

Ashland(Q1 2025 Earnings)

January 29, 2025

Corporate Speakers:

- William Whitaker; Ashland; Investor Relations
- Guillermo Novo; Ashland; Chair and Chief Executive Officer
- John Willis; Ashland; Chief Financial Officer
- Alessandra Faccin; Ashland; Senior Vice President and General Manager, Life Sciences and Intermediates
- James Minicucci; Ashland; Senior Vice President and General Manager, Personal Care
- Dago Caceres; Ashland; Senior Vice President and General Manager, Specialty Additives

Participants:

- Michael Sison; Wells Fargo; Analyst
- Christopher Parkinson; Wolfe Research; Analyst
- John Roberts; Mizuho; Analyst
- David Begleiter; Deutsche Bank; Analyst
- Jeffrey Zekauskas; JPMorgan; Analyst
- Michael Harrison; Seaport Research Partners; Analyst
- Bhavesh Lodaya; BMO Capital Markets; Analyst
- Joshua Spector; UBS; Analyst

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to the Ashland Inc. First 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 first quarter fiscal year 2025 earnings conference call and webcast. My name is William Whitaker, Ashland Investor Relations. Joining me on the call today are Guillermo Novo, Ashland's, Chair and CEO; Kevin Willis, Ashland's, CFO; and our business unit leaders, Alessandra Faccin, Jim Minicucci and Dago Caceres.

Ashland released results for the quarter ended December 31, 2024, at approximately 5:00 p.m. eastern time yesterday, January 28. 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 the 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 full year fiscal 2025.

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 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 financial 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 a 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 for the quarter. Next, Kevin will cover the financial details for the quarter and our business unit leaders will share insights into their respective segments.

Guillermo will then provide an update on Ashland's strategic priorities and outlook. Following brief closing comments, we will open the line for your questions. To kick things off, I'll hand the call over to Guillermo for his opening remarks. Guillermo?

Guillermo Novo^ Thank you, William. And good morning to everyone. We appreciate you joining us today. I'll focus my update on three topics. First, I'll provide an overview of our Q1 performance, which generally aligned with the outlook we shared with you at last month's Strategy Day.

While we saw some softening in European demand and inventory control actions from some of our pharma customers, the rest of the businesses performed generally as expected. Maintenance shutdowns were proactively shifted to Q1 to ensure we can adapt quickly and effectively to changes and trade policy environment.

Second, I'll reiterate our key priorities and our long-term financial commitment that we outlined at our recent Strategy Day. The team is making progress, and we're confident that our portfolio of value-creating opportunities position us well for success.

We're committed to providing regular and transparent updates on our progress going forward. Third, we'll provide an update to our guidance for fiscal '25.

We're proactively addressing anticipated challenges like soft demand in China, and potential headwinds in Europe by taking decisive actions to deliver on our commitments. There are no significant changes to our underlying assumptions at this time.

Our strong progress on self-help initiatives reinforces our confidence in achieving our full year financial targets. We'll share with you more details later but we're reaffirming our full year outlook.

Please turn to Slide Five. Let's begin with a recap of our first quarter performance. Customer demand was generally consistent with our update from last month's Strategy Day.

We noted some additional softness in Europe across our business units. Although demand and overcapacity in China has increased competition, overall pricing and volumes remain in line with our expectations.

And pharma customers actively reduced their inventory at year-end. The rest of the businesses performed largely as expected.

Our Q1 sales were \$405 million, down 14% from the prior year. This decline was primarily driven by portfolio improvement actions including the nutraceutical divestiture. Adjusting for these actions, revenue decreased 3%.

Organic sales volumes were relatively steady, down 1% year-over-year. As I mentioned, the overall pricing environment has been largely consistent with our expectations. Pricing was generally stable sequentially and down 2% year-over-year. Now let's turn to key operational decisions we made in Q1.

We proactively moved several plant maintenance turnarounds into the first quarter. Given the heightened uncertainty on policy transitions, this move enables us greater operational flexibility going forward. The turnarounds were planned for the year, but this proactive measure was a key factor in the lower-than-expected Q1 absorption. The turnarounds were slightly extended and incurred about \$5 million in unanticipated EBITDA due to lower absorption and higher maintenance costs.

We expect to make up below absorption during the full year. Overall, adjusted EBITDA decreased to \$61 million, down 13% year-over-year. Key drivers for the decline include loss gross profit from the sale of nutraceuticals and stranded costs from the portfolio optimization actions.

We're actively pursuing restructuring and manufacturing optimization initiatives to more than offset the impact and improve our overall performance, which I'll discuss later in the call. Excluding portfolio optimization, adjusted EBITDA was down 2% year-over-year.

Finally, a quick update on our portfolio. We recently announced an agreement to sell our Avoca business with the transaction expected to close in the March quarter.

By divesting Avoca and completing our \$30 million restructuring, we will have finalized our strategic transformation, enabling us to prioritize core businesses and drive profitable growth.

Please turn to Slide Six. And now I'll summarize the performance of the individual segments. Starting with a review of the organic sales volume.

We generated growth in Personal Care, Specialty Additives and Intermediates, up mid-single digits in total. Along with solid organic volume growth in several areas, we made strategic portfolio choices to optimize our business, which impacted overall sales.

We also experienced softer life science volume and lower overall pricing, primarily due to the 2024 carryover impact.

It's worth noting that our EBITDA comparisons include \$8 million of portfolio optimization impact, which we plan to address with restructurings. This roughly had a 200 basis points impact to EBITDA margins in the quarter.

With this impact and the turnarounds, overall EBITDA margins remain consistent year-over-year. Looking ahead, margins are expected to improve significantly throughout the year as our plans are now well positioned and cost savings are being realized.

And now to the business units. Life Science navigated a challenging quarter, particularly in pharma. In EMEA, softer markets and customer inventory actions were a key contributor to the high single-digit decline in pharma sales volumes.

While pharma competitive intensity remains elevated, overall pricing trends were in line with our expectations following contract renewals. The team is focused on share gain initiatives globally to mitigate the impact of softer demand in Europe.

We also made great progress in our strategic priorities of execute, globalize and innovate, which we'll discuss later.

Personal Care delivered another strong quarter, achieving its fourth consecutive quarter of greater than 25% year-over-year EBITDA growth. We saw continued strong demand in our largest personal care end markets Skin Care and Hair Care.

While demand slowed in Europe, it was more than offset by strong performance in other regions, particularly in Asia. Last 12 months EBITDA margin is now up 27%, and we expect further expansion, driven by our strategic priorities.

Specialty Additives executed well with organic sales volumes up 1% year-over-year. Coatings demand was moderately weaker in China and EMEA but this was more than offset by improving volumes in Performance Specialties.

We are closely monitoring the spillover effect of China's low demand and excess capacity on other export markets.

However, pricing remains consistent with our expectations. The team maintained pricing discipline with substantially stable pricing and significant narrowing of year-over-year decline to just 1%.

With a mixed recovery, the Specialty Additives team is focused on ~~operating~~—operational discipline, optimizing our HEC network and pursuing share gain initiatives. To summarize, we're starting the year in an uncertain market environment like we expected.

We factored much of the muted macro and competitive dynamics into our outlook. The clear agenda outlined at our Strategy Day continues to guide our efforts. Delivering and accelerating cost savings remain our top priority.

We can unlock substantial near-term value through our productivity initiatives independent of the external factors. Beyond cost savings, the Ashland team is energized to deliver on our growth catalysts, making strategic progress and continuing to invest in innovation and global expansion.

We have momentum here, and I'll discuss more about this later. Now I'd like to turn the call over to Kevin to provide more detailed review of our first quarter financial performance. Kevin?

John Willis^ Thank you, Guillermo. And good morning, everyone. Please turn to Slide Eight. Ashland's total sales for the first quarter were \$405 million, down 14% year-over-year. This decline was largely driven by our portfolio optimization initiatives, which reduced sales by approximately \$50 million or 11%. Excluding the impact of these initiatives, sales declined 3% year-over-year.

Organic sales volumes were down 1% overall. We saw organic volume growth in Personal Care, Specialty Additives and Intermediates, more than offset by declines in Life Sciences.

Overall, pricing was generally in line with our expectations, down 2% year-over-year, primarily in the Intermediates and Life Sciences segments.

Gross profit margin increased 290 basis points to 28.1% in the quarter. This improvement was primarily due to a production volume recovery and portfolio optimization actions. These positives were partially offset by lower pricing against the backdrop of stable raw material costs.

SG&A, R&D and intangible amortization costs were \$104 million, up modestly versus the prior year. The reset of variable compensation was mostly offset by lower amortization and the transfer of nutraceuticals employees.

Ashland's adjusted EBITDA for the quarter was \$61 million, down 13% year-over-year. This decline was largely driven by our portfolio optimization, which reduced adjusted EBITDA by approximately \$8 million. Excluding this, adjusted EBITDA was down 2% due to the factors mentioned earlier.

Despite advanced plant turnarounds and stranded costs, Ashland's adjusted EBITDA margin for the quarter was 15.1%, up 30 basis points year-over-year. Adjusted EPS, excluding acquisition amortization, was \$0.28, down 38% from prior year.

Now let's hear from our General Managers to review the results of each of our operating segments. Alessandra, let's start with Life Sciences.

Alessandra Faccin^ Thank you, Kevin. Good morning, everyone. Please turn to Slide Nine for Life Sciences. As Guillermo mentioned, the first quarter was marked by both strategic progress and softer market conditions. Overall, Life Sciences sales declined 33% to \$134 million. Our portfolio optimization initiatives were a major factor in the sales decline.

We divest our nutraceuticals business line and added low-margin nutrition business, which reduced sales by approximately \$41 million or 21%. These actions improve our long-term profitability and focus but impact year-over-year comparisons in fiscal year 2025. Organic sales were down 12% year-over-year, primarily in pharma.

As we shared last month, customers implemented stronger inventory control measures and the market for pharma is softer, particularly in Europe. This led to high single-digit declines in pharma sales volume year-over-year.

While we experienced inventory adjustments of four to six weeks in many cases, we expect those actions are largely behind us. Ashland's global presence is a key strength allowing us to strategically target pharma growth opportunities in many markets.

While navigate near-term challenges in Europe, we are actively pursuing growth opportunities in Asia and Latin America, leveraging our reputation with local and generics manufacturers.

Despite elevated competition in pharma sequential pricing trends were generally stable and year-over-year pressure was in line with our expectations, reflecting the carryover impact.

We are pleased with our globalization progress for injectables and OSD film coatings, which achieved double-digit sales growth in the quarter.

For injectables, our recently established R&D Center of Excellence is already delivering results. Centralized collaboration is accelerating innovation, and we are forecasting four product launches in 2025, more than tripling the 3-year average. These efforts are positioning us for success in attractive new adjacent markets within the high-growth injectables space.

Overall, adjusted EBITDA decreased by 42% to \$28 million. Excluding portfolio optimization, EBITDA was down \$12 million or 25%, adjusted EBITDA margin decreased 310 basis points to 20.9%. This decrease reflects lower pharma volumes, carryover pricing and an \$8 million impact from portfolio optimization.

As Guillermo mentioned, turnaround incurred unanticipated costs and absorption due to longer timelines and higher expenses, which totaled \$3 million for Life Sciences. As outlined in our Strategy Day, we have cost savings initiatives underway to offset this impact at the Ashland Lab. Please turn to Slide 10 for Intermediates.

Intermediates sales were \$33 million, in line with prior year quarter. This consistent performance was delivered across both merchant and captive sales. Captive internal video sales were \$11 million and merchant sales were \$22 million. Despite challenging global market conditions, the team secured additional volumes of NMP during the quarter.

Demand in the electric vehicle and battery markets remained soft due to delays in battery plant startups. Volume gains were offset by lower year-over-year merchant pricing.

Intermediates generated \$6 million in adjusted EBITDA, representing an 18.2% adjusted EBITDA margin. This compares to \$10 million in the prior year lower pricing and unfavorable product mix driven by large volume customers reduced profitability. This was partially offset with higher year-over-year production volumes. 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 continued its strong momentum, achieving its fourth consecutive quarter of year-over-year revenue and EBITDA growth.

Organic volumes increased by mid-single digits driven by strong demand in hair care, skin care and biofunctionals.

While Europe experienced some weakness, demand improved in most other regions particularly in Asia, where our focus on local and regional customers generated positive

momentum. Portfolio optimization streamlined our oral care offerings focusing on higher-margin products. The portfolio optimization initiatives reduced Personal Care sales by approximately \$2 million or 2% in the first quarter.

As Guillermo mentioned, we have an agreement to sell the Avoca business, and the appendix provides details on the financial impact of this divestiture going forward.

Our globalized strategy drove biofunctional growth in Asia, even with some customer-specific weakness. Despite a recent slowdown in EMEA, we see significant potential in the sales pipeline for microbial protection.

By commissioning the new production capacity for microbial protection products in Brazil this quarter, we are getting closer to our customers in this growing market and enhancing our ability to serve their needs.

Overall, Personal Care sales increased by 4% to \$134 million, and organic sales were up 6%. Pricing and raw materials remained stable year-over-year. Adjusted EBITDA grew an impressive 36% to \$30 million. This quarter's profit improvement reflects both higher sales and production volumes.

Similar to Life Sciences, turnarounds incurred unanticipated costs in absorption due to longer timelines and higher expenses at our shared site, which totaled \$2 million for Personal Care.

Adjusted EBITDA margin expanded by 530 basis points to 22.4%. Last 12 months EBITDA is up 35%, highlighting the robust recovery from destocking. 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 for Specialty Additives. Our first quarter results were generally in line with our expectations.

Sales volume was down mid-single digits year-over-year, primarily due to our portfolio optimization initiatives. Portfolio optimization streamline our construction offerings focusing on higher-margin products.

Organic sales volumes improved low single digits driven by continued growth in Performance Specialties. This growth was partially offset by slightly weaker demand in coatings, primarily in China and EMEA.

As expected, low demand and overcapacity in China is driving increased competition impacting both volume and pricing in local and export markets. We are taking steps to partially mitigate the impact on local operations.

Pricing remained relatively stable, down 1% year-over-year, reflecting our disciplined pricing strategy. This represents a significant improvement from the mid-single-digit declines we saw in fiscal year 2024.

Overall, Specialty Additives sales declined by 6% to \$115 million. Excluding the \$7 million impact of our portfolio optimization actions, sales were roughly flat year-over-year. Adjusted EBITDA more than doubled to \$13 million primarily due to higher production volumes compared to last year's inventory corrective actions.

Adjusted EBITDA margins improved 640 basis points year-over-year to 11.3%. In addition, last 12 months EBITDA is up 39%, highlighting our strong overall recovery. I will now turn the call back to Kevin. Kevin?

John Willis^ Thanks, Dago. Please turn to Slide 13. Ashland continues to have a strong financial position. As of the end of December, we had cash on hand of \$219 million and \$815 million in total available liquidity.

Our net debt was \$1.1 billion representing a leverage ratio of approximately 2.4x. We have no floating rate debt, no long-term debt maturities for the next two years and all outstanding debt is subject to investment-grade style credit terms.

As Guillermo mentioned, we shifted several plant turnarounds into Q1, stabilizing sequential inventory and enhancing operational flexibility going forward. Reflecting typical Q1 earnings seasonality, ongoing free cash flow was negative \$26 million.

We remain committed to our free cash flow conversion target of greater than 50% for the full year. Our disciplined capital allocation has enabled \$280 million in share repurchases over the last year and \$1.3 billion over the last four years.

We have \$620 million remaining under our current share repurchase authorization. As demonstrated, we will opportunistically repurchase shares while investing in our business to drive organic growth.

With certain growth projects now commissioned, Ashland anticipates fiscal 2025 capital expenditures to be around \$120 million. We're also pursuing targeted bolt-on M&A opportunities in pharma, personal care and coatings.

Our progressive dividend policy remains an important part of our capital allocation strategy. It reflects our confidence in the company's long-term profitable growth and cash flow generation outlook.

We have increased our annual dividend every year for the last 15 years at a 17% compound annual growth rate. Now I'll turn the call back over to Guillermo to discuss our strategic priorities and fiscal year 2025 outlook. Guillermo?

Guillermo Novo^ Thanks, Kevin, and please turn to Slide 15. I'll start by highlighting that we're nearing the end of our portfolio optimization journey. The Ashland team did a remarkable job reducing our exposure to the low return volatile, Pharmachem, CMC and

MC businesses, positioning us for more stable and profitable growth. Our actions should deliver 200 to 250 basis points of margin expansion when complete.

By selling the Avoca business and fully implementing our \$30 million restructuring program, we will finalize our strategic transformation and position ourselves for future growth. Please turn to Slide 16.

Our execute, globalized, innovate and the best priorities continue to serve as a roadmap and guide to our actions. At our Strategy Update last month, we outlined clear financial commitments aligned with our strategic priorities.

While some of these efforts will take time, we believe regular transparent updates will demonstrate our commitment and progress on these important initiatives. Please turn to Slide 17. Let's start with execute, which focuses on the controllable factors that will drive near-term performance.

As mentioned, we recently signed the agreement to divest the Avoca business. This is a key step in exiting a noncore business line, improving our financial profile and fully unwinding the Pharmachem acquisition.

In connection with the signing, we will recognize a noncash impairment that was a key item in the quarter.

We repurchased shares in Q4 of last year to neutralize the ongoing EPS impact from the exit of nutraceuticals and Avoca. We are now focusing on offsetting the EBITDA impact. The highest priority is delivering on our \$90 million cost saving target.

First, our \$30 million restructuring. Our efforts are well underway with \$21 million of opportunities identified and \$12 million annual run rate already achieved. We are confident this momentum will continue it, generating further restructuring savings in the upcoming months.

Second is the \$60 million of manufacturing optimization. As a reminder, the majority of the focus is on strengthening HEC and VP&D. Initial focus has been on consolidation of manufacturing activities with process productivity improvements coming later.

Actions will be taken include the consolidation of some manufacturing operations from our Texas City plant to Calvert City. Executed initiatives have already generated \$8 million of annual run rate EBITDA improvement.

There's a timing element of the flow-through on productivity initiatives through fiscal 2025 and we will be communicating those as we have more data. Overall, we're on track to achieving at least \$20 million in savings in fiscal year 2025. Please turn to Slide 18.

At our Strategy Day, we introduced ambitious yet achievable revenue targets for our globalized and innovate initiatives. Each aiming to generate \$100 million in additional

revenue by fiscal 2027. This slide highlights the near-term growth trajectory and expectations for fiscal 2025.

Starting with globalize, we are investing in assets, people and technology to accelerate growth.

Our revenue targets translate to growing them by roughly 50% over the next few years. While microbial protection, our largest globalized business had a slow start to the year, partially offsetting a strong start in injectables.

We remain confident that these business lines given their strategic progress and strong historic track record. The team is confident to achieve our fiscal 2025 goal of \$20 million in higher sales.

Now let's move to our most impactful long-term strategy, innovation. This initiative is predicted to generate \$100 million in incremental sales by 2027 and significantly enhance our long-term growth trajectory. While growth and innovation takes time, we're targeting \$10 million in incremental sales in fiscal 2025.

As you heard last month, the team is incredibly enthusiastic about innovation. Our ambitious growth aspirations are supported by a robust 2025 platform launch plan, which includes seven new product introductions, up from three last year.

I'll share more details at the upcoming months, and will likely host an innovation update in calendar year 2025 to bring this game-changing chemistry to life. In the meantime, our progress is in line with plans with \$3 million in incremental sales during the quarter. Now let's please turn to Slide 19. Now let's turn to our outlook for fiscal 2025.

While we face a dynamic global landscape and uncertainty in China, Europe and policy transitions, we are committed to adopting and delivering on our commitments. Of course, the coming months will provide more clarity on the impact of policy transition and other macroeconomic factors.

As noted in our press release yesterday, we are affirming our full year sales and adjusted EBITDA outlook. Several key factors are supporting this. While we saw pockets of weakness in the quarter, much of it was already contemplated in our full year guidance.

As anticipated, increased competition from Chinese exports is impacting pricing, but largely in line with expectations. As Alessandra mentioned, the recent inventory adjustment by pharma customer is largely a Q1 dynamic.

It's been mixed, but the overall raw material environment is expected to remain stable. We're also watching the FX markets, the dollar has strengthened considerably over the past three months.

Our \$500 million Eurobond provides a partial hedge, but it still impacts our EBITDA. Lastly, our strategic focus is threefold: first, selling the Avoca business this quarter; second, accelerating the restructuring and productivity initiatives to achieve at least \$20 million of savings this year; and lastly that we maintain momentum in our growth catalyst initiatives for 2025 and for building our trajectory for the future.

For the full fiscal year, we continue to expect sales in the range of \$1.9 billion to \$2.05 billion and adjusted EBITDA in the range of \$430 million to \$470 million. Please turn to Slide 21. In closing, I want to restate the key takeaways from today.

Our first quarter performance was generally in line with the expectations we shared at our Strategy Day. The signing of the Avoca divestiture agreement marks another milestone in Ashland's portfolio transformation.

Fiscal year 2025 is expected to be a choppy year for the market, and we are focused on first delivering and accelerating our \$90 million in cost savings initiatives, maintaining a balanced approach to managing our business including pricing and market share, globalizing four high-quality business lines, advancing the commercialization of new technology platforms, ensuring operational excellence across our manufacturing facilities and maintaining disciplined capital allocation.

Our healthy balance sheet and strong profitability provide us with the flexibility to continue to invest in our long-term growth catalysts while proactively addressing the challenges of today.

We remain committed to our fiscal 2025 goals and remain confident in the long-term growth potential of our business. I want to thank the Ashland team once again for their leadership and proactive ownership of their businesses in a dynamic environment. Operator, let's go to Q&A.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Michael Sison of Wells Fargo.

Michael Sison^ ~~I guess e~~C can you help us sort of think about the walk in EBITDA heading into 2Q, 3Q, 4Q? You do sort of need a big jump from the first quarter to get to your range of guidance.

Guillermo Novo^ Mike, thanks for the question. I hope you're doing well. So remember, Q1 is our weakest quarter, so we don't read too much into the Q1 positive or negative and to how it's going to set for the year. The real volumes, given seasonality and just the historic patterns really start from March to September.

So at this point in time that's usually when we expect a lot more of the pickup. ~~I think you can~~—~~i~~In your modeling, you can continue to assume that; that pattern is normalizing.

I think a lot of what we're seeing now is a lot of ~~the~~—what we've seen in the last few years of COVID and stocking, destocking, all that things are behind us.—~~S~~so things are normalizing a lot more.

And as we said in the call I think we'll see especially pharma and personal care market demand normalize even in a recessionary environment, they should behave more normal. We're hearing that from some of our customers. And in the coatings, it's going to be a mix by region. So we'll be talking more as we move forward.

But really, in terms of changing our outlook and models, frankly, speaking, it's from now February till May, I think we're starting to see the new administration taking positions, things are going to play out.—~~A~~and I think that's where we're going to be updating our models.

Michael Sison^ And then I think in Q1, you said organic volumes are down 1%. How do you think volumes sort of progress for the rest of the year? ~~Did you~~—~~w~~Will you see some positive organic volume growth? Or is the guidance sort of based on kind of this flattish-ish type of cadence?

Guillermo Novo^ We'll hear and I'll maybe ask each GM to sort of comment high level on their specific segments.—~~B~~but in general, volumes we see them flattish to up. That's what we're hearing from our customers. It's not a market that's taking off in terms of volume, but it is starting to pick up depending on the business and the region.—~~S~~so it's much more positive.

I think in Q1, it's our down season, but it's also the end of the fiscal year for a lot of our customers. So sometimes we ~~—~~—depending on how the environment is, we see a lot more inventory actions that can move shift around orders between Q1 and Q2 so we'll start seeing that.

If we look at our outlook right now in terms of orders for the second quarter, I would say, normal. There's nothing ~~—~~—~~not~~— no big surprises at this point in time. But Dago, do you want to comment maybe just walk through each of the regions in terms of demand outlook?

Dago Caceres^ Sure. And thank you, Guillermo. And thank you for the question. So yes, so if I think about coatings and industrial in general, I think the story is pretty much by region. So what we're seeing in North America, we do expect a sequential improvement in volumes in North America.

So we do expect the second quarter to be better than the first quarter, the third quarter to be better than the second quarter. Of course, there is a lot of uncertainty in the market, the new administration, et cetera.

But I think that will be the expectation. In the case of Europe, we have a very solid position, but we don't see a whole lot of activity going on in the market, especially in new construction, which drives coating sales.

So we say for Europe, our position is a little bit more flat, I would say, moving forward. China is, and we've been consistently mentioned in China in the past, China continues to be, obviously an area that is challenging to us. That's included in our numbers. But we do not expect any recovery from China, I would say, this year.

Kind of on the right side, I would say, Latin America, Latin America is actually doing better than expected. And last, I would say, Middle East, Africa, India, that's the area where we see volumes actually doing okay.

Now the concern in that area is the excess capacity that we see from China that is making its way into other geographies. So we're monitoring that closely.

| So back to Guillermo's comment, I would say, overall, this is how we are ~~--we were~~ expecting the year to play out. It's kind of playing out as we anticipated a few months back.

Guillermo Novo^ Okay. Thank you, Dago. And Jim, do you want to do the same walk for Personal Care.

James Minicucci^ Sure. Thanks, Guillermo, and thanks, Mike. So Mike, I think as we laid out at the Strategy Day, as we laid out at the Strategy Day last month, the algorithm for Personal Care, it's quite straightforward. Core additives, we're expecting to grow low to mid-single digits in 3% to 4%. And then our globalized businesses, biofunctional microbial protection in double digit.

And if we look at Q1, I would say Q1 came in line as we had anticipated. We saw mid-single-digit volumes up across most geographies. Europe is the one area that we highlighted that was not as robust as we had expected. And so that's something that we're monitoring now as we go into our second quarter, the recovery there.

| Guillermo Novo^ Thanks. And Alessandra, if you could comment, —focus on Life Science, which I guess is where everybody has the most questions.

Alessandra Faccin^ Sure.

So in Life Science, so we expect the second quarter sales volume to be flattish, and we expect to see growth in the third and fourth quarters, especially in Latin America and in Asia as we are leveraging our reputation with local and generic manufacturers, and we

are seeing the growth momentum —~~we're seeing the growth momentum~~ in the cellulose and injectables and film coatings as we mentioned. Europe, I mean we talked about being soft in the first quarter, and that is the expectation for the second quarter. And then outside of volume, FX will be a headwind and prices are also expected to be down, but that was in our plan.

Guillermo Novo^ Mike, I hope that helps.

Operator^ Our next question comes from Christopher Parkinson of Wolfe Research.

Christopher Parkinson^ Great. Just perhaps a little bit more of a longer-term question. But when you take a step back, just giving everything you've divested in nutraceuticals out of Life Sciences, the pricing dynamics, market share, everything that you've gone through over the last 18 months.

At the end of the day, over the next, let's say, two fiscal years, do you still believe the Life Sciences segment can run rate around 30% plus EBITDA margins. Just how should we think about that kind of that longer-term line of sight into the margins of that segment?

Guillermo Novo^ Nothing has changed in terms of our outlook on the core businesses. Obviously the dynamics that we're seeing in VP&D is driven by two factors. And one of them is the same for HEC.

But of the two factors, it's a competitor coming back in that was out that caused some disruption. So that's normalized already. And it's a competitor that's been there for a long time. So I don't expect any difference from historic.

I think what is creating the most noise for both the VP&D business and our HEC business is the overcapacity in China and impact on some of the export markets, especially those that are more price sensitive, and that's where we're seeing the impact.

But everything has stabilized, as Alessandra mentioned in her prepared comments, all the negotiations we've completed mostly.

I think we just have very few left and everything came in line with pricing and volume expectations in our plan. I think the big area that we're not assuming life is staying normal. It's a competitive environment.

It's all these actions that we're taking on the productivity side and it's focused on VP&D, if you just applies \$60 million is a lot of value for those businesses. So we think we can reinforce them either improve margins or if there's any changes in the market dynamics that we continue to have healthy margins.

The rest of the portfolio is doing well. And as a reminder, all our globalized initiatives are above average margins, above our company average, significantly above and all the

innovations that we're working on, which impact all the businesses and are opening up significant markets albeit to your question, it might be beyond the 2-year timeframe.

I think all of those will also be accretive to both margin and to cost because a lot of them use the same plants that we use today.

Christopher Parkinson^ Got it. And just a similar question on the Personal Care side. I mean despite the fact that the market seems still pretty choppy based on some of your primary customers, market commentary, you are doing pretty well in Hair Care and Skin Care on a revenue basis.

~~Is this~~ ~~a~~ Are these trends kind of an initial reflection of potentially, let's say, higher content or some of your newer initiatives and the R&D targets beginning to pay off? And should we expect that momentum in terms of market outperformance to continue? ~~Just~~ ~~i~~ If you could just give a couple of thoughts on that, that would also be very, very helpful.

Guillermo Novo^ On a high level, and I think what I'm going to say applies to all the businesses. We are completing our portfolio optimization.

~~We~~ ~~the~~ ~~The~~ last step, assuming Avoca closes as planned is the \$30 million. Once we finish that, I think most of the developments have been in line with plan. From that moment forward, it's really about executing our strategy.

We need to get the momentum, what's going to change? It's the growth catalyst, the productivity to expand margins, strengthen our businesses and these growth catalysts.

At the current time, like most companies right now if you don't have growth per catalyst, you are riding the market. When things get better in the market, we do better and when they get worse, ~~we get~~ ~~and~~ we have to explain ourselves.

I think that's the part that we're trying to move. Now we are riding the market, market is improving.

We want to make sure that we have discipline, and I think this productivity actions and other things we're doing as we reinforce, we're strengthening our business units, adding new talent, upgrading manufacturing, process capabilities, all these things strengthening our core so that we can ride the market better, we can get share, we can price, we can do the day-to-day activities.

That's what's going to be the most impactful in the next two years. That's why we're putting a lot of emphasis on the \$90 million. That is core, core to what we need to do. What we're excited about is we do have clear catalysts, and that is what we're focusing on changing the game for us.

~~We're~~ ~~i~~ In the near term, we're putting \$100 million in the next three years, but really the markets that we're going after are much bigger than that. And that's really where we

start transforming not just growth rates, but we really start transforming the mix of our portfolio.

We're enriching it with newer technologies, with more differentiated technologies and with higher-margin technology. So there's a clear roadmap for the next 1, ~~three~~ 3 and 5, 10 years that we're playing to and game on, this is now 100% of our attention at this point in time.

Operator^ Our next question comes from John Roberts of Mizuho.

John Roberts^ One of the reasons you pulled forward maintenance was to have optionality if customers change their trade patterns. Have you seen any adjustments being planned by customers?

Guillermo Novo^ We're not seeing changes to our expectations. But ~~we're seeing the stability that~~—I think the stability that we're seeing is sort of a testament to people being careful. As an example, North America, Europe, although we're seeing lower-priced imports from China hitting some markets.

In other markets, people are being much more stable in the decision making that they're doing because depending on trade, depending on a lot of things, it could put them in a difficult situation.

We are a major supplier to all these players, and I think that stability is a signal of people being careful in terms of a choppy market in an uncertain market. ~~We have taken our~~ ~~bb~~ Besides the turnarounds, we have moved inventory into certain regions.

We're looking at as part of the productivity, even if we don't change our footprint, can we make some of the products in more regions, our cellulose is a good example, just looking at our product mix.

So we're doing a lot of things, and we're working with our customers because they want to understand how we stand.

I would say, as an example, I mean we're critical to the ~~pain~~—to guys to the Personal Care, but pharma, risk management is a critical part of our customers' DNA and how they manage inventories is very critical. The actions, for example, they might be taking in Europe aren't necessarily what they're doing in other regions because they're looking at region by region.

John Roberts^ And then you called out currency as a risk factor, but I think you only reported \$1 million of impact from currency in the quarter. Does it get much more material going into the March quarter?

Guillermo Novo^ Kevin, why don't you take that?

John Willis^ Yes. Sure. We saw primarily the euro, but also Chinese yuan and Brazilian real depreciated in the quarter, but they depreciated throughout the quarter to the levels where they have more or less bounced around to where they are right now.

And really, the comment is around if those currencies stay weak against the dollar at their current levels, it will be a headwind for the remainder of the fiscal year. The way to think about that from a quantum perspective is probably in the neighborhood of \$7 million to \$8 million of EBITDA impact. If we see those three currencies in particular, stay where they are pretty much right now.

Operator^ Our next question comes from David Begleiter of Deutsche Bank.

David Begleiter^ Guillermo, looking at Q2, consensus EBITDA is roughly \$125 million. Is that a good starting point, do you think? Or could that be either a bit too high or maybe a bit too low?

Guillermo Novo^ So David, we're commenting on the full year. We're not giving specific guidance on the Q2. I'm sure William will be following up with you with providing color on specifics so you can do your modeling.

But we do expect a bigger pickup, which is normal in the year. Just a reminder, as I said earlier, ~~March really~~—March on is really where we start seeing the pickup. I think January is turning up to be a normal-ish month.

We'll see of February, ~~we don't~~—at this point in time unless some trade issue or something that starts changing quickly, at this time we don't see any changes. So ~~we are~~—we do expect to see a good pickup. Our plants, we've done all the turnarounds are running normally.

We're trying to run in some areas a little bit stronger to recover the absorption impact of the turnarounds in the Q1. So those things will drive a little bit more strength. But we'll provide you more specific details as we do some of the follow-up calls that we'll share with everyone.

David Begleiter^ Very good. And just on the Chinese export competition Guillermo, which products, in particular, are you seeing that? Any reason would get better or worse going forward?

Guillermo Novo^ Yes. I think ~~we're~~—the HEC, I think, as Dago mentioned, is the bigger one, and it's mostly in Middle East and Africa that we're seeing that a little bit in India.

But I would say that's not the highest one. On VP&D less so, the players are known, you got to have much more regulated to a more regulated environment. So there's a little bit more noise.

I would say in the VP&D, we're seeing more ~~—I mean we have—~~our big market in pharma is the OSD, the pill markets, but we participate in some VP&D markets in membranes for blood or in disinfections, iodine-based PVPs. Those ~~are a little bit—those~~ are lower-margin areas, and we see a little bit more. That's probably where we see the pressure. But in the core OSD, it's been a little bit more stable.

Operator^ Our next question comes from Jeff Zekauskas of JPMorgan.

Jeffrey Zekauskas^ Can you remind me what the turnaround costs were in the first quarter and what they were in each segment?

Guillermo Novo^ We didn't share by segment because ~~their—they are plants~~plants and they service everybody. But we said at the Investor Day was that we had moved forward and our planning was around \$20 million, and we had about \$5 million of extra costs.

So for now I'll put the comment. And of the \$5 million, I would say, 50% of it was higher expenses in the maintenance. These turnarounds, you do them every 2, three years, when you open up things, ~~you got to—~~whatever you find.

So we did find things in our utilities, electrical systems, things that took a little bit of time and kept the entire plants down a little bit longer. So that was about half of the \$5 million, and the other half is just absorption because the plants were down a little bit lower than expected.

John Willis^ We would actually expect to recover the lost absorption piece of that \$5 million throughout the course of the year.

Guillermo Novo^ And we're trying to push on, as I said, on the cost reductions, accelerate things because for the year, anything extra will cover other costs, and it still will be an incremental for the full year next year in the sense that the maintenance costs will go away and year-on-year comp.

Jeffrey Zekauskas^ So in terms of the \$20 million in turnarounds, is there any segment that was affected disproportionately?

Guillermo Novo^ Yes. It was mostly VP&D, ~~the two big—~~our plants in Texas City and Calvert City were the bigger hits.

I think in the other plants, they ran pretty much on the turnaround impacted, but they ~~had—~~they didn't have as many extensions or anything. Net, the other ones, I think we're positive. So it was really those two VP&D plants, VP&D and Intermediates.

John Willis^ And Jeff, those get split between Life Sciences and Personal Care primarily. There are some other impacts business unit-wise. But the VP&D impacts mostly go to Life Sciences and Personal Care.

Jeffrey Zekauskas^ And in Intermediates and Solvents from what you can see, are prices remaining stable? ~~Or~~ or are they a little bit under pressure? And is that a business where the trajectory of EBITDA for the remainder of the year? Or is it more flat or down as a base case?

Guillermo Novo^ The prices have been stable overall. I think most of the impact we saw was more in the Q3, Q4 for most of our businesses. Intermediates is not that different. I think it's more of a two things, volume. The big areas we're focusing a lot on U.S., Europe.

So in the U.S., it's the NMP, it's the battery market, the semiconductor market, ag and pharma active ingredient production.

So ~~those~~—as they pick up, the battery has probably been the one that a lot of the projects are delayed. ~~So~~ so the upswing is a little bit lower. I think the bigger pressure we've seen is in Europe, where again, more of the Asia, China exports are impacting.

We are hearing of some of the European players starting antidumping and doing some other actions. So we're tracking that to see how those events change. So ~~where we~~—but we're going to see more of noise that we're trying is, one, get our costs.

We're making a lot of the changes that we're making and the productivity we're calling a VP&D but will also impact Intermediates so that we think we can get much more competitive in those areas.

And two is the mix that we can do some spot sales here and there to move product. The margins aren't great. So that could create a little bit of noise. But overall, most of the business is pretty stable at this point in time.

Jeffrey Zekauskas^ And lastly, you've got various stranded costs and you've got a cost-cutting program. As far as you can see for 2025, are the cost cuts larger than the stranded costs or the stranded costs larger than the cost cuts and by how much?

Guillermo Novo^ So we're trying to offset is stranded costs ~~and lost~~—I mean we're—~~w~~We have neutralized, just to be very clear, the nutraceutical sales, we've neutralized the EPS, the earnings and EPS impact -- the EPS impact on that sale.

We want to offset the EBITDA. So the biggest issue of the \$30 million is not stranded cost, its gross profit loss with the sale. ~~s~~So we want our cake and eat it too. We want to make sure that this action is EBITDA neutral. So the \$30 million offset around \$20 million.

We had said that business was about \$100 million, 20% gross profit that we want to offset that, and the rest is stranded cost. ~~So we're in~~—As as we said in our prepared remarks and in the slides, we're well underway to get to the \$30 million. I think we'll probably be able to do a little bit more than that.

But the most important thing for us is how can we accelerate it to hit our target. We split it \$15 million this year, \$15 million next year. Obviously to hit the run rate, we want to make sure that by midyear, we get most of it done.

Operator^ Our next question comes from Mike Harrison of Seaport Research Partners.

Michael Harrison^ I was wondering if you could go into a little bit more detail about the trade policy impact that you are concerned about or citing as maybe an area of potential uncertainty going forward.

Is what you're concerned about related more to the direct impacts of potential input cost effects? Or is it more of the indirect effects that you could see from trade policies on trade flows and other things that you might be watching?

Guillermo Novo^ I think the bigger impact for us is trade flows. I mean we buy some raw materials in China, but it's not a significant part of our portfolio. ~~Sow-so~~ that is not going to be the biggest driver.

So for us, it's really more how does that impact supply, the duties are putting in, if you got issues in shipping from certain production countries to customers that's really where we're looking at.

So if you look at our portfolio right now obviously HEC is the most global. So we have in every region so that gives us a lot of flexibility. U.S. already has duties. Are they going to increase them or not? We'll monitor that obviously.

Europe does not. And I think that's where we're seeing some movement from a lot of local producers on trying to get some level of protection given the overcapacity and the pricing that they're seeing from China.

So I think those are the issues that will probably change things around. We make things in the U.S. We're selling them in China. We're looking at our footprint on what things we can change so that we have an optimal sourcing depending on the scenario that evolves. But it's a lot of scenario planning.

Michael Harrison^ Right. And I guess just following up on that, we've heard from some companies that there have been some increased December purchasing activity, customers may be trying to get out ahead of potential tariff impact. Did you see any demand during your first quarter here that would suggest that you were seeing some prebuying volumes?

Guillermo Novo^ Not really. I don't think we can make that statement and at least for our portfolio. On the contrary, we saw a little bit of inventory controls in Europe, but the rest has been more normal.

Michael Harrison^ All right. And then last one for me is just as it relates to winter weather, I think the last time we had a meaningful freeze in the South, you guys had some plant disruptions. Any issues with some of the snow or maybe more adverse weather this winter impacting your plants so far in the second quarter?

| Guillermo Novo^ We did. Texas and the Houston plant, Texas City, was down two days, just on the freeze of boiler. So we had a little bit of an impact, but we're planning to offset that just with production. ~~We~~ we have plenty capacity, where this is one of the areas that we're making a lot of changes anyway in terms of production.

We're shifting in our productivity, we're shifting a lot of our Intermediates production to Calvert City to maximize our loading of our plants, improve our cost. So we're doing a lot of other changes. So it had an impact, not as big, but we expect to recover. But that's it, the rest was fine.

Operator^ Our next question comes from John McNulty of BMO Capital Markets.

Bhavesh Lodaya^ This is Bhavesh Lodaya for John. In your press release, you noted pricing impacts as moderating, how did pricing move sequentially in the first quarter versus the fourth? I'm curious if you expect to see positive pricing power this year? Or what are you building into the guide?

Guillermo Novo^ No. In our outlooks, we captured most of the pricing is rollover. As we said, the contracts came in per our expectations.

| So I think we're not forecasting an improvement in pricing, and we've already captured a lot of the erosion. So ~~there is a year-on-year~~—that's probably our biggest year-on-year headwind, but that's factored into our plans.

Bhavesh Lodaya^ Got it. And then in Life Sciences, pharma, apologies if I missed it. Did you quantify the EBITDA impact from your customer inventory control actions? And would you say all of these actions are behind us at this point?

Guillermo Novo^ Most of it, the Q1 is where we saw most of it. I mean there could be a little bit of stragglers or whatever in January, February, but the majority is done.

I think of the gap pricing year-on-year comparison, pricing to be simplistic on it, a third pricing, a third volume weaker demand in Europe and that inventory and another a third is just business issues, like I was saying share shifting or actions in some of these other pharma non-OSD markets like in the iodine, the disinfections, the membranes, those are a little bit more competitive markets that we see some of that change.

| So simplistically, a third, a third, a third. ~~But we can't~~—~~it's~~'s hard to say what a softer market, what was inventory control in terms of specific customers.

We're just going by what they are telling us that they are controlling inventory, they're bringing it down and when they expect to start increasing the order levels moving forward, which is a lot of it is in the Q2.

Operator^ Our next question comes from Josh Spector of UBS.

Joshua Spector^ First, I wanted to clarify just on what you're seeing in terms of orders. I think in December, when you gave the update and said that the first quarter would be slightly weaker, you hedged that a bit and said you thought order rates were looking more positive into the second quarter for you guys.

Now you're kind of talking, we're not sure we need to wait until March, see what that looks like. Is that the right interpretation that, that visibility has declined? Or is that not the right read on what you're trying to say?

Guillermo Novo^ That's not the right read on what I'm trying to say. What I was saying is March to September are when the high, high volumes are for our business.

So that's really what I'm looking for, for the full year outlook is what's happening in March through September. And I think what we said we'll have visibility between now and May. A lot of these policy things that are just starting to be being lobbed over the fence, one side other, how and what actually is going to happen, we'll need to see how that plays out before we change that part of the outlook.

For Q2, which is mostly January and February, we haven't seen any major changes in our outlook.

Joshua Spector^ Okay. And just thinking about the full year, and I guess it more comes down to the back half is a lot of conversations about share gains.

I mean that hasn't changed from last quarter. But I guess now I mean that's one to two quarters out. I think particularly in pharma, and we think about your products is more specified into applications.

So is that something you have visibility to? Do you know you've won share in Latin America and Asia with local regional generic customers? Or is that still a toss-up that we're not uncertain of?

Guillermo Novo^ Okay. Alessandra, you want to take this one?

Alessandra Faccin^ Yes. Sure. So first of all, as Guillermo mentioned, right, the contract negotiations have been mostly finalized, and that was in line with our expectations. So specifically, as we are regaining business in Asia and Latin America, yes, that's happening.

So we are seeing that. And of course, as that happened, I mean customers have to work on the inventory of the existing product and then the ramp-up with the new wins. But that's happening and also the share gains in cellulose that we see that happening across the globe.

Operator^ I'm showing no further questions at this time. I'd like to turn it back to Guillermo Novo for closing remarks.

Guillermo Novo^ Well I want to thank everyone for participation. I think the big headlines for every ~~take-away~~ takeaway is no big new news.

~~We~~ Things are playing out as we expected. The only issue that we've seen is a little bit more softness in Q1 in Europe. Other than that, everything is in line with our plans and expectations.

As we said, number two, the next few months, we'll start seeing what, if any, impact trade or macroeconomic actions have on demand, and we'll update, I think the next call will be an important one, if there's any changes to update.

But the big message is, look, we are now behind in ~~our~~ in-finalizing our portfolio optimization. Our strategy, I hope, is clear.

Our priorities are very clear to everybody. This is really now about executing in a difficult uncertain market, and I think we're doing that, the teams are doing that well but more importantly, positioning ourselves for the future. And I think we're very excited, we have growth catalysts, margin expansion catalysts that are significant for a company like Ashland and we're totally committed in driving them for the coming years.

So thank you for your attention and participation. And we look forward to talking to you in the coming weeks.

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