

# Fourth-Quarter Fiscal 2015 Earnings Conference Call

November 4, 2015

**ASHLAND**

With good chemistry great things happen.™

# 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 realize 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 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.

# Opening Remarks

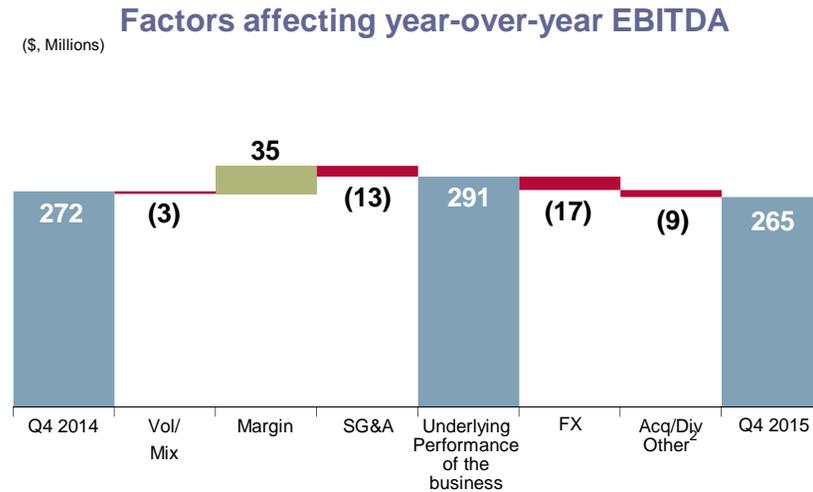
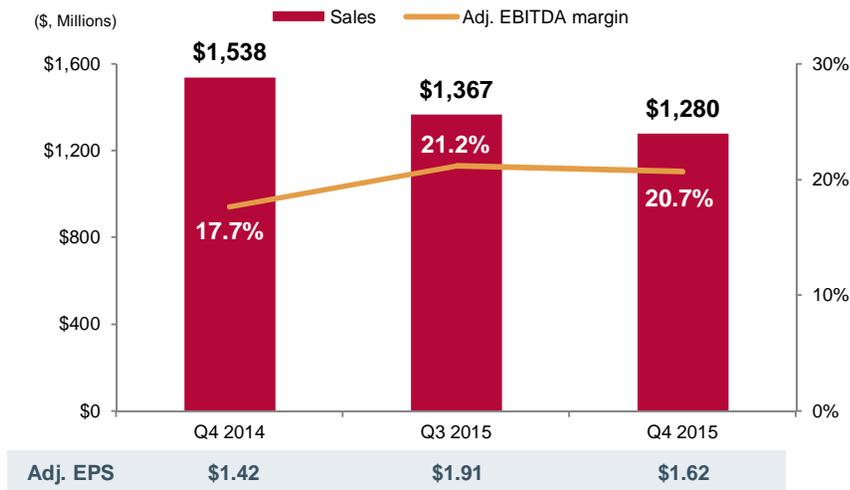


## Continuing to deliver against our core priorities

- ü Deliver against EBITDA margin targets
- ü Maintain disciplined capital allocation
- ü Move to the front lines to engage stakeholders
- ü Drive and evolve well-established strategy



# Fiscal Fourth Quarter 2015 Highlights<sup>1</sup>



- Reported loss from continuing operations of \$0.88 per share
- **Adjusted earnings grew 14%** to \$1.62 vs. \$1.42 per share in prior year
- Another quarter of year-over-year adjusted EPS growth
- Adjusted EBITDA of \$265 million vs. \$272 million in prior year
  - Currency and divestitures – including exited product lines – represented \$26 million headwind
- In September, Ashland announced the plan to create two independent, publicly-traded companies – “new” Ashland and Valvoline
  - Separation planning and activities are well underway consistent with the stated timeline

<sup>1</sup> Ashland's earnings releases dated November 3, 2015, and July 29, 2015, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

<sup>2</sup> Divestitures includes elastomers, biocides, redispersible powders (RDP) and Valvoline car care product lines exited during prior four quarters.



# Ashland Specialty Ingredients

\$, Millions

<u>Sales</u>					
<u>PY</u>	<u>Vol/ Mix</u>	<u>Price</u>	<u>FX</u>	<u>Acq/ Div<sup>2</sup></u>	<u>CY</u>
635	-5%	-2%	-5%	-3%	540

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<u>EBITDA<sup>1</sup></u>						
<u>PY</u>	<u>Vol/ Mix</u>	<u>Margin</u>	<u>SG&amp;A</u>	<u>FX</u>	<u>Acq/Div /Other<sup>2</sup></u>	<u>CY</u>
147	0%	-1%	-1%	-7%	-3%	129

## Quarter Summary

- Growth in higher margin end markets and products
  - Pharmaceutical volumes up 2%
  - Coatings volumes up 5% (HEC)
- Making investments to further enhance growth in high-value markets
  - Acquisition of Zeta Fraction from Akzo
- Currency, energy, and exited product lines resulted in ~\$84 million headwind to sales
- Sixth consecutive quarter of year-over-year EBITDA margin expansion driven by...
  - Product and market segment mix
  - Good cost control; positive price over cost

## Q1 Outlook

Revenues \$490 - \$510 million

- FX sensitivity: ~\$4.5mm per € cent

EBITDA margin 20 - 21%

- FX sensitivity: ~\$1.2mm per € cent

## Near-term Outlook

- Q4 headwinds expected to persist into Q1
- Margins expected to remain strong driven by good mix, margin, and cost execution
- Lapping headwinds in 2016 leading to progressive improvement

## Longer-term Outlook

- Underlying growth in global consumer end markets to remain healthy
- Innovation pipeline strengthening leading to new products for Pharmaceutical, Personal Care and Coatings markets
- Making targeted capital investments focused on high-growth end markets and regions

5

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<sup>2</sup> Acq/Div/Other includes biocides and redispersible powders (RDP) product lines exited during prior four quarters.



# Ashland Performance Materials

\$, Millions

<u>Sales</u>					
<u>PY</u>	<u>Vol/ Mix</u>	<u>Price</u>	<u>FX</u>	<u>Acq/ Div<sup>2</sup></u>	<u>CY</u>
383	-4%	-6%	-6%	-17%	256

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<u>EBITDA<sup>1</sup></u>						
<u>PY</u>	<u>Vol/ Mix</u>	<u>Margin</u>	<u>SG&amp;A</u>	<u>FX</u>	<u>Acq/Div /Other<sup>2</sup></u>	<u>CY</u>
31	-32%	65%	3%	-6%	-23%	33

## Quarter Summary

- Composites margins remain healthy
  - Good pricing discipline
  - Volumes mixed across regions
- Raw-materials remained favorable versus prior year, although did see increases in Europe
- Gross margin comparison positively impacted by prior-year I&S turnaround
  - Estimate impact of \$8 million
- I&S pricing remained headwind versus prior year
  - However, margin management remains positive

## Q1 Outlook

Revenues \$230 - \$250 million

- Roughly in line with normal seasonality

EBITDA margin 13.5 - 14.5%

## Near-term Outlook

- Composites volume growth to moderate somewhat
- Lag effect of rising material costs expected to pressure current composites margins
- Expect to give back from I&S margins due to aggressive marketplace pricing

## Longer-term Outlook

- Composites growth driven by:
  - Macro trends & regional economic expansion
  - New product and application development
- Strong margin management in volatile raw-material environment
- I&S to remain challenged by Asian capacity

6

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<sup>2</sup> Acq/Div/Other includes elastomers divestiture.



# Valvoline

\$, Millions

<u>Sales</u>					
<u>PY</u>	<u>Vol/ Mix</u>	<u>Price</u>	<u>FX</u>	<u>Acq/ Div<sup>2</sup></u>	<u>CY</u>
520	7%	-6%	-5%	-3%	484

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<u>EBITDA<sup>1</sup></u>						
<u>PY</u>	<u>Vol/ Mix</u>	<u>Margin</u>	<u>SG&amp;A</u>	<u>FX</u>	<u>Acq/Div /Other<sup>2</sup></u>	<u>CY</u>
87	8%	13%	-6%	-3%	0%	97

## Quarter Summary

- Record fourth quarter overall
- Industry leading service model led to another solid quarter for VIOC
  - Oil changes per day increased 7%
  - Average ticket increased 2%
  - Same-store sales growth of 9%
- Added 20 total stores during the year
- DIY volumes flat
- 15% international channel volume growth
  - Impact of destocking in prior-year period
- Premium branded lubricant sales volume increased to 40.7%

## Q1 Outlook

Revenues \$470 - \$480 million

- Roughly in line with normal seasonality

EBITDA margin ~20%

## Near-term Outlook

- Solid performance across all channels
- Margins expected to remain strong driven by good mix and margin

## Longer-term Outlook

- Int'l, VIOC, and Installer volume growth
- Base oil market expected to remain favorable
- Margin structure to remain strong driven by:
  - Market segmentation strategies
  - New product development
  - Enhanced marketing capabilities

7

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<sup>2</sup> Acq/Div/Other includes car care product line divestiture.



# Key Observations

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1. Delivering on strategic objectives to drive profitable growth
2. Continue driving for results in 2016
3. Creating two great companies

**Committed to delivering total shareholder returns**



## **Appendix: Non-GAAP Reconciliations**

Ashland Inc. and Consolidated Subsidiaries  
**Reconciliation of Non-GAAP Data**  
for 12 Months Ended September 30, 2015



(\$ millions, except percentages)

Sales <sup>1</sup>	Q4 15	Q3 15	Q2 15	Q1 15	Total	
Specialty Ingredients	540	579	583	561	2,263	
Performance Materials	256	278	286	338	1,157	
Valvoline	484	510	481	492	1,967	
<b>Total</b>	<b>1,280</b>	<b>1,367</b>	<b>1,350</b>	<b>1,391</b>	<b>5,387</b>	
						Adjusted EBITDA
Adjusted EBITDA <sup>1</sup>	Q4 15	Q3 15	Q2 15	Q1 15	Total	Margin
Specialty Ingredients	129	137	142	119	527	23.3%
Performance Materials	33	27	44	42	146	12.6%
Valvoline	97	116	106	92	411	20.9%
Unallocated	6	10	9	9	35	
<b>Total</b>	<b>265</b>	<b>290</b>	<b>301</b>	<b>262</b>	<b>1,119</b>	

<sup>1</sup> Quarterly totals may not sum to actual results due to quarterly rounding conventions. Calculation of adjusted EBITDA for each quarter has been reconciled within certain financial filings with the SEC and posted on Ashland's website for each reportable segment.

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