



Ashland reports strong financial results¹ for third quarter of fiscal year 2022 consistent with previous update

July 26, 2022

- Sales of \$644 million, up 19 percent from the prior-year quarter
- Net income (including discontinued operations) of \$36 million, or \$0.65 per diluted share
- Income from continuing operations of \$51 million, or \$0.93 per diluted share
- Adjusted income from continuing operations excluding intangibles amortization expense of \$104 million, or \$1.89 per diluted share
- Adjusted EBITDA of \$174 million
- Cash flows provided by operating activities of \$(17) million; ongoing free cash flow² of \$13 million

WILMINGTON, Del., July 26, 2022 (GLOBE NEWSWIRE) -- Ashland Global Holdings Inc. (NYSE: ASH) today announced financial results¹ for the third quarter of fiscal year 2022, which ended June 30, 2022. The global additives and specialty ingredients company holds leadership positions in high-quality, consumer-focused markets including pharmaceuticals, personal care and architectural coatings.

Sales were \$644 million, up 19 percent versus the prior-year period. Each of the company's reportable segments achieved double-digit sales growth compared to the prior year. Demand remains strong across the company's resilient end markets. The year-over-year sales growth was driven primarily by disciplined pricing leading to cost recovery in a high-inflation environment and improved product mix. Foreign currency negatively impacted sales \$26 million, or five percent.

Net income was \$36 million compared to \$80 million in the prior-year quarter. Income from continuing operations was \$51 million compared to \$72 million in the prior-year quarter, or \$0.93 per diluted share compared to \$1.17 in the prior-year quarter. Adjusted income from continuing operations excluding intangibles amortization expense was \$104 million compared to \$60 million in the prior-year quarter, or \$1.89 per diluted share, up from \$0.98 in the prior-year quarter. Adjusted EBITDA was \$174 million, up 35 percent from \$129 million in the prior-year quarter.

Average diluted shares outstanding totaled 55 million as of June 30, 2022, down from 62 million in the prior-year quarter, following the completion of the company's approximately \$650 million of share repurchase programs under the previous share repurchase authorization. Earlier in the quarter, Ashland's Board of Directors approved a new \$500 million evergreen share repurchase authorization.

Cash flows provided by operating activities totaled \$(17) million compared to \$195 million in the prior-year quarter. Ongoing free cash flow² totaled \$13 million compared to \$112 million in the prior-year quarter primarily due to an increase in working capital reflecting higher raw-material costs impacting both inventories and accounts receivable balances, in addition to the ongoing rebuild of inventory levels.

"As we indicated in our earnings update on July 18, we are encouraged by the strong demand in each of our segments and the exceptional discipline throughout our global organization, especially pricing and product mix actions being demonstrated by our commercial teams to offset widespread cost inflation," said Guillermo Novo, chair and chief executive officer, Ashland. "The Ashland team is executing well across the globe. The size of our company and global footprint, the focus on resilient consumer end markets and the lower overall exposure to petrochemical-based price volatility contributed to strong results during the third fiscal quarter."

Reportable Segment Performance

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

Life Sciences

Sales were \$228 million, up 18 percent from the prior-year quarter, driven by double-digit sales growth to pharmaceutical customers reflecting improved product mix and cost recovery. Foreign currency negatively impacted sales \$9 million, or five percent.

Adjusted operating income was \$51 million, compared to \$37 million in the prior-year quarter. Adjusted EBITDA was \$67 million, up from \$53 million in the prior-year quarter, primarily reflecting strong demand, and disciplined pricing leading to cost recovery, favorable product mix and consistent operations.

Personal Care

Sales were \$172 million, up 17 percent from the prior-year quarter. Disciplined pricing and strong customer demand led to organic sales growth across core personal-care end markets, exclusive of the previously disclosed product exits for skin-care applications. Results for Ashland's microbial

protection business, which includes the Schülke & Mayr acquisition, continue to exceed financial expectations. Foreign currency negatively impacted sales by \$7 million, or five percent.

Adjusted operating income was \$25 million, up from \$18 million in the prior-year quarter. Adjusted EBITDA was \$46 million, up from \$39 million in the prior-year quarter, primarily reflecting strong demand, cost recovery through pricing, the contribution from the acquisition and consistent operations.

Specialty Additives

Sales were \$194 million, up 15 percent from the prior-year quarter, primarily reflecting broad-based enhancements in pricing and mix. While demand remains strong, capacity constraints and global-supply chain challenges impacted deliveries to customers during the quarter. Foreign currency negatively impacted sales by \$8 million, or five percent.

Adjusted operating income was \$36 million, compared to \$18 million in the prior-year quarter. Adjusted EBITDA was \$57 million, compared to \$39 million in the prior-year quarter, primarily reflecting cost recovery through pricing, improved product mix and consistent operations.

Intermediates

Sales were \$73 million, up 49 percent from the prior year quarter, driven by significantly higher pricing across all product lines and improved mix management. Captive internal butanediol (BDO) sales were \$23 million, a large increase over the prior year, driven by higher internal transfer pricing and strong demand from Ashland's other business segments. Captive internal BDO sales are recognized at current market-based pricing. Merchant sales were \$50 million, an increase of 47 percent, driven by higher pricing across all product lines.

Adjusted operating income was \$30 million, up from \$11 million in the prior-year quarter. Adjusted EBITDA was \$33 million, up from \$15 million in the prior-year quarter, reflecting the higher pricing and improved mix, partially offset by overall cost inflation.

Unallocated & Other

Unallocated and Other expense was \$64 million, compared to \$34 million in the prior-year quarter. Adjusted Unallocated and Other expense was \$28 million, compared to \$18 million in the prior-year quarter, primarily reflecting increased compensation accruals and the elimination of transition services income that occurred in the prior-year period.

Financial Outlook

As communicated in the earnings update issued on July 18, Ashland now expects greater sales and Adjusted EBITDA in fiscal year 2022 compared to its previous outlook. For the full fiscal year, the company now expects sales in the range of \$2.35 billion to \$2.40 billion which represents approximately 13 percent year-over-year growth at the mid-point. Additionally, Ashland now expects Adjusted EBITDA in the range of \$580 million to \$590 million which represents approximately 18 percent year-over-year growth at the mid-point.

"We expect underlying near-term demand to remain strong for our focused ingredients and additives product portfolio and to continue to build inventories to mitigate supply-chain and shipping challenges," continued Novo. "Pricing and mix-improvement actions should cover current cost inflation. The Ashland team is prepared to take further action to recover any additional cost inflation, both this year and beyond."

"We are not immune to the challenging external factors impacting the global economy, and the timing, breadth and magnitude of these risks could impact our financial results this year and beyond. The war in Ukraine, the strengthening U.S. dollar and broader foreign currency headwinds, energy cost and availability in Europe impacting customer and supplier operations, additional pandemic-related lockdowns, global supply-chain and shipping challenges and continued cost-inflation pressures are currently the greatest areas of uncertainty. Despite these external uncertainties, we are focused on what we can control. We have raised our outlook for sales and Adjusted EBITDA in this fiscal year due to the strong results demonstrated through the first three quarters, the resilient nature of our portfolio and the consumer-focused end markets we serve, and our limited overall exposure to the most inflationary petrochemical-based cost drivers. The Ashland team is executing at a high level, and we are prepared for both the opportunities and challenges that lie ahead. I look forward to discussing our results and outlook in more detail on the earnings call and webcast tomorrow morning," concluded Novo.

Conference Call Webcast

Ashland will host a live webcast of its third-quarter conference call with securities analysts at 9:00 a.m. ET on Wednesday, July 27, 2022. The webcast will be accessible through Ashland's website at <http://investor.ashland.com> and will include a slide presentation. Following the live event, an archived version of the webcast and supporting materials will be available for 12 months on <http://investor.ashland.com>.

Use of Non-GAAP Measures

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

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

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

The free cash flow metrics enable Ashland to provide a better indication of the ongoing cash being generated that is ultimately available for both debt and equity holders as well as other investment opportunities. Unlike cash flow provided by operating activities, free cash flow and ongoing free cash flow include the impact of capital expenditures from continuing operations and other significant items impacting free cash flow, providing a more complete picture of current and future cash generation. Free cash flow has certain limitations, including that it does not reflect adjustment for certain non-discretionary cash flows such as mandatory debt repayments. The amount of mandatory versus discretionary expenditures can vary significantly between periods.

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

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

About Ashland

Ashland Global Holdings Inc. (NYSE: ASH) is a global additives and specialty ingredients company with a conscious and proactive mindset for sustainability. The company serves customers in a wide range of consumer and industrial markets, including architectural coatings, automotive, construction, energy, food and beverage, nutraceuticals, personal care and pharmaceutical. Approximately 3,800 passionate, tenacious solvers – from renowned scientists and research chemists to talented engineers and plant operators – thrive on developing practical, innovative and elegant solutions to complex problems for customers in more than 100 countries. Visit ashland.com and [Ashland | Sustainability Overview](#) to learn more.

Forward-Looking Statements

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Ashland has identified some of these forward-looking statements with words such as “anticipates,” “believes,” “expects,” “estimates,” “is likely,” “predicts,” “projects,” “forecasts,” “objectives,” “may,” “will,” “should,” “plans” and “intends” and the negative of these words or other comparable terminology. Ashland may from time to time make forward-looking statements in its annual reports, quarterly reports and other filings with the U.S. 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, financial condition, and expected effects of the COVID-19 pandemic on Ashland's business, as well as the economy and other future events or circumstances. These statements include but may not be limited to Ashland's expectations regarding its ability to drive sales and earnings growth and realize further cost reductions.

Ashland's expectations and assumptions include, without limitation, internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, operating efficiencies and economic conditions (such as prices, supply and demand, cost of raw materials, and the ability to recover raw-material cost increases through price increases), and risks and uncertainties associated with the following: the impact of acquisitions and/or divestitures Ashland has made or may make (including the possibility that Ashland may not realize the anticipated benefits from such transactions); Ashland's substantial indebtedness (including the possibility that such indebtedness and related restrictive covenants may adversely affect Ashland's future cash flows, results of operations, financial condition and its ability to repay debt); severe weather, natural disasters, public-health crises (including the current COVID-19 pandemic), cyber events and legal proceedings and claims (including product recalls, environmental and asbestos matters); the effects of the COVID-19 pandemic, and the ongoing Ukraine-Russia conflict, on the geographies in which we operate, the end markets we serve and on our supply chain and customers, and without limitation, risks and uncertainties affecting Ashland that are described in Ashland's most recent Form 10-K (including Item 1A Risk Factors) filed with the SEC, which is available on Ashland's website at <http://investor.ashland.com> or on the SEC's website at <http://www.sec.gov>. Various risks and uncertainties may cause actual results to differ materially from those stated, projected or implied by any forward-looking statements. The extent and duration of the COVID-19 pandemic on our business and operations is uncertain. Factors that will influence the impact on our business and operations include the duration and extent of the pandemic, the extent of imposed or recommended containment and mitigation measures, and the general economic consequences of the pandemic. Ashland believes its expectations and assumptions are reasonable, but there can be no assurance that the expectations reflected herein will be achieved. Unless legally required, Ashland undertakes no obligation to update any forward-looking statements made in this news release whether as a result of new information, future events or otherwise.

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

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

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Attachment

- [Q3 2022 Earnings Release with Financial Tables- vFINAL 20220726](#)