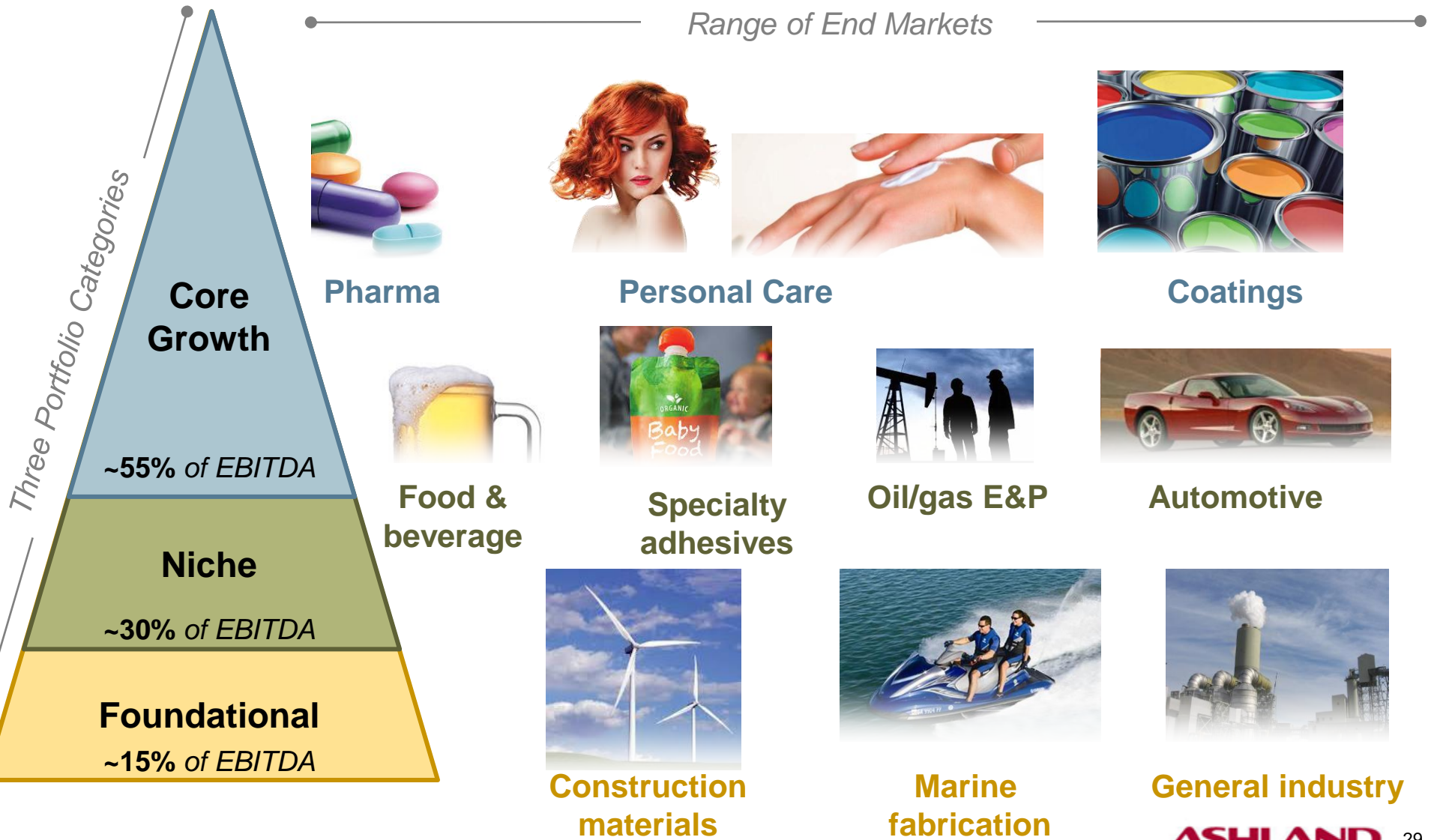
# Our differentiated Technology Platforms enables advantaged participation in attractive End Markets



Leadership in our Core Technology Platforms enables a <b>strong position in great markets...</b>		...complemented by <b>high-value niches</b> and foundational markets...			...and we have <b>exited positions</b> that don't fit our strategy		
Product leadership positions	Core Growth			Niche	Foundational	Exited non-core tech	
	Pharma	Personal Care	Coatings				
<b>Ashland</b> <i>pre-2008</i>	Vinyl esters Adhesives UPR			✓	✓	✓	Foundry chems Water treatment
<b>Hercules</b> <i>2008</i>	Cellulosics Guar	✓	✓	✓	✓	✓	Straight guar RDPs Paper treatment
<b>ISP</b> <i>2011</i>	PVP Biofunctionals	✓	✓		✓	✓	Biocides Elastomers
<b>Extensions</b> <i>since 2011</i>	Zeta Fraction™ Hybrids	✓	✓		✓		

Note: Years are calendar years

# Three complementary Portfolio Categories across the many End Markets we serve



Pharma



Personal Care



Coatings



Food & beverage



Specialty adhesives



Oil/gas E&P



Automotive



Construction materials

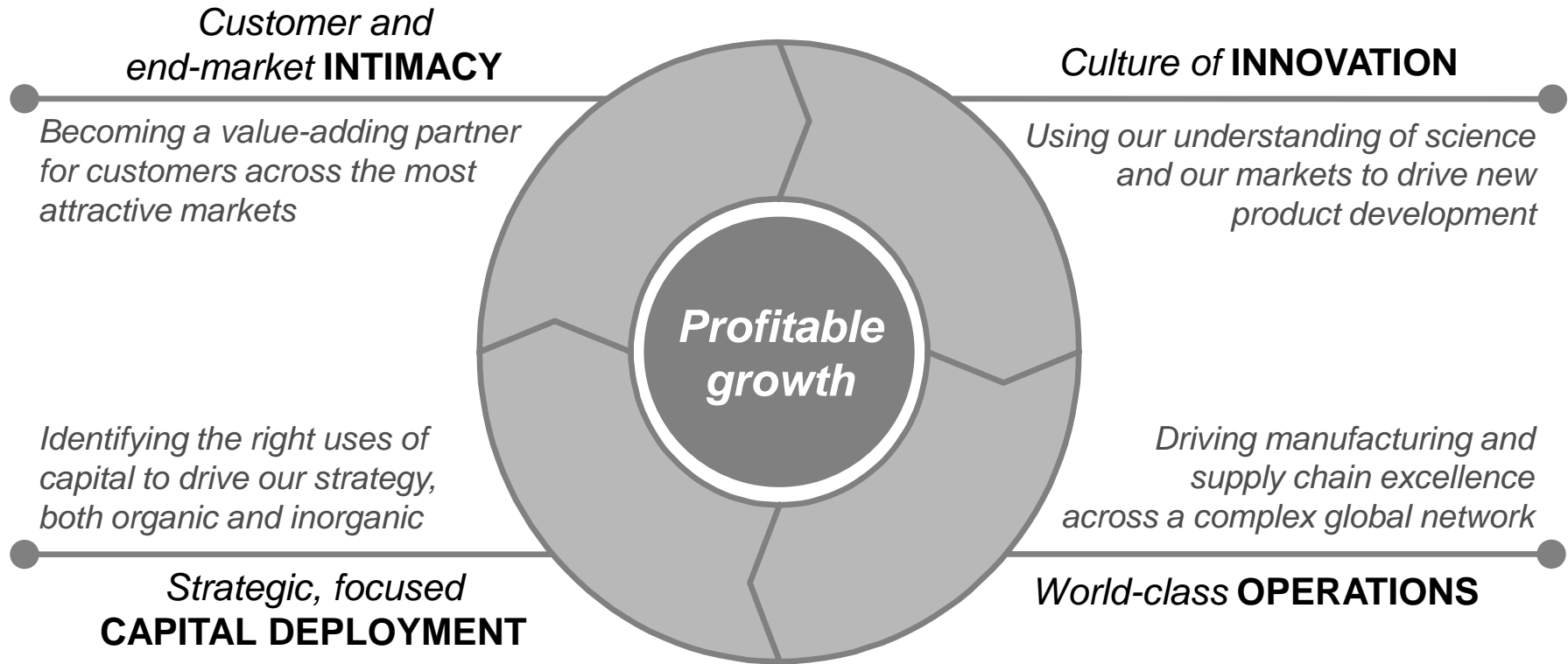


Marine fabrication



General industry

# We employ four Strategic Levers in different ways to drive value across our Portfolio Categories



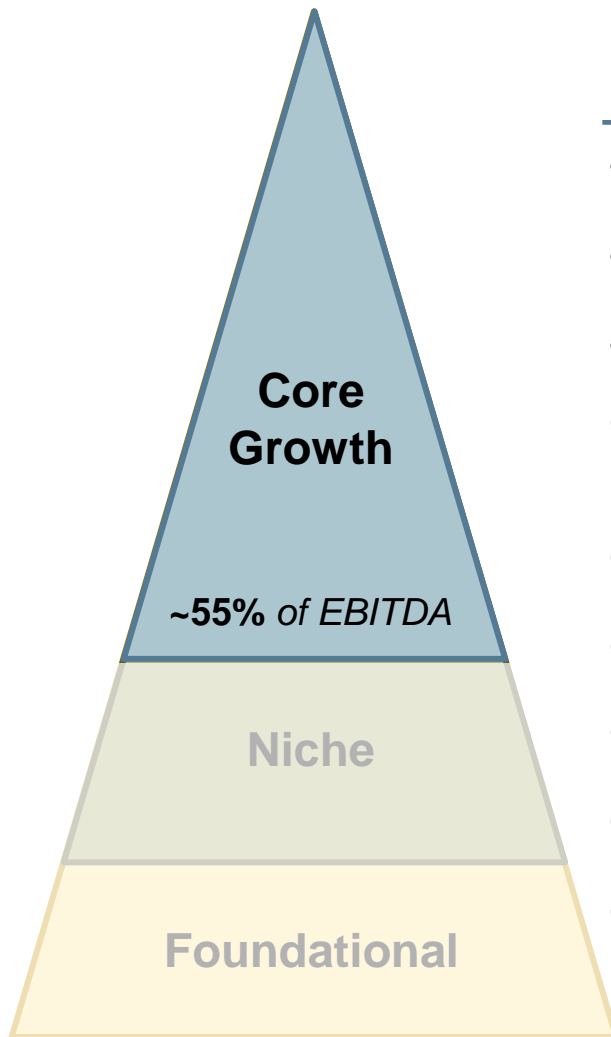
Enabled by...

**WORLD-CLASS TALENT** at all levels of the organization

Relentless focus on **SAFETY AND SUSTAINABILITY** in our operations



# In Core Growth, we drive profitable growth by developing differentiated solutions for customers



## Category description

- Markets where we have built **strong positions** in favorable sub-segments
- **Strategic partnership** with our customers—the source of multiple functionalities and label claims
- **GDP+** market growth rate
- Market growth opportunities enabled by our Core Technology Platforms, where we can play a **highly valued role**
- Smaller position, substantial **room to grow** in select applications
- **GDP+** market growth rates
- Strong positions in technologies that **generate cash** for the portfolio
- Generally leverages **different technologies** than core and niche market
- Provides **critical backward integration** for the core

## Portfolio approach

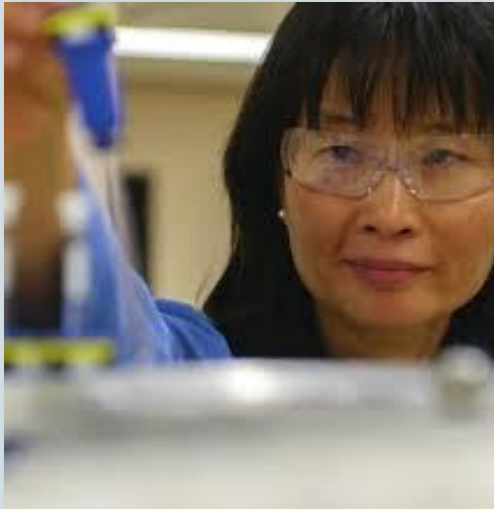
- Primary driver of profitable growth
- Core focus of capacity and innovation investments
- Selective growth investment, with strong linkages to core portfolio and high-value markets
- Goal to drive efficiency and stable cash returns
- Source of downstream stability for core products

# It all starts with customer and market intimacy...



## Co-innovation and market-intimate scientific research

- Co-innovation and co-development to **anticipate and meet customer needs**
- In-house research to **develop insight** into end-user solutions



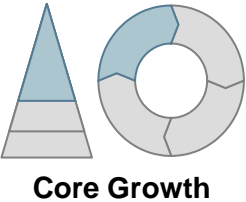
- **Strong technical service** ensures value delivery over lifecycle
- Deep customer relationships **drive intimacy**

**Long-term customer relationships** founded on value delivery

## End-user market research

- Identification of global and regional trends to be the **first solution** to market
- Collaboration between **Ashland scientists** and customer marketing / product development



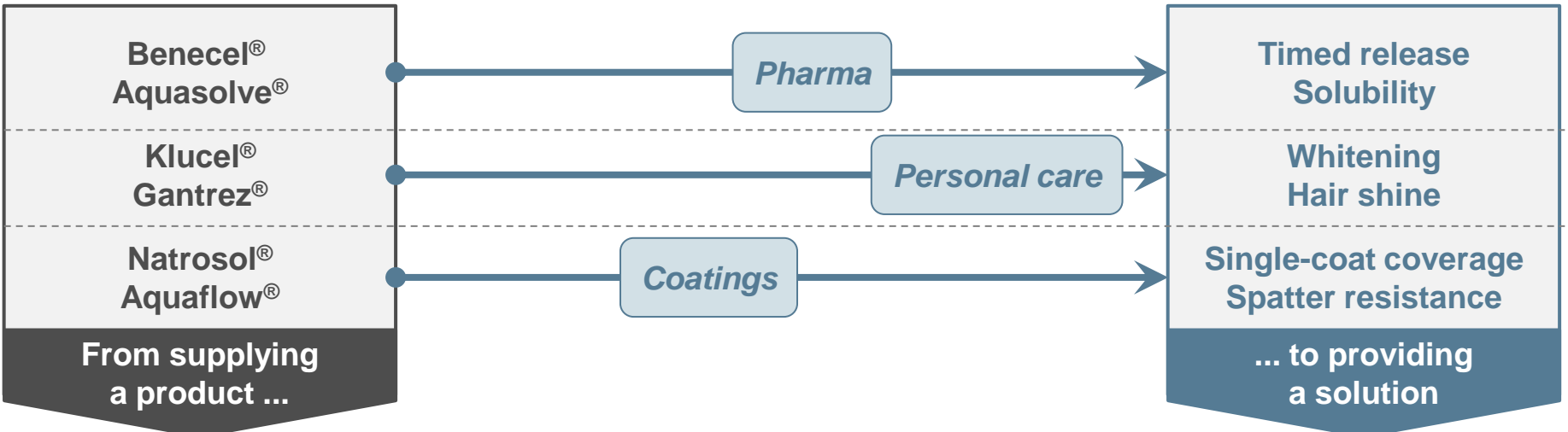


Core Growth

# ...which enables us to be the solutions provider of choice in Core Growth markets



For example...



- Some differentiation
- Less personal
- Product supplier



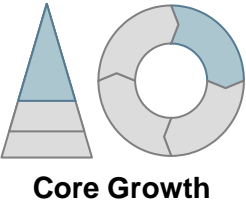
- Highly differentiated
- Intimate
- Strategic partner

- The right product
- Technical service
- Product knowledge



- Unique value delivery
- Co-innovation
- Market understanding

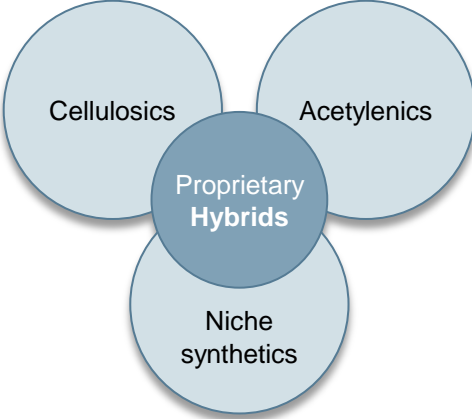
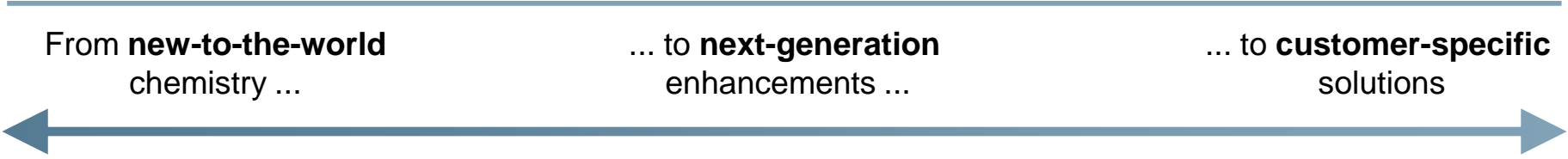
**Our businesses have evolved and continue to evolve**



# Customer intimacy enables us to innovate world-class solutions for our customers



## A continuum of innovation to serve our customers and drive growth



*Hybrids based on our unique product portfolio*



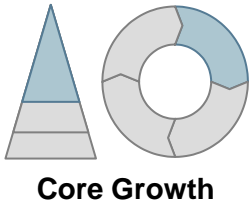
*Product advancements that transform our products' value to customers*



*Regional formulations to optimize for local skin or hair types*

**Supported by world-class talent and facilities—more than 125 PhD scientists and more than 2,700 active patents**

Note: Patent count includes 1,703 granted patents and 1,048 patents pending across ASI and APM as of October 28, 2015



# Sustainability is a key pillar of our innovation efforts for our customers



## Selected examples from our innovation portfolio

Coatings ingredients to improve indoor air quality

- New coatings solutions enable **low- and no-volatile organic compound (VOC) paints** without sacrificing performance

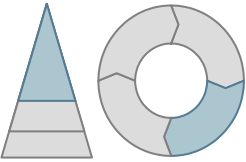


Innovating with new, all-natural ingredients

- Zeta Fraction™ technology enhances our ability to develop **naturally and sustainably derived** personal care solutions

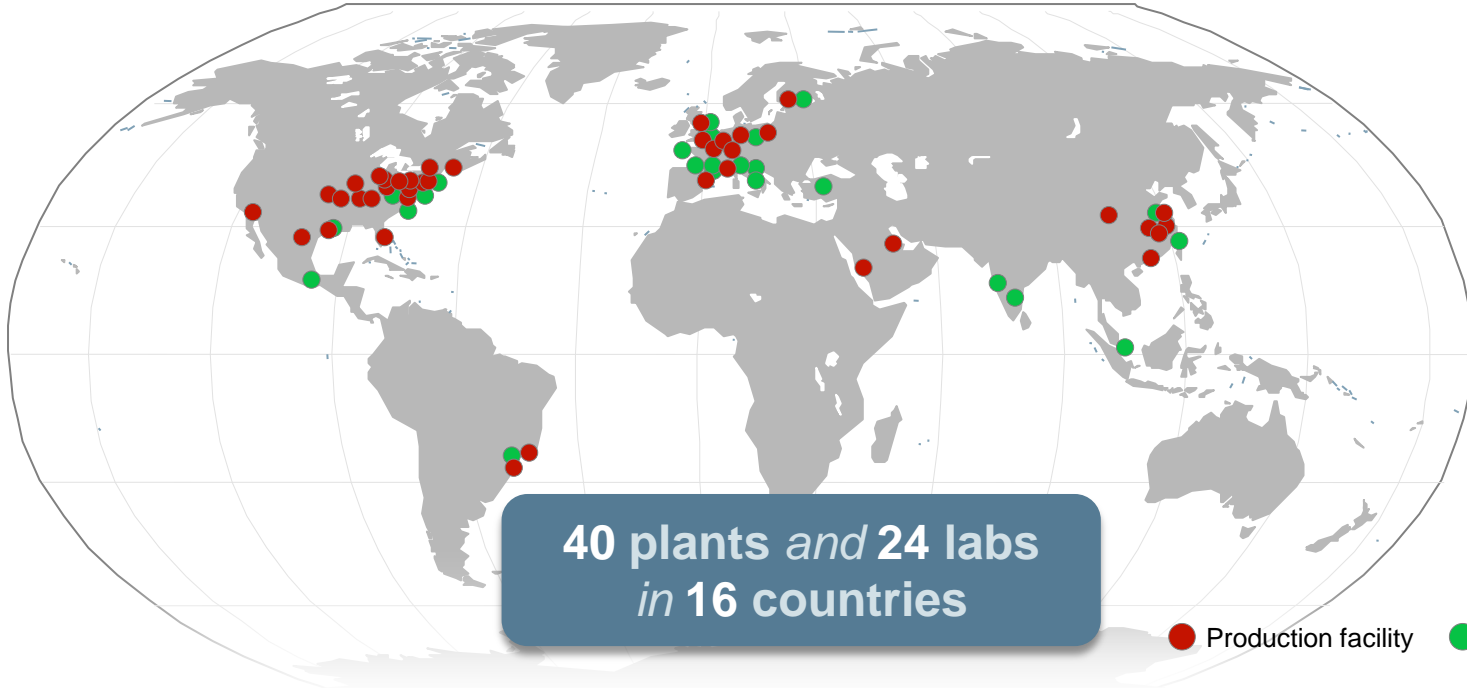


Our sustainable ingredients are a value-adding source of differentiation for our customers' products



Core Growth

# Supported by a broad, global manufacturing footprint

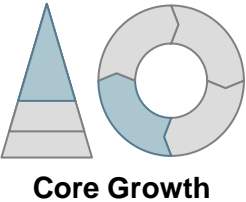


**We are investing aggressively to defend and extend our leadership**

<b>Major capacity expansions</b> in Virginia and Nanjing	Process certifications to meet the highest <b>food and pharma health and safety standards</b>
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Note: Includes JV facilities

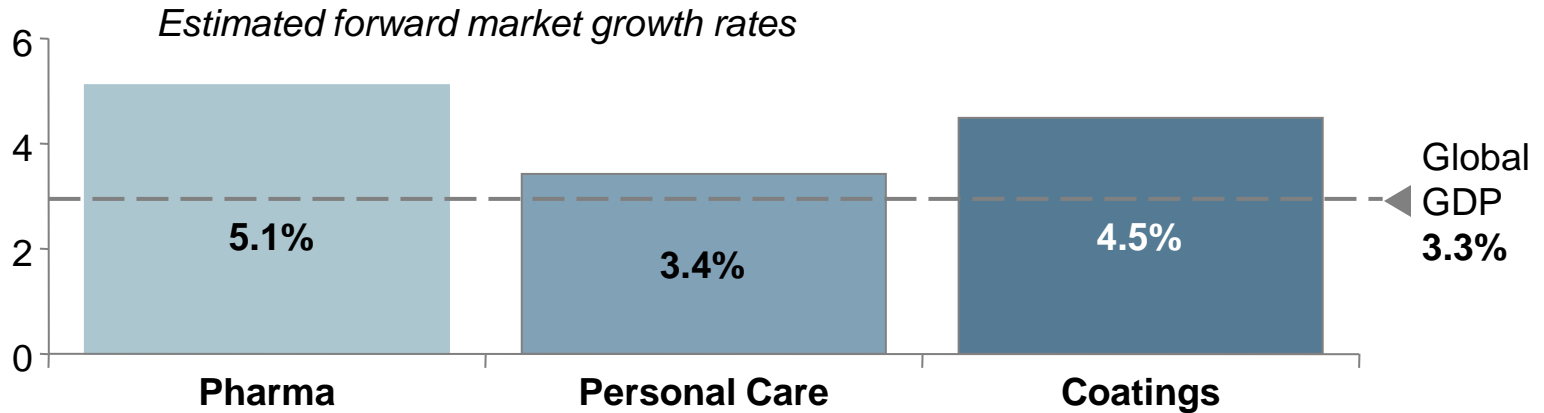




# Plenty of room to grow in our Core Growth markets

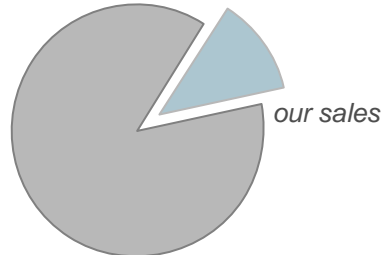


Core Growth market growth rates exceed GDP...

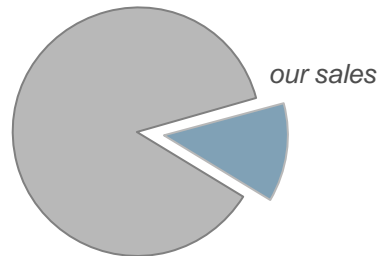


... and we have plenty of room to grow in excess of that

*Pharmaceutical excipients market size*  
**\$2.4B**



*Personal Care specialty ingredients market size*  
**\$4.3B**



*Coatings additives market size*  
**\$1.9B**

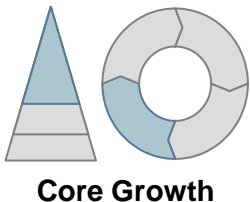


**Illustrative extensions**

- Complementary excipients
- Encapsulation ingredients
- Conditioning polymers
- Biofunctionals
- Complementary rheology modifiers
- Other functional additives

Note: Market growth and share estimates are internal estimates based on IHS, Kline, and other sources. Global growth forecast from IMF Oct 2015 WEO.





Core Growth

# Clear criteria guide deployment of organic and inorganic growth capital



## Reinvest to extend leadership in Core Technology Platforms

- Invest in R&D to **extend our market leadership** in leading platform chemistries
- Build on our existing base infrastructure through high ROIC projects to meet **growing market demand**



*\$89MM cellulose expansion in Hopewell, Va.*

**Maintain scale and product leadership**

## Expand our scope with complementary products in target markets

- Organic R&D to increase our **product breadth** to offer customers more complete solutions
- Selectively seek acquisitions to **improve solutions offerings**



*Zeta Fraction™ acquisition strengthened biofunctional skincare solutions*

**Emphasize improving solutions in our target markets**

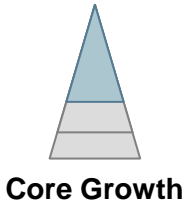
## Support customer and market growth in emerging geographies

- Extend our footprint to get closer to **sources of growth**
- Must satisfy our **focus on our core**



*Continually surveying global opportunities*

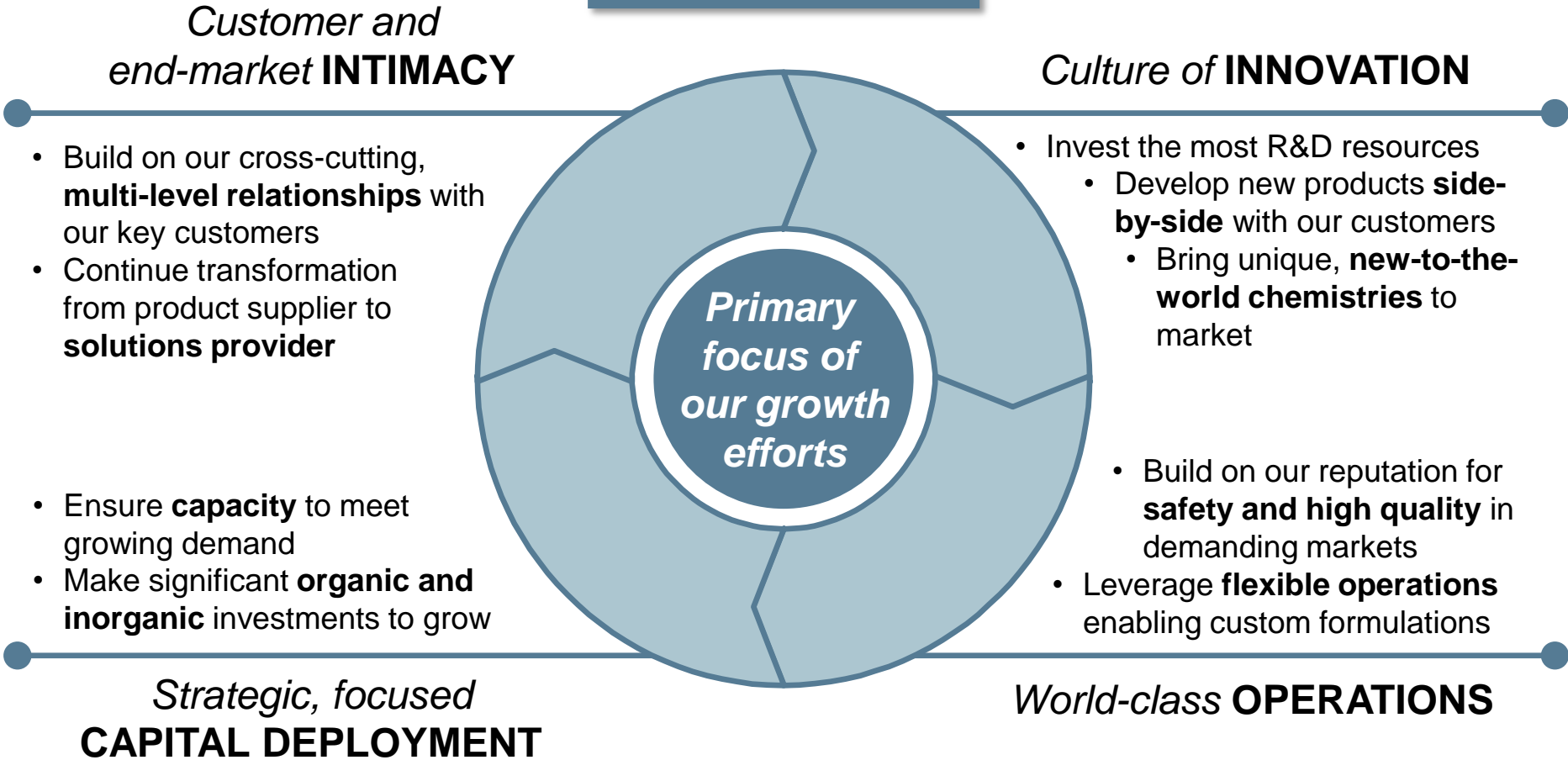
**Extend global reach in most attractive geographies**



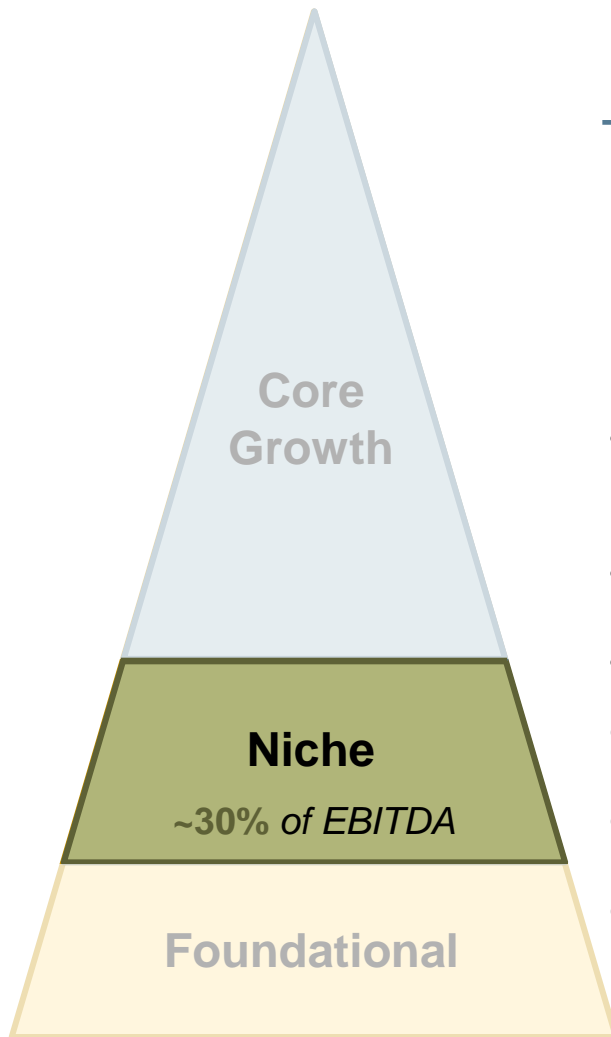
# Core Growth is the primary focus of our investments



~55% of EBITDA



# Niche category leverages Technology Platforms to offer high-value products in growing markets

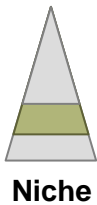


## Category description

- Markets where we have built **strong positions** in favorable sub-segments
- **Strategic partnership** with our customers—the source of multiple functionalities and label claims
- **GDP+** market growth rate
- Market growth opportunities enabled by our Technology Platforms, where we can play a **highly valued role**
- Smaller position, substantial **room to grow** in select applications
- **GDP+** market growth rates
- Strong positions in technologies that **generate cash** for the portfolio
- Generally leverages **different technologies** than core and niche market
- Provides **critical backward integration** for the core

## Portfolio approach

- Primary drivers of profitable growth
- Core focus of capacity and innovation investments
- Selective growth investment, with strong linkages to core portfolio and high-value markets
- Goal to drive efficiency and stable cash returns
- Source of downstream stability for core products



# A range of attractive Niche markets where we are active and can grow



## Food, beverage and nutrition

*est. mkt. growth 4.0%*



- **Natural texturants** for a variety of food products
- Enables **healthier frying** and baking

- **Specialty stabilizers and clarifiers** for beer, wine, and other beverages



## Adhesives

*est. mkt. growth 4.5%*



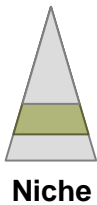
- Packaging for **highly specialized applications** regulated for health & safety
- High performance solutions for **demanding structural applications**

## Energy

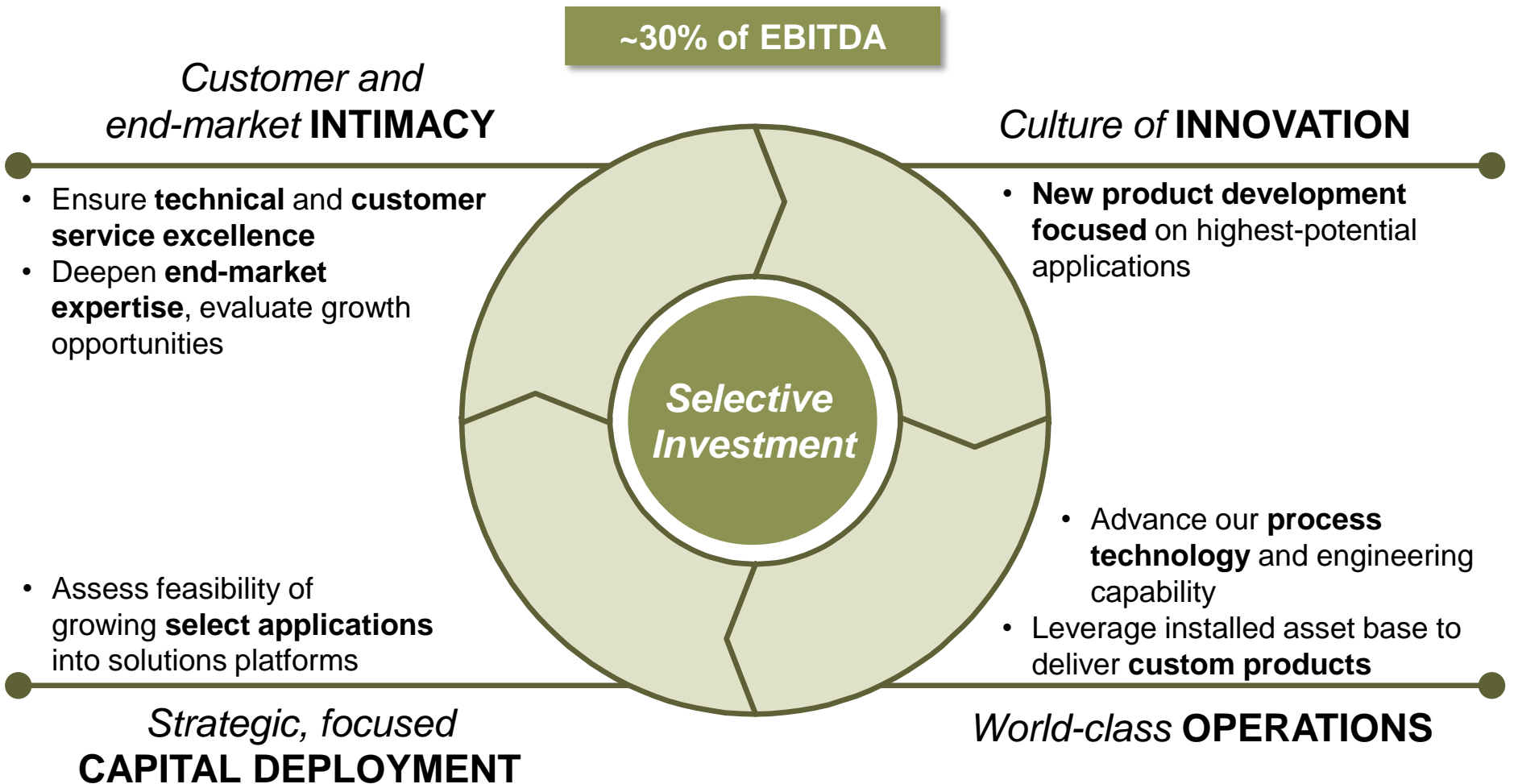
*est. mkt. growth 4.0%*

- A **range of technologies** for drilling and cementing applications
- Offer fluid loss control, gel strength, friction reduction in **extreme conditions**

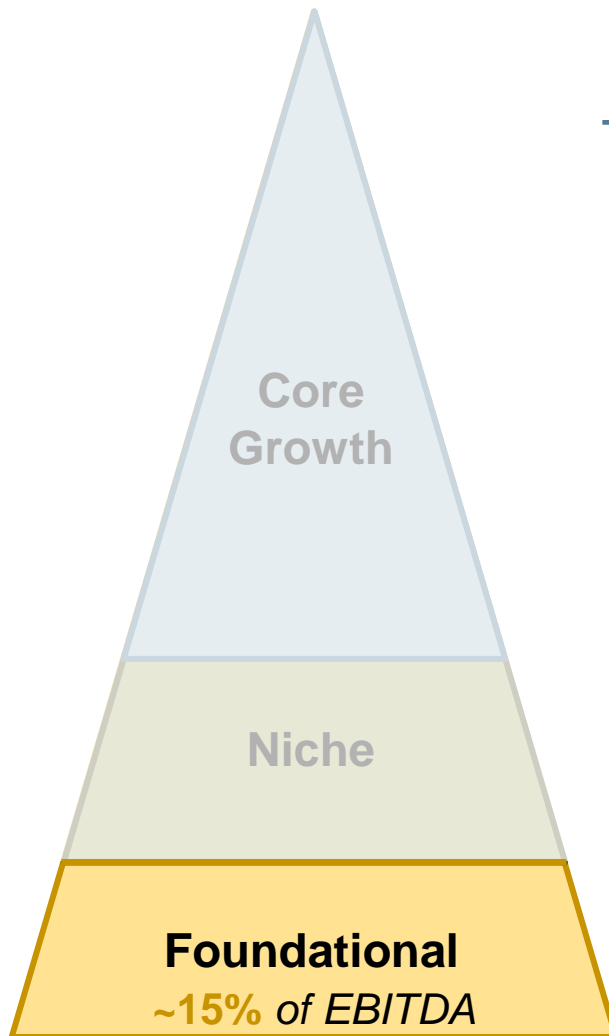




# Niche category managed for high-value applications and selective growth



# Foundational category is focused on generating cash and enabling growth in Core Technologies



## Category description

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- **Strategic partnership** with our customers—the source of multiple functionalities and label claims
- **GDP+** market growth rate
- Market growth opportunities enabled by our Core Technology Platforms, where we can play a **highly valued role**
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# Foundational category is a key enabler

~15% of EBITDA

## *Customer and end-market* INTIMACY

- Selective technical service for **more demanding, higher-margin** applications
- Focus on **product quality and service**

- Continually assess portfolio to **ensure value capture**
- Focus on **maximizing cash generation**

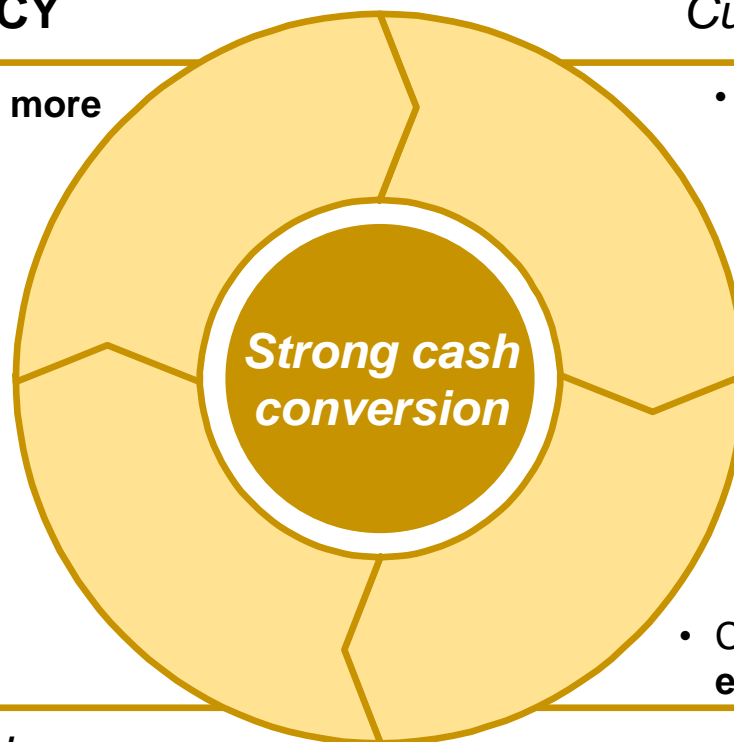
## *Strategic, focused* CAPITAL DEPLOYMENT

## *Culture of* INNOVATION

- **Selective development** in corrosion resistance, lightweight, fire resistance

- Maintain **mission-critical** backward integration for core
- Continue driving **low-cost, highly efficient** operations

## *World-class* OPERATIONS

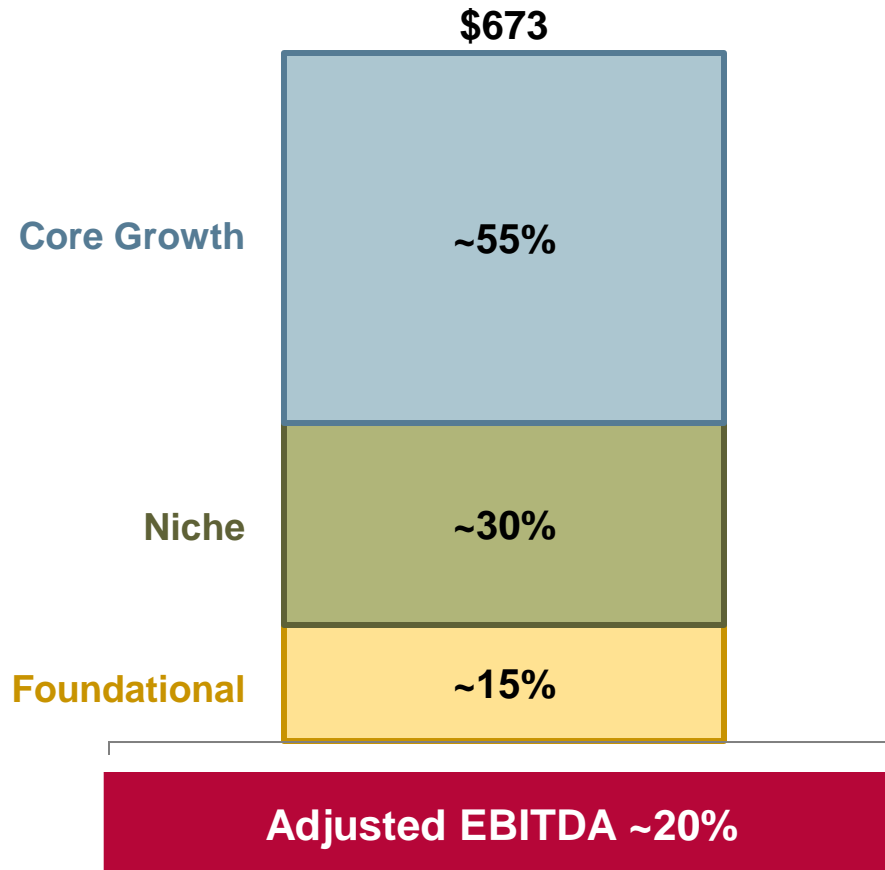






# Complementary portfolio enables superior results

## EBITDA contribution by segment, 2015



## Our strengths build across our markets

- Deep end-market understanding and close collaboration in formulation
  - High-value solutions capabilities that increase value to customers
  - Differentiated technology, research and commercialization, including hybrids
- Advanced customer service and technical service capabilities
  - Nimble and responsive operations that deliver customized products
- Expertise managing a complex, global supply chain
  - Highly efficient manufacturing
  - Responsible Care, Zero-Incident Culture

# Clear criteria for acquisitions, with a disciplined focus on our core strengths



Potential acquisitions should meet one or more of these criteria

## *Core* TECHNOLOGIES

- Focus on Core Technology Platforms
- Invest to defend and extend our leadership
- Improve our ability to serve customers around the world

## *Core* MARKETS

- Improve our solutions offering in Core Growth markets
- Fill an identified technology gap in our portfolio
- Have a clear ability to 'win' in the space

## *Emerging* GEOGRAPHIES

- Enhance our ability to serve the fastest-growing geographies
- Satisfy core technology or core market focus

**Multiple avenues for inorganic growth, and a disciplined approach to acting on opportunities**

# Drive incremental value creation through our strong business and smart approach to cash



	Our track record	Future growth drivers
<b>Strong, predictable EBITDA growth</b>	<ul style="list-style-type: none"><li>• Strong profits in Core Growth</li><li>• Divested volatile, low-margin product lines</li><li>• &gt;350bp improvement in EBITDA margin since 2013</li></ul>	<ul style="list-style-type: none"><li>• Act on Core organic and inorganic opportunities</li><li>• Expand solutions offerings to drive margin expansion</li><li>• Maintain cost discipline</li></ul>
<b>High cash conversion</b>	<ul style="list-style-type: none"><li>• Significant reduction in maintenance capital requirements</li></ul>	<ul style="list-style-type: none"><li>• Continue to optimize supply chain operations</li><li>• Leverage strong asset base to grow with limited capex</li></ul>
<b>Disciplined capital allocation</b>	<ul style="list-style-type: none"><li>• Consistently improving ROIC</li><li>• \$673M in adjusted EBITDA</li></ul>	<ul style="list-style-type: none"><li>• Focus on high-return investments</li><li>• Return capital to shareholders</li></ul>



# A great investment for the future

## Strategically advantaged

- Differentiated, high-margin Core Technology Platforms
- Attractive end markets with strong growth
- Deep customer intimacy
- Innovation culture

## Clear strategy to win

- Defending and extending Core Technology leadership
- Building solutions in high-growth markets
- Expanding strong operating model across our Portfolio Categories

## Demonstrated performance

- Transformed product / market portfolio
- Expanding EBITDA margins
- High-margin solutions business in Core Growth Portfolio Category

## Incremental value creation

- Disciplined investment approach by Portfolio Category
- Leveraging base infrastructure to achieve high incremental ROI

- **High-margin, growing business**
- **Strong cash conversion**
- **Disciplined use of cash to create incremental shareholder value**



# A great investment for the future

Strong Technology Platforms

Focused Portfolio Categories

Attractive End Markets

Clear Strategic Levers

Strategically advantaged



Demonstrated performance



Clear strategy to win



Incremental value creation

**Luis Fernandez-Moreno** – Chemicals President  
**Bill Wulfsohn** – Chairman & CEO  
**Kevin Willis** – CFO



# Agenda

Time	Topic	Presenter
8:30 a.m. – 8:35 a.m.	Introduction and Safe Harbor	Jason Thompson ( <i>Separation lead</i> )
8:35 a.m. – 8:50 a.m.	Creating Two Great Companies	Bill Wulfsohn ( <i>Chairman &amp; CEO</i> )
8:50 a.m. – 9:50 a.m.	The New Ashland (incl. Q&A)	Luis Fernandez-Moreno ( <i>Chemicals President</i> ), Bill Wulfsohn ( <i>Chairman &amp; CEO</i> )
<b>Refreshment Break – 15 minutes</b>		
10:05 a.m. – 11:05 a.m.	Valvoline (incl. Q&A)	Sam Mitchell ( <i>Valvoline President</i> ), Bill Wulfsohn ( <i>Chairman &amp; CEO</i> )
11:05 a.m. – 11:20 a.m.	Financial overview	Kevin Willis ( <i>CFO</i> )
11:20 a.m. – 11:45 a.m.	Conclusion (incl. Q&A)	Bill Wulfsohn ( <i>Chairman &amp; CEO</i> )
<b>Lunch</b>		

# Valvoline

**Sam Mitchell – Valvoline President**  
**Bill Wulfsohn – Chairman & CEO**





# Our strong and experienced leadership team in the room today



**Fran Lockwood**  
SVP, Technology

- 21 years leading Valvoline's research and development efforts
- 40 years in the lubricants and engine technology field



**Tom Gerrald**  
SVP, Installer  
Channels

- 28 years of service within Ashland and Valvoline
- 3 years leading the Valvoline North American Installer Business



**Heidi Matheys**  
SVP & GM, DIY  
Channels

- 3 years leading Do-it-Yourself (DIY)
- 20 years of experience in brand management and advertising



**Craig Moughler**  
SVP & MD,  
International  
Channels

- 27 years in a variety of roles in Valvoline
- 13 years leading Valvoline International



**Tony Puckett**  
President, Valvoline  
Instant Oil Change

- 29 years in a variety of roles in Valvoline,
- 8 years leading Valvoline Instant Oil Change (VIOC)

# The separation will accelerate our growth strategy



## Strategy

Opportunity to focus on **growth objectives and invest in** quick lubes and international



## Culture

Further enables a **unified culture** with **single Valvoline focus**



## Operations

**Customer-centric operations** across all channels and opportunity to **tailor central support infrastructure** to our needs



## Finance

Move rapidly and invest in projects to **drive cross-channel excellence**

**A cohesive vision and world-class team**

 **VALUES**

 **WOW**

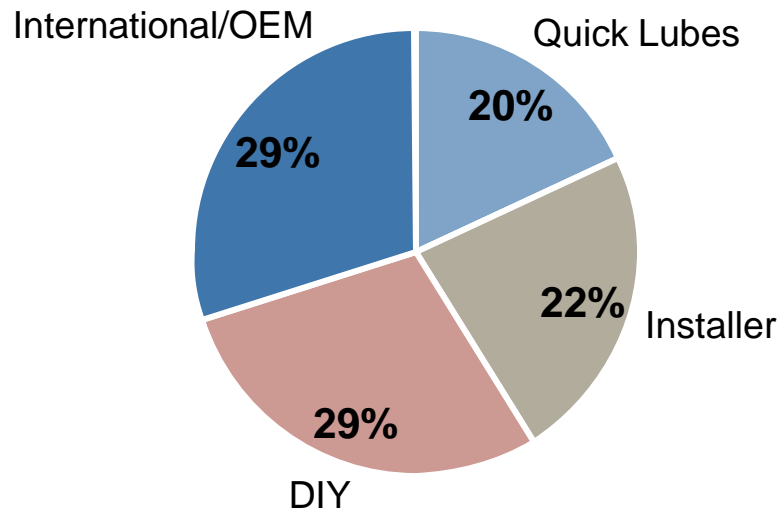
 **VISION**

# Building on a strong foundation for growth

- \$2.0B in sales
- 21% EBITDA margin
- ~4,100 employees
- Top-three premium motor oil brand
- Four winning channels
- Best-in-class retail model



**Sales by channel (%)**

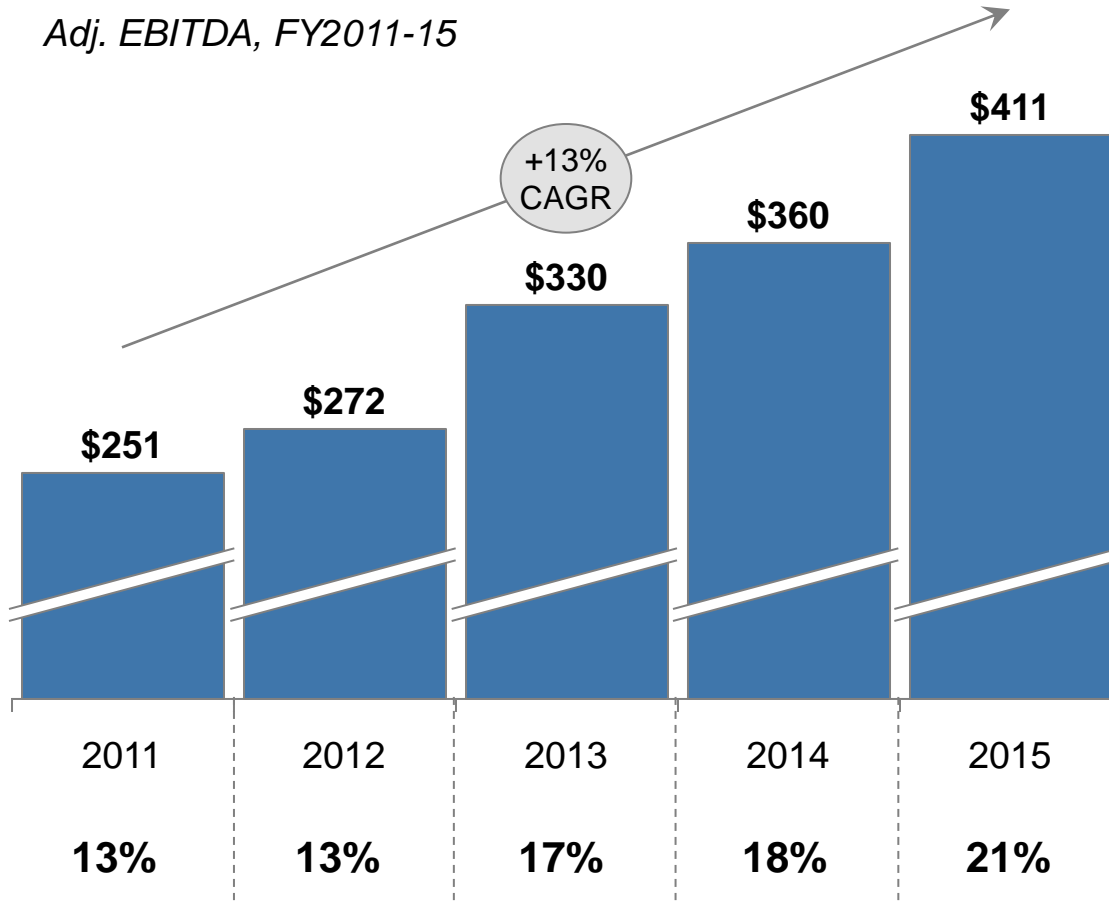


Note: Employee count excludes shared Ashland resources and unconsolidated JVs.



# History of high performance results

Adj. EBITDA, FY2011-15



## Key drivers of our success

- Winning quick lube model
- Concrete steps to mitigate base oil volatility
- Premium mix improvement
- Consistent international profit growth
- Disciplined cost management



# Solid market fundamentals

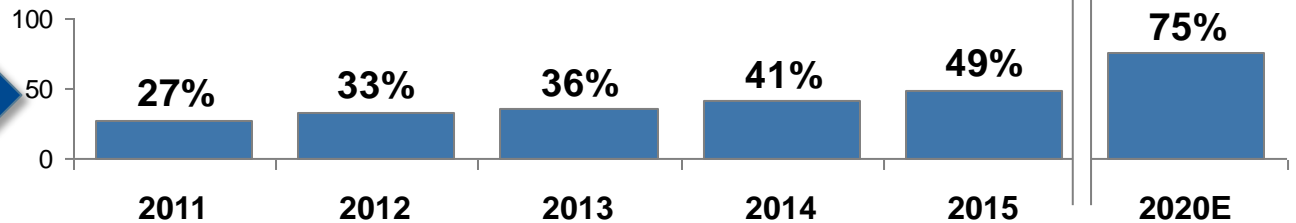
Impact of increasing drain intervals partially mitigated by growing car count

Avg drain interval  
lengthening by  
**2.9% CAGR**  
'11-15

**1.8% CAGR**  
'11-15  
growth in  
Vehicles  
on the road

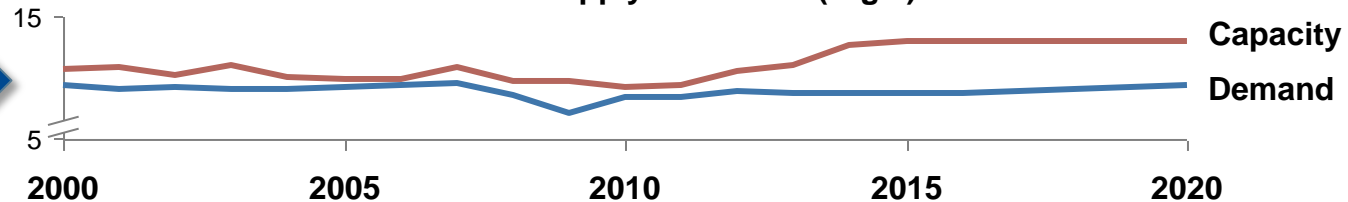
New engine technology requirements drive demand for higher-margin synthetics

New vehicles requiring synthetic grades



Long base oil market mitigates raw material volatility and enables leverage over multiple suppliers

Global base oil supply & demand (B gal)



**We are well positioned to capitalize on market fundamentals**

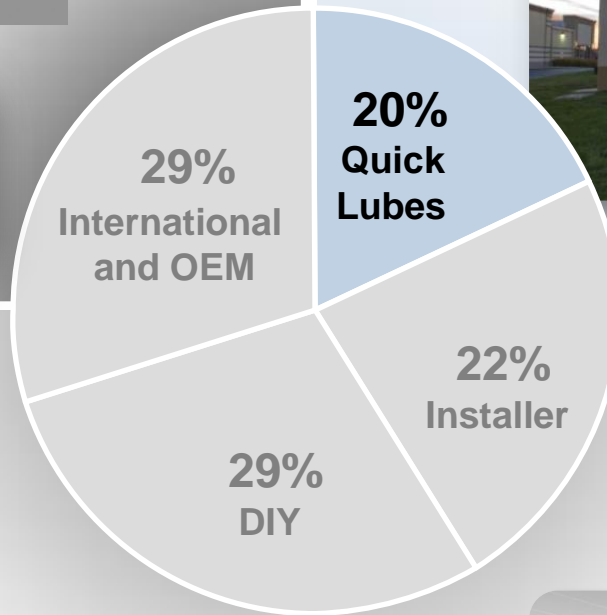


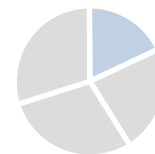
# Leveraging the brand across multiple channels





# Quick Lubes





# Strong plan to win in an attractive market

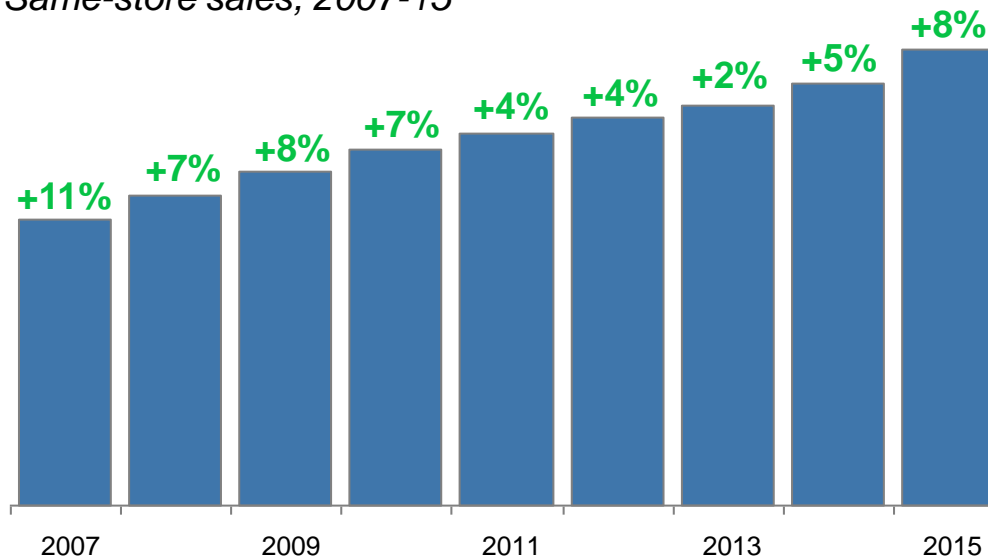
## Large, fragmented market

- ~475MM oil changes per year in U.S.
- Highly fragmented landscape – ~10k quick lubes, >60% of market independent
- Customers looking for consistent, convenient service

## Strategies to win

- Continue organic growth through
  - Excellent customer experience
  - Digital marketing
  - Team culture
- Leverage structural advantages to aggressively scale footprint

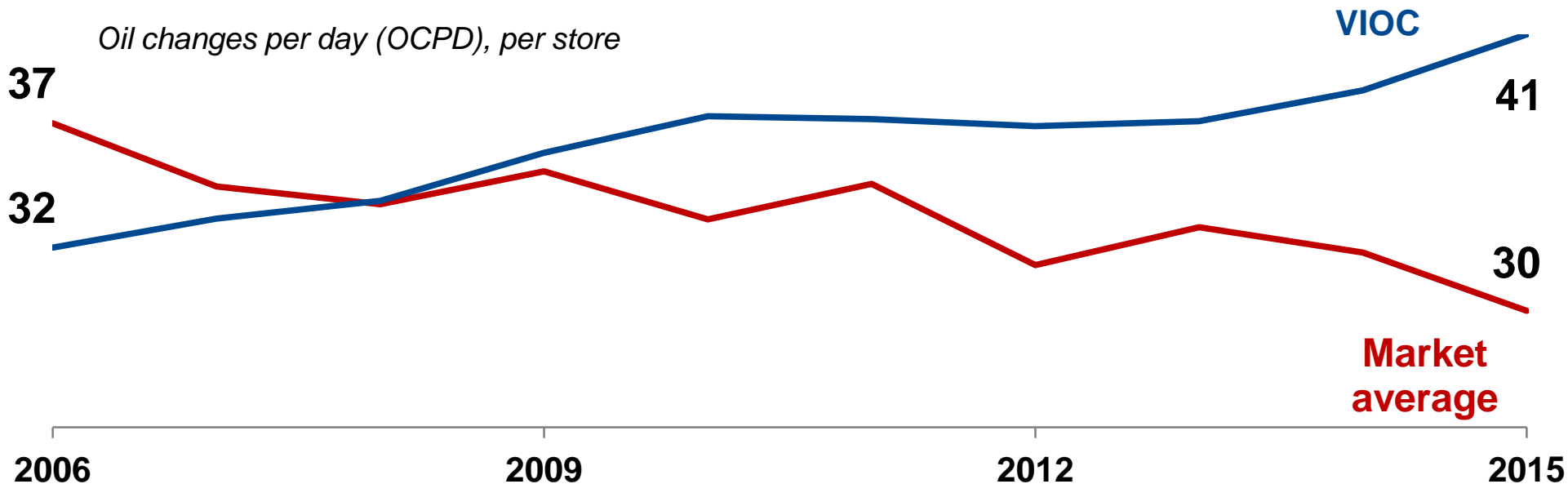
Same-store sales, 2007-15



**Nine consecutive years of same-store sales growth**



# Proven model beating the competition



World-class "hands-on" service that's quick, easy and trusted

Data-driven operations that drive consistent execution across all stores

Advanced digital marketing capabilities to drive customer acquisition

**We expect continued growth in OCPD**

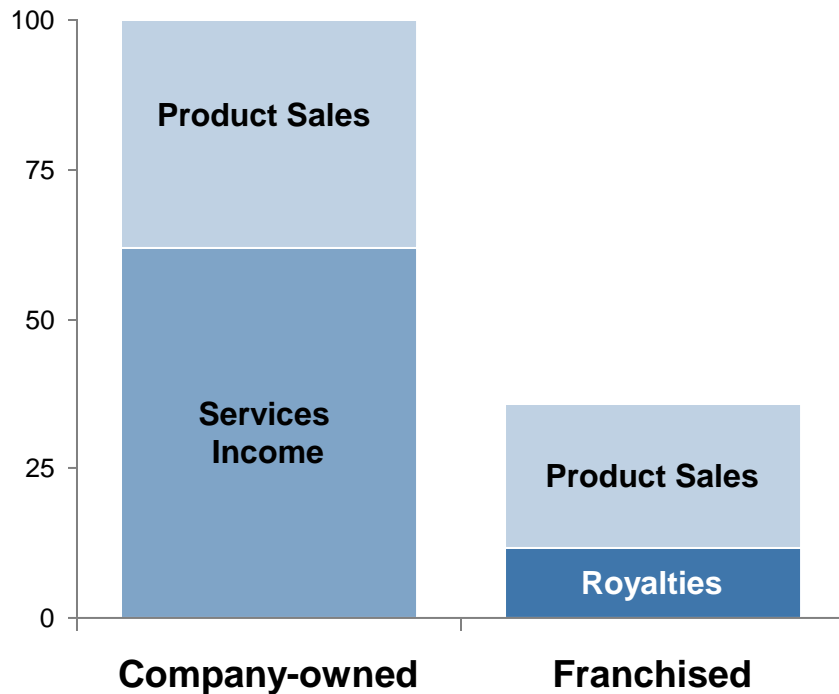
Note: Years are fiscal years, not calendar years





# Vertical integration drives increased profitability

Profit contribution per store (indexed)



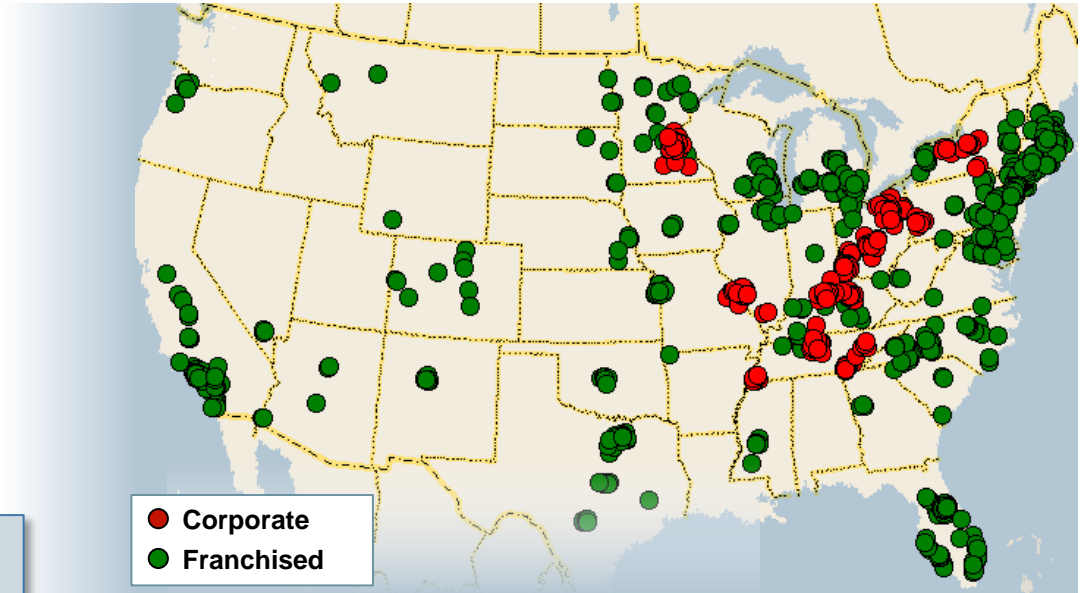
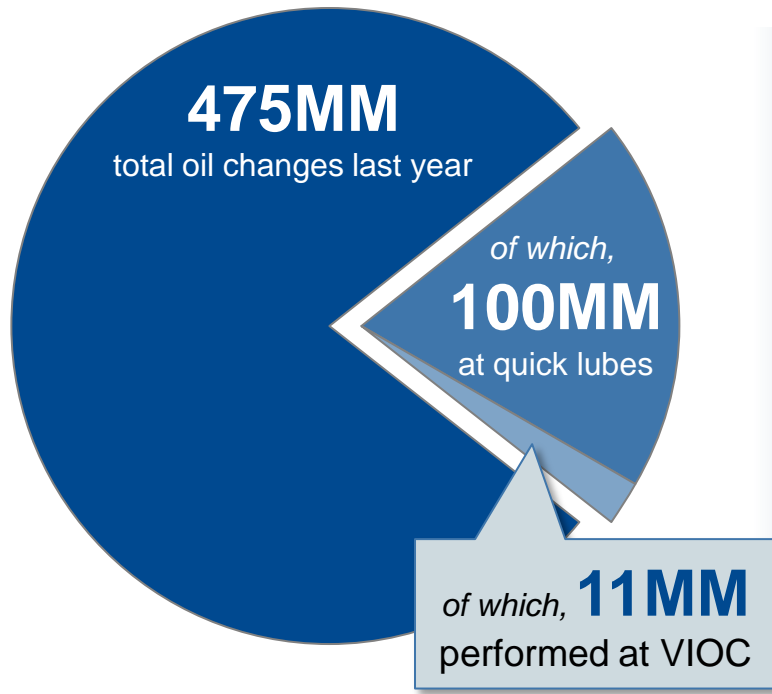
- Company-owned stores are highly profitable and a proving ground for new innovations
- Franchised stores drive strong return on capital due to low capital intensity



**We are the only quick lube business that captures margin from store operations, franchising, and product sales**



# Large opportunity to grow our winning model

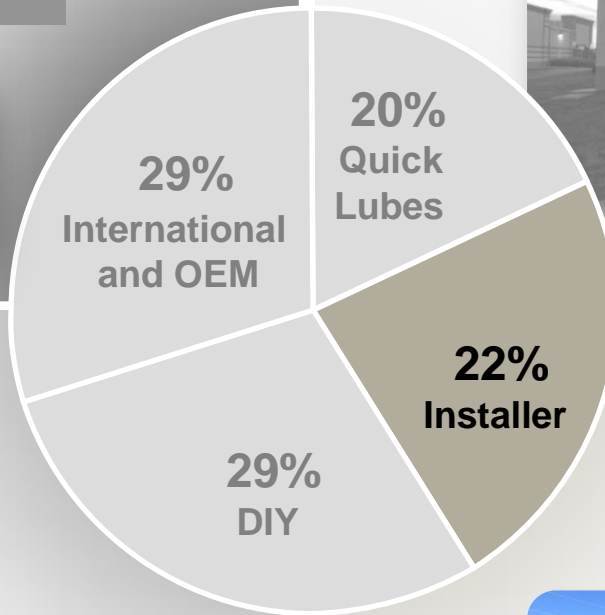


**Significant geographic white space**

**Large market where we will continue to capture share**

**FY2016 begins an acceleration of new store growth**

# Installer







# Our premium model leverages our hands-on expertise

## Large market, two buying dynamics

- \$7B market opportunity across dealerships, auto service, fleet
- B2B model with two types of buyers – 'price only' vs. brand and solutions

## Strategies to win

- Leverage our hands-on expertise to drive installer performance
- Drive premium mix and non-lube sales
- Leverage digital technology in marketing, e-commerce, supply chain
- Strengthen channel partnerships

Premium mix has improved from 21% to 30% over past five years



Non-lube products are a significant source of installer sales and margin

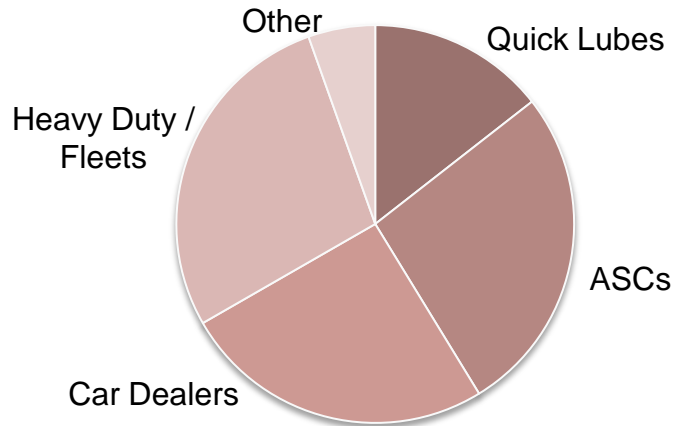


# Profitable diversified business with significant opportunities for growth

Installer

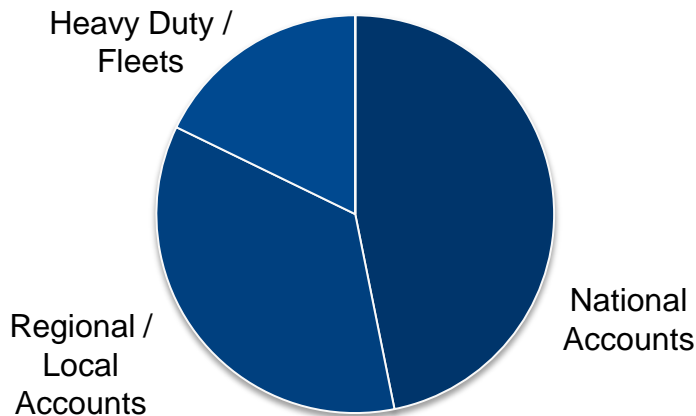


## U.S. Do-It-For-Me / Heavy Duty Market



- Focus is on Automotive Service Centers (ASCs), Quick Lubes, Car Dealers, and Heavy Duty / Fleets
- Positive indicators in Heavy Duty oil consumption

## Valvoline U.S. Installer Business



- Capabilities extend from servicing large national to smaller regional / local accounts
- Investing in digital infrastructure to improve data-driven solutions and strengthen sales force effectiveness



# We are a value-adding partner for our installer network

## Our differentiated solutions...

## ...enable our customers to succeed

Training on premium product benefits



Higher margins and superior customer service

Digital marketing and customer support capabilities



E-commerce platform to simplify order process  
Targeted promotions that drive consumer traffic

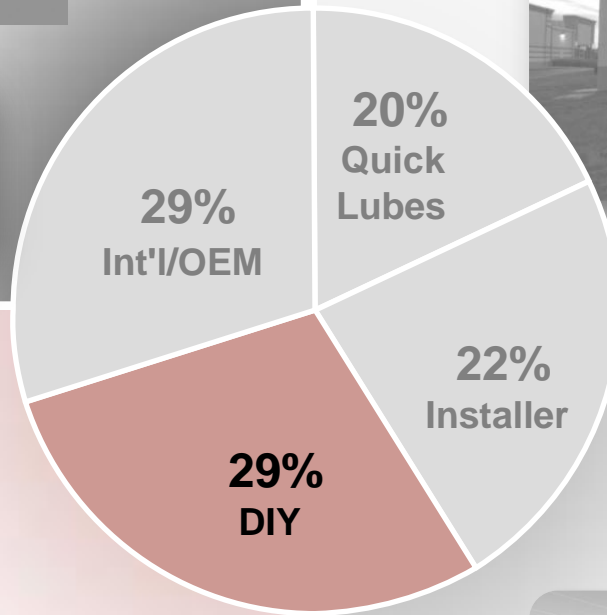
Broadest branded product portfolio offering



A one-stop shop for end consumer auto needs

**We deliver superior value to our installer partners**

# DIY





# DIY a consistent, profit-generating channel

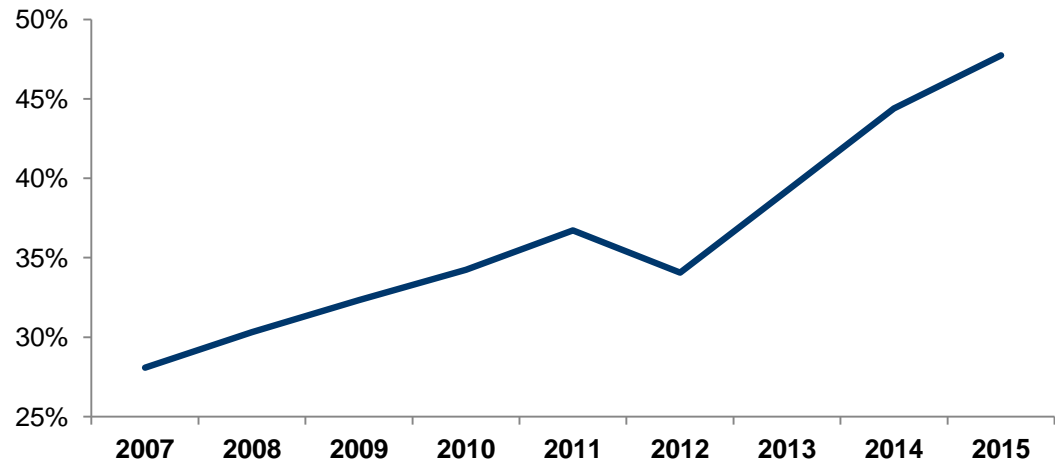
## Large, retail-driven market

- Top 5 retailers account for ~90% of the business
- Strong brand drives store traffic
- Long-term volume decline of 1-3%
  - Shift to higher-margin synthetic and high-mileage lubricants is mitigating impact

## Our strategies to win

- Digitally-enabled customer segmentation and targeting
- Capitalize on shift to synthetics
- Drive merchandising excellence with key customers

Valvoline premium % of lubricant sales



**Strong #2 player in high mileage, #3 in synthetics**

**Recognized category management leader**

# Best-in-class brand and marketing



Strong **merchandising support** with major retailers

**Category management** analytics drive strategic partnerships with retailers



Sponsors of the **winningest team** in motorsports



Ongoing **new product innovation** in synthetics and beyond





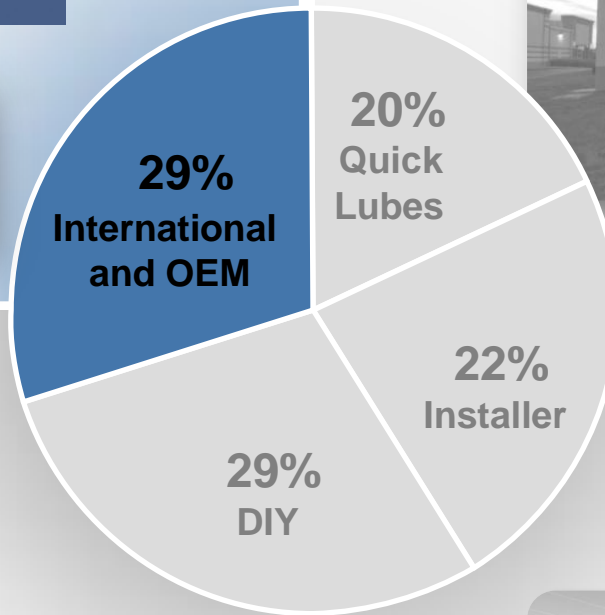
# Aggressive shift to more targeted marketing



- Digital marketing tactics allow precise contextual and audience targeting to maximize return on marketing investment
- More than 50% of our marketing spend is focused on digital
- Strategy to reach target consumers directly and through marketing partnerships with retailers

**We are among the industry leaders in using digital innovation to find and engage with our consumers**

# International and OEM





# Our international channel is a key growth engine

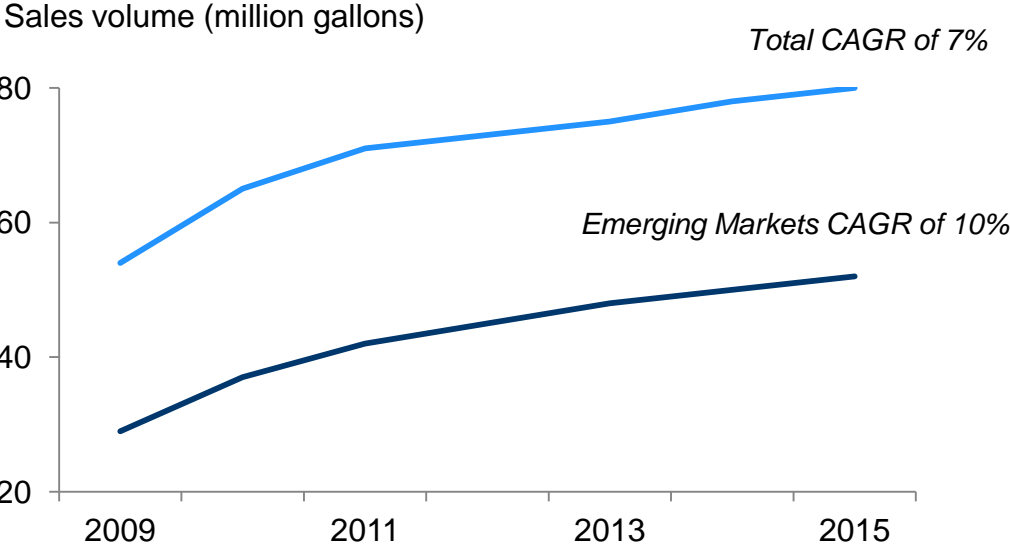


## Slowly growing and rapidly changing global market

- Oil majors more focused on upstream business
- Local players struggle in premium segments
- Regulations mandating advanced engine technology

## Strategies to win

- Strengthen channel partnerships
- Strengthen value propositions
  - Heavy Duty: Lower total cost of ownership (TCO)
  - Passenger: Build brand with installers
- Continue to build strong teams and digital capabilities
- Build impactful OEM relationships



**Sales in over 130 countries**

Note: Volume growth includes unconsolidated JVs

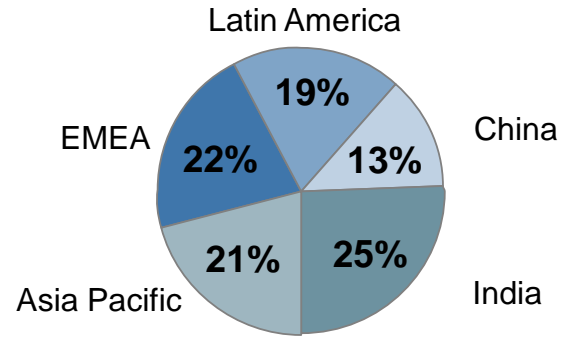
# Broad presence and targeted growth



**Balanced sales across key global regions**

**Sales volume by region (gallons)**

*Includes unconsolidated JVs*



**Build value added solutions in targeted markets**

- Passenger Car independent workshops
- On-road trucks
- Mining
- Power generation

**Three target markets with biggest growth potential**

**China**  
Second largest auto market; rapidly changing emission rules

**India**  
OEM relationships, strong channels, Cummins JV

**Latin America**  
Recent rapid growth and new channel partners

**A clear strategy to grow in the most attractive markets**

# Heavy duty is a key catalyst for growth

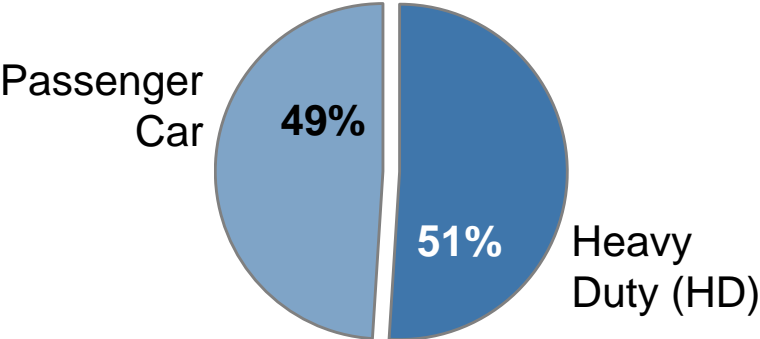


## Partnering with leading OEMs



## Driving balanced growth

International sales by product, 2015



**OEM relationships are key to growth in Heavy Duty**

- Grow aftermarket sales – provides new source of revenue and profit
- Execute globally – a standard value proposition around the world
- High value-added products help lower TCO for HD customers

**We have the partnerships and position to succeed in heavy duty**



# Four strong channels positioned for continued profit growth

- Clear strategy to grow in the most attractive global markets
- We have the right partnerships to succeed in heavy duty

- Industry leading model
- Capture margin from store operations, franchising, and product sales
  - 2016 begins acceleration of store growth

**International and OEM**

**29%**  
**International and OEM**

**20%**  
**Quick Lubes**

**Quick Lubes**

**DIY**

**29%**  
**DIY**

**22%**  
**Installer**

**Installer**

- Strong relationships with key retailers
- Among industry leaders in digital innovation to find and engage with our consumers

- Delivering superior value to our installer partners
- Building digital capabilities

# How we will continue to drive incremental value

## Strong, predictable EBITDA growth

### Capitalize on growth catalysts

- Exposure to emerging markets
- Quick lube platform
- Growing capabilities in digital to drive share growth

### Maintain current margin structure

- Disciplined cost management
- Continued investment and focus on brand and value-added solutions

## High cash conversion

### Continue to generate significant cash returns

- Asset-light business model
- Low non-store growth capital requirements

## Disciplined capital allocation

### Expand winning VIOC model

- Investments in high-return, organic and inorganic growth
- Franchised and company-owned stores

### Return capital

- Track record of contributing cash for distribution to shareholders

# Valvoline: a great business becoming a great company



**Strong business  
model**

**Demonstrated  
performance**

**Clear strategy  
to win**

**Sam Mitchell** – Valvoline President

**Bill Wulfsohn** – Chairman & CEO

**Kevin Willis** – CFO





# Agenda

Time	Topic	Presenter
8:30 a.m. – 8:35 a.m.	Introduction and Safe Harbor	Jason Thompson ( <i>Separation lead</i> )
8:35 a.m. – 8:50 a.m.	Creating Two Great Companies	Bill Wulfsohn ( <i>Chairman &amp; CEO</i> )
8:50 a.m. – 9:50 a.m.	The New Ashland (incl. Q&A)	Luis Fernandez-Moreno ( <i>Chemicals President</i> ), Bill Wulfsohn ( <i>Chairman &amp; CEO</i> )
<b>Refreshment Break – 15 minutes</b>		
10:05 a.m. – 11:05 a.m.	Valvoline (incl. Q&A)	Sam Mitchell ( <i>Valvoline President</i> ), Bill Wulfsohn ( <i>Chairman &amp; CEO</i> )
11:05 a.m. – 11:20 a.m.	Financial overview	Kevin Willis ( <i>CFO</i> )
11:20 a.m. – 11:45 a.m.	Conclusion (incl. Q&A)	Bill Wulfsohn ( <i>Chairman &amp; CEO</i> )
<b>Lunch</b>		



# Financial Overview and Transaction

Kevin Willis | Chief Financial Officer

**ASHLAND**<sup>®</sup>

With good chemistry great things happen.™

# We completed 2015 on a strong footing, and are entering 2016 from a position of strength



## Six consecutive quarters of year-over-year adjusted EPS growth

↳ Driven by improved operations and continued portfolio optimization

## Free cash flow<sup>1</sup> generation of \$324 million for full year

↳ FY 2016 expectation of \$325-\$350 million

**Discretionary pension contribution and establishment of asbestos trust provide financial stability and flexibility going forward**

## Returned \$495M to shareholders in FY2015 through repurchases and dividends

- >\$2B in cash returned since 2011, stated intention to repurchase \$500MM this quarter

## Three core priorities for 2016

- Operate safely and responsibly
- Continue to execute on our strategic plan
- Undertake a successful separation

**We are committed to driving shareholder value**

1. Definition of free cash flow: operating cash less capital expenditures and other items deemed non-operational.

# **Both businesses have demonstrated strong cash conversion potential**



<i>FY2015 results, all numbers in \$MM</i>	<b>New Ashland</b>	<b>Valvoline</b>	<b>Total</b>
Adjusted EBITDA	673	411	1,119 <sup>1</sup>
Maintenance CapEx	(133)	(23)	(163) <sup>2</sup>
<b>Cash contributed to Ashland</b>	<b>540</b>	<b>388</b>	<b>956</b>
Other uses of cash			(539) <sup>3</sup>
<b>Cash available for discretionary use</b>			<b>417</b>
<i>Add back one-time items</i>			120 <sup>4</sup>
<b>Discretionary cash after one-time items</b>			<b>537</b>

**Both businesses will have the flexibility to:**

- Invest in high-return organic growth
- Make strategic acquisitions
- Return cash to shareholders

1. Includes \$35MM in unallocated EBITDA. 2. Includes \$7MM in corporate maintenance capex. 3. Includes other uses of operating cash, primarily cash interest, cash taxes, and non-discretionary contributions to pension programs. Also includes \$9MM in strategic corporate capex. Additional detail available in our earnings release dated November 3, 2015, available at investor.ashland.com. 4. Includes \$69MM in qualified U.S. pension contributions, \$45MM in severance, and \$6MM in distributions from the asbestos trust. Note: Cash contributed to Ashland excludes \$93MM in strategic capital expenditure in the businesses. See Appendix for reconciliation to free cash flow.



# Two businesses with strong financial profiles

*All numbers in \$MM*

		New Ashland	Valvoline
2015 results	Revenue	\$3,420	\$1,967
	Adj. EBITDA	\$673	\$411
	Operating income <sup>1</sup>	\$326	\$359
	Deployable cash flow	← <i>\$537 in discretionary cash after one-time charges</i> →	
Go-forward target	Target Rating	Mid-to-high BB	Mid-to-high BB
	Target dividend \$	← <i>Combined dividend expected to be similar to current dividend</i> →	

**Creating two strong companies with the sound financial footing to drive strong execution and growth**

1. Excludes corporate and unallocated expenses



# Transaction details

## Transaction Structure

- Tax-free distribution of Valvoline shares to Ashland shareholders
- Expect to incur one-time charges related to the transaction during the periods preceding the separation

## Financial Implications

- Both companies to be well capitalized and positioned for growth
- Targeting mid to high BB credit rating at both companies
- Expect to maintain a consistent dividend policy targeting appropriate and attractive returns for investors
- Expect to offset incremental public company costs

## Timing

- The completed separation will occur as soon as practicable
- Expect transaction to take at least a year from announcement to complete

## Approvals

- Subject to all customary regulatory approvals

# **A great investment today, as we begin to separate into Two Great Companies**



## **Two great, growing businesses...**

**Strong FY15 results despite headwinds**

**Sound outlook for 2016**

**Well positioned and capitalized for growth**

**Clear strategies for continued growth**

## **...that deliver cash to our shareholders**

**Adjusted EBITDA margins expanding**

**Strong cash conversion**

**Returned \$495MM in cash this year**

**Plan \$500MM buyback in 1Q2016**

**We believe our stock is undervalued**

**We have two great businesses today**

**This separation is the catalyzing event to accelerate value creation**





# Summary: Creating Two Great Companies

Bill Wulfsohn – Chairman & CEO

**ASHLAND**<sup>®</sup>

With good chemistry great things happen.™



# We are excited to create Two Great Companies

Starting with a strong team and a proven track record...

...we are creating two great, independent companies

These companies will grow faster by pursuing their distinct needs

Enables optimal capital allocation and increased optionality for shareholders

This transformation is the best next step to unlock  
incremental shareholder value



# Appendix



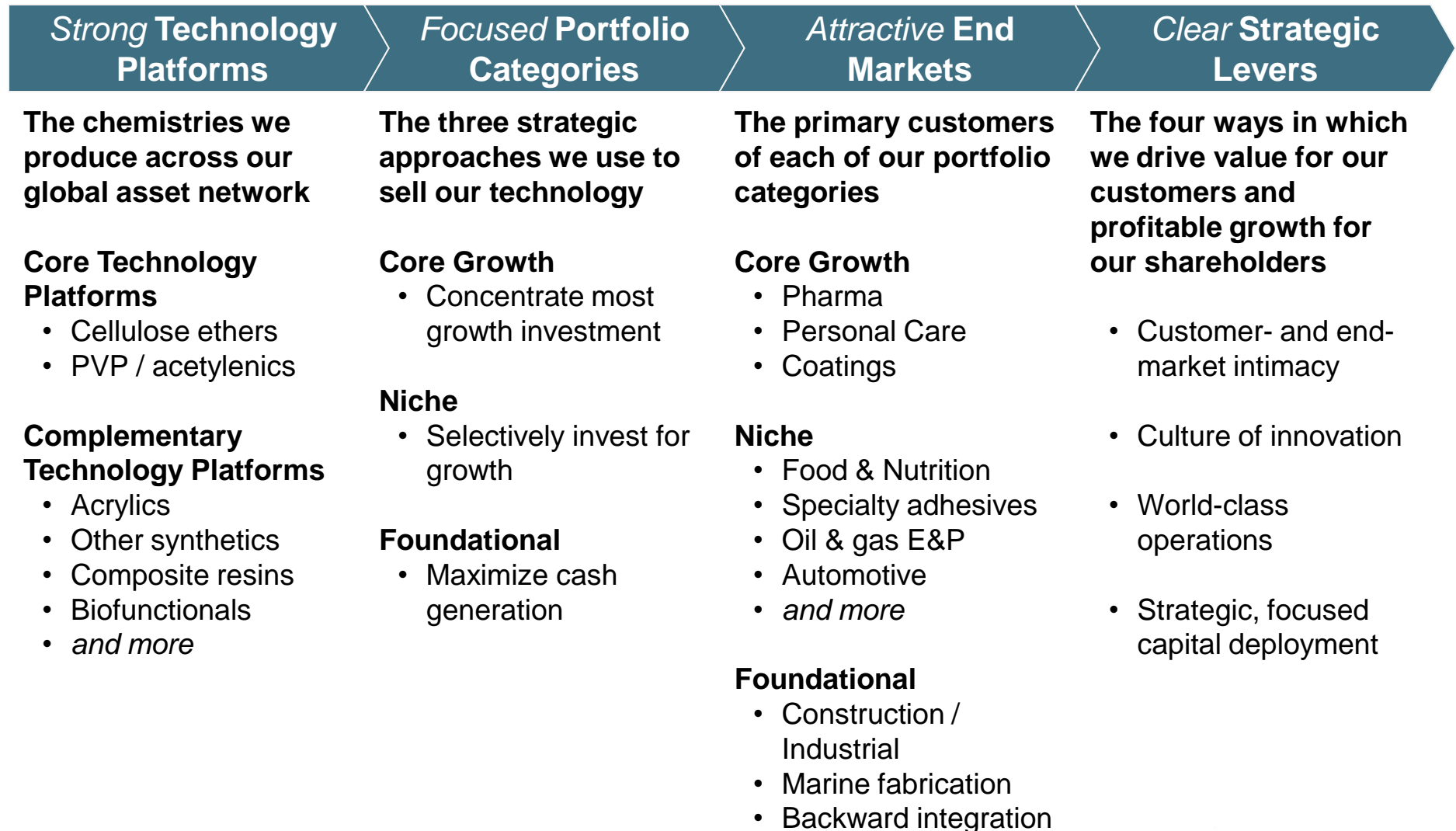
# View on current New Ashland portfolio

← *Illustrative end markets* →

	Core growth			Niche				Foundational	
	Pharma	Personal Care	Coatings	Food, Bev, Nutrition	Auto	Energy	Adhesives	Marine	Constr. & Industrial
Industrial specialties			✓		✓	✓	✓		✓
Consumer specialties	✓	✓		✓					
Composites					✓			✓	✓
Intermediates & solvents	✓	✓		✓					✓



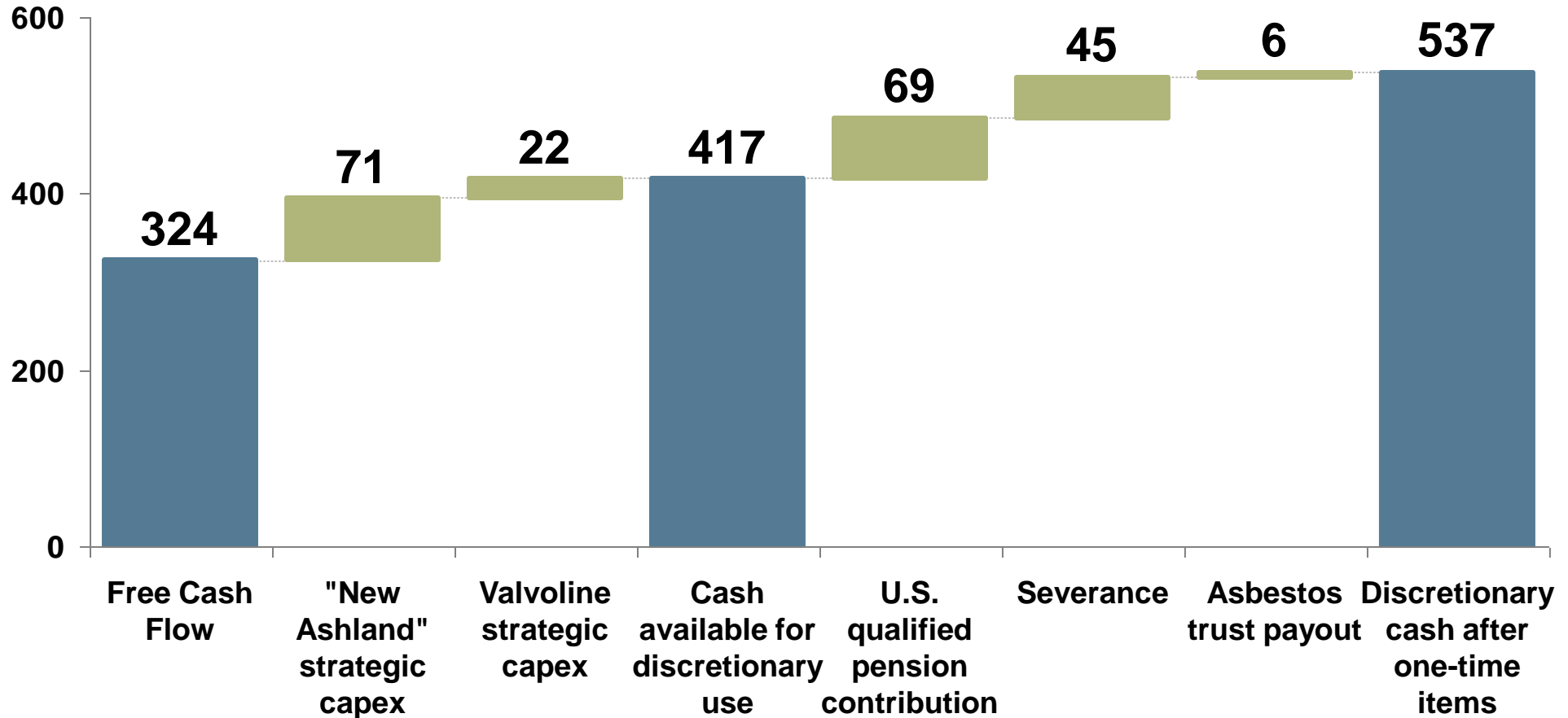
# New Ashland : Describing our business





# Bridging discretionary cash to free cash flow

FY15 cash flow (\$MM)



Note: Strategic capex represents capex that each business invests in Growth or Productivity projects. Remainder of reported capital expenditure is considered 'maintenance' capex, including regulatory and stay-in-business capex. Total capex for Ashland Inc. was \$265 MM in FY2015, including \$204MM for "New" Ashland and \$45MM for Valvoline. For reconciliation of Free Cash Flow to GAAP measures, please see Fourth Quarter Earnings release slides dated 11/4/2015, available at [investor.ashland.com](http://investor.ashland.com).