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PRESENTATION

Operator

Thank you for standing by, and welcome to the Ashland Global Holdings, Inc. Second Quarter 2021 Earnings Call. (Operator Instructions) Please be advised that today's call is being recorded. (Operator Instructions) I would now like to hand the call over to Seth Mrozek. Please go ahead.

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

Thank you, Michelle. Good morning, everyone, and welcome to Ashland's Second Quarter Fiscal Year 2021 Earnings Conference Call and Webcast. My name is Seth Mrozek, Director, Ashland Investor Relations. Joining me on the call today are Guillermo Novo, Ashland's Chairman and Chief Executive Officer; and Kevin Willis, Senior Vice President and Chief Financial Officer.

We released preliminary results for the quarter ended March 31, 2021, at approximately 5 p.m. Eastern Time yesterday, April 28. The news release issued last night was furnished to the SEC in a Form 8-K.

During this morning's call, we will reference slides that are currently being webcast on our website, ashland.com, under the Investor Relations section. The slides can also be found on the Investor Relations section of our website. We encourage you to follow along with the webcast during the call.

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

Please refer to Slide 2 of the presentation for a more complete explanation of those risks and uncertainties and the limits applicable to forward-looking statements.

Please also note that we will be referring to certain actual and projected financial metrics of Ashland on an adjusted basis, which are non-GAAP financial measures. We will refer to these measures as adjusted and present them in order to supplement your understanding and assessment of the financial performance of our ongoing business. Non-GAAP measures should not be considered a substitute for or superior to financial measures calculated in accordance with GAAP.

The most directly comparable GAAP measures as well as reconciliations of the non-GAAP measures to those GAAP measures are available on our website and in the appendix of today's slide presentation.

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

Now please turn to Slide 5. And I'll turn the call over to Guillermo for his opening comments. Guillermo?

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

Thank you, Seth, and good morning to everyone. Before I begin, I'd like to thank you for your participation this morning.

First and foremost, I'm pleased by the progress of our business units are making as we execute our strategy. We continue to operate safely, with a clear focus on the safety and well-being of our employees as we manage through this difficult pandemic. In addition, our teams responded well to the impact of Storm Uri in the U.S. Gulf Coast in February, which resulted in 2 of our Texas-based facilities coming offline for several weeks. Not only did we lose production time, we also incurred additional costs of repairing pumps, pipes and other equipment to get the facilities back online safely and as quickly as possible.

The storm and subsequent freeze also impacted supply chain dynamics in the Gulf Coast. And while we have largely worked through many of these challenges, raw material availability has improved, but continues to be an issue. As we will discuss in more detail, raw material demand continues to improve as the world slowly begins to emerge from the global pandemic.

Despite these challenges during the quarter, our business priorities remain unchanged, demonstrating organic growth, expanding margins and improving free cash flow.

For the quarter, Ashland sales declined 2%, inclusive of favorable currency. Excluding the planned exit of low-margin businesses, sales were flat with prior year, inclusive of favorable currency.

Life Science continues to perform well, with pharma sales consistent with a strong prior year period when buying patterns changed for the large pharma producers as the reality of the global pandemic began to take hold.

Nutraceuticals demand remained strong, and the team has demonstrated strong year-over-year growth, thanks to concerted efforts to change the business trajectory.

In Personal Care, the global pandemic continues to impact some market segments linked to consumer, social and recreational behaviors. We have not seen the demand recovery everyone was hoping for in hair styling, sun care and other businesses linked to grooming and wellness. For Personal Care, we also continued the process of exiting low-margin product lines we commented on on our last call.

For our Industrial segments, we saw continued recovery of demand. Specialty Additives continues to see strong demand recovery across all markets, with global architectural coatings showing significant volume recovery as contractor business picks up globally.

Our Performance Adhesives business also saw broad based growth across applications. In addition to improving demand dynamics, our Industrial businesses executed well during the quarter to minimize the potential negative impact from the difficult supply chain dynamics caused by Storm Uri.

Consistent with our strategy, lower SARD expenses had a meaningful impact on Ashland's profitability. And again, we demonstrated substantial growth in free cash flow generation, due largely to the disciplined balance sheet management.

Please turn to Slide 6. As a result of the winter storm and the subsequent freeze, we incurred $14 million of higher costs, driven by $10 million in loss absorption and $4 million in repair costs. Of this total costs, $11 million impacted Q2, as reported in Consumer Specialties Adjusted EBITDA. The storm also impacted our ability to ship and our customers' ability to receive certain orders. As such, roughly $3 million of gross profit shifted from Q2 to Q3.

While there will also be the remaining $3 million of costs impacting in Q3, we expect this will be offset by the positive impact of the order shift into the June quarter. Demand trends and orders we have seen so far in April gives us confidence of this offset. So while the $11 million impact from the storm was meaningful for our Consumer Specialties and Ashland overall, during the quarter, the impact is largely behind us. I would note that although our intent is to offset the loss absorption as we work to rebuild inventories, the current raw material tightness is making this work challenging.

I'm very pleased with the progress by the Ashland team during the quarter. They managed well during another difficult external challenge, ensuring the safety of our employees and that our customers were supplied. Other than the freeze impact, all of our businesses are performing to expectations. Fortunately, as I stated, the impact of the storm and freeze in the Gulf Coast are behind us, and I am confident in our outlook for the remainder of the year.

Let me now pass it over to Kevin for the financial update. Kevin?

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

Thank you, Guillermo, and good morning, everyone.

Please turn to Slide 8. Total Ashland sales in the quarter were $598 million, down 2% versus prior year. Favorable currency contributed 3% growth during the quarter. Excluding key items, SG&A and R&D costs again declined in the quarter as we realized the positive impact of the cost reduction programs. However, as Guillermo previously discussed, we experienced $11 million of additional costs related to the U.S. Gulf Coast storm and subsequent Texas freeze. In addition, our legacy environmental reserves increased roughly $4 million more than we expected at the beginning of the quarter. While not anticipated at the beginning of the quarter, these incremental environmental charges do occur from time to time. What's important to note is that cash cost for legacy environmental remediation remains very consistent year after year, and we do not anticipate that changing.

In total, Ashland's Adjusted EBITDA was $134 million, a 6% decline compared to the prior year Adjusted EBITDA of $142 million. I'll note that the impact from the freeze and the environmental charges represent more than the entirety of the decline. In fact, ex the freeze impact, all business units generated improved EBITDA year-over-year, and in spite of the freeze impact and related supply chain disruptions, executed very well in the quarter.

Ashland's adjusted EBITDA margin was 22.4%, a 90 basis point decline compared to prior year, again reflecting the items discussed above. Adjusted EPS, excluding acquisition amortization, was $1.05, down 6% from the prior year.

Now let's review the results of each of our 3 business groups. Please turn to Slide 9. First, I'll begin with Consumer Specialties. Sales were $322 million, down 6% from the prior year quarter. Currency favorably impacted sales by 3%. Within Life Sciences, pharma sales were down only slightly compared to the strong prior year quarter, when customers prebought as the pandemic's impact on the global supply chain was in question. Nutraceutical sales were up double-digits, as the team has done an excellent job stabilizing and growing that business. Sales to nutrition and other end markets were down, reflecting the impact of pandemic-driven consumer dining behavior. In total, Life Sciences sales increased by 1% during the quarter, inclusive of the favorable currency impact. The freeze impact related to Life Sciences Adjusted EBITDA in the quarter was approximately $7 million.

Sales to personal care end markets were down 14% during the quarter due to several factors. As previously discussed, we continued to exit some lower-margin product lines, which accounted for over half of the year-over-year sales decline within personal care or approximately $11 million. While these self-directed actions impact the top line, they also favorably impacted mix and margins. The COVID-19 pandemic continues to impact certain consumer behaviors related to hair styling, sun care and oral care in the context of social activities, leisure activities and mask wearing. Each of these are well-understood issues that are actively being addressed by the team. Later during this call, Guillermo will provide an update on the implications we believe global vaccine administration will have on these consumer dynamics.

Finally, Avoca posted some solid sales gains as we begin to lap the issues experienced over the past year. The freeze impact for personal care and household adjusted EBITDA was approximately $4 million in the quarter.

For all of Consumer Specialties, favorable mix and lower SARD expenses led to improved adjusted EBITDA margins of 27.3%, a 90 basis point increase over prior year. Adjusted EBITDA margin in Life Sciences declined slightly to 27%, while in Personal Care and Household, adjusted EBITDA margin improved to nearly 28%. In total, Consumer Specialties' Adjusted EBITDA declined by only $3 million to $88 million in the quarter, inclusive of the $11 million impact from the Gulf Coast storm and freeze.

Please turn to Slide 10. Industrial Specialties had a strong quarter, with sales of $246 million, up 3% from the prior year. We saw broad-based growth across industrial end markets, consistent with industrial demand recovery. Currency also favorably impacted sales by 3%. Our coatings business was up double digits during the quarter, reflecting strong global demand for architectural paints, particularly in the DIY applications, and we're seeing improved demand for contractor work globally. The only exception to strong sales growth in Industrial Specialties were energy markets, where demand remained weak in the U.S., and lower construction additive sales following the strike at our Belgium facility earlier in the fiscal year. We're confident that the strike issues at the Belgian facility are now behind us.

Sales for Performance Adhesives grew by 4%, reflecting growth in all 3 primary adhesives end markets. For all Industrial Specialties, favorable mix and lower SARD expenses also contributed to improved earnings and margins. Adjusted EBITDA margin in Specialty Additives improved over 400 basis points to 25.3%, while in Performance Adhesives, Adjusted EBITDA margin improved by 150 basis points to 25%. In total, Industrial Specialties' Adjusted EBITDA improved to $62 million, with a margin of 25.2%, a 310 basis point improvement over prior year.

Please turn to Slide 11. Turning to Intermediates & Solvents. Sales were $37 million, consistent with the prior year period. Growth in merchant sales resulted from continued end market recovery was offset by reduced intercompany volumes following the U.S. Gulf Coast storm and freeze, which impacted the Consumer Specialties facilities in Texas. Adjusted EBITDA of $7 million for I&S was up from $5 million in the prior year period.

Please turn to Slide 12. As I did in the last quarter, I'd like to spend a few minutes talking about free cash flow, which continues to be an important component of our value creation strategy.

Total free cash flow in the quarter was $40 million, a $30 million increase compared to prior year. The $40 million included $15 million of cash restructuring payments related to our ongoing COGS and SARD cost reduction programs. This is an excellent result, driven by the hard work we have done to improve cash flow and balance sheet management, including improved working capital, reduced capital expenditures, and lower cash interest and taxes. It is also a testimony to Ashland's free cash flow generation capability.

For the first half of fiscal '21, Ashland generated $115 million of free cash flow. As a reminder, we generated $228 million of free cash flow in the second half of last fiscal year. And we expect to meet or exceed that in the second half of our current fiscal year. For fiscal year '21, this translates to converting EBITDA to free cash flow at a rate north of 50%, inclusive of cash restructuring costs, which we expect to be approximately $40 million for the full year. As we've stated, our goal is to consistently convert at least 60% of EBITDA to free cash flow post restructuring.

Please turn to Slide 13. While there were a lot of moving parts this quarter, I'd like to briefly summarize my 3 takeaways from the results.

First, excluding the impact of the freeze on Consumer Specialties, all business segments generated strong growth in adjusted EBITDA and adjusted EBITDA margin.

Second, while we experienced higher unallocated corporate expenses in the quarter versus prior year, this net result was primarily due to some favorable one-time items in the prior year and some unfavorable legacy items this quarter. Corporate unallocated was $15 million in our first fiscal quarter. And while the March quarter was high due to the items mentioned, we generally expect corporate unallocated expenses, including legacy costs, to be approximately $15 million to $17 million per quarter.

And finally, despite continued uncertainty related to the timing of global consumer demand recovery, our outlook for the business units this fiscal year remains unchanged.

Guillermo will spend more time discussing our fiscal '21 outlook and our underlying assumptions in his closing remarks.

With that, I'll now turn the call back over to Guillermo. Guillermo?

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

Thanks, Kevin.

Please turn to Slide 15. With the first half of the fiscal year '21 complete, our priorities remain very clear: drive margin expansion; enhance free cash flow conversion; continue to demonstrate our business and operating resilience; and accelerate profitable growth.

To achieve these objectives, we have clear levers that we plan to act on with the same discipline we showed in 2020. We're finalizing the capture of our $50 million SARD cost savings commitment, most of which was completed in 2020, and accelerate the implementation and capture of the $50 million in cost of goods sold reductions we have already identified. Between both these cost initiatives, we've implemented over 85% of the planned actions to date. We're going to drive productivity and mix improvement from innovation, focus on our more profitable strategic segments and exit lower-end product lines we feel we cannot improve. And we will align our capital allocation priorities for capex and working capital consistent with our strategic priorities.

During fiscal year 2020, we had the opportunity to demonstrate the underlying resilience of our business as well as the improved operating discipline. We will remain focused on driving the continuous improvement of our business-centric model in -- and this operating discipline. Our focus continues to be on shifting to accelerate profitable growth drivers, both organic and inorganic.

Please turn to Slide 16. As a reminder, earlier this year, we announced the signing of a definitive agreement to acquire the Personal Care business of Schulke & Mayr. We're incredibly excited about this opportunity as it broadens the breadth of our Specialty Additives solution we can provide our customers in the personal care end markets. We continue to expect to close on the acquisition during this June quarter. And as I previously indicated, we look forward to welcoming the Schulke & Mayr personal care team to Ashland.

Please turn to Slide 17. As we're seeing with recent developments around the world, COVID remains the biggest uncertainty. Although to different types of drivers, controls versus vaccinations, China and the U.S. are leading other regions in terms of the global recovery. Like the U.S., most other countries -- for most other countries, vaccinations will be the most likely path to sustainable reopening of their economies and the general economic recovery. Government actions to support the economy will continue to promote demand, but the impact will vary across markets. Assuming the current trend line and related uncertainty, our expectations are that the Pharma and Nutraceutical segments will continue to show strong demand as health and wellness will remain at the center of everyone's attention.

Demand for most Personal Care segments will continue to be resilient, driven by hygiene concerns and stay at home lifestyles. However, recovery of segments linked to social and recreational consumer behaviors that depend on the reopening of the economy will take longer to recover globally.

Industrial demand will continue to recover, driven by increased consumer spending as well as increased comfort with advancing projects given improved contractor safety protocols.

Short term, the raw material and supply chain tightness will present some challenges that will vary by business.

Overall, we maintain our positive outlook on the recovery, but expect to see some mix changes in recovery across markets. Acceleration of vaccination rates will be the major driver of reopening the global economy.

Please turn to Slide 18. If we assume vaccinations will be the primary driver of the global recovery, at current vaccination rates, it would take over a year for many countries to achieve vaccination rates needed to open their economies, and this will most likely occur in our fiscal year 2020 time frame.

Given the global profile of our business, the acceleration of the global recovery is important to Ashland. Our Performance Adhesives business is 85% U.S.-centric and should continue to see strong demand recovery. However, our additives portfolio is very global, with roughly 75% of our sales outside of the U.S. In the case of Personal Care and Household, roughly 70% of our sales are outside the U.S. As I indicated, most of our business will continue to see demand recovery if current trend lines continue. Our segments that continue to be impacted by the COVID changes in consumer and social recreational behaviors are mostly in Personal Care.

Please turn to Slide 19. Although we continue to see robust demand in most of our segments, the segments impacted by consumer and social recreational behavior changes continue to be the same ones we've discussed in prior calls: Hair Styling, Sun Care, Denture Adhesives and Hand Sanitizers. Hair Styling has been impacted by changes in consumer grooming habits given stay at home dynamics as well as concerns with visiting hair salons. This is the largest impacted segment for us. Sun Care continues to be impacted by reduced vacation travel. Use of dentures has been impacted by reduced socializing, mask wearing and some industry destocking. Although hand sanitizer segment did experience significant growth in 2020 due to the pandemic, there was a significant overstock build that is still being worked off. From a demand perspective, personal use of hand sanitizers have stabilized and remain strong. However, the expected increase in demand that was to be driven by the reopening of schools, restaurants and travel has been delayed. For these segments, we expect consumer demand to be in line with 2020, so the issue is more about the timing of the recovery.

Please turn to Slide 20. In line with these comments, our forward-looking insights are that we will continue to see overall recovery of demand, but the mix across business may vary. We'll see stable life science growth, some delayed recovery in some personal care segments. We'll see continued recovery in industrial segments, especially in the U.S. and China. We expect FX to remain favorable. And we will continue to execute our self-help actions to offset some of the headwinds we encountered in the first half of the year, the strike in Belgium and Storm Uri. Our businesses, especially adhesives, will continue to manage the pricing raw material dynamics as they have in the past.

With this, our outlook is for fiscal year 2021 revenue to be in the $2.4 billion to $2.5 billion and EBITDA to be in the $570 million to $590 million range. Upsides not included in this outlook are the acceleration in raw material availability that would allow us to rebuild inventory and capture higher cost absorption and/or incremental demand. The outlook also excludes future contributions from Schulke & Mayr preservative business, which is expected to close this quarter.

Please turn to Slide 21. In summary, I am pleased to report that other than Storm Uri impact, our businesses are performing in line with our expectations. We are maintaining our focus. We are continuing to advance our strategy, including profitable inorganic growth through M&A, furthering our commercial and innovation activities, executing our self-help actions, and proactively managing pricing and raw material dynamics.

While the timing of the global recovery following the COVID-19 pandemic and the raw material supply stabilization are outside our control, we are focused on the things that we can control. We're working to offset the impact of the U.S. Gulf Coast freeze through improved plant absorption as we rebuild inventories. We are expanding our product line offering in personal care segments that have been less impacted by the pandemic. We're executing our strategy of portfolio transformation and profitable growth. And we are continuing to drive our internal self-help actions.

We're also excited about the opportunity to share our broader perspective on Ashland's long-term strategy and objectives in an upcoming Investor Day. While we initially planned to host an in-person event, the pace of the recovery from the pandemic may warrant a virtual event this summer. Our internal teams are working diligently on the planning process, and we plan to announce a date for the event in the near future. We look forward to sharing more details with you soon.

Please turn to Slide 23. In closing, I want to thank the Ashland team once again for their leadership and proactive participation in an uncertain environment. We are fortunate to be a premier specialty materials company, with high-quality businesses that have leadership positions in defensive markets. I'm pleased by the resilience demonstrated by our people and business, and look forward to the opportunities that lie ahead.

Thank you. And operator, let's move to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from David Begleiter with Deutsche Bank.

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

And Kevin, can you discuss the cadence of second half earnings given will likely be some peaking raw material costs in Q3?

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

So on the raw material costs, one thing that's important to note is the biggest impact that we've had when we talk about raw materials for -- especially the additives business, is not costs. It's availability. And it's not necessarily the major raw materials. It's a small ingredient that we need, and we can't make the product without it. So raw materials don't just look at the raw material pricing cost side of things dynamics. It's the availability itself that has been the bigger impact for a big part of our portfolio.

In terms of the cost side of things, the biggest impact is in adhesives. That's the petrochemical linked side, acrylics and polyurethanes. We're moving on that. Most of that, you are going to see in the Q3. I think we had some impact. Raw materials went up in the quarter, but availability wasn't there. So it's not like the procurement was as high. We are seeing some raw materials coming back a little bit already from the peaks of the last quarter. The raw material dynamic is really going to be more an adhesive story rather than a broad Ashland story.

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

Yes. And I would say, on an overall basis, when you look at our outlook versus prior year, price cost is very balanced over the entire portfolio. I mean as Guillermo indicated, for a portion of the additives portfolio, it's more about availability over the timing of the availability.

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

Yes. And David, one comment I would add, sort of to interject, because I did see some notes and messages just talking about pricing, what's happening and especially expectations relative to other companies because some of the results are driven by pricing. I do want to make a point that we are not a commodity company. Pricing is not the big driver. We're striving to become much more of an additive, with a bend towards the consumer side of the portfolio that has more pricing stability. It's about innovation, value pricing. So some of the comparisons that I've seen are probably not appropriate because we're not a commodity company. So we're trying to look at more other companies, our peers would be more the additives of players in other areas. So again, this pricing raw material story is much more of an adhesive story because it's more of that petrochemical profile. But for the rest, you're going to see a very different dynamic going forward.

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

No, no. Very clear. And the second question, just to use that C word, unfortunately. BDO prices are up sharply in the June quarter, contract prices are. I would expect I&S earnings to be up sharply as a result in Q3 versus Q2. Is that a fair assumption?

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

Yes, it is. That is more the commodity type profile, and most of that is happening in the Q3 already.

Operator

Our next question comes from John Roberts with UBS.

Lucas Charles Beaumont ***UBS Investment Bank, Research Division - Associate Analyst***

This is Lucas Beaumont on for John. Thanks for taking my question. In Personal Care, so after adjusting for the Asia resale business, what was the exit rate on sales there coming out of Marchand has that turned positive yet in April? And could you just discuss how you see the underlying kind of organic trends progressing in the second half, please?

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

Yes. I would say, obviously, we expressed some of the segments that the recovery is a bit slower. Obviously, the demand was high actually in the last quarter. When we talk about sales being shifted from one quarter to the other, that's based on our forecast of what we expected and that we couldn't ship to customers. We actually had a lot more orders that came in just because demand is strong, but we couldn't even commit to because of raw material situation.

There is a lot of noise because some of those orders are other people couldn't supply either. So there's a little bit more froth, I would say, on the demand dynamics in the short term. But as the raw material situation eases off, I think things will start normalize. And you're going to see a pattern more aligned with last year with some of these segments, the upside recovery, that's the part that we're not in control. My view right now is that, that will take a little bit longer, but we are definitely seeing improved demand in the core segments.

Lucas Charles Beaumont ***UBS Investment Bank, Research Division - Associate Analyst***

Cool. And just on coatings, paint is the largest end market for industrial specialties, I believe. Architectural has been outperforming industrial paint until recently. But that seems like that's going to shift back the other way now with industrial to outperform more as we come out of the pandemic. So I have the perception that you're more exposed to architectural than industrial. But maybe you could help us understand what your outlook is there for the paint markets and then how that dynamic will impact the business.

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

Yes. As you said, our biggest part of the business is Architectural Coatings. If you look at our results in the business, they've been equal to or ahead. If you go customer by customer, we're very global. We supply everybody in the world. Has been equal to or better. I think the demand, we've seen the improvement from everybody. We've actually gained share, and we're doing a lot of -- really, the team has done a lot of great work. So we feel very, very good. The industrial for us is a growth area that we want to get into more and new developments that we're working on.

But if you look at the outlook, I mean the pandemic impact on the architectural coatings market would require a shutdown. And you see it in some countries, but it's the shorter term at this point in time. But overall, what we're seeing is that, especially the contractor segment, because of new safety protocols, people and contractors both are much more comfortable working. People know they'll leave their house, who let the contractors be working. There's not the fear that we had last year. I think independent of the vaccination and things like that, the contractor business, which is the bigger business globally, will continue to recover. So I think that we will continue to see strong demand. And for our products, the recovery will continue.

DIY is the one that everybody is looking at more because it was very, very strong, and there was some discussion that would soften up a little bit, and it would be offset by contractor. I think what we're seeing so far is that they're both remaining pretty robust.

Operator

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

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

So it sounds like the Texas freeze related issues, it sounds like you feel like on the revenue front, you can get it back. And then even on the cost side, it sounds like there are -- I guess there's enough other things going right that you can kind of offset that. Can you help us to understand what those levers are, whether they're on the revenue side or they're on the cost side, to kind of help you to offset some of the Uri-related costs as we go throughout the rest of the year?

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

So at a minimum, and it's really about the raw material availability. We have enough availability. We're been meeting our demand. So that's been very good. But the raw material situation is still tight. The teams are working very actively. The good news is it's improving. And every week, it's improving significantly. I would say, with the level of improvement we've seen so far, we feel probably the risk to meeting our core demand is lowering significantly. I'd like to see the availability improve a little bit more to where we feel confident that we can really start rebuilding inventory.

And I think 2 things that you're going to see is, one, that we just have the raw materials that we can run our plants and build inventory. That will be in a straight absorption impact. But the other thing is demand still is remaining strong. Other people are also having issues with supply. So there is some incremental demand there that maybe we don't build inventory and we sell more. And that -- what's not clear right now, it's really going to be dependent on the raw material situation. But the good news, it is we're seeing the improvements and we're feeling more and more confident in that area.

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

John, yes, you look at the math in the quarter. So $134 million reported, we had $11 million specifically in the quarter for freeze. As Guillermo said, likely to be able to recover a chunk of that if raws do what we would expect them to do. You can call it $4 million to $8 million of legacy corporate stuff, environmental being the biggest chunk of that. And about $3 million or so of push GP into the current quarter. And it really gets you -- as you look at the March quarter, just to emphasize this, it really gets you right on top of, if not above, the consensus numbers, if you kind of weed through all of the noise. And as Guillermo indicated, demand remains robust. We don't see that changing in the industrial segments. We've talked about what we expect out of the consumer segments in terms of the puts and takes. I think we're confident that we can offset a chunk of that freeze impact over the course of the year, presuming raw material availability continues to improve.

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

Got it. Got it. Okay. That makes sense. And then, Kevin, maybe a question or another question that maybe you can help us to fill in the gap on. So on the cash flow front, certainly, the first half of the year, you're off to a much better start than usual. And I think, look, the 1Q, 1Q maybe had some bigger benefits than usual. But I guess it looks like you're on target to kind of exceed even kind of your longer-term target of kind of a 60% cash conversion cycle. Is that fair? Or are there other kind of puts and takes that we should be thinking about that maybe temper that down a little bit as we look throughout the rest of this year?

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

So it's a good question. There are really 2 big moving pieces for this fiscal year. We're going to have about $40 million of restructuring-related cash cost that will pay out over the course of the year. So that's obviously a negative to the overall number. We've talked about that. On the positive, and more or less offsetting that, is we're continuing to work on working capital. And so -- especially with the exit of some of this low-margin product line business in personal care, we're primarily selling out of inventory as we do that. And so we should continue to see incremental improvements in working capital. So there are puts and takes to that, but I don't disagree with your math in terms of where we will likely end up assuming things play out as expected over the remainder of the fiscal year. And yes, it's probably fair to say that Q1 was maybe a bit stronger than would be "normal." But I think it's also fair to say that we're continuing to focus very clearly and very closely on the working capital dynamic and not just inventory, but also receivables and, to a lesser extent, payable because we're pretty much in line on payables anyway. But for sure, on the receivables front, each team continues to make progress in its own way in terms of reducing days outstanding. We don't have any problem with collections, but our terms are on an overall basis too long. And each business unit is working on that in their own way. And I'm pleased with how they're approaching it and the progress they've made. So we should continue to see a bit of tailwind on the working capital side over the course of time. And then once we get through the restructuring piece, the numbers will be a lot cleaner.

Operator

Our next question comes from Mike Harrison with Seaport Global.

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

Within the PC&H business, you quantified the lower margin volume that you exited. Maybe give us an update on where we are in that process? Are we almost to the point where we're going to stop seeing that headwind? And then can you maybe give us some examples of the non-pandemic impacted applications where you're looking to expand your presence and your product offering within PC&H?

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

Okay. Yes. So the exit will take -- I mean we're working through it. A lot of this is with some major customers. So we -- it's all planned out, but we need to be sensitive to their needs in terms of changing supply and all that. So it will be through this year and into next year. The majority of it happened in this year, but specific customers, specific areas, we have specific time lines that we're working on. And again, this is -- we're exiting. This is not what's driving our business. So we want to do it in a responsible way for our customers too, just given the other activities we have with them.

I think your question on the personal care, what are the segments? What are the things we're doing? And it really comes back to the whole work that we're doing around rebalancing our innovation initiatives. As you know, personal care, it's all about ESG-driven innovation. And that's going to drive both growth opportunities as well as replacements, just reformulations with new ingredients. But there's some very good examples. If you look at hair care as an example, the majority of the hair care market, 80%, is shampoo and conditioner. The styling is probably more around 20%, a little bit less than 20%, because there's a few other segments. For us, hair styling is the biggest segment. It's almost half of our business. It's a big part of the portfolio. We're seeing, for example, the whole ESG moving from liquids to bars, as an example, for shampoo and conditioners. There's a whole number of other products that we're repositioning. It's a small segment still, but a growing segment, driven by ESG. We can reposition a lot of our ingredients to really help customers improve their offering in that area. So we're excited about it. This is expected to be a very interesting area, but they need to improve their products. The issue is going to be reduced packaging, the reduced shipping. So there's a lot of ESG-driven thing. But that would be a great example of areas that we can do more on.

And then we're working on specific ingredients, things that we want to do, cross-selling across segments as we develop new products for biodegradability or specific performance criterias in oral care, some of these products then we can use in hair care or other areas. So we're looking at all that. And the team is working both long term and short term. Long term is the innovation, some of these core, more platform-driven innovations that we're working on. And then in the near term, it's how do we quickly redeploy our existing products, the short-term tech service, the on-site regional labs that we have to work with our customers, how do we reposition our existing portfolio to solve some of the new opportunities that we see in the market. So there are some interesting -- they'll take time, but they are going to be very interesting opportunities for the coming years.

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

All right. And then I believe you mentioned that you feel like you're about 85% of the way on the SARD and cost of goods sold productivity actions. It sounds like the SARD is all complete. But maybe an update on kind of what further progress needs to happen on the cost of goods sold side?

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

I think most of it has been worked through and communicated. We're working through some of the final sites. In Europe, takes a little bit longer with just working through the process. But everything is working very well, and we're confident that we're going to meet our time line. So no big concerns.

I think if you step back just on the results, the businesses actually are doing as we expected. There is no surprises there. The self-help actions, no surprises there. Everything is moving. So we feel very good about the underlying performance and outlook. The challenges on the recovery, we know what they are. We're working them. We're going to manage through them. So I think it's some of these external things that are happening. The storm, obviously, was the big impact. And I also want to point out the environmental, it's mostly legacy things. And by definition, these are going to be chunky. And you can't forecast them, because if you could forecast them, you have to take the charge. So by definition, this is a technical process. Whenever they do the work, they get the data. They have to then take action to adjust to the reserves. It's a reserve. So these are not things that really are reflective of the underlying performance of the businesses.

Operator

Our next question comes from Mike Sison with Wells Fargo.

Michael Joseph Sison ***Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Analyst***

So if you think about the midpoint of your outlook for EBITDA in '21, up $50 million from 2020. And I just want to make sure I have sort of the EBITDA walk-down. Could you maybe walk us through cost savings, contribution, volume leverage, FX? And then, obviously, you gave some storm negatives. But I just want to make sure the walk is better understood.

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

Okay. So let me make a few comments. And then, Kevin, maybe you can go through a little bit of the details on some of the walk drivers. But obviously, as we talked about when we did the fourth quarter, the beginning of the year call for the outlook of the year, I mean we felt very good in terms of the -- self-help was a big driver for the year in improvement. And that gave us a lot of confidence that, look, there was going to be significant improvement. So definitely, I would say that has been a major driver. The recovery on the industrial side, obviously, is the other big driver, which is happening, and we're taking actions on very well.

The other parts are -- those are the more robust businesses that have held up last year. And I think that's more the details of the puts and takes on share, new products development, mix improvements, those more nuanced activities that we're driving.

But Kevin, do you want to go into any specific or more specific comments?

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

Yes. I think in terms of our outlook that we talked about earlier in the year, which we actually upsized when we upsized last call, was on the self-help, $20 million to $25 million, was our expectation. As Guillermo indicated, let's say, the industrial recovery has been more robust and continues to be that way, which is a plus. Looking at it from a mix perspective, we've definitely seen improved mix in the business, with each business union has done a really nice job of driving higher-value product lines. So we're seeing uplift there. That's playing a positive role when you look at the overall.

Net-net, our expectations for corporate for the full year are pretty much on target, maybe a snidge high, but not much. So that's a bit of a negative on an overall basis, but just a bit.

And I think the other thing that's important to point out is we talked about storm impact. And that's going to be, all in, $14 million to the negative. To be clear, our range does not project any recovery of that. It also doesn't project any upside from the Schulke & Mayr acquisition and integration, which there will be some. We just don't know how much. And we also had the Doel strike, which is part of our process to execute on the cost of goods sold program. And that was an $8 million or $9 million negative impact in total to the financials for the year.

So you look at $570 million to $590 million considering -- the better part of $25 million of headwinds from Uri and the impact of the strike at our Doel, Belgium plant, I think it all adds up to be a pretty strong year. Again, not presuming any upside from recapturing storm cost, which we believe it will be, and also not including anything for the acquisition and integration of the Schulke & Mayr deal.

Michael Joseph Sison ***Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Analyst***

Got it. And a quick follow-up. Guillermo, in terms of Consumer Specialties as a whole, when do you think we see growth? And just straight up year-over-year growth for the businesses, excluding Schulke & Mayr. And what type of growth do you think the segment should do at some point down the road?

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

Yes. If you look at the underlying demand and internally, we tend to take out what we're going to exit because that's sort of define. The timing of it might be a little bit of a noise, but it's been pretty much on target. Now our overall target, these segments, underlying market will be market, plus a little bit of growth. So 2% to 5% underlying market, that's thesegments we're selling into. So we'd like to be above that over time. But that will require all these innovations, the portfolio shifts, really getting all that. I think this is true this year. We will still see some noise. If you look at the segments that I highlighted, the 4 segments that are impacted, they're not the biggest part, but roughly maybe 30% of the business. So that part of it is not getting the resilience that we would like to see. And that's the part that we're working through at this point.

I mean I can't really predict when the recovery is going to be because I do think this is really about the opening up of the economy. You see it around the world. As an example, hand sanitizer, we got new business with customers to supply schools and in a certain European country. Well, they called and say, well, the orders are delayed because the school system is closed. So we're going to have to manage through that. But I think definitely, in 2022, we will start seeing that global improvement as vaccinations really start hitting the rest of the world. I think that's the biggest challenge. I hope it's clear. I mean we're not a U.S.-centric business in a lot of these portfolios. The U.S. is performing very well. But the other parts, we really do need a little bit more of a pickup in the opening up of the economies.

Operator

Our next question comes from Jeff Zekauskas with JPMorgan.

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

I think your SG&A cost was $106 million in the first quarter and I think it was $84 million in the second quarter. What happened there? And what's a normal SG&A cost for the quarter?

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

Kevin, do you want to take this one?

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

Yes. I would say where we are right now, we should continue to see the positive impact of the cost-out program roll through. I would say normal SG&A for the quarter is going to be around $100 million going forward in total. That's a good place to peg it for total SG&A.

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

So why was it so low this quarter? Did you cut management comp? Is that where -- like what led to such a large sequential decline?

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

I would say it's more of a timing thing than anything else at this point. I mean we didn't make any major changes to comp or anything like that. No.

Operator

Our next question comes from Rosemarie Morbelli with G. Research.

Rosemarie Jeanne Morbelli ***G. Research, LLC - Research Analyst***

I was wondering if you could talk about the size of your naturally derived products and what do you think it could be 2 to 3 years out. I understand that Schulke is going to add to it. And linked to that question, do you think that customers are willing to pay more for? And therefore, are the margins going to be above your traditional product lines?

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

So first, excellent question. And frankly, this is going to be a big focus when we do our Investor Day, to showing a little bit more details both at the company level as well as business unit level. So a significant part of our portfolio, I would describe as sustainable based, natural, naturally derived, biodegradable. And we see just on the nature of some of the products, Cellulosics, the nature of our materials. So we're starting with a very strong base, especially in our additives business. If you look at the adhesive side, that is mostly petrochemical. So it's acrylic and -- and polyurethane. We use our technology to help our customers more develop ESG value through their products. So composite light weighting, those kinds of things, enabling wood and construction. So it's more about our customers' products.

But I would say in the consumer side, it's much more also about our own sustainability. And customers are willing to pay more for value. It's not just pay more for product. I think the biggest challenge as we see companies develop more ESG-driven technology is performance. The products need to perform. So just creating, as an example, a biodegradable hair gel it's nice, but if it doesn't work, nobody is going to buy it.

So it's a balance, and I think that's where the excitement comes where there's a lot of opportunities for innovation and for value creation. Both to replace your own existing technologies with newer, more IP -- hopefully, IP differentiated products that customers will pay a premium for and also capture share or enable new categories. I think, as I said, the example of solid shampoo and conditioner is a very exciting. A lot you're seeing now, before, it was a niche little product. Now you're seeing some of the major players coming in. So the ingredients that they want to use in those more ESG will, by nature, the focus is on more sustainable type products.

So I think the short end is we have a significant part of our portfolio as a company, and we're developing it even more. So that will be an exciting part of our portfolio transformation.

And as an example, the whole Avoca part that we were mostly focused in the past on plant extracts, as an example, for fragrance carrier. You'll hear us talk less about Avoca per se. And now it's really about extraction capabilities to develop and expand the portfolio. So we're looking at ways to bring in new products, new offerings to our customers in that area. So that will be the center of a lot of the personal care focus for us.

Rosemarie Jeanne Morbelli ***G. Research, LLC - Research Analyst***

And then just following up on the hair or other type of categories on the personal care, which have been affected by a change in consumer behavior. I was wondering if you could share with us the difference between what you see in the U.S. and what you see in Europe. I mean the U.S. is opening up. So are you seeing the benefit, even though it is a smaller part of your overall business?

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

Yes. In general, we are seeing -- for all categories that our consumer -- we are seeing some benefit opening up on this. I think the issue is how much is the opening up. I think back to office is still much lower, because regardless of COVID, I think a lot of companies are also taking other actions. So I think there will be a readjustment in terms of the work side of things versus the social side of things. Definitely, on the social side, we're seeing a little bit more of a pickup. On the work side, I think there's still a lot of companies still working remote. So a lot of those day-to-day uses, it's not as been as strong as historic in those areas. But restaurant, I mean the social aspects of it, if you go to cities or where the opening up has happened more, you do see people getting back into some of their older habits. But as you pointed out Europe, we still see it's lower. And definitely in parts of Asia, we see it slow down. Because of the pandemic in Brazil, those places definitely are down.

Operator

There are no further questions. Let's turn the call back over to Guillermo Novo for closing remarks.

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

Okay. Well, I want to thank everybody for your interest in our results this quarter and your participation. As Kevin summarized, I think we're very excited about where we are with the businesses, their underlying performance, the execution of our strategy. And we look forward to meeting with all of you in the coming weeks and talking to you to share more details. And more importantly, we're really looking forward to our Investor Day so we can lay out more of the long-term growth opportunities and margin improvement opportunities that we see for our future.

So thank you very much for your interest, and stay safe.

Operator

Ladies and gentlemen, this does conclude the conference. You may now disconnect. Everyone, have a great day.
