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+++ presentation

Operator^ Good day, and thank you for standing by. Welcome to the Ashland Inc third quarter 2025 earnings conference call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, William Whitaker. Please go ahead.

William Whitaker^ Hello everyone, and welcome to Ashland's third quarter fiscal year 2025 earnings conference call and webcast. My name is William Whitaker, and I'm honored to join you today as Ashland's recently appointed CFO. I'm energized to fully embrace this role and lead our finance organization and advancing Ashland's strategic priorities and delivering sustained shareholder value.

Joining me on the call today are Guillermo Novo, Ashland's Chair and CEO and our business unit leaders, Alessandra Faccin, Jim Minicucci and Dago Caseras.

During today's call, we will reference slides being webcast on our website, ashland.com, under the Investor Relations section. We encourage you to follow along.

Please turn to slide 2. We'll be making forward-looking statements on several matters, including our fiscal 2025 outlook, which involves risks and uncertainties as detailed on slide 2 and in our Form 10-K. These forward-looking statements involve 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. We'll also discuss certain adjusted financial metrics, both actual and projected, which are non-GAAP measures.

We will refer to these measures as adjusted and present them to supplement your understanding and assessment of our ongoing business. GAAP reconciliations are available on our website and the appendix of these slides.

I'll now hand the call over to Guillermo for his opening remarks. Guillermo?

Guillermo Novo^ Good morning, everyone, and thank you for joining us. Before I start my comments, I did want to congratulate William on his appointment as our new CFO. We're thrilled to have him lead our financial organization. And more importantly, we know he's going to have a huge impact in driving our performance as we move forward.

Today, I'll be providing an update that covers three key areas, giving you a clear picture of our recent performance and strategic direction. First, I'll review the highlights of our third quarter performance. Later, I'll provide more details on our strategic priorities. And finally, I'll take a detailed outlook at our updated fiscal year 2025 guidance.

Please turn to slide 5. Let's begin with a recap of our third quarter performance. We delivered resilient performance in a mixed demand environment with stable trends across most markets although volumes fell short of expectations as the anticipated growth inflection points did not materialize. These conditions reinforce the importance of our continued focus on cost savings and operational discipline, which supported strong margins.

As a result, we're delivering adjusted EBITDA generally in line with expectations, reflecting a solid execution across our businesses. Excluding portfolio optimizations, sales declined 5%, primarily due to lower organic volumes.

Pricing remained relatively in line with expectations as our teams executed well. Adjusted EBITDA was \$113 million, down 19% year-over-year or 10% excluding portfolio actions. Importantly, adjusted EBITDA margins remained resilient at 24.4%. We delivered nearly 100% free cash flow conversion in the quarter, demonstrating the strength of our underlying business.

Please turn to slide 6. Let me now briefly summarize the performance of our business units. While demand was softer than expected, Life Sciences maintained pharma growth momentum in VP&D and cellulose, positioning the segment for continued progress and sustained strong margins of 33% for the second consecutive quarter. Personal Care operated in a stable but moderate demand environment with microbial protections competing against a strong prior year and ongoing customer-specific softness in biofunctional actives.

Encouragingly, we're seeing early signs of recovery across both these business lines.

Recent strategic investments are gaining traction, driving sequential growth and helping sustain strong margins. Specialty Additives was impacted by weak coating season and ongoing pressures in China but saw growth in Performance Specialties and energy on share gains. The HEC network consolidation will be a key driver to improve cost efficiency and margins. Intermediates continued to navigate a difficult supply-demand landscape, particularly in Europe. While pricing and production volumes remain under pressure, we secured advanced manufacturing tax credits to partially offset this.

While near-term demand remains mixed, it's important to note that roughly 85% of our portfolio is tied to consumer end markets, many of which are noncyclical and more resilient in uncertain macroeconomic environments.

Let's turn to how the strategic actions are positioning us for stronger performance. Our portfolio optimization is complete, and our restructuring program remains ahead of schedule. All four business units achieved strong EBITDA margins, demonstrating disciplined execution in a challenging market. We're also making strong progress on our \$60 million manufacturing optimization program. As we recently announced, the HEC network consolidation is complete and additional cost actions are ramping into Q4 and fiscal year 2026.

While some of our globalized platforms have been softer than expected year-to-date, we're seeing sequential momentum from recent investments. We remain confident in the long-

term opportunity to expand our reach in underpenetrated markets. At the same time, our innovation commitment is exceeding expectations this year, reinforcing our strategy to drive differentiation, margin accretive growth.

In summary, while the external environment remains uncertain, we are executing with discipline and focus. Our streamlined portfolio ramping cost savings and strategic growth catalysts are positioning Ashland for long-term resilient performance.

Now I'd like to turn over the call to William to provide more detailed review of our third quarter performance. William?

William Whitaker^ Thank you, Guillermo. Please turn to slide 8. Q3 sales were \$463 million, down 15% year-over-year, including a \$53 million impact from portfolio optimization. Excluding this, sales declined 5%, primarily due to lower produce volume. Organic volume was down 4% with growth in Life Sciences more than offset by declines in Personal Care and Specialty Additives.

Pricing declined 2% driven by targeted actions in Life Sciences as well as intermediates. Excluding intermediates, pricing was down 1% and foreign currency provided a 1% tailwind.

Adjusted EBITDA was \$113 million, down 19% year-over-year or 10% excluding portfolio actions driven by lower organic sales and production volume. This was partially offset by cost savings, including reduced SARD and production spending, while raw material costs remained stable. Adjusted EBITDA margin was 24.4%, down 120 basis points.

Adjusted EPS, excluding acquisition amortization, was \$1.04 million, down 30% from the prior year. As noted in our release, we recorded a noncash goodwill impairment of \$706 million related to Life Sciences and Specialty Additives. This reflects the decline in our market capitalization relative to book value. It's important to emphasize this is a noncash accounting adjustment. It does not affect our liquidity, operations or our ability to execute our strategy.

Meanwhile, we generated strong ongoing free cash flow in the quarter with nearly 100% conversion of adjusted EBITDA, supported by disciplined capital spending and effective working capital management. Liquidity at quarter end was over \$800 million. We expect cash generation to remain strong in the fourth quarter and continue to monitor the timing of a potential recovery of our approximately \$100 million from our capital loss carryback. With

net leverage at 2.9 times, we have the flexibility to continue investing in our strategic priorities while maintaining a disciplined approach to capital allocation.

Now let's turn to our business unit leaders for a closer look at segment performance. Alessandra, over to you for Life Sciences.

Alessandra Assis^ Thank you, William. Good morning, everyone. Please turn to slide 9 for Life Sciences. Life Sciences sales were \$162 million in the third quarter, down 17% year-over-year. The decline was primarily driven by our portfolio optimization initiatives including the divestiture of the Nutraceuticals business and exit from low-margin nutrition products, which reduced sales by approximately \$32 million or 16%.

While these actions improve our long-term profitability and focus, they impact year-over-year comparisons. Q4 will be the final quarter affected by these adjustments for Life Sciences.

Overall, organic sales declined just 1% year-over-year, with pharma growth offset by softness in other markets, particularly in Nutrition. Pharma volumes grew 4%, supported by share gain, globalize and innovation initiatives with growth momentum across most regions and technologies. Latin America and Asia remain key growth regions where we are leveraging our strong reputation with local and generic manufacturers and targeted pricing actions to support volume growth.

Our globalized business lines delivered another quarter of double-digit revenue growth and completed major strategic milestones. Injectables completed a high impact launch of Viatel bioresorbable polymer lines for medical devices and dermal fillers. Both businesses continue to perform well with positive relief indicators for sustainable, profitable growth. Life Sciences has advanced our innovation revenue from new product introductions exceeding expectations across all regions in the third quarter. Our platform technologies play a key role in our long-term strategy, targeting enhanced tablet coatings bioprocessing chemicals and injectables, as highlighted on our Innovation Day.

Turning to profitability. Adjusted EBITDA was \$54 million, down 8% year-over-year. Excluding a \$5 million impact from portfolio actions, EBITDA was consistent with the prior year. This was the strongest adjusted EBITDA margin quarter on record for the business, reflecting high-quality pharma growth, cost discipline and the benefits of our strategic actions.

Please turn to slide 10 for intermediates. The overall market landscape for our intermediates business remains challenging, particularly in Europe. Sales were \$33 million, down from \$36 million in the same period last year. This included \$10 million in captive BDO sales and \$23 million in merchant sales. Despite some success with our recent price increase, market pressure forcing overall pricing decline was the primary driver of the year-over-year sales decrease.

Turning to profitability, Intermediates generated \$7 million in adjusted EBITDA, representing a 21.2% margin. This compares to \$9 million in the prior year, continued lower pricing and reduced production pressured margins during the quarter. That said, we were able to partially offset the impacts through advanced manufacturing production tax credit which we expect the business will remain eligible for through at least 2029.

Now I will turn the call over to Jim to discuss the performance of Personal Care. Jim?

James Minicucci^ Thank you, Alessandra. Good morning, everyone. Please turn to slide 11 for Personal Care. Personal Care sales were \$147 million in the third quarter, down 16% year-over-year. This decline was primarily driven by portfolio optimization actions, including the divestiture of the Avoca business and exit from low-margin products which reduced sales by approximately \$18 million or 10%. With this work now complete, the business is more sharply focused on care ingredients, microbial protection and biofunctional actives. Organic sales declined 6%, primarily due to customer-specific weakness in biofunctional actives and a strong prior year comparison in microbial protection. That said, both areas delivered strong sequential growth.

In biofunctional actives, sales were up double digits, supported by a robust commercial pipeline and expanding our capabilities in China. We expect this momentum to become more visible as we begin to lap the prior year customer-specific headwinds going forward.

Microbial protection also improved sequentially to down year-over-year against a strong comparison. Maturing opportunity pipeline, coupled with the improved cost structure is enhancing our ability to drive volume growth. We expect to see the early benefits of these actions in Q4. Meanwhile, our Care Ingredients portfolio continues to demonstrate resilience in both hair and skin care.

Turning to profitability, Adjusted EBITDA declined 20% to \$41 million. Excluding the impact of portfolio optimization actions, EBITDA was down 6%, primarily due to lower organic sales and unfavorable mix, partially offset by cost savings. The business delivered an

EBITDA margin in line with our fiscal 2025 target with high 20s and is well positioned heading into Q4.

Now I'll hand it over to Dago to review the results of Specialty Additives. Dago?

Dago Caceres^ Thank you, Jim. Please turn to slide 12. Specialty Additives delivered mixed results in Q3 aligned with expectations. The architectural coatings season remains softer and the majority of the year-over-year volume decline stemmed from last year's share loss and targeted price reductions in China. Persistent overcapacity and weak demand in China continue to pressure both volume and pricing, intensifying competition across the region and in export markets like Southeast Asia, the Middle East, Africa and India.

Outside of China, Middle East and India, the team executed well, delivering year-to-date volume growth in a challenged real estate environment across the Americas and in Europe. Performance Specialties and energy end markets grew in the quarter, supported by share gain initiatives. The Construction segment continued to show stable performance in Q3. Overall, sales declined 13% to \$131 million with organic sales and volumes both down 11%. Despite the competitive environment, pricing remained generally stable, an improvement from the 2% decline in the prior quarter.

Turning to profitability, Adjusted EBITDA declined 32% year-over-year to \$26 million, primarily due to lower sales in China, Middle East, Africa and India, and volume rebalancing across our production network. EBITDA margin was 19.8%, down from 25.3% last year. As part of our \$60 million manufacturing optimization program, we recently consolidated HEC production into our Hopewell, Virginia facility from Parlin, New Jersey. This move enables us to better leverage our global network, improve cost structure and drive long-term operational efficiency.

While a difficult decision, it aligns with our broader strategy and reinforces our commitment to delivering sustainable with the facilities operating in the United States, Europe and China, our streamlined HEC production network is well positioned to meet local demand.

I will now turn the call back to William. William?

William Whitaker^ Thanks, Dago. Please turn to slide 14. Let me now expand on Dago's comments with a broader view of our operational optimization efforts. As mentioned, the HEC network consolidation is a major milestone in our manufacturing transformation. The

Parlin-to-Hopewell transition underpins the \$25 million and HEC-related cost savings we outlined last December.

While operational execution is now complete, the P&L benefit will phase in over time. Because these savings are initially capitalized into inventory, they will be recognized gradually as inventory is drawn down and sales occur in line with our weighted average cost methodology. We'll provide more detail on the expected fiscal '26 impact during our next call, and we anticipate a meaningful step-up in HEC-related savings next year.

More broadly, our restructuring program is tracking ahead of schedule. The run rate program is nearing completion, with approximately \$20 million in savings expected this fiscal year and an additional \$12 million in carryover benefits in fiscal '26. These actions are already helping offset volume softness in select end markets and positioning us well for fiscal '26.

Looking ahead, we see opportunity to drive stronger incremental margins as we improve productivity across our consolidated footprint. The strategic imperative is clear: consistent operations at higher utilization rates with additional growth supported by ongoing efficiency gains. We'll share more as we size this opportunity. In the meantime, we remain focused on execution - balancing cost out with strategic reinvestment -, and we're confident these changes will support sustainable margin improvement over the long term.

Please turn to slide 15. As we turn the page on our portfolio transformation, Ashland is now positioned for the first time in over a decade with a clean focused platform for growth. We recognize that the portfolio transitions over the past several years have made our financial trends more complex to interpret, but these were intentional actions designed to improve the company's strategic and financial profile. Given the number of moving pieces, we thought it would be helpful to step back and highlight the historical performance of our core portfolio, the businesses we own today.

On the left side of the slide, we've separated the revenue from businesses we've exited or optimized over recent years, such as CMC and nutraceuticals from the performance of our current core. These actions streamline the portfolio, improved quality and reduced revenue by roughly \$400 million since fiscal 2019. The core has experienced some volatility over this period, reflecting the impact of COVID, post pandemic shortages, inflation, destocking and tariffs. Yet through all of that, the underlying core is stable versus pre-COVID.

Life Sciences and Personal Care have each grown at a low single-digit rate. Specialty

Additives declined moderately, largely due to the impact of the deterioration of the coatings market in China and intermediates is currently at a cyclical low. Importantly, during this time, we've improved our EBITDA margins, reduced net tangible assets by over \$300 million and lowered our share count by nearly 25%. While we know we need to accelerate growth, which is exactly what our strategic priorities are designed to support, the business has remained stable during a particularly volatile time. This slide is meant to illustrate the resilience of the Ashland we are today and the strength of the foundation we're building for tomorrow.

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

Guillermo Novo^ As you heard from Alessandra and Jim, our globalized platforms, injectables, tablet coatings, microbial protection and biofunctional actives are central to our long-term growth strategy. That said, we're currently behind for the year. Year-to-date sales in these business lines are down approximately \$10 million versus our full year target of \$20 million in incremental growth.

This shortfall is primarily due to base business softness in microbial protection and biofunctions. Despite these headwinds, we're seeing encouraging signs. Our investments are beginning to take hold and both microbial protection and biofunctionals are delivering healthy sequential growth since Q1. For example, in our new biofunctionals facilities in China, it's already approaching 10% of our segment sales mix as we ramp localized solutions in this important market. Importantly, comps are beginning to ease as we lap the unique challenges that began impacting performance late last year.

This should make the momentum of our investments more visible in the quarters ahead.

Meanwhile, Life Science continues to perform well, with injectables and tablet coatings maintaining strong growth. We remain confident in the long-term opportunities to expand adoption our high-value solutions in underpenetrated markets. Turning to our innovation strategy – we're ahead of plan. We've already delivered \$10 million in incremental innovation-driven sales, meeting our full year target with a quarter still to go.

This reflects the strength of our core innovation platforms particularly in pharma cellulosics, where demand in oral care delivery remains strong.

Our Innovation Day in May was a powerful moment for Ashland. It showcased the depth of our technical capabilities and the momentum behind our new platforms. The themes that

emerged - scalability, sustainability and differentiation - are exactly what we're building towards. We remain focused on executing our innovation road map with a clear priority on platforms designed for large high-growth markets. The pipeline is strong, and we're motivated by this opportunity.

Please turn to slide 17. Now let me walk you through our financial outlook for the remainder of fiscal year 2025. As we shared in yesterday's release, we've narrowed our full year guidance to reflect the ongoing muted demand and continued caution across customer channels. While we're tightening the range, our current assumptions are anchored towards the lower end, reflecting a prudent stance in light of the near-term demand dynamics while underscoring the durability of Ashland's business model. Demand patterns remain mixed across the portfolio.

Pharma is steady, recovering and continues to demonstrate resilience. Personal Care is beginning to show encouraging signs of company-specific momentum. Meanwhile, Specialty Additives and Intermediates are still facing headwinds. We're maintaining a balanced outlook. Innovation is pacing ahead of target, and our globalized platforms are improving, and we're executing well in our self-help initiatives.

These actions are helping cushion the impact of softer volumes and are positioning us for stronger performance over time.

On the regulatory front, tariff-related uncertainties remain. We're actively monitoring developments and while final rules are still pending, we do not anticipate a material direct impact on our fiscal year '25 results. At this time, we're seeing some signs of stabilization. Raw material costs are holding steady, and pricing pressures is easing as we cycle past prior year actions. We expect these trends to persist through the fourth quarter.

We remain focused on the levers within our control.

Our restructuring program is now complete, and we're expecting to realize approximately \$7.5 million in cost savings in Q4. We're also making solid progress on the \$60 million manufacturing network optimization initiatives. Together, these efforts, combined with disciplined execution, are expected to support continued margin strength. Free cash flow was strong in the third quarter, and we anticipate healthy conversion against in Q4.

Taking all this into account, we now expect full year fiscal 2025 sales of approximately \$1.825 billion to \$1.85 billion, and adjusted EBITDA in the range of \$400 million to \$410

million.

Please turn to slide 19. In close, I want to highlight a few key messages as we look ahead. As we discussed today, we're tightening our fiscal year 2025 outlook to reflect the persistent sluggish growth. While these conditions are pressuring near-term volumes. They do not change our long-term view of the business or the opportunities ahead.

Ashland is operating from a position of strength in a difficult environment. Our portfolio optimization actions are now complete, and we've emerged as a more focused, agile business aligned with high-value, resilient markets. We're ahead of schedule on cost savings and restructuring initiatives with early benefits already visible in our margin performance.

All four businesses delivered healthy margins this quarter, a clear sign of disciplined execution. Innovation is gaining traction with year-to-date sales already at our full year target. On tariffs, we continue to monitor the development and await final guidance on long-term implications. While the regulatory picture is still evolving, we do not expect significant direct impact in fiscal year 2025. In the meantime, we remain agile and proactive adjusting our supply chain and pricing strategies as need.

Looking ahead, our commitment remains firm. We will continue to focus on what we can control, driving productivity, executing cost actions and advancing our innovation and globalization roadmap. We will maintain a disciplined capital allocation strategy, balancing investment in growth with shareholder returns. And above all, we remain confident on our strategy, our people and our platforms will continue to drive long-term sustainable value creation.

I want to thank the entire Ashland team for their continued dedication, agility and focus as we navigate through these dynamic conditions. Operator, let's open the line for Q&A.

+++ q-and-a

Operator^ (Operator Instructions)

Christopher Parkinson, Wolf Research.

Chris Parkinson^ Great, thank you so much, Guillermo, I realize you're obviously not going to give us a number for '26 but as we're approaching the end of the fiscal year, and as the

buy sides conceptualizing kind of the different buckets of what we should be considering, I'm seeing the restructuring, obviously, ex the \$7.5 million you just went through the network and the manufacturing rationalizations and kind of as a tangential theme and then like the end of destocking on revenues, like can you just kind of walk us through your own thought process now that you should have greater visibility into fiscal year '26? And then also in terms of the markets coming back and when we think about the incremental margins, for instance, of like PC coming back, should it be in the historical ranges that you've already been giving us when volumes eventually return?

Guillermo Novo^ Okay. Let me break it down - so thanks for the question, Chris. In three areas, I mean we're not going to give guidance at this point in time but what are the big things that we're working on that we're looking at on the demand side, on the portfolio side where we stand today and then on the action side, I think you want to do, and that will impact our plan.

So on the demand side, as we said, what we're seeing is we have a cleaner portfolio, there's less moving parts now. I hope everybody is seeing very transparent on everything that we're doing on our different priorities. And we're going to maintain that level of transparency.

We see Personal Care and the household, the care side of our portfolio, demand should remain stable. I think things are trending back to historic levels where for things that we use day-to-day even in hard economic times people continue to use products so I think we're going to start seeing a market that behaves more like the historic norm, not what we saw during COVID and those periods of time. So the demand should be more stable.

Same thing for pharma, underlying demand should remain stable as we move forward. I think in the Specialty Additives side of the equation, I think you have to look at it. We're looking at it more geographically speaking. Obviously, this year, we expected some recovery in the coatings market in the US and Europe, which didn't materialize.

But depending on what happens to interest rates because there's a lot of pent-up demand right now so I would say we're probably going to plan conservatively on US and Europe for next year, but we recognize that there is given the pent-up demand if interest rate moves, there's an upside potential there that will factor into our thinking.

I think if you look at Latin America, Southeast Asia, a lot of the other, they're pretty stable right now. We don't expect significant changes. The big question is China. I think we're assuming that's not going to improve in the near term and we're acting appropriately.

I'm sure we'll get some questions on the businesses. I'll let Dago will talk about it, but with the network reset, we're now exporting certain parts of the region out of China so we're rebalancing our network to deal with this short-term a year, 1.5 year issue in China. And we believe long term, this is still going to be a good market. It will recover when we have enough levers to move in terms of the demand.

So that's sort of the demand side of it. If you look at the portfolio, I hope the slide that William talked about looking at the core part of the portfolio, it has been much more stable than I think people think, as we move forward. And I think it will be less noisy. It's not just the business focus that we brought. I think the productivity actions that we've taken, we've really streamlined assets.

Where we had two assets that were running at low rates, we closed them down. Most of our assets are actually pretty highly loaded right now. So as we go into next year, I think we're going to have not just better cost, which is what we're trying to drive but smoother, the target is also to reduce volatility of our operations because you're going to have more loaded assets. So we think the portfolio actions, the optimization actions we've taken will reduce volatility and will improve our underlying cost structure for our portfolio.

And then the third part is going to be actions that we take. And I think it's very clear our strategy, I hope you're hearing that we're consistent. On the productivity, self-help, we believe '26 is still going to be a tough environment for a lot of industries so we're going to plan accordingly. Self-help is going to be a big part of our actions.

So that's things we can control. and we'll maintain that level of momentum. I think on the longer-term strategic side, we're committed to the globalized and innovation-driven growth. We have a lot of great catalysts. We're getting a lot of traction.

We're extremely excited about all the opportunities thereso we're going to continue to execute. Having a strong balance sheet, making sure that we're managing not just the P&L, but the balance sheet appropriately so that we have the funding that we can do short-term actions but also continue to invest in the future is going to be our priority.

William Whitaker^ I think, Chris, I'm just going to build on that with some specifics that we're seeing as well. I think really the key piece from us is the reset is over, right? So that was a \$45 million headwind this year on an EBITDA basis and next year at zero. And some of the other pieces, too, just to put some a range around it. The carryover restructuring, that's

\$12 million of carryover primarily in the first half.

And the other piece, too, if you recall, in Q1, we did the strategic maintenance pull forward on our plans. As a part of that, there was approximately \$5 million of slightly extended and overspend. So that's another piece that we wouldn't expect to repeat.

And then the other piece, too, that's dynamic. But on foreign exchange, obviously, euro has been over around 115, 116. Just to remind everybody, that's about \$1 million to \$1.5 million of EBITDA per year for every cent change. And then I think really the key piece then to Guillermo's point is on the cost side. We've expected to recognize \$5 million of the \$60 million network optimization this year.

So that means \$55 million yet to come and so that's a key element of the go-forward picture in terms of profitability.

And on the raw material side, things have been mixed, but they've been stable. So more to come on the specifics as we get to the Q4 call, but there are certain elements that we can speak to as well.

Chris Parkinson^ That's very helpful. And just as a quick follow-up, just Game, you alluded to this a few times in your prepared remarks. But in Personal Care markets, it seems like some of your higher-margin applications have been under pressure. But at the same time, ever so slightly, you're beginning to see a positive comment on hair care out of one customer and saying, "Hey, not adjusted for travel retail, things actually would have been up and it seems like there's these signals of potential bottoming across Asia and Europe is a little bit perhaps a little bit more sluggish. But is that what you're actually hearing from your customers as we progress through the balance of the year?"

Like does it seem like it's actually stabilizing and things should actually be more beneficial into next year, especially in some of those biofunctionals or is there something else we should be looking at?

Guillermo Novo^ Yeah. I think if you break down the personal care side of the equation into the more the mass brands versus the prestige segment and maybe I'll ask Jim to comment here but we do see a difference. I think the mass brand there is variability by regions, some specific dynamics but in general, I would say, it's holding up.

Volumes, the demand side should be stable. Each company is going to have, depending on

what products you're in, and you're going to have a little bit of movement. But from a market perspective, we expect that to remain resilient. But on the prestige side, that's the one market that we've seen changes versus history.

Historically, they were all very stable. I think over the last decade, the mass brands and the impact of travel duty free. I mean some of these have changed. Our biofunctional business is heavily weighted on the prestige side. That's one of the things that the team is working on.

But Jim, do you want to comment on some of those dynamics that what you're seeing?

James Minicucci^ Yeah. So Chris, I mean, I would look at the market overall and as Guillermo mentioned, we do see stability in the market. Last month in June, I spent the majority of June in Asia, in China, Korea, Thailand and Indonesia. We see really good traction with our local regional customers there, a lot of activities, especially in Southeast Asia, in Thailand and Indonesia. I would say Europe has actually been a bright spot compared to how we started the fiscal year.

Europe was quite muted in Q1. And versus our expectations, we've seen continued improvement in Europe.

In the US, from what I've seen in red, I think we're probably maybe a bit contrarian there where we see the US as remaining quite robust and resilient, and we expect that to continue going forward. As we mentioned, with our biofunctional Active segment, specifically, this part of our business really focuses on the premium prestige skin care market, anti-wrinkle, anti-aging and exposed to travel. And that underscores the strategy and actions that we're taking to expand geographically, expand our customer base.

And as now we lap some of those customer-specific demand that we saw last year and our results more come in line with the market, you're going to start to see the actions we're taking come through at external.

Chris Parkinson^ Very helpful. Thank you so much.

Guillermo Novo^ Thank you.

Operator^ David Begleiter, Deutsche Bank.

David Begleiter^ Thank you. Good morning Guillermo just back on the cost side to be crystal clear. Between the restructuring plan and the manufacturing network optimization, the incremental savings in '26 versus '25. Should they be in the \$55 million to \$60 million range year-over-year?

Guillermo Novo^ Yes. So let me make a comment, and then I'll have William especially talk about the network optimization, the \$60 million. So we have \$30 million in restructuring, 60 in network optimization. The restructuring is flowing through. We're ahead of plan.

We had targeted \$30 million. We're probably going to it's going to be greater than that in the full program. But I think this year, we'll get around \$20 million coming through. So we had expected 15 we had increased some of the outlook. So we're still looking at some of that flow through, but it's been pretty robust.

The \$60 million, what I would say is the actions are done. We have concluded our action. So everything is as the example, HEC, we closed partly those costs are going to be gone. So the issue now is really flow through to the P&L. And as William mentioned in the prepared comments, Ashland uses average costing.

And so we have a whole different way of how it flows through, which is a little bit more complicated in terms of the timing. But that's the part that we're working through. But the actions around the VP&D, the HEC and the small plant consolidation it's 100% finished now at this point in time. But do you want to comment on the \$60 million flow-through.

William Whitaker^ So yeah, on the 31st, so that's the \$12 million of carryover that you expect next year. So that being a period of expense related to SG&A, we have a lot of line of sight to that. On the COGS side, right, so keep in mind, to Guillermo's point, the \$60 million is related to production, that's in COGS. And so it's dependent on where we finish the year from an inventory perspective, but then also our S&OP process for next year, so demand and production schedule for next year.

So we're going to continue to share more and we'll be transparent with it. We expect a meaningful step up going into next year. But to quantify it at this stage would also be an indication of what our guide is for next year and so we'll share more as we go. But I think to Guillermo's point, good news is, operationally, we're done. And we'll continue to share more on the financial flow-through as the inventory is sold down and recognized through COGS.

David Begleiter^ Got it. No, that's helpful. And Guillermo back on China and specialty Additives, can you explain again why this is a market you want to be in or should you in long term, given the pressures we're seeing right now and perhaps longer term?

Guillermo Novo^ Well, if you look at I would separate what we're doing today and what we're doing in the future. It is a first our business, our plant. We have a really good plan. We have a great team there. There it's a very cost-effective plant.

We're exporting from there now very efficiently for a lot of the areas. So as far as having a balanced network, it makes sense to have plants in the US. We have enough plants in Europe, and we have plants in Asia. We're probably the most geographically diversified player in the market. We're in all the regions, and I think that's healthy for us in the near term.

With the network optimization actions that we've taken, now it's an issue of rebalancing who exports where and which local markets We see that as an opportunity. for us as we redo the footprint. I think long term, we've been there for a long time. It's been a very competitive market and we've made very good money and we had good profitability. I think we're going through a transition it's more about the market drop, but its whole overcapacity that is impacting many industries.

I do think that there's going to be consolidation. We feel the pain, but a lot of the local players are also having huge problems in terms of liquidity and all that.

So we're starting to see changes in the industry. And I think over the long term, if we can use it for export, we can then repurpose and advance our network. We have plans on how, where and how we add capacity around the world. So I think we'll be able to manage through that. But Dago, I don't know if you have any other comment you would say on the change .

Dago Caceres^ I think you sum it up well. Maybe the other comment that I will make is that I was in China about a month ago. And what we're seeing as well is that there are new segments being created. And some segments in coatings are actually really value innovation and really value high-quality reliable suppliers. So what we bring to the table essentially.

So number one, I'm seeing that there is a lot of changes taking place in the market, but some of those play to our advantage. That's kind of number one. Number two, the need for

innovation is also pretty important so we're also changing modifying our strategy to really think through regional innovation.

And we believe there is value that can be captured there. And the last point, again, is China has been growing for decades on end, right? So the last few years, yes, it's been tough for them. I fully agree. But still, this is a large market that sooner or later, we'll have to come back, and I do think that they will value the suppliers that actually offer really a good service to them.

Guillermo Novo^ Can you comment also on the portfolio expansion even beyond rheology -- because I think that's an area that not just with the new technology platforms, but even in the core, you have a lot of work with...

Dago Caceres^ Sure. I mean, very, very briefly, we were known as rheology modifier experts in the region. But over the last few years and more and more so these days, we continue to expand our portfolio into many other additives that are relevant not only in architectural coatings, but also industrial coatings. And again, customers value the formulation expertise that we bring to the table, we see a lot of possibilities to come up to develop new products that can very much solve some of the unmet needs in the industry. So we're very excited about that.

We don't see our participation as a cellulosic only participation. We see that as a much broader participation moving forward.

James Minicucci^ Thank you.

Operator^ Josh Spector, UBS.

Joshua Spector^ Yeah, hi, good morning. I have more of a near-term question here. It's just I look at your updated guidance, your sales seems to imply that you're going to have about maybe \$15 million to \$40 million higher sales in fourth quarter than what you had in third quarter. And a lot of your comments through this call have been more stability and various items there. So just curious on your level of conviction on that step-up and where within the segments are you seeing that level of increase?

Guillermo Novo^ Let me comment, and then William, you can also comment. I think I would say one is personal care. We do have the Oral Care, as you well know, is a more concentrated market. The orders come in bigger chunks so we do expect a pickup.

The orders weren't as strong this quarter, but we have a strong portfolio of orders for oral care. So that's going to be a big area. I think in the pharma side, cellulose, we are doing a lot of innovation, a lot of new products. We have some of the plants, if you look at our Benecel Klucel, we haven't run as efficiently in terms of the production because we've had to break into bringing some of the new products and scale them up.

So that's now already moving so we'll have some pickup volumes that will come in into the fourth quarter. So it's those kinds of things. It's more about our own portfolio. I think the underlying demand isn't really going to be that something is going to spike up. It's things that are specific to us and our activities.

William Whitaker^ And just to build on that, I think that's right. So on the Personal Care side, the other element to that Jim spoke to earlier, is around lapping some of the company-specific items that we talked about last year for biofunctional actives, for example. And then a microbial protection continue to deliver against some of the investments that we've made on the team in converting that pipeline. I would say the other piece too on Specialty Additives, the team has had some nice wins on the industrial side, Energy & Resources as well as performance specialties.

We'd expect that to continue to be maintained.

But just to dimensionalize it on a year-over-year basis, Josh, it's about a plus minus low single digit on volume overall is the range and then where we've anchored the midpoint is around flattish overall on organic sales volume. So it's very much in sync with how we're talking about a stable but muted demand environment. We do expect pricing overall to be relatively stable quarter-over-quarter. That implies that it should narrow meaningfully on a year versus last year.

And then FX should be a modest sequential tailwind as well. So those are the parts and pieces that get us to the fourth quarter guide on sales.

Joshua Spector^ Thanks. And maybe slightly different but related just in Life Sciences. I mean, obviously, the margins have been quite strong. Is there any mix component there. So like when we're looking at 33% average EBITDA margins in the last couple of quarters, if you grow low single digits next year, does that margin expand kind of with the incrementals or does the mix have a negative impact?

Can you help us think through that?

Guillermo Novo^ So let me high level on the Alessandra can provide some comments. Cellulosics are doing very well and the margins there are very, very solid. And even in the VPN side, prices have stabilized, we've regained share, and the productivity is really targeting some of those areas on the cost side. So there's actions that are driving the mix and the stronger parts of the portfolio are doing better and the ones that we got impacted are much more stable. But Alessandra, do you want to comment also?

Alessandra Assis^ So yes, we are seeing competitive dynamics on the P&D as we expected. So this is in line with our expectation. And the growth momentum, as Guillermo was talking about, is coming from somalogic share gains, our traction on our innovation and globalize and both the innovation and globalized initiatives, they come with healthy profitability levels. So definitely, we are focused on our growth journey and while maintaining our healthy profitability levels and EBITDA above 30%.

Guillermo Novo^ And just as a plug, Josh, I would say we're also excited on some of the changes that are happening in the industry. A lot more production coming into the US customers coming in. That's great opportunities for us and given our footprint, and we're located. So there's a lot of good dynamics in terms of even if the industry is stable and growing, those shifts tend to play well into our portfolio.

Joshua Spector^ Okay, thank you.

Operator^ John McNulty, BMO.

John McNulty^ Yeah, thanks for taking my question and congratulations again, William, on the new role. I wanted to dig into the innovation side. So this year, you're looking for kind of \$10 million kind of a conservative start. But based on what we heard at your Innovation Day, it looks like a lot of these like the innovation wheel and the commercialization really start to kick in, in '26 and then maybe more into '27. I guess can you give us a little bit of color as to how that target changes from \$25 million to \$10 million to, say, your 2026 target?

Is it something where we could see all being equal a couple of points of growth for the core. How should we be thinking about it? .

Guillermo Novo^ So I think the way that you're framing it and as we talked about during our

Innovation Day, looking at core innovation and then new platform innovations and looking at both we've put a lot of emphasis on the platform because those are the big things that we really believe as a long-term growth catalyst, we're in a pretty unique situation versus a lot of other companies that I think we do have meaningful long-term growth catalysts that for a company of our size can change our future. And we're getting momentum. So I would say, on that longer term, what's going to start picking up to '26, '27 we will be sharing with you the progress we make. I think in 2026, still, it's going to be what projects are advancing, which segments customers are engaging in to do JDAs, what wins are we getting.

Those are all going to start ramping, and I think that will be a good indicator of validation of the technologies getting commercial momentum. And obviously, the dollars will come later.

I think on the core, we don't want to minimize that part of it. I think there's a lot of activities in the core that each of the businesses is focused on. Dago just mentioned, for example, in China and other areas, it's not just the new platforms. We have our phosphate ester surfactant business a lot of innovations coming in there, deformers, even in the wetting agent types that we have we participated with other technologies in the past, we're doing more work there. That's where this regional innovation is very important for us.

Same thing in Life Science and pharma specifically, the Klucel, Benecel. there's a lot of the growth that we're seeing now is on the core. These are very profitable products. We're market leaders there. And that's really what's driving a lot of the near-term momentum.

An example I would use in even in the tablet coating side we have this the TBO, the oil-based product that is very promising, customers are very excited. But we have another generation, the Genesis generation that we're brings a lot of the benefits, not as much as the other one, but we can launch that. So they're working already with customers on getting momentum. And similarly, I think in the personal care the biofunctionals, the preservative business, there's a lot of innovations that are going on in those areas that are having impact now.

So a lot of the globalized - we're putting it in that bucket, but a lot of innovation is going through there.

And the other part that I would highlight that we don't talk as much about is the process innovation. We are doing a lot of work to improving our raw materials or a lot of the manufacturing steps, not just from a manufacturing productivity, moving around the assets

and all that but actually process technology that we've launched back integrated into some raw materials for preservatives, as an example. All those things are having a big impact for us.

John McNulty^ Got it. No, that's really helpful color. And then maybe just a quick question on the intermediate side. It sounds like you've got some tax credit benefits kind of rolling through or some positives that you're getting just given the kind of the environment. And it sounded, if I heard right, that's going through 2029.

So can you help us to understand or quantify what that specific benefit is and how it may flow through the P&L going forward?

Guillermo Novo^ Okay. Let me, I'll address the last part of the question on how we look at it from a business perspective, and then I'll have William give you some of the numbers. But from a business perspective, this is getting us more competitive, right? So this first tranche is a sort of a we're getting a credit for historic things that we've done. I think moving forward, it will be part of making our costs are going to improve.

We're going to be much more competitive to service our customers. EV is starting to move in the US. There are some big projects that are being bid and we're well positioned for that. So that just strengthens our competitive position. So it will be part of our bidding cost structure as we move forward.

But it is a catch-up and maybe you want to comment, William.

William Whitaker^ Yeah, John. It's a good question. So that's right. So this is tied to us being a western producer.

This is a tax credit used to incentivize domestic production into key sectors. And so for us, this was introduced a couple of years ago, but the eligibility around it was recently defined. And so that's how we're able to now go out and get this. And so just order of magnitude, it's very much dependent on production and sales, but \$5 million to \$6 million of incremental savings per year, generally recognized ratably throughout the year. And we would expect this to continue to be eligible for us through 2029, and then there's a phasing out through 2033.

Operator^ John Roberts, Mizuho.

John Roberts^ Thank you. Were both Hercules and ISP goodwill and was that the result of a regular annual goodwill review or was there some other triggering event?

Guillermo Novo^ So this is more a technical process that we pass it to William. It's really about the market cap and that's the driver here.

William Whitaker^ Yeah, that's right. So John, the way goodwill is tested at a reporting unit level, so it's not necessarily allocated to one acquisition or the other. But yes, the vast majority of this is tied to Hercules and ISP. As you think about that basket of purchase price allocation, most of those intangibles have been amortized, right, whereas goodwill isn't amortized and it's tested annually. The event that this quarter required the testing and the impairment is around the valuation, the market cap relative to your carrying value.

And so a key piece on how you think about that, right, as you think about valuation.

One is, of course, the income-based approach. But the other is a market-based approach where you look at valuations across the sector. And so for us, that was a key element for the underlying impairment. And the other thing I would say, too, we emit when we resegmented the businesses five years or 4 to 5 years ago now, and I would think about it in that case, Life Sciences as a part of that resegmentation wasn't touched. And so I would think about this as more of a financial artifact that's being recognized relative to stock based today. But obviously not something that impacts operations strategy or the financial liquidity position of the company.

John Roberts^ Okay. And then secondly, do you expect to be impaired as your pharma customers react to the new Section 232 tariffs? Will it have an impact? .

Guillermo Novo^ Right now, we need to see the visibility on especially Europe, US, that there's not a lot of clarity on some of these things. A lot of the things have been exempt at this point in time. So we'll need to we need a little bit more time to look at that, but it's not something that's driving immediate action that we're hearing from anybody. I would say the part that we are working with customers is not so much the direct tariffs, but the comment I said before of manufacturing shifting around and more an increase in investments here in the US. And a lot of these investments are looking at some of our technologies will be a good fit there.

But Alessandra, would you say anything else? .

Alessandra Assis^ Yeah. I mean talking to customers in Europe, Asia and other parts of the world, it's some of the announcements, right, that the pharma companies have made recently, those are investments that we're already in the part of the plan with Biologics and into the US. But really, they are on a wait-and-see mode and really they're planning, but we're not expecting meaningful changes at this point. That's what we are hearing from our former customers.

John Roberts^ Congrats, William.

William Whitaker ^ Thanks, John. Bye.

Operator^ Laurence Alexander, Jefferies.

John Roberts^ So good morning. Just on the innovation side, to the extent as you've been discussing with customers, the new platforms and possible structures and kind of what they need to see for the ranch commercialization. Do you have a sense for how much you may see a front loading of SG&A or technical service support for customers as sales pick up. And could we be looking at a couple of year lag between the ramp in the business and the ramp in the EBITDA contribution as a result. Can you just walk through how you're thinking about that?

Guillermo Novo ^ I think it's going to vary by technology. Like we said, we are fortunate that we're repurposing a lot of assets for this. So we can wrap it's going to be more about the products getting approved and then when do they go into a formulation there is a lag there that takes time, but we don't have to make a lot of investments there. I think the two that I would say are a little bit different- that we are looking at we need to plan out resources is obviously the TBO. We have enough to launch. But if this starts ramping geographically, we do this is something you can have to make regionally.

So there is going to be an investment phase there. And the other the novel cellulose, it's going to be more global. We have an asset that we can repurpose, but it's an issue, as we said in the Innovation Day. It's a timing issue that we just need to make a call, make the investments. We'll be doing that shortly.

But after that's done, we'll move as soon as our customers move volume. The part that I will say, and I said it in the innovation day is as we move forward, as customers commit to specific projects, we're not going to hesitate to add R&D resources, technical resources. I think that's where it's not so much commercial. It's going to be more technical. We will add

the resources.

We have the capabilities. We have the wherewithal to do it. It's just we want to make sure that we're moving in line with our customers, not jumping the gun in terms of which technologies are the ones that they want to prioritize as we move forward.

Operator^ This concludes our question-and-answer session. I'd like to turn it back to Guillermo Novo for closing remarks.

Guillermo Novo^ I want to thank everyone again for your participation and attention. We're really excited about the progress that we're making as the point that William made - that portfolio transformation is over. This is a big change for us. It's an exciting change for us. The clarity of the quality of the portfolio, the markets that we have and the catalysts that we've been working on over the last few years to develop our strategy, our focus is very clear in the short term.

We're going to focus on self-help to navigate through the uncertain environments, but we have clarity about the future, and we're excited about it, and we're going to continue to invest and grow the company.

So thank you for your participation and for all the Ashland team that's listening. Thank you for all the work you're doing.

Operator^ This concludes today's conference call. Thank you for participating, and you may now disconnect.