REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q3 2024 ASHLAND INC EARNINGS CALL

EVENT DATE/TIME: August 07, 2024 / 2:00PM UTC

REFINITIV

An LSEG Business

CORPORATE PARTICIPANTS

- **William Whitaker** *Ashland Inc - Director of Investor Relations*
- **Guillermo Novo** *Ashland Inc - Chairman of the Board, Chief Executive Officer*
- **John Willis** *Ashland Inc - Chief Financial Officer, Senior Vice President*

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Christopher Parkinson** *Wolfe Research, LLC - Analyst*
- **John McNulty** *BMO Capital Markets - Analyst*
- **David Begleiter** *Deutsche Bank - Analyst*
- **Michael Sison** *Wells Fargo Securities - Analyst*
- **Michael Harrison** *Seaport Research Partners - Analyst*
- **Jeffrey Zekauskas** *JPMorgan Chase & Co - Analyst*
- **John Roberts** *Mizuho Securities - Analyst*
- **Joshua Spector** *UBS - Analyst*

PRESENTATION

Operator

(Video Playing)

Good day, and thank you for standing by. Welcome to the Ashland Inc. Third quarter 2024 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 *Ashland Inc - Director of Investor Relations*

Thank you, Dede, and hello, everyone. Welcome to Ashland's third quarter fiscal year 2024 earnings conference call and webcast. My name is William Whitaker, Vice President of Finance and Director of Investor Relations.

Joining me on the call today are Guillermo Novo, Ashland Chair and Chief Executive Officer; and Kevin Willis, Senior Vice President and Chief Financial Officer. Ashland released results for the quarter ended June 30, 2024, at approximately 5:00 PM. Eastern time yesterday, August 6. The news release issued last night was furnished to the SEC in a Form 8-K .

During today's call, we will reference slides that are currently being webcast on our website, ashland.com, under the investor relations section. We encourage you to follow along with the webcast during today's call. Please turn to slide two.

As a reminder, during today's call, we will be making forward-looking statements on several matters, including our financial outlook for our fourth quarter and full-year fiscal 2024. 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 two of the presentation for an explanation of those risks and uncertainties and the limits applicable to those forward-looking statements. You can also review our most recent Form 10-K under item 1A for a comprehensive discussion of the risk factors impacting our business.

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 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 reconciliation 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 three. Guillermo will begin the call this morning with an overview of Ashland's performance and results in the third quarter. Next, Kevin will provide a more detailed review of the financial results for the quarter, followed by commentary related to Ashland's outlook for our fourth quarter and full year fiscal 2024. Guillermo will then provide an update related to Ashland's strategic priorities, and then we will open your line for questions. Please turn to slide five.

I will now turn the call over to Guillermo for his opening comments. Guillermo?

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

Thank you, William, and hello, everyone. Thank you for your interest in Ashland and for your participation today. Let me start with a few of the headlines driving our performance. We delivered continued progress on all our portfolio actions. We had strong Personal care sales growth across markets, and we saw improved specialty additives volumes, and we showed disciplined price management and high-quality margin performance.

Headlines were driven by lower life science VP&D volumes, mostly in Europe, softening specialty additives volume momentum versus our expectations, and increased price pressure. Improving sales trends continued during most of the quarter June was weaker than expected, and this trend has continued into July.

Our Q3 sales were roughly in line with our prior year at $544 million. Note that our portfolio improvement initiatives reduced sales by approximately $15 million, or 3% during the third quarter. Sales volumes improved 5%, led by 22% growth in personal care and 5% growth in specialty additives. Excluding the portfolio improvement actions, overall sales volume grew by 8%.

Looking at the businesses, personal care had one of the strongest quarters on record. The strong performance was broad-based across markets and regions, particularly in strategic markets such as biofunctionals, microbial protection, as well as the Asia region.

Specialty additives volumes continued to improve versus our prior year, and the business sustained its strong margin expansion, delivering 810 basis points on a sequential adjusted EBITDA margin improvement. Although volume demand improved, it was below our expectations. The regional recovery has been mixed with lower demand and increased competition in Asia, as well as the Middle East and Africa.

In Life Sciences, the biggest headwind was VP&D. Overall, VP&D market demand was softer than expected in pharma and crop care, and we reduced exposure to the lower-margin nutrition business. However, the largest impact for the quarter was at VP&D pharma, where share loss and some demand weakness weighed on overall results.

Overall impact has been most acute in Europe. We will discuss actions we are taking to improve our results later in the call. Intermediates merchant business continues to see weak demand in EV battery and crop care markets. Pricing was down low single digits versus the prior year quarter, when excluding the impact of our intermediates business, which was down double digits. Pricing impact was partially offset by lower raw material costs. Production volumes were up mid-single digits versus last year, and generally in line with quarterly sales volumes, as inventories were sequentially stable.

Ashland continues to prudently manage production and inventory levels to increase our future operating flexibility. Adjusted EBITDA margins sequentially increased 370 basis points to 25.6%, in line with our second-half target of mid-20s. Overall, adjusted EBITDA for the quarter increased to $139 million, which was at the lower end of our expectations. We continue to believe the current share price does not reflect our expectations for long-term profitable growth and enhanced capital return.

Following another quarter of strong free cash flow, we repurchased $130 million of shares. We also increased the dividend in the quarter, as we have done every calendar year since 2009. Our strong balance sheet and healthy free cash flow generation enables us to pursue a balanced capital allocation approach. Please turn to slide six.

Year-over-year sales growth was very strong for personal care, but mixed overall for the company due to the factors I referenced earlier. These results reflect portfolio optimization in the quarter, including an 8% impact on specialty additives. Volume improvements were partially offset by lower pricing in some product lines.

While sales growth was mixed, all businesses maintained discipline and delivered strong margin performance in line with our expectations. All business units were at or above adjusted EBITDA margins of 25%. Our portfolio optimization activities remain on track. Actions around right-sizing our MC and CMC businesses have been implemented.

In May, we announced the signing of a purchase agreement for the Nutraceutical business and expect the transaction to close in fiscal Q4. We have already started to take initial actions on our Avoca business, which is also part of the Pharmachem acquisition.

Now, let me pass over the call to Kevin to review Q3 in more detail.

John Willis *Ashland Inc - Chief Financial Officer, Senior Vice President*

Thank you, Guillermo, and good morning, everyone. Please turn to slide eight. Total Ashland sales in the quarter, $544 million, or roughly in line compared to prior year. The previously announced CMC and MC portfolio optimization initiatives reduced overall sales by approximately $15 million, or 3% during the third quarter. Year-over-year quarterly volumes {5%} increased as demand recovered within the personal care and specialty additive segments. These volume gains were partially offset by unfavorable life sciences volumes.

Regionally, overall sales into our largest markets, North America, Europe, and Asia, were stable to improving. This was offset by weakness in Latin America and Middle East Africa. Gross profit margin increased 290 basis points to 36.2% in the quarter, which is one of our higher margin quarters over the last five years. Several factors contributed to this improvement, primarily sales and production volume increases, as well as product mix.

This was partially offset by unfavorable pricing versus raw materials, approximately half of which is associated with intermediates. When excluding key items, SG&A, R&D, and intangible amortization costs were $110 million in the quarter, down from $113 million in the prior year. In total, Ashland's adjusted EBITDA for the quarter was $139 million, up 5% from the prior year. Ashland's adjusted EBITDA margin for the quarter was 25.6%, up from 24.4% in the prior year. Adjusted EPS, excluding acquisition amortization for the quarter, was $1.49 per share, up 21% from the prior year quarter.

Now let's review the results of each of our four operating segments. Please turn to slide 10. As Guillermo mentioned, VP&D was the largest impact in the quarter for life sciences. Overall, VP&D demand was softer in pharma, as well as in crop care, and we also reduced our exposure to low-margin nutrition business.

The largest impact was related to share loss and softer demand in PVP pharma, particularly in Europe. Pharma cellulosics has been stable year-to-date, offsetting a softer demand environment with share gain. Life sciences sales declined by 11% to $195 million. Adjusted EBITDA decreased by 18% to $59 million, primarily reflecting lower VP&D volumes, as well as lower pricing that was partially offset with favorable raw materials. Adjusted EBITDA margin decreased 260 basis points to 30.3%.

Please turn to slide 11. Stronger demand positively impacted personal care volumes within all end markets. Skin and hair care demonstrated the greatest recoveries versus the prior year. Strong revenue growth was regionally broad-based across Asia, Europe, and North America. As expected, oral care sales were positively impacted by order timing with key customers.

Avoca's continued weakness moderated on sequential improvement and a weaker prior year comparison, generating flat year-over-year revenue performance. Overall pricing versus raw material dynamics were balanced for personal care. Personal care sales increased by 20% to $175 million. The Portfolio Optimization Initiative reduced personal care sales by approximately $3 million or 2% during the third quarter.

Adjusted EBITDA increased 46% to $51 million, primarily reflecting increased sales and production volume with favorable product mix, partially offset with variable compensation resets. Adjusted EBITDA margin increased 510 basis points to 29.1%. This marks one of the most profitable quarters for personal care over the last five years.

Please turn to slide 12. Specialty additives volumes improved within coatings and Performance specialties, partially offset by lower energy end market volumes. To unpack the demand trends a bit, regional sales growth was mixed. We generated revenue growth in Europe, rest of Asia, and Latin America, with weakness in China and Middle East Africa.

North America was stable in the quarter but has generated positive sequential momentum throughout the year. Overall pricing for specialty additives was lowered, primarily reflecting increased competition in Asia, but was partially offset by favorable raw materials. For the quarter, specialty additives sales declined by 1% to $150 million. The portfolio optimization initiative reduced specialty additives sales by $12 million or 8% during the third quarter.

Adjusted for portfolio optimization, sales volumes were up 13% versus the prior year. Adjusted EBITDA increased by 31% to $38 million, reflecting higher sales and production volumes with favorable product mix, partially offset with unfavorable pricing versus raw material, and variable compensation reset. Adjusted EBITDA margin has recovered very well throughout the year, up approximately 2,000 basis points since Q1, to more typical profitability at 25.3%.

Please turn to slide 13. Total merchant and captive sales were $36 million, down 16% from the prior year quarter. Merchant sales totaled $24 million, down from $29 million in the prior year quarter, driven primarily by lower NMP pricing.

Lower NMP pricing is primarily a result of weaker demand in the EV battery and crop care end markets. Captive internal BDO sales were $12 million, down 14% compared to the prior year quarter due to lower volumes and pricing. Intermediates reported adjusted EBITDA of $9 million, or a 25% adjusted EBITDA margin, compared to $16 million in the prior year, primarily reflecting lower pricing.

Please turn to slide 14. Ashland continues to have a strong financial position. As of the end of June, we had cash on hand of $399 million, with total available liquidity of roughly $1 billion. Our net debt was $926 million, which is about 2.3 turns of leverage. We have no floating rate debt outstanding, no long-term debt maturities for the next three years, and all of our outstanding debt is subject to investment-grade style credit terms.

As Guillermo noted, we continue to believe Ashland stock is an attractive use of capital and deployed $130 million to repurchase 1.3 million shares during the quarter. Our balanced and disciplined capital allocation approach has deployed roughly $1.2 billion to share repurchases over the last three years. We have $770 million remaining under the current share repurchase authorization. We are continuing to invest in our existing businesses and technology platforms to grow organically while pursuing our strategy of targeted bolt-on M&A opportunities focused on pharma, personal care, and coatings.

Please turn to slide 15. Ashland prudently managed production and inventory levels throughout the quarter. Inventory levels have decreased $156 million when compared to the prior year quarter, and increased modestly by $6 million sequentially. Our actions should better position us for more resilient performance going forward. Overall, ongoing free cash flow for the quarter was very healthy at $112 million, up 15% versus the prior year.

For the fiscal year, we expect to generate a free cash flow conversion of 50% to 55%. Our progressive dividend policy remains an important part of our capital allocation strategy and is reflective of our confidence in the company's long-term profitable growth and cash flow generation outlook. The quarterly dividend increased to $40.5 per share this quarter and is reflective of our commitment to increase the dividend annually as we've communicated and demonstrated.

With that, I will now provide an update on the execute pillar of our strategic priorities in addition to an updated outlook. Please turn to slide 17. We have five primary portfolio actions underway. As Guillermo noted, our latest advancement is the May signing of a definitive agreement to sell our nutraceuticals business to Turnspire Capital Partners.

Our teams are working diligently on the transaction closing process and expect to complete the transaction in the September quarter. I would like to acknowledge and thank the nutraceuticals team, which performed well while supporting the transaction process. In connection with the signing, we recognized a non-cash impairment as well as an offsetting tax benefit, which were key items in the quarter. The business will remain in continuing operations until the transaction is closed. The exact impact of the sales reduction in Q4 will be dependent on the specific closing date.

In addition, Ashland continues to reduce its CMC and MC volume exposure to several lower-value, more cyclical segments. As noted earlier, these efforts reduced overall sales by $15 million during the third quarter, primarily within specialty additives and personal care, to a lesser extent. We expect the quarterly sales impact to increase to approximately $20 million across the three core businesses during Q4. Ashland continues to advance its work to improve the productivity of its HEC business, and specific actions will be communicated in due course.

Looking ahead to fiscal year 2025, we expect these actions to reduce revenue $160 million to $170 million versus 2024. Most of the impact is within life sciences due to the expected nutraceutical sale and nutrition exits, which ramp up in Q4 of this year. We will act with appropriate urgency to deliver on our commitments, including the reduction of all stranded costs to drive an EBITDA neutral outcome and improve overall margins for the company.

We continue to evaluate our strategic options with respect to our Avoca business line and recently started to take action. We recently closed one of Avoca's smaller facilities and are reducing personnel at a larger facility in response to lower demand.

Please turn to slide 18. As noted in our press release last night, we have revised our sales adjusted EBITDA outlook for the fiscal year. There are two primary drivers, slower than expected VP&D recovery and softer than expected coatings demand growth. Guillermo will discuss our VP&D action plan in more detail later in the call.

Recent market developments have increased uncertainty around demand trends in select markets and regions. Lower sales trends experienced in June have continued into July. Overall end market demand growth is estimated to be flat to low single digits. Personal care and specialty additives are expected to benefit from favorable Q4 comps on demand normalization.

The continued demand recovery from personal care and specialty additives is expected to be partially offset by softer VP&D volumes within life sciences. While lower than expected, pharma sales are forecasted to be roughly stable with improving life sciences margins versus the prior year.

Overall year-over-year sales volume growth excluding portfolio optimization volumes is expected to be mid-single digit in the fiscal fourth quarter. We are expecting softer overall pricing which is forecast down low single digits versus the prior year, partially offset with raw material deflation. The CMC and MC portfolio optimization is expected to reduce sales approximately $20 million versus the prior year and drive margin expansion.

We expect significant year-over-year absorption favorability as we continue to produce the demand and we compare against last year's inventory corrective actions. For the fiscal fourth quarter, the company expects sales in the range of $530 million to $540 million and adjusted EBITDA in the range of $130 million to $140 million.

This yields full year sales of approximately $2.1 billion and adjusted EBITDA in the range of $465 million to $475 million. Key risks and opportunities are listed on the slide. Demand, plant loading, and price versus raw material balance continue to be most critical for the Q4 financial results.

And now let me turn the call back to Guillermo to provide an update on our strategic priorities. Guillermo?

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

Thank you, Kevin. Please turn to slide 20. Our strategic priorities remain unchanged and continue to guide actions, investments, and profitable growth expectations. As we've discussed before, the priorities include initiatives to execute, globalize, innovate, and acquire. We're making good progress on our execute priorities and expect that momentum to continue in Q4. We're aiming to achieve our current portfolio optimization efforts by the end of the calendar year.

In addition to CMC, MC, and Nutraceuticals, we are finalizing plans and actions to exit the Avoca business as the market dynamics for the sclarolide business has fundamentally changed and the tolling activities are not core to our strategies. We recognize that we continue to live in uncertain times.

As such, we will continue to operate with discipline and prudence, focus on the things we can control, and drive near-term performance. To perform beyond market demand dynamics, Ashland needs to focus and advance its own growth catalyst. For us, this means demonstrating traction on our execute, globalize, and innovate strategy.

As we look at fiscal year '25, within the execute initiatives, we will focus on strengthening the areas that are core to us. We have initiated a focused effort to strengthen and improve our competitive position in both VP&D and HEC. We're working to drive share gain activities in VP&D, particularly in pharma, and this means careful management of volumes and pricing. We're investing to globalize and innovate on innovative priorities, and we are strengthening our team and our ability to execute. I'm very pleased with Ashland's progress and investments which are laying the foundation for future profitable growth.

Please turn to slide 21. Activities are underway to globalize four of our extremely attractive businesses, which currently represent 10% of Ashland's sales. The globalized business lines grew well in the quarter, with sales up double digits on share gains, new product introductions, and recovery. Gross profit margins for the business lines were also well above the company average for the quarter. Here are some of the highlights for our recent globalization progress.

In pharma, the injectables team was successful in advancing opportunities within long-lasting excipients, and new product launches are performing very well. To globalize injectables, we have built out our business development team in North America and Europe, with plans to expand our resources in Asia and Latin America.

In the OSD film coatings business, we're globalizing its manufacturing and technical footprint. We're also investing in our people, filling key roles to deliver our growth expectations. Our efforts are bringing us closer to the regions and customers, while strengthening local technical service and customer intimacy.

In addition, our TBO technology has the potential to deliver disruptive productivity to our pharma customers. We're progressing through the early phases of our stage gate process, after a very positive customer feedback on our value proposition. Shifting to personal care, BioFunctionals is accelerating its commercialization of new product introductions, with product adoptions up 3x versus prior year.

Following the commissioning of our new facility in China, the team recently built a regional sourcing strategy. We're now innovating, sourcing, producing, and supplying locally. We continue to experience a strong recovery for sales into the region. Tailored products with local supply will be a source of differentiation to maintain our strong growth momentum in BioFunctionals.

The preservatives business is advancing several projects to enable local supply, which supports continued share gain. For example, we are in the last phases of development for local production in Brazil. We're planning to commission the expansion later this year, which improves our position in this growing market. In addition to the build-out of our regional commercial team=for preservatives is now complete (added by company after the call). We're investing in assets, people, and technology to accelerate growth for our globalization strategy. We're pleased with the recent momentum and remain hyper-focused on scaling these highly valuable business lines.

Please turn to slide 22. We continue to advance our new technology platforms with a growing list of new product launches supported by many development programs. At last year's Innovation Day, we noted our excitement about the scalable and tunable nature of these technologies. Since that time, we continue to discover disruptive opportunities across several market segments, as highlighted in the chart. This increases our overall growth opportunity and reduces the portfolio risk level profile.

We have held over 50 key customer meetings and technology scoping sessions, which continue to validate our enthusiasm. Of the new technology platforms, our Transformed Vegetable Oil or TVO technology is currently the most advanced. We just received local approval to sell one of our early launches into China, building on the robust global sales opportunity pipeline.

TVO has potential value propositions across attractive end market segments, including personal care, pharma tablet coatings, ag seed coatings, architectural coatings, industrial coating, adhesives, and other industrial markets. We see many desirable applications for our innovative superweather technology, and the next variant targets the crop care market.

We're planning an exciting launch at the end of the year, which will augment the existing coatings opportunities. We also have numerous new product development programs underway for our novel cellulosics and expect to launch several variants within coatings, personal care, and pharma over the next two years. Our total addressable market is expanding as we advance the pipeline of highly impactful and scalable platforms across markets.

Collaboration opportunities and interest remains very high across the board. Our current focus is on developing several JDAs with key industry leaders to validate and de-risk commercialization. We're making progress and expect to memorialize our efforts with strategic customers soon. We recognize that innovation can be longer term in nature, but we look forward to sharing continued momentum and financial progress as the launches gain commercial traction.

Please turn to slide 23. In closing, I want to restate the key takeaways from the quarter. The global personal care business performed incredibly well. Our business units have returned to high quality margins, hauling another quarter of specialty out of this margin improvement. Portfolio optimization is on track and we're advancing our growth catalyst opportunities.

We were able to deliver adjusted EBITDA within the outlook range in a challenging sales environment. Adjusted EBITDA was largely converted to free cash flow and used to repurchase shares. Overall demand trends are improving, but there is a high level of uncertainty around specific industries and regional dynamics. We have adjusted our Q4 outlook to reflect challenges in our VP&D life science products, as well as the softening market demand and Specialty Additives, especially in Asia.

The teams are leveraging commercial excellence, productivity activities, and tactical pricing actions to ensure that we appropriately position in the market for these core technologies where we have technical and market leadership.

We are confident in our ability to deliver differentiated solutions and innovate in the core to drive share gains. We will prioritize our investments and manage margin in recognition of near-term challenges and will stay on strategy to maximize 2024 results and advance our long- term growth potential. I want to thank the Ashland team again for their leadership, proactive ownership of their businesses in a dynamic environment.

Lastly, I'd like to share that Ashland is planning to host an investor day on December 10, in New York City. The event will showcase our financial and strategic objectives to deliver the long-term profitable growth for the company. Additional details and registration information will come, but for now, please save the date. We look forward to sharing more with you later this year.

Thank you, and Dede, let's move over to Q&A

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Christopher Parkinson, Wolfe Research.

Christopher Parkinson *Wolfe Research, LLC - Analyst*

Great, thank you so much. Guillermo, I feel like we're moving in the right direction, and yet there's still a little bit of complexity to the story. Can you just help us think about the 2025 bridge, just in terms of some of your previous quarterly commentary around the $40 million of total fixed cost absorption, the $20 million of fiscal first half destocking, Kevin's prior quarter comments about market growth off of lower levels.

That seems a little bit more muted now, perhaps, and as well as the new product intro outlook. I feel like those are the four main things, obviously, partially offset by portfolio optimization efforts. So, could you help us just simplify how the buy side should be thinking about the perceived EBITDA bridge as we enter fiscal year 2025? Thank you so much.

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

Thanks, Chris. Clearly, a critical question. As I hope everybody took, the key issue for us in the quarter is VP&D and pharma, and we're working on it. The biggest issue is about the share dynamics, which we have been talking in prior quarters. So, what's changed in terms of our outlook? If we look at two resets, what's the normalized 2024, and then what's going to happen in 2025?

I think in 2024, if we're giving a guidance of 465 to 475, the only thing that's changed is our VP&D market share outlook. Everything else remains unchanged. So, we're still working through, I think, on the VP&D side. What does that share regain mean? It's a balance of price and volume, and that's something that we're managing.

I want to be very clear. On the price, I think we've performed very well. Our margins are doing very well. We are market leaders here. We're in a transition point, just like when you have inflation, you have to move up prices, and it takes a while to work through. We're now on the transition to the other end of the equation, and we're managing through that.

As market leaders, we can't just go in and trash the prices and move too aggressively without thinking through the actions that we're taking. I own that. This has been a very conscious management of where we're going on some of these volumes. It is a balance of share price. If we get all the volume, but lose it all on price, we're not any better off.

There's a saying in commodities, you sell out and sell up. In specialties, we say we sell up and then sell out. They sound the same, but they're not. We do, as market leaders, need to manage the pricing or the positioning of our products, how we react with what products we react, and that's what we're working through. We're managing to the long term. We want to make sure that we maintain a healthy strategy here. So we're not managing for a quarter only. We're managing for the longer term, and we'll manage through this transition.

The team is on it. We're already getting share there. The part that we need to work through, Chris, for 2025 is the timing, because we need to deal with quarterly contracts, annual contracts with different customers, and that's probably the biggest change.

Everything else, there's not a lot of change.

For 2025, the only other change I would say that we're looking at, and it's early on, so I would classify it as uncertainty. We don't have a definite view. It's in the Coatings space. The dynamics in China, we've seen things slow down a lot. That's something that we're trying to integrate into our planning. We don't have numbers for you for 2025 yet on that.

For Europe and the US, it's about the growth rate, and frankly, this could change a lot depending on interest rates, what happens to the home resale market. There's a lot of dynamics, so a lot of moving parts that between now and our next call when we talk about 2025, we'll be able to clarify. But for everybody, the big issue, the only issue that really is changing right now is how we manage the VP&D pharma share transition.

Christopher Parkinson *Wolfe Research, LLC - Analyst*

Got it. And just as a quick follow-up -- sorry.

John Willis *Ashland Inc - Chief Financial Officer, Senior Vice President*

In terms of the Q1, Q2 recess that we've been talking about, there is no change to any of that. Those are still just as they have been. Internally, we don't view them any differently, and they shouldn't be viewed any differently by the buy side or the sell side. Normalized Q1 and Q2 are still right where we think they have been.

John McNulty *BMO Capital Markets - Analyst*

I appreciate that clarification. Very quickly on personal care.I don't want to focus too much on the pharma side given your detailed remarks, but on the PC side, you did see double-digit growth across skin, hair, oral, so on and so forth. Given the way that market's been trending over the last four to six quarters, is that just the normalization process of simply your customers no longer destocking just based on incredibly easy comps?

Is that demand seems stable-ish from an end-user demand? How should we be thinking about that? Is there any restocking? Once again, just really trying to focus on the setup for fiscal year 2025 given the fact that that performance is, in fact, coming back. Thank you.

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

Chris, I'm trying to avoid the word normalization and destocking because that's behind us. If not, we just keep using this as a crutch moving forward. The only space that we know that customers still have elevated inventories and they're working them down a little bit, and that was really more about their own {ERM} risk management, was pharma.

We're seeing that a little bit in Europe, but everywhere else, I would say to the degree that we can measure the destocking is over. Now, it's really about demand and what's happening with core demand with our customers. When we talked last year about normalization, it was a normalization of destocking, not of the market.

The markets have been actually quite flat over the last few years in some of those segments. For many of our customers, personal care and coatings, growth has been around price versus volume. I think what we're starting to see now in personal care is volumes have picked up. I think that's probably an issue of consumer choices of where they're spending their money. They're not spending it in hard goods and spending it more on other activities, which benefits the personal care space.

We'll see how the coatings, I think, has a different coatings construction. That area will have a different dynamic. But we feel good about personal care. We are monitoring China. For us right now, China has done very well. I think we're seeing two worlds in China. The multinationals are having a harder time. The local companies, we're doing very well with them. You have to take a focused look at the specific markets and customers.

Christopher Parkinson *Wolfe Research, LLC - Analyst*

Thank you.

Operator

John McNulty, BMO Capital Markets.

John McNulty *BMO Capital Markets - Analyst*

Yeah, good morning. Thanks for taking my question. Guillermo, in your prepared remarks, you spoke to June having softened and that actually carrying through July. What are the markets that are actually seeing that bit of a downtick? It seems like coatings been a little bit rough to start anyway. I'm not sure where that would necessarily be getting worse. Maybe you can just help us to think about what might be fading a bit.

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

Yeah, it's mostly in specialty additives because I would say coatings is the biggest one. I would say we use the term in the prepared remarks, expectations versus prior year where we're growing. The market is recovering. Things are moving. That's why we're confident on the production. Some of the things that Kevin said around Q1 and Q2.

The issue is what's the rate of growth going to be? We are seeing North America and Europe. We expected it to be a little bit stronger. It has not materialized. It's growing, but not to the degree we thought of a market recovery. That could change depending on what happens with interest rates and the residential housing and those kinds of trends.

China, we've definitely seen a big change and things are slowing down there. We're trying to gain what are the repercussions of that in China. Also, as competitors in China, they'll have a place to put the products. We've seen that in other industries where they're moving aggressively in other areas. We're trying to manage. Those are the two biggest things that I would say we're looking at in terms of the downturn.

In pharma, the Europe that we said that's an area of destocking. We're not hearing anything directly from customers. I think everybody's very cautious about how they lay out their volumes and demand outlooks. For August, we're seeing a little bit of improvement, but we're not going to read too much into it at this point in time. I think 3 points make a trend. We don't want to react point to point.

I do think we'll get a little bit more visibility on the macro economic dynamics in the coming quarter as the elections and all the actions from the Fed and others take place across multiple markets.

John McNulty *BMO Capital Markets - Analyst*

Got it. That makes sense. When looking at personal care and specialty additives, you spoke to at least a little bit of price weakness there. I guess maybe two questions on that. Is that primarily a reflection of the raw materials having faded? I think at least on the Asia part, it sounds like maybe a competitive issue as well.

Can you add some color to what's driving that? Then I guess the other question would just be, sequentially has the pricing got worse? I know last quarter you spoke to some pricing degradation across a couple of the businesses. Is it roughly the same as where we were a quarter ago? Has it gotten worse? How should we be thinking about the trajectory?

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

I would comment pricing is in two dimensions. I think you alluded to it. One is deflation. The other one is competitive dynamics. On the deflationary side, raw materials are coming down. We're moving and we said that was probably going to happen. Inflation went up, we go up. We tend to maintain margins.

Our issue here, if you remember in 2022, when we increased prices, we didn't increase margins. We maintained margins and our margin improvement was through productivity and mix improvement. I think what we're seeing now is that's going to come down. Our work is to do the same thing, make sure that we're managing margins down in a deflationary environment. It's not going to happen just at one time.

Then you have the competitive dynamics, VP&D that I talked about. I do think we're looking very hard at Asia and especially China, what's going to happen there. I think those could be a little bit more disruptive. Intermediates already happened. Most of the big moves were in Q2, one so earlier in the year. Right now, we're still seeing more of that deflationary trends. They're more aligned with raw materials.

We're still seeing some, but I would say it would be the normalized glide to a more deflationary environment. As I said, the competitive side, that's the one that we'll continue to monitor and we'll report out.

John McNulty *BMO Capital Markets - Analyst*

Got it. Thanks very much for the call.

John Willis *Ashland Inc - Chief Financial Officer, Senior Vice President*

In a quarter, John, for personal care, price and raws were perfectly in balance. There was no benefit, no pain. Just to be specific, we have not seen acceleration from a pricing decline perspective. It's basically stayed fairly flat in terms of what we've experienced earlier in the year.

John McNulty *BMO Capital Markets - Analyst*

Got it. Very helpful.

Operator

David Begleiter, Deutsche Bank.

David Begleiter *Deutsche Bank - Analyst*

Thank you. Good morning. Guillermo, on the VP&D format issue, can you actually size that for us? Is it in the $5 million to $10 million range? Is it higher or lower?

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

Okay. It was probably, if you look at versus prior year, in this quarter, it was the biggest delta, probably around $14 million versus Q4, it's probably more flattish. It was mostly in the Q3 in terms of a prior year comparison.

David Begleiter *Deutsche Bank - Analyst*

Very well. Just on that issue, I believe what happened was a competitor had an outage. You gained, you picked up business while they were out. They came back on stream, and I guess they're taking more than their fair share with pricing, even though historically, they're not really a big price competitor. They tend to keep value. Is that what's happened here? They're just being more aggressive than usual, and you're reacting to that? Thank you.

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

Yeah. I think two comments. One, from the volume loss, it's probably about a third of the shortfall for us. It's the market, that recovery in Europe hasn't happened to where we want it, and probably two-thirds is this pricing dynamic that you're asking about. The competitive dynamics, we talked about it last time, we have an old competitor coming back in, production normalized. We have to be realistic to keep them out. The price cost would be too high, so we've been managing through that and the glide path.

I will say the pricing question of what they do, you should ask in another earnings call, ask them. I can't really comment on what they're doing, but we are seeing very aggressive pricing. It's BSF, obviously, and your question in Europe, but then it's China supply.

It's not just, we look at Asia, we look at Latin America. We're dealing with both of those issues because when BSF was out, that would open a door for them. We're managing through that, but it's been very aggressive. I think for different reasons. European companies having their own problems, VP&D is not the driver of their cost structures or whatever. Whatever they do for other businesses, I assume this is what happens downstream in some of these larger commodity companies.

In China, I do think that export markets like we're hearing in other markets, we're seeing that. The issue for us is, remember, we're the market leader, so we're going to manage through that. To our customers, we didn't lose customers. We lost volume within customers, so we have to manage that price. We still have a lot of business with the same customers at a higher price, so we're managing through that. Customers want to do business with us. There's nothing wrong. There's nothing bad going on in the market.

I think it's just our balance of how we position ourselves. From an ERM perspective, remember in pharma, the world is not going to shift to everything supplied from China, because that's going to be, from an ERM, going to be higher risky. We need to be prudent. We need to manage through this. This is a process. It's impacting us in this quarter. This is not the first time that us or anybody else has to go through this level of transition. It is a little bit more aggressive than we thought in terms of the dynamics.

David Begleiter *Deutsche Bank - Analyst*

Thank you.

Operator

Michael Sison, Wells Fargo.

Michael Sison *Wells Fargo Securities - Analyst*

Hey, guys. Good morning. I just wanted to understand the VP&D share loss from a guidance perspective. I think you said that the outlook has reduced to 465, 475. A prior outlook was 485 at the midpoint. Is the share loss, everything else is the same, costing you $10 million to $15 million EBITDA? If you decide not to go after that volume because of pricing, is that the fundamental lower EBITDA that you'll have to live with going forward?

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

So, Mike, thanks for the question. Two dynamics. One is how we're managing the transition. We made our choices on balancing pricing and volume gains. We've seen our margins. We're still in a very strong position. Part of the gap is that there was the share loss that we had. The other part, and more into Q4, is the recovery. What we're working through right now is negotiating with customers.

Like I said, we're already gaining share in Asia and parts of Latin America. The issue is a lot of these customers have either quarterly contracts or annual contracts. All of that is happening now this quarter. The annual contracts is most likely next quarter. This quarter, our fiscal fourth quarter and our fiscal first quarter is when a lot of these negotiations are happening. Then the volume itself would come back in, I would say, more Q1, Q2 of next year depending on the contracts.

What's changed also is our view of the timing. We were expecting to take some actions. As I said, the pricing was more aggressive than we thought when we gave our guidance in April. That's changed some of our calculus. It's a little bit of both sides. It's not just the loss. It's the rate of gain that we're also adjusting.

We will recover parts of that. The issue that we need to look at and we're not ready to talk about right now is for 2025. What's that balance? We regain all the volume, but at what price? We remain half the volume at a better price. There's scenarios that we're working through. Obviously, we really cannot talk about that because we're in negotiations. It's competitive dynamics. I don't want to go into a lot of details there. That's the high-level issues.

Michael Sison *Wells Fargo Securities - Analyst*

Got it. If you do hit your fourth quarter outlook and I annualize the third and fourth quarter EBITDA, the run rate looks pretty good, close to that 550 level as you head into 2025. I know it's a little bit early to give us a thought on '25, but maybe anyway you can give us a couple bridges that might help us understand what the potential EBITDA run rate is for next year and going forward.

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

Mike, as you look at your model, it's the two issues to factor in. I won't give you specific numbers, but it's the VP&D share and how we manage that. That's a factor. We're saying that one's probably going to be net a little bit lower than what we thought about before. Then the other one is this whole dynamic in China and just the overall market rate of recovery that could change positive or negative for next year. We're not ready to talk about it.

Those are the only two things that have changed. I want to make it very clear. Everything is moving as we thought and as we planned and executed. We have one big issue. It's clear. It's transparent. We've been talking about it several quarters. It's how we manage the VP&D. We're managing it. You can see it in the margins. There are trade-offs that we make, and that's the biggest issue. Everything else, other than just macro market dynamics, nothing really has changed from what we said before.

Michael Sison *Wells Fargo Securities - Analyst*

Thank you.

Operator

Mike Harrison, Seaport Research Partners.

Michael Harrison *Seaport Research Partners - Analyst*

Good morning. I was hoping, Guillermo, that maybe you could talk a little bit about what you're seeing on the cellulosic side within life sciences. It sounds like that is performing a little bit better. What's driving the divergence, I guess, between what you're seeing there and what you're seeing on the PVP side?

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

Mike, thanks for the question because I think that's an important one to remind everybody. This market is stable. It's growing. It's moving well. The life science business overall, the market is okay. Our cellulosic business has been growing.

It's been stable. I think probably the growth we would have liked a little bit more, especially in Europe, because the market recovery also impacts that a little bit, but it's been net positive overall. We have a very rich portfolio of innovations in Klucel and Benecel that are moving very well. I think that part of the portfolio is holding up in a very strong position.

The issue in pharma is really about a reentrance and a rebalancing of supply within an industry that had a lot of change in 2021 and 2022. That's what we're working through. It's more of a competitive dynamic than really a market dynamic. As you see by the difference between cellulosics and VP&D.

Michael Harrison *Seaport Research Partners - Analyst*

I was hoping that we could also talk about the portfolio optimization, maybe just at a high level. How is that optimization progressing within CMC, MC, and HEC relative to your expectations? Have you seen any negative impacts or stranded costs that you weren't expecting relative to those initiatives?

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

They're all moving very well. I think, as we said, we communicated and we've implemented most of the direct, not all the changes, but all the direct changes in the plans on CMC and to a degree on the MC, which we announced a little bit later. We're working through a little bit of things there. Those two are moving very well. We're not exiting the markets. We're just making sure that the size is proportional to our strategic intent.

We want these volumes more to balance out our production, but these are not the core businesses that we'd want to grow it. That's going very well. We still need to do a little bit more after the nutraceutical sale to rebalance other costs outside of the plan. We're still working, but nothing has changed in our plan or our outlook. It's not going to be in day one, but through 2025, it should be all neutral in terms of the EBITDA impact of these areas.

Hopefully, our intent is to make it positive, that now we can turn into allocating our resources to more positive activities. The part that I'm excited is really around the CMC assets in Hopewell specifically, that we can now at much lower capital intensity repurpose those assets to support the new novel cellulosics. Novel cellulosics are looking really good. We have a number of starch-based products, guar-based products, and cellulosic-based products.

It's all the polysaccharide chain, but we have to have a place to make them. That's probably going to be the more exciting thing. I don't think we'll be able to convert it in 2025, but we'll report more. We're going to finalize our plan. That's a lot of upside and de-risk the technology development and the investment in that area in a big way. We're very excited about those technologies.

I think the other side of it is that we're going to add is the Avoca. Today, that business, it's reduced a lot over what it was when it was bought in 2017, 2018. Probably, it's about $50 million in revenue, no EBITDA, so we're working through that.

Initial steps is we've shut down one facility that's tolling. We don't want to be in the tolling business. We're working through now the two other bigger facilities, which do sclareolide, and they also do tolling, and we're managing through that. More to come there, but those should be things that we can do very cleanly. They're separate businesses, and then we focus our activities.

The biggest issue for 2025 for me, and I'm putting a lot of personal attention on that, is on the execute, focusing on VP&D and HEC. We're market leaders. The market is what it is. We need to make sure that we're driving productivity, that we're doing a lot of things in-house, and that we already started in HEC for our communication and the portfolio optimization. We're also starting a similar initiative in the VP&D side.

On the HEC side, we're making progress. I will say our plan hopeful did not run as well. We could probably have done a little bit better in the quarter. It did not run as well as we expected. Part of it is because of all the exits that we've done. We're doing some CapEx of finishing the HEC expansion that we had, and we're running trials to see how we can improve productivity on the product. There's a lot of activities there, but very promising. So I think that'll position us well for 2025.

Michael Harrison *Seaport Research Partners - Analyst*

Thanks very much. Thank you

Operator

Jeff Zekauskas, JPMorgan.

Jeffrey Zekauskas *JPMorgan Chase & Co - Analyst*

Thanks very much. In specialty additives and operating income, you were in $22 million in the third quarter, and you were in $10 million in the second, and your revenues were down $7 million sequentially. Can you just provide a bridge so that we can understand the improvement from $10 million to $22 million?

John Willis *Ashland Inc - Chief Financial Officer, Senior Vice President*

That's going to be primarily in volume and the way the plants operated during Q3 versus Q2, Jeff. We produced more. We had higher absorption. We sold more volume. You have a price-cost dynamic in there as well, but it's primarily volume-related.

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

Remember, we've been running slower because of all the inventory actions, and now this year we're starting to pick up as we move forward.

Jeffrey Zekauskas *JPMorgan Chase & Co - Analyst*

In terms of the VP&D issue, the meaning of the $14 million hit in the third quarter versus your expectations, does that mean that you over-earned by $14 million also in the second quarter in VP&D?

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

The share didn't happen overnight on some of the things, so you got to look at, we took pricing actions. It's not just to defend what we had. Also, there was other puts and takes, so it's not just carry it back. Some of these things we talked about actually last quarter about share in VP&D. I think the issue is more the outlook now. It has been more aggressive than we had expected, and that's the part that we're taking action on.

John Willis *Ashland Inc - Chief Financial Officer, Senior Vice President*

I think also, just for clarity, the $14 million is a sales number, not an EBITDA number for the quarter.

Jeffrey Zekauskas *JPMorgan Chase & Co - Analyst*

Oh, it's not an EBITDA. I thought it was an EBITDA number because I think earlier you said your original guide was 470 to 500 and then 465 to 475, and so when you bridge that, there's a $15 million reduction in the midpoint of EBITDA, and I thought that you guys had ascribed that change to the--

---

John Willis *Ashland Inc - Chief Financial Officer, Senior Vice President*

I think the $14 million is more of a Q3 comment. As we look at the full year, the impact of the $15 million EBITDA decline is related not only to pharma, but the fact that specialty additives, while still growing, isn't going to grow most likely as much as we expected it to, so it's really a combination of the impact of that in each of those businesses. That's where the $15 million comes from.

Jeffrey Zekauskas *JPMorgan Chase & Co - Analyst*

Okay. Thanks so much.

Operator

John Roberts, Mizuho

John Roberts *Mizuho Securities - Analyst*

Thank you. I think you reported that internal BDO consumption volume is down 14%. The majority of that would be for VP&D, I think, and that would be down more than 14%. Is that another way to size it?

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

So, the volumes are down. Yes, the internal consumption is mostly into the VP&D business. It goes into pharma, but also personal care and specialty additives, so we do sell products in other areas, but obviously pharma is the bigger volume.

Now, the actual volumes, it's an issue of both demand, but also of how we manage our inventories, so it's not a direct 14%. You can't put it just to the sales. There's also how we manage the inventories, and I do want to note; I mean, because we had this question of in the last call, we saw more risk on the revenue side than on the EBITDA side because of manufacturing, but I do want to point out, we have not built inventory to the level, that we're not, inventories are under control.

We do not want to play, we're managing our balance sheet, and we're managing that prudently, so in BDO, specifically, that's something that's a big inventory area for us, so we've managed that, and we're trying to manage it prudently.

John Roberts *Mizuho Securities - Analyst*

And then, is the only action that you're taking in VP&D price, or is there going to be some cost-saving program or rationalization actions as well?

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

So, I would say there's different things we're doing. Price, obviously, is one mix, which products we position to, again, competitive because we don't try to match a premium product versus a commodity product, so we're managing the mix, but as I said, the big area is that we're taking actions on cost, productivity, we're looking across our entire chain around the two plants that we have in Calvert City and Texas City, so there's a lot of work that's going on there, more to come, but that's a big area. The environment's changed, and we need to take action also in-house to make sure that we strengthen our business as market leaders. We want to make sure that we're in that leadership position, both on quality, on reliability, but also on cost.

John Roberts *Mizuho Securities - Analyst*

Thank you.

Operator

Joshua Spector, UBS Investment Bank,

Joshua Spector *UBS - Analyst*

Yeah, hi, good morning. I have a few questions on volumes that I'll kind of combine here in one, so if I understand your guidance correctly for fourth quarter, I think Kevin said mid-single digit percent volume growth, that obviously includes the headwind from VP&D. I think that excluded the volume exits, but correct me if I'm wrong, so that's 5% or so growth in profit-producing volumes.

I guess if we look over the next year, you have a couple quarters of that to go, so maybe no demand growth, your volumes grow 2% to 3% against profit-producing volumes. I guess, one, is that a reasonable starting point to think about? And then, two, some of these other things that you've talked about over the last couple of years, so specific new capacity investments, you talked about some new wins a couple of years ago. We haven't really seen that.

And then, two, the new product pipeline you've talked about, do you expect that to be additive on top of that base rate, and will we see that next year, or would that take a lot longer to materialize?

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

So, let me just make a point, and then I'll ask Kevin to comment on the volume and the guidance. We have not taken out the nutraceutical numbers yet, because we don't know exactly the closing. We believe it's before the end of the year, so that's the one that I would say has not been removed.

So, if we close a deal sooner, we'll let you know, and then we can adjust the guidance appropriately. So, and Kevin, you can answer for the other questions on innovation and growth. All the growth, if you look at our globalized, as we said, it's growing much higher than the rest of the portfolio.

Those have much higher gross profit margins than our average different cost structures. Even there, we're trying to even optimize the margins and cost structure produced locally. These are asset-light type businesses. It's about being closer to the markets and adding more service and supply flexibility in region.

So, all those are growing, so, it's 10% of our portfolio. We want to grow it at double digits and at higher margins, and we're getting that momentum. On the innovation side, we've introduced a lot of products. I would say, if you look at the last few years of big innovations, the majority of things we've introduced is in personal care.

The good news for us, some of the things we introduced, as I said in the prepared remarks, like the TV0, we're starting to get momentum. We'll show that when we do our investor day. But getting the registration, for example, in personal care to sell it in China is very important because even for the global houses, they require to be able to use their brands globally.

So, that opens the door for a lot of growth. So, I think in personal care, there's a lot of launches and a lot more things coming. I think the biggest change for us, not just now but for the future, is specialty additives. The portfolio of innovations were more around core construction. That team has pivoted a lot, and I'm really excited about some of the outlooks, some of the discussions we're having with customers, really going much beyond the rheology, which has been our core, and a lot of exciting opportunities.

Again, we'll lay those out for the team. And in pharma, I would say the two biggest dynamics that I think are really exciting about growth, and they're happening now, is on the cellulosic side. There's a new band of cells and new host cells that we've introduced, very good traction.

So, I think that'll still generate, for the next two years, some very good growth. And the injectables, I'm really excited about the progress we're making there. I will talk about, investor day, the pipeline and how that's looking, but that one, I think, really for the long term, very healthy portfolio, a lot of really premier customers working with us, so very exciting part of the portfolio.

John Willis *Ashland Inc - Chief Financial Officer, Senior Vice President*

And, Josh, on the volume growth, what we would expect for Q4, on an overall basis, is mid-single-digit organic volume growth, so setting the optimization work aside. And that's what's baked into the outlook that we've given. Again, I think originally our expectations would have been a bit higher than that, hence the change in the outlook.

But as we look at fiscal '25, I mean, as Guillermo said, we're really not prepared to talk a lot about that. We'll say a lot more on the Q4 earnings call when that one happens. I think, just to reiterate, in terms of the Q1, Q2 piece of the equation, returning to more typical results in Q1 and Q2 versus what we saw in fiscal '24, that's a combination of two things.

Number one, and probably I'd say the larger item would be it's running our plants at more typical levels in Q1 and Q2, as opposed to what we did in Q1 and Q2 of fiscal '24. But there is also a volume impact to that, and that's probably a little more pronounced even in Q2 than it is in Q1. So, it's a mix of the two things. So, what I would say is that as part of that return to more typical Q1 and Q2 results, it's a combination of running the plants at more normal levels, and it's, let's call it primarily that, but there's also an expectation of normalized volume or more typical volume included in that without any expectations around year-over-year growth, per se, or market growth.

Again, as we get into the Q4 earnings call and we start to talk about fiscal '25 on that call, we'll give a lot more specificity, I would say, particularly around the impact of the exits. I think there is a fair bit of confusion around what that's going to mean for fiscal '25, and our plan is to provide more granularity around that when we do our Q4 earnings call just to help people level set around what we expect that to look like based on the actions that we've taken in fiscal '24 and the outcomes of those actions.

So, I would say more to come on that, but that's the best way to think about at least Q1 and Q2 for the time being, and it's included in that overall reset number that we've been talking about.

Joshua Spector *UBS - Analyst*

Okay, thank you.

Operator

Thank you. I'm showing no further questions at this time. I'd like to turn it back to Guillermo Nova for closing remarks.

Guillermo Novo *Ashland Inc - Chairman of the Board, Chief Executive Officer*

I want to thank everybody for your participation and interest. I'm looking forward to connecting with all of you. I just want to reiterate, although a tough environment in the external, I think the team has been doing very well on the core things. We have a specific issue that had a big impact. We're working through that. I think it's manageable and it's specific rather than broad-based, so we'll be managing and updating you on those activities.

But I look forward to also sending you more communication on our investor day in December, and we look forward to seeing you soon. Thank you so much.

Operator

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

DISCLAIMER

The London Stock Exchange Group and its affiliates (collectively, "LSEG") reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes. No content may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of LSEG. The content shall not be used for any unlawful or unauthorized purposes. LSEG does not guarantee the accuracy, completeness, timeliness or availability of the content. LSEG is not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the content. In no event shall LSEG be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the content even if advised of the possibility of such damages.

In the conference calls upon which Summaries are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

LSEG assumes no obligation to update the content following publication in any form or format. The content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. LSEG does not act as a fiduciary or an investment advisor except where registered as such.

THE INFORMATION CONTAINED IN TRANSCRIPT SUMMARIES REFLECTS LSEG'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES LSEG OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY SUMMARY. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.