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ASH.N - Q3 2026 Ashland Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

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

I would now like to hand the conference over to your first speaker today, Sandy Klugman, Director of Investor Relations. Thank you, Sandy.

Sandy Klugman - *Ashland Inc - Director, Investor Relations*

Thank you. Hello, everyone, and welcome to Ashland's third quarter fiscal year 2026 earnings conference call and webcast. My name is Sandy Klugman, and I am Ashland's Director of Investor Relations.

Joining me on the call today are Guillermo Novo, Chair and CEO; William Whitaker, CFO; as well as our business unit leaders, Alessandra Faccin, Life Sciences and Intermediates; Jim Minicucci, Personal Care; and Dago Caceres, Specialty Additives.

Please note that we will be referencing slides during today's call. We encourage you to follow along with webcast and materials available at ashland.com under Investor Relations.

Please turn to slide 2. As a reminder, today's presentation contains forward-looking statements regarding our fiscal 2026 outlook and other matters as detailed on slide 2 and in our Form 10-Q. These statements are subject to risks and uncertainties that could cause future results to differ materially from today's projections. We believe any such statements are based on reasonable assumptions, but there is no assurance these expectations will be achieved.

We will also reference certain adjusted financial metrics, both actual and projected, which are non-GAAP measures. We present these adjusted figures to provide additional insight into our ongoing business performance. GAAP reconciliations are available on our website in the appendix of these slides.

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

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

Thanks, Sandy, and welcome to everyone joining us. Please turn to slide 5. Overall, we delivered a strong third quarter that reflected strong demand, disciplined commercial execution, and healthy free cash flow generation.

Sales increased across all business units and our performance was in line with the expectations we outlined at the beginning of the quarter. These results reflect the team's strong execution and reinforce the momentum we're building across the businesses.

Life Sciences delivered double-digit sales growth, benefiting from broad contributions across pharma, end markets, and ongoing momentum within our globalized and innovative strategies. Pharma achieved its fifth consecutive quarter of volume growth, supported by strength in high-period excipients, injectables, and innovation growth momentum.

Personal Care generated another quarter of solid performance, led by biofunctionals actives, high single-digits growth in skin care and favorable contributions from hair care and microbial protection. Performance reflected healthy growth across end markets and major regions, supported by strong customer engagement and innovation adoption.

Specialty Additives delivered encouraging sales growth in line with our expectations. Strength in coatings and performance specialties was primarily driven by market share gains, reflecting strong commercial execution by the team. Regionally, most markets improved compared to the prior year.

Intermediates delivered higher sales, supported by improving merchant sales driven by higher NMP demand in North America EV battery and energy storage applications.

Operationally, our third quarter results reflected continued progress on manufacturing performance with further opportunities to improve. We remain focused on targeted investments and disciplined execution and expect continued progress in the fourth quarter as the benefits of these actions built.

We also generated strong cash flow during the quarter through disciplined working capital management and ended the quarter with a net leverage of 2.4x, returning to our long-term target range and strengthening our ability to invest in growth and innovation.

Please turn to slide 6. Our results demonstrated the strength of our execution and the benefit of the actions we have taken across the portfolio. Sales increased 7% year-over-year, reflecting broad-based growth across the portfolio.

Profitability was impacted by production challenges encountered earlier in the fiscal year. Results improved sequentially and were largely in line with our expectations. We continue to make steady progress across the manufacturing network and on our strategic priorities.

Our teams remain focused on commercial execution, pricing realization, and cost discipline. Pricing actions continue to gain traction, offsetting higher raw material costs while maintaining strong customer relationships.

Please turn to slide 7. Slide 7 illustrates the breadth of our growth and the quality of our earnings profile. First, our consumer-focused businesses, Life Science and Personal Care, continue to generate attractive margins supported by resilient demand, innovation and favorable mix.

Second, our Innovate and Globalize strategies continue to deliver measurable results with accelerating momentum in higher value application across the portfolio. For the first nine months of the year, Innovate has exceeded its full year target, while Globalize has already achieved its full year target and continues to deliver strong results across the platforms.

Third, while margins continue to reflect earlier production rate challenges and cost pressures, the actions we have taken across pricing, manufacturing and commercial executions continue to gain traction. As a result, we are well positioned for further profitability improvement in the fourth quarter.

Before turning the call over to William, I also want to take a moment to share that yesterday, we announced a cooperation agreement with Ancora, an Ashland shareholder with whom we have had constructive dialogue. Under this agreement, we are welcoming Peter Thomas and Allen Spizzo to the Ashland Board as independent directors. Both bring significant executive and financial experience in specialty chemicals, and we believe their perspectives will support our continued focus on creating value for our shareholders.

The Board is also forming a capital allocation advisory committee to bring additional rigor and objectivity to our capital allocation strategy and planning. We value ongoing engagement with our shareholders and look forward to working collaboratively with Peter, Allen, and the rest of the Board as we continue to execute our strategy.

Now let me leave you with three key takeaways before we get into the financials. Demand remained healthy across our core businesses. Our innovate and globalize initiatives continue to generate meaningful growth, and we continue to make progress in addressing the operational challenges we have discussed throughout the year. These are encouraging signs for the business and reinforce our confidence in the opportunities ahead.

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

William Whitaker - *Ashland Inc - Interim Chief Financial Officer, Vice President - Finance, Director - Investor Relations*

Thank you, Guillermo. Please turn to slide 9. Third quarter sales were $497 million, up 7% versus the prior year, driven primarily by volume growth across all business units. Volumes increased 6% across the portfolio, led by continued strength in Life Sciences and Personal Care, while Specialty Additives returned to growth and Intermediates benefited from improving merchant demand.

Pricing increased approximately 1%, year-over-year, led by Life Sciences and Specialty Additives, reflecting sequential improvement of approximately 300 basis points. Foreign exchange contributed approximately $3 million or 1% to sales.

Adjusted EBITDA was $109 million compared to $113 million in the prior year quarter. Growth in Life Sciences and Personal Care was more than offset by lower earnings in Specialty Additives and Intermediates.

Profitability continued to reflect the impact of lower production rates earlier in the year and the normalization of incentive compensation from a low base in the prior year. These factors were partially offset by higher volumes, favorable mix and pricing actions.

Sequentially, profitability improved as operating performance gradually improved and commercial actions gained traction across the portfolio. We expect a further step up in profitability during the fourth quarter. Adjusted EBITDA margin was 21.9% compared to 24.4% in the prior year quarter, reflecting these dynamics. Adjusted earnings per share, excluding amortization expense, was $1.02 compared to $1.04 in the prior year quarter.

Cash generation remained a significant strength during the quarter. Ongoing free cash flow totaled $103 million compared with $108 million in the prior year quarter or representing conversion above 90%. Inventory is down nearly $80 million fiscal year-to-date, supporting strong cash generation and positioning us for improved absorption and reduced inventory-related margin headwinds going forward.

We ended the quarter with $936 million of available liquidity and net leverage of 2.4 times, returning to our long-term target range.

During the quarter, we also refinanced our credit agreement, extending maturities on attractive terms and further strengthening our financial flexibility. The balance sheet remains a competitive advantage, providing flexibility to support operations, invest in strategic priorities, and maintain disciplined capital allocation.

With that, I'll turn the call over to our business unit leaders for a closer look at segment performance. Alessandra, over to you for Life Sciences.

Alessandra Faccin Assis - *Ashland Inc - Senior Vice President, General Manager - Life Sciences and Intermediates*

Thank you, William. Good morning, everyone. Please turn to slide 10 for Life Sciences. Life Sciences delivered another strong quarter with sales of $180 million, up 11% versus the prior-year period. Performance was driven by higher sales volumes led by broad-based strength across pharma applications.

Pharma achieved double-digit sales growth and delivered its fifth consecutive quarter of year-over-year volume gains. Demand remained healthy across all regions and product categories, including continued strength in high purity excipients and injectables.

We also benefit from customer order timing and supply chain normalization during the quarter. Adjusting for those factors, underlining demand trends remain strong and consistent with our expectations. Pricing contributed positively to results as commercial actions began to gain traction during the quarter with full of run rate realization expected in the fourth quarter.

Foreign exchange contributed approximately $1 million to sales during the quarter. Injectables continued to outperform in the third quarter, delivering exceptional growth aligned with our globalized strategy. Performance was driven by the accelerating adoption of Ashland's high-purity differentiated excipient portfolio.

Strong customer demand, a growing development pipeline and increasing new product adoption support a strong outlook. We also announced the groundbreaking of our new tablet coating manufacturing facility in India, another important step in our globalized strategy. Following recent investments in Brazil, this expansion continues to strengthen our regional manufacturing footprint and position us to better serve customers in some of the fastest growing pharma markets in the world.

Turning to innovation, our recently launched products continue to drive above-market roles, led by low-nitrite oral solid dosage excipients and high-purity injectable and bioprocessing products. Strong customer adoption validates Ashland's strategy of investing in differentiated technologies that address increasingly complex formulation and regulatory requirements.

Turning to profitability, adjusted EBITDA increased 11% to $60 million compared to $54 million in the prior year quarter. Adjusted EBITDA margin was 33%, consistent with the prior year. Increased volumes, favorable pricing, and product mix offset the impact of lower production rates and higher SARD expense.

Volume growth remained a primary driver of earnings improvement, while disciplined commercial execution and favorable mix also contributed to results.

As we look ahead, Life Sciences continues to benefit from resilient pharmaceutical demand and increasing traction from our Globalize and Innovative strategies. Combined with pricing realization and ongoing innovation adoption, this trend support our confidence in the long-term opportunities ahead.

Please turn to slide 11 for Intermediates. Intermediate delivered a solid quarter with sales of $37 million, up 12% versus the prior year period, driven by improved merchant demand. Merchant sales increased to $26 million from $23 million in the prior year quarter, supported by higher NMP demand from North American EV battery and energy storage customers ahead of planned fourth quarter shutdowns.

Captive BDO sales were $11 million, up modestly from the prior year, reflecting stable internal demand and market base transfer pricing. Foreign currency had a negligible impact on sales during the quarter.

Turning to profitability, adjusted EBITDA was $4 million compared to $7 million in the prior year quarter. The year-over-year decline primarily reflected lower advanced manufacturing tax credits benefits compared to the prior year quarter, while underlying operating performance remained relatively stable.

Pricing realization and improving demand in electronics, a key merchant application, helped offset a portion of this headwind during the quarter. While conditions across the broader BDO value chain remain below historical levels, we are seeing soft, yet encouraging improvement in NMP demand, mostly for energy storage-related applications.

Given the volatility we have experienced in this market, we remain measured in our near-term outlook. However, our long-term view remains unchanged, and we continue to believe EV battery and energy storage applications represent an attractive growth opportunity for the business.

Now, I will turn the call over to Jim to discuss Personal Care.

James Minicucci - *Ashland Inc - Senior Vice President - Strategy, Mergers and Acquisitions, and Portfolio Management*

Thank you, Alessandra. I'll now highlight our Personal Care results. Please turn to slide 12 for Personal Care. Personal Care delivered another quarter of growth, reflecting broad-based performance across end markets and continued strength in our higher-value applications.

Sales were $155 million, up 5% year-over-year, driven by robust volume growth across the portfolio, new commercial wins, and favorable mix. Biofunctional actives delivered another quarter of double-digit growth, supported by an expanding customer base.

Collapeptyl continues to experience accelerated adoption due to its multifunctional benefits and ability to instantly improve skin radiance, hydration, elasticity and provide visible wrinkle correction. Building on this momentum, biofunctional actives is also starting to see early commercial wins with Eternight, our 2026 flagship ingredient.

Microbial protection also delivered solid growth, driven by double-digit volume gains across all regions. In the third quarter, we inaugurated and commissioned our new microbial protection production facility in Europe. This investment strengthens our regional manufacturing capabilities, improves supply chain resilience in the region, and represents another major step in globalizing microbial protection.

Within Care ingredients, the portfolio delivered solid gains with positive momentum across hair and skincare markets. Overall, skincare delivered high single-digit growth, hair care delivered mid-single-digit growth and oral and home care generated low single-digit growth.

On a regional basis, growth was led by the Americas and China. Pricing improved sequentially as commercial actions continued to gain traction during the quarter, while mildly below prior year. To clarify on pricing, price actions more than offset cost inflation, specifically in microbial protection, our globalized investments have reduced our cost structure, enabling share gains. Foreign currency contributed approximately $1 million to segment sales.

Turning to innovation, in the third quarter, we successfully executed our first industrial production of multifunctional starch, marking a pivotal step toward our planned calendar 2026 launch. Personal care continues to make strong progress across our globalize and innovate strategies, supported by strong customer engagement and innovation focus.

Turning to profitability, adjusted EBITDA increased $45 million from $41 million in the prior year quarter, and EBITDA margin expanded 110 basis points to 29%, reflecting broad-based growth across all business lines. Improved profitability was driven by higher sales volume and favorable product mix.

In summary, Personal Care delivered both mid-single-digit growth and margin expansion in the quarter, demonstrating disciplined execution, strong customer focus, and continued adoption of differentiated and innovative technologies.

With that, I'll turn the call over to Dago to review the results of Specialty Additives.

Dago Caceres - *Ashland Inc - Senior Vice President, General Manager - Specialty Additives*

Please turn to slide 13. Specialty Additives delivered sales growth in the quarter despite continued mixed demand conditions across end markets and regions. Sales increased 4% year-over-year to $136 million driven by share gains, pricing realization and strong commercial execution in Coatings and Performance Specialties, our most strategic industrial segments.

Coatings recovery was driven by higher volumes from share gains across all regions, successful innovation, implementation and pricing discipline. Performance Specialties also delivered year-over-year growth, supported by favorable demand trends and commercial execution. These gains were partially offset by continued weakness in construction and energy and resources, where market conditions remain challenged and generally consistent with recent trends.

Construction volumes continue to reflect both softer end market demand and the impact of deliberate portfolio management actions to preferentially serve more attractive regulated segments. Regionally, growth was broad-based, with nearly every region delivering year-over-year improvement. Worth highlighting is that Middle East, Africa, India, and China delivered growth despite challenging market conditions and supply chain disruptions.

Pricing actions continued to get traction during the quarter, and together with favorable product mix, supported growth despite a muted demand environment. Foreign exchange contributed approximately $1 million to sales.

Turning to profitability, adjusted EBITDA was $20 million compared to $26 million in the prior year quarter, while adjusted EBITDA margin was 14.7% compared to 19.8% in the prior year quarter. The results were generally in line with expectations and reflected lower fixed cost absorption associated with earlier operational challenges and reduced production rates at our Hopewell facility. These headwinds were partially offset by favorable pricing and product mix.

From an operations standpoint, we successfully completed the planned turnaround at our Hopewell facility and implemented a number of process control productivity and operational robustness improvements. While we are encouraged by the trajectory, we view this as an operational improvement journey to achieve our long-term productivity targets.

The performance of our broader cellulosics asset base remains solid, and we are leveraging our unique global manufacturing network to increase supply flexibility, optimize production, and strengthen overall supply reliability.

We are also making solid progress across our balanced innovation portfolio, from regional solutions designed for local customer needs to core innovations that strengthen and expand our existing product lines to transformative technologies such as our novel additives, which continue to advance toward commercialization and represents a significant long-term growth opportunity for Ashland.

Overall, while end market conditions remain mixed, we are encouraged by the progress being made across the business. Continued pricing organization, strong commercial execution and ongoing operational improvements support our expectation for improved profitability over time. I would like to recognize the team's strong execution and customer focus in what remains a challenging market environment.

And with that, I'll turn the call back to Williams.

William Whitaker - *Ashland Inc - Interim Chief Financial Officer, Vice President - Finance, Director - Investor Relations*

Thanks, Dago. Please turn to slide 15. Let me briefly update you on our Execute strategy and manufacturing optimization initiatives. As Dago just discussed, progress across our HEC network optimization has been slower than originally planned. That said, the quarter unfolded largely as expected, operating performance improved, and we continue to advance the actions needed to improve productivity, reliability, and network performance.

Beyond HEC, our manufacturing optimization initiatives remain on track. VP&D optimization efforts are now expected to deliver approximately $12 million of benefit this fiscal year. We also completed the final phase of our small plant consolidation initiative during the third quarter, delivering approximately $3 million of EBITDA benefit this year and further simplifying our manufacturing footprint.

In total, VP&D optimization and small plant consolidation are expected to deliver $15 million this year. Importantly, these are structural run rate savings rather than one-time gains, and they position us to enter next year with a leaner, more competitive cost base.

Execute remains a core component of our strategy while we still have work to do. The broader portfolio of manufacturing initiatives is delivering results, and we remain confident in the long-term value and profitability improvement these actions can generate.

Please turn to slide 16. Our Globalize and Innovate initiatives continue to generate meaningful results and remain an important driver of growth across the portfolio. Through the first nine months of the fiscal year, Globalize has already achieved its full-year growth target with Innovate having exceeded its full year objective.

Innovation highlights include continued momentum and high purity excipients within Life Sciences, skin longevity technologies and Personal Care, and formulated rheology solutions for stone paint within Specialty Additives.

As you heard from Alessandra and Jim, we are seeing tangible returns from the investments we have made to expand capabilities and strengthen our regional presence. These initiatives are increasing our exposure to higher value applications, strengthening customer relationships, and improving the quality and durability of our growth profile.

Just as important, the opportunity pipeline supporting both initiatives remain strong, reinforcing our confidence that Globalize and Innovate will remain meaningful contributors to growth and value creation in the years ahead.

Please turn to slide 17. Turning to our outlook, which remains largely unchanged, we continue to see growth across the portfolio, ongoing momentum and higher value applications, increasing realization of pricing actions and strong cash generation.

We expect another step up in profitability during the fourth quarter. While operating performance remains below historical levels, the impact on profitability should be less pronounced than in the third quarter as operational trends improve and pricing actions continue to gain traction.

As a result, we are reaffirming our fiscal 2026 sales and adjusted EBITDA guidance. We continue to expect sales of $1.835 billion to $1.87 billion and adjusted EBITDA of $385 million to $400 million. We are revising our adjusted EPS outlook to low to mid-single-digit growth from mid to high single-digit growth reflecting a higher tax rate associated with unfavorable discrete items. We continue to expect ongoing free cash flow conversion of greater than 50% of adjusted EBITDA for the fiscal year.

With that, I'll turn the call back over to Guillermo to discuss how our technology platforms are creating value across the portfolio before we open the line for questions. Guillermo?

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

Thank you, William, and please turn to slide 18. Innovation remains a core driver of Ashland's long-term value creation and an important differentiator across our portfolio. The progress we've made across our Globalize and Innovate strategy is a direct reflection of the strength of our technology platforms, customer partnerships, and R&D capabilities.

We're very excited about the progress we're making on our new technology platforms. These new technologies have strong value propositions and target large scalable growth opportunities. With strong customer engagement and validation, we feel very confident of the profitable growth potential of these platforms.

With over 52 patents filed, they also present a great opportunity to build sustained differentiation. We're also expanding the range of products and applications these technology platforms can target. We're accelerating the commercialization of new products.

To provide investors with a deeper look at these opportunities, we will be hosting an innovation webinar on September 17. During that event, we will provide additional insight into our innovation strategy, our progress in developing and commercializing them, and the opportunities we see to create long-term shareholder value.

We believe these technology platforms represent a meaningful source of future growth, margin expansion, and value creation beyond our current planning horizon.

Please turn to slide 19. As we conclude today's call, I'd like to reiterate what gives us confidence in the opportunities ahead.

First, growth is returning across the portfolio as the actions we have taken to optimize the business and improve the quality of our mix continue to gain traction. We delivered broad-based sales growth across all business units and regions, supported primarily by volume growth, strong customer engagement, and disciplined commercial execution. We expect that momentum to continue through the fourth quarter.

Second, we remain focused on disciplined pricing execution. Pricing actions are gaining traction across the portfolio, helping address cost inflation while maintaining strong customer relationships. I would also like to recognize the efforts of our team who have managed through a dynamic environment.

Third, our Globalize and Innovate strategy is working. Globalize and Innovate continue to generate meaningful results, and we are seeing increased returns from the investments that we have made to expand our capabilities, strengthen our regional footprint, and accelerate growth in higher-value applications. This is the type of high-quality growth that enhances the long-term strength of our portfolio.

Fourth, operational performance remains an area of focus. While we are not yet where we want to be, we are making progress and remain committed to improving our performance. We continue to see meaningful opportunities to strengthen profitability as these efforts advance.

And finally, we are extremely excited about the progress we are making on our new technology platforms. We look forward to sharing more about customer validation in the coming weeks, but we remain encouraged by the progress we are seeing across our innovation pipeline and the opportunities it creates across the portfolio.

Ashland is a company with resilient end markets, leading technology positions, strong customer relationships and a growing pipeline of innovation opportunities. The combination of improving demand trends, increasing pricing realization, advancing technology platforms, and ongoing operational improvements reinforces our confidence in the opportunities ahead.

I'd like to thank our employees for their continued commitment and thank our shareholders for their ongoing support and engagement.

Operator, please open the line for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

John McNulty, BMO Capital Markets.

John Mcnulty - *Bank of Montreal - Analyst*

Good morning. Thanks for taking my question. So, I wanted to get a better understanding of the pricing that you're seeing and how we should be thinking about it going into 4Q and maybe early fiscal '27. Do you expect it to largely accelerate from here? Is it going to vary depending on the segment? I guess how should we be thinking about it and the realization of what you need to cover costs, raw material inflation, other inflation, et cetera?

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

Thanks, John, for the question. Let me first recap just to remind everybody what all this inflation means to Ashland. We are not a petrochemical link anymore after we sold our adhesive business, so we have less exposure to petrochemicals and to high energy raw materials that require higher energy for production.

So we're not immune. We do have some impact that we need to capture, but it's much lower. So don't expect the pricing movements that you see with commodity companies. Our intent is to recover inflation, maintain margins. We're a specialty company, additives company. Our focus is value pricing through the products, through the technology. That's how we expand. We don't use these moments to expand margins. We just want to make sure that we're holding it. So that's sort of the basis.

The team has executed very well. We've captured all the inflation, both raw material and freight and all the pricing we've implemented. Obviously, there's a flow-through effect. I think next quarter we'll see bigger benefits in terms of just the pricing ramp rate versus the inflation that we've already seen.

But we're basically covering everything that has impacted us and you'll see that in the next quarter flowing through.

After that, we'll see how markets evolve. Like in 2022, I think our focus is on moving fast. So that we minimize the impact and maximize the benefits for us, and the team has done that, so we feel very confident at this point. But William, do you want to add anything else?

William Whitaker - *Ashland Inc - Interim Chief Financial Officer, Vice President - Finance, Director - Investor Relations*

Yeah, just a couple other specifics. Thanks for the question, John. The important marker for us this quarter is that we swung from down 2% year-over-year in Q2 to up 1% in Q3. We expect that to continue, to Guillermo's point, sequential improvement in Q4 as we get the pricing fully realized.

In terms of order of magnitude, I'd expect that to be nearly as large as the sequential improvement we just saw in Q3. And I think, overall, as you look to kind of pre-pricing actions to run rate exiting the year, it's going to be in line with what Guillermo cited on the last earnings call, the 3 to 8. It's going to be roughly it depends by region, depends by product line, of course, but we're tracking roughly at the midpoint overall for the company.

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

Just one other point, John, that I want to make in the prepared remarks, Jim made a comment just so that it doesn't get lost in the translation. For Personal Care actually, they moved on pricing to recover raw materials all that has gone through.

I think the team has done a lot in terms of the globalized as we regionalize our businesses, our infrastructure manufacturing. We're changing our cost structure -- that’s a lot; it's a lot to do a lot of things. We're getting a lot of share. But Jim, do you want to comment just to clarify, the lower pricing isn't really lower pricing and part of your business? So if you could comment on that.

James Minicucci - *Ashland Inc - Senior Vice President - Strategy, Mergers and Acquisitions, and Portfolio Management*

So John, I think as William mentioned, sequentially we're seeing an improvement and an increase in price. We took actions; we worked through it in March when the conflict started. We started communicating with customers, the actions we've taken are price increases as opposed to surcharges, and so there's a flow-through that came through in the third quarter, but we took the necessary actions to cover the cost inflation in the majority of the portfolio.

As we said, specifically in microbial protection, we just commissioned, our facility in Europe, that's now the last step in globalizing the business. We now have assets in all regions to provide regional supply, and that's really reduced our cost structure, and that's really enabled the share gains, and so that's a bit of a mix as you look at the overall price impact.

John Mcnulty - *Bank of Montreal - Analyst*

Okay, got it. No, that's all very helpful color. Maybe just as a second question, just can you speak to the manufacturing optimization as well as Hopewell, which I guess is lumped into that; it sounds like you're seeing some decent progress, maybe not where you had hoped it would be originally, but seeing some decent progress there. I guess how should we think about how you end your fiscal year and the tailwind into 2027 from some of these optimization and cost out plans.

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

So I think overall, and I would differentiate the network optimization impact. I think if you look at the headwinds that we've had, there's two different types of things. What happened in Calvert City at the beginning, an equipment failure that was the biggest impact in the weather. I would put that on an aside.

If you actually look at the network optimization, what's worked well and where are some of the gaps that we're addressing now. Overall, it worked very well. If you look at our VP&D network, we're reducing costs, we've streamlined assets, we're getting much better productivity. I think it's still on the early stage; we're doing some cost optimization, but the real productivity work is going forward, so we still see the opportunity to further improve in those areas.

All the small plants consolidation is done. We just moved production units into our bigger sites so that we can leverage our overall cost structure all of that is there.

Specifically on HEC, I mean, it's two stories. We eliminated a plant. So, $25, $30 million are gone. Those costs are out. I think how it's flowed through is two issues. Part of the benefit we're getting. But it's not an upset anymore. We've used that to fill our plants in China.

During this period of time as we executed, the market in China did go down, so we've rebalanced the network so that we export now from China. You’re seeing the benefit in terms of sustained margins and improvement, so it wasn't a headwind for us.

On the other, the rest of the things that are supposed to be more positive, I think really now it's a timing issue. We made a shift in production of a different product mix that we brought to Hopewell. It's not just turn it on and start producing. It's different process technology.

We've stopped the plant. We weren't getting the production rates that we wanted. We did a turnaround, as Dago mentioned - that turnaround has been successful. We put it into equipment, process controls, so that we can drive that productivity. It just started up. It's running well.

The product we're producing, the production rates are still not where we want them to be, and that's what we're working to ramp up. The benefit of that will take a quarter or two. It's not just when we hit the performance with recap and all that, it'll flow through into the P&L over time -- but that's the biggest issue that we have. If I step back for the year, between the Calvert and weather and the Hopewell type situation. Probably we lost about 200 basis points of margin.

Overall, this year should have been 200 basis points higher in terms of EBITDA and EBITDA margins. And that's the bogey that we want to start next year and try to make sure that we're in a good place.

John Mcnulty - *Bank of Montreal - Analyst*

Great. Thanks very much for the caller.

Operator

David Begleiter, Deutsche Bank.

David Begleiter - *Deutsche Bank AG - Analyst*

Thank you. Good morning. Again, we're just on the Q4 guidance. It's about a $15 million range. Is there a bias at this point in time to either the midpoint or the upper end or of the range as we see here now?

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

Let me make a comment also. I'll have William comment on each of them. I think if you look at revenue and EBITDA just at a high level, I would say on the revenue side, we feel really good. I mean, first, the markets are improving. The core markets have behaved resiliently, and they haven't for a while. Our Personal Care, our Life Science, and specifically pharma are doing well.

Our Globalize and Innovative is going well. We're getting all the pricing over inflation that we wanted to get. So on the revenue side, the teams are focused and the customer relationships are great. And even in uncertain times, we're performing well and feel confident, so from my side personally, the revenue side, I think we feel very good about.

I think in the EBITDA side, it's really about the operating performance. We did communicate in the last call that we were having issues. I think from my side, I'm going to be more careful in terms of how much we want to promise the rate of improvement.

One, because we've got to drive that improvement over a period of time. And two, the flow-through, as we've talked about before, isn't straightforward, so we want to make sure that we're a little bit more cautious on that side.

But William, do you want to make any comments?

William Whitaker - *Ashland Inc - Interim Chief Financial Officer, Vice President - Finance, Director - Investor Relations*

So we intentionally didn't move them the midpoint of the EBITDA guide. And so just to give you some of the parts and pieces on our comfort there. So one, to deliver the EBITDA midpoint, we will need stronger outcome on the sales range. And that's actually where our internal modeling does sit today. And so there's a few reasons we've been constructive.

First of all, June was a strong exit. And then July and August, order build are encouraging. As you heard from the team, Q3 was volume-let, and I'd expect Q4 to be more of a balanced delivery across both volume as well as some of the pricing actions we just spoke to. And so as you break it down by business, Life Sciences, I would expect quarter-over-quarter stability in terms of sales and earnings, which means, by the way, another solid and resilient quarter.

Personal Care, we do continue to see broad-based momentum both in sales mix and lifting margins. I'd say overall, and you heard in our prepared remarks, we are a bit more cautiously optimistic on the Specialty Additives side, but we are encouraged by the commercial execution of the team.

And then just to elaborate on Guillermo's point, I would say we're again cautiously optimistic on the manufacturing side. It's very much a key focus area for us. It's a real opportunity for improvement, and we do expect gradual progress in Q4.

So what's driving the margin lift in the Q4? It's the pricing realization. It's continued momentum on the sales volume with a healthy mix. Globalize and Innovate continues to be an outperformer for us year-to-date and then gradual improvement on the operations side.

David Begleiter - *Deutsche Bank AG - Analyst*

Very helpful. And Guillermo, just on Globalize and Innovate, again, congrats on the success year-to-date. Any early thoughts on some targets for 2027 for Globalize and Innovate?

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

I think we'll update. As we've done in the past, we want to be transparent on the progress that we're making, specifically on Globalize. We've made a lot of investments. We just have a few that have come on stream, so we want to continue to spotlight our performance, not just for you, but internally it also puts a lot more pressure with greater visibility on what we want to do, so that's going well.

On the Innovation side, we're going to update in September. I think. The biggest issue that we're looking at now, each of the business, I think Dago mentioned it in his comments, we're getting a lot more traction, not just in the new technology platforms but the businesses. Once you focus on innovation, it changes everybody's focus. There's a lot more work even on the core innovation, creative new things that we're doing with new cellulosics and all that, modifying them in the different businesses, so there's a lot more going on.

So we're going to probably expand over time, maybe not in. It's not just new technology platforms. It's which are the scalable innovations that we really see an opportunity to drive growth, to drive margin expansion. And most importantly, it's to drive differentiation. I think this is one of the challenges our industry is having of hyper-competitive, commoditization, all that kind of thing. I think driving that is going to be a critical area.

So we'll give you in September, we want to give you a little bit more color on what are the key technologies that are more scalable, what are the markets that we're targeting and dimensioning those markets, the potential, obviously the commitments, it's going to be a range, so we want to make sure we show the pathway that we're taking, but these are all going to be scalable.

And again, what excites me is it's a portfolio. It's not one project that we're vetting everything on. It's a number of exciting projects that have significant growth potential for a company our size.

Operator

Reed Halpert, Wolfe Research.

Chris Parkinson - *Wolfe Research LLC - Equity Analyst*

This is actually Chris. Switching over to the Life Sciences segment, I would just like to drill down to the sustainability of the pharma volume growth. It seems like things have been picking up the last couple of quarters.

You've been investing in both OSD as well as injectables. Is there anything on the horizon that kind of underscores a greater degree of conviction, specifically on the OSD side, anything with GLP-1s, any new products? I know they could be smaller times, but it seems like things are moving in the right direction.

Thank you.

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

Chris, thanks for the question. Just a quick comment, and Alessandra, if you could comment. But the momentum in Life Science and specifically pharma, it's not innovation, but execute has been a very important part. Getting our cost structure, improving our competitiveness in our core businesses is a big area of focus.

So that gives us confidence that as the base business demand grows or stabilizes, that we're going to do well. And obviously, there's a lot of the new innovations that the team is doing. But Alessandra, you want to comment a little bit?

Alessandra Faccin Assis - *Ashland Inc - Senior Vice President, General Manager - Life Sciences and Intermediates*

Yeah, definitely. So, Chris, just a comment. Overall, we target to grow at mid-single-digits in Life Science, and that's what we expect for 2026, so that's how we should look at that across the quarters. As Guillermo mentioned, on OSD or also like those, we saw VP&D stabilizing, so that's good. We also saw the momentum with our Globalize and Innovative strategies going very well with injectables, bioresorbable polymers, sugar, cellulosics, so we are also excited with launches in other areas.

The TVO in crop care, we are seeing the customer testing and feedback being positive, not revenue yet in 2026, but that shows the momentum for going forward. When specific on your question about GLP-1, so Ashland, it is benefiting and will benefit materially from the GLP-1 drugs growth, right, that we are seeing, we expect to see continued upside.

Moving forward both through the chemicals that are used on the API production as well as the excipients that are used in oral solid doges. So you see in the coming weeks, we are launching a permeation enhancer, and we are seeing the pre-launch momentum with customers, so that's a launch that will happen in the month of August. But overall, we see the momentum from Globalize, Innovate, and then, of course, in a stable market.

Chris Parkinson - *Wolfe Research LLC - Equity Analyst*

Can you just comment on permeation enhancers? What is it for some of the investors that maybe aren't as familiar with that?

Alessandra Faccin Assis - *Ashland Inc - Senior Vice President, General Manager - Life Sciences and Intermediates*

Yeah. So basically, with biologics, it helps with the absorption of the biologics and into an oral format, so basically, that's what we're launching. In the month of August and as I mentioned, good momentum with pre-launch sales already.

Chris Parkinson - *Wolfe Research LLC - Equity Analyst*

And just as a quick follow-up, similar question on Personal Care. Obviously, your portfolio has gone through a lot. There have been a lot of adjustments, restructurings, outages, which obviously have been distributed periodically throughout some of the segments. It seems like you're also building a decent momentum here, specifically in skin and hair.

I was kind of curious in terms of your outlook there, how much of that is just a lack of destocking? Some of your customers have gone through their own restructurings, in some cases, several restructurings. Just in terms of your outlook and your degree of confidence in that portfolio. Where do you stand versus the last 6, 12, 18 months? Is this sustainable in fiscal 2027? And if so, what's underscoring that the most?

James Minicucci - *Ashland Inc - Senior Vice President - Strategy, Mergers and Acquisitions, and Portfolio Management*

Hey, Chris, thanks for the call. So I think if you zoom out and you look at the year, right, I mean, in Q1, we had highlighted that there were some customer-specific outages that occurred mainly in North America. Adjusting for those in Q1, we were low single-digit growth.

In Q2, mid-single-digit growth. This quarter, again, mid-single-digit growth, all driven primarily predominantly by volume. And then as we look into the next quarter, we expect to be in the same zip code mid-single-digit growth. So for the full year, we expect to land mid-single-digit versus prior year, and I think we've built that momentum, right? If you look at biofunctional actives, in Q3, we delivered almost 30% growth in biofunctional actives.

We've been very bullish on the technology. We have a great technology. What do we have to do? We have to build the team. We have to build the pipeline, engage with customers, and then convert that pipeline, and that's exactly what's happening. And that model is going through all of the business funds.

Great technology, we built the team, we engaged with customers, we built the pipeline, and now we're starting to see the benefit of that. And there is that lead time, building the pipeline, which we did last year, and then this year is really converting on that pipeline, and it's coming through in the volume growth. And I think the really exciting part is that it's broad-based, right?

I mean, if you look at biofunctional access 30% growth in the quarter. We are both on trends with exosomes, PDRN, but then we're setting trends. And we're developing a new ingredient in biofunctional actives. We'll share a bit more. We're still filing the IP on that, but this is really going to be the next blockbuster hit in this segment.

Microbial protection, double-digit growth on a volume basis across all regions. Our investments are all in place now to globalize that business. Our supply footprint, we're gaining share. And then in our care ingredients, we're doing really well with our guars, with our cellulosics, our VP&D. So it's really broad-based, and we expect to continue to carry this momentum into next year.

Operator

John Roberts, Mizuho Securities.

John Roberts - *Mizuho Securities USA LLC - Analyst*

I believe the activists wanted Ashland to run a formal sales process. Was there an agreement to run a formal sales process or is that still yet to be determined by the new committee of the board with the two new board members?

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

John, thanks for the question. Obviously, that's sort of the elephant in the room that everybody is asking about. Look, first and foremost, our team is focused on driving the execution of our strategy. I think the one thing that is clear from all the communications, ours, even from the core letter and from our discussion with a lot of other investors is this is a very valuable portfolio, we got a lot of great fundamentals that are going to drive our future value creation and frankly that is the number one priority, everybody agrees is execute can drive performance and that's what's going to create the maximum value and alternatives.

What our strategies, our board, just to be clear, we have a very good board already. We've been changing the board for many years now. We have experts from every business that we're in. The board regularly reviews all our strategy. We haven't woken up now because we have an activist or any investor.

We've been doing a lot of our work, and I've had these discussions with all of you in terms of our views on the market, the industry changes that are happening and the opportunities that lie ahead in the coming year, so none of that has changed. I think what's changed is we engaged Ancora.

We had actually a very constructive discussion. They were constructive. We were constructive. I think everybody understands the businesses, the issues. They came forward with two very strong directors that can add value to our business. They have relevant experience to what we're doing.

So we saw that as a great opportunity to reinforce the board. We'll have new views that will come into our strategy work. The committee will be reinforced now with some other new views. And I'm going to let them do the work that they have been doing and continue to do.

We're not going to speculate on what they want to do or not. I think that's their job to make recommendations to the full board of what that process is going to be like. But the number one priority that we all agree on is execute, drive the performance, create the optionality of value, organic or inorganic.

We want to make sure that we have all options. This is not something that you want to just be forced to do one thing. We want to make sure that we have options to create value in multiple directions with our shareholders.

John Roberts - *Mizuho Securities USA LLC - Analyst*

And then second, just a clarification question, I don't think I've heard about the advanced manufacturing tax credits before in discussing the Intermediates segment. So I don't think NMP itself qualifies the tier. So this is a derivative effect you're seeing from the battery customers downstream?

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

William do you want to?

William Whitaker - *Ashland Inc - Interim Chief Financial Officer, Vice President - Finance, Director - Investor Relations*

Yeah, no, John, this is something that we spoke actually this time last year on it. So just as a reminder, it's an incentive around domestic production in some key sectors, one of which is battery. It does improve our cost position and also make domestic producers more competitive. The concept itself was introduced a couple of years ago, but it was the eligibility was more defined in Q3 last year.

And so as you look year over year, it's about a $3 million headwind for the Intermediates business, but sequentially it's stable. This is something we'd expect to continue to have and be eligible for through at least 2029, and then it continues to phase out from there.

Operator

Josh Spector, UBS.

Joshua Spector - *UBS AG - Analyst*

Hey, good morning guys. I want to just follow-up on actually one of John's earlier questions around the cost savings and the flow through to '27. I mean, you're pretty clear in your answer. You thought this year could be 200 basis points higher from a margin perspective, so about $40 million in EBITDA there. Your comments on Hopewell actually seem a little bit more encouraging this quarter than maybe the last couple quarters. Like, would you expect more of that $40 million to now flow through in '27, or is that still kind of a two-year path? I think before it was more flow-through might come in 2028.

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

I think we'll start seeing the flow-through. I would say let's talk in quarters. We should start seeing that probably is starting the second quarter. I think this fourth quarter and even first quarter, just the way recap works, you're going to have a little bit of noise. That's why we're being a little bit more cautious and it's not just what we do, but how it flows through the P&L today. But after that, I think we should start seeing that flow through.

Now, there are parts of like the Calvert downtime and all that you'll see quicker because we're already in operation. So the $40 million parts of it will take a little bit longer parts of it will come, but we'll start seeing some of the benefits.

Our biggest issue right now focusing on is Hopewell, getting the productivity, and it's really kilos per hour production of a certain part of our product line that we want to make sure that we're getting the right throughput, the right cost structure as we move forward.

Joshua Spector - *UBS AG - Analyst*

Okay, thanks. And if I could just follow-up quickly on Specialty Additives. I mean, it seems like you're more comfortable or at least confident around volumes there. We've been talking about new wins for a while, but I feel like we haven't seen them. And architectural coatings demand isn't incredibly strong. So what's inspiring confidence now for why we'll see stronger volumes over the next few quarters or a year?

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

A quick comment, and Dago, maybe you can comment. The good news there is from what happened in '24, the markets have stabilized. I mean, they're not at the highest level, I would say, but at least they're stable. We're starting to see share gains, and Dago will comment on that, so there's a lot of actions now that we can start getting that momentum back. But Dago, why don't you go region by region and just give us sort of a view of what's happening?

Dago Caceres - *Ashland Inc - Senior Vice President, General Manager - Specialty Additives*

Sure. Yes, if I go region by region because, of course, architectural bodies is a very regional market. And what you will see in China is that the market is still pretty stable. I would actually say that it's declining on the new construction space. Now having said that, other industrial applications like electronics are actually doing quite well for us. But really the sticker sauce when it comes to China is team execution. So we've been able to really convert into dollars of the regional innovation that we're doing in the region, so that's really driven by the team.

Europe is flat. There is no signs of recovery. This is driven by Germany and by France. But again, here we've been very disciplined, especially when it comes to market share execution. The other big region for us, of course, is North America, and North America remains the $1 million question.

New construction is still pretty slow, but we know that it's pent-up demand, so it will depend on interest rates. So, of course, number one, it will depend on consumer sentiment for us to determine when we're going to see that inflection point.

Now, the good news about all the regions is that innovation is advancing. That's a big part of the growth that we're seeing now. Commercial discipline is high, so we're being very careful on how we price our products. We're volume pricing our products.

And then pipeline execution, that's critical for us to outperform the market. So that's overall where we are. I will say the markets are stable. Architectural coding is really nothing to report. Performance Specialties is doing better than expected.

Operator

Jeff Zekauskas, JP Morgan.

Jeffrey Zekauskas - *JPMorgan Chase & Co - Analyst*

Thanks very much. It sounds like you've tried to optimize your cash flows this year by reducing your operating rates. How much did that penalize your EBITDA so far this year or for the entire year?

William Whitaker - *Ashland Inc - Interim Chief Financial Officer, Vice President - Finance, Director - Investor Relations*

Hey, Jeff, good morning. Yeah, it's a good question. It builds actually on what Guillermo cited on that 200 basis points comment. So how would anchor that about $80 million in inventory drawdown?

If you point to how much of that is absorption-related impacting EBITDA, it's probably $30 million to $35 million. And so really, as we look going into next year, this is the clearest line of sight we have into a margin recovery is producing to demand, and I mean it's related to how we have positioned it, but it's very similar. So you're right, it did bolster the balance sheet, meaningful inventory drawdown we don't expect at the Ashland level, meaningful inventory swings going forward.

Of course, the details matter. So by product line, we could have some areas that we rebuild and some areas we have inventory above target, but in general, the big inventory fluctuations is what's happened year to date. And from here, I would expect it to be stable.

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

And Jeff, I mean, this is an area of discipline that we're really changing and the history and just inventory. We do not want to drive performance by building inventory, so we're going to be much more disciplined on build as demand goes up. I do think there's upside potential for us given that we've brought it down, but we're just not going to start producing just to artificially create. We're going to balance our actions based on informed views of demand.

Jeffrey Zekauskas - *JPMorgan Chase & Co - Analyst*

Earlier in the call, did you say that there was a turnaround in the Intermediates and Solvents business in the fourth quarter? And if there is one, is that a meaningful event for you on an EBITDA basis?

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

The turnaround we did was in Hopewell that we shut down for a period of time because we made investments, equipment to help with some of the process issues that we were having, so the client is back online and producing and we're monitoring now the production rates as they come up.

Jeffrey Zekauskas - *JPMorgan Chase & Co - Analyst*

And then lastly, in the capital allocation committee that has been formed, when would you expect that committee to make the recommendation, or is there no time frame for that committee?

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

I'm not going to speculate on this, but we have two new directors that just got named. We got to onboard them. There's a lot of work that we need to do to bring them up to speed. The board has been working on our strategy for a long time now.

So we're not going to stop at this point in time. It's really bringing them up to speed and then let them do their work, but I'm not going to speculate on how fast or that's up to them. And what their views, what their recommendations for the board will be.

Operator

Laurence Alexander, Jefferies.

Laurence Alexander - *Jefferies LLC - Analyst*

Hi. I wanted to ask about the feedback you're getting from your customers about the different innovation platforms. Not so much the kind of the near-term trends with technology per se, but what are they saying about the size of the potential applications and what you would need to deliver for there to perhaps be discussions about either a more aggressive, they help fund capacity or establishment of JVs in some areas where it's appropriate or is the overall strategy just for Ashland to try and do everything on its own?

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

I think that's a great question. I'm not going to steal the thunder of our September 17 event, so for everybody who wants to hear the full answer, that's the event that you should participate, but we feel very excited.

Personally, I feel much more confident. I've been on the road visiting our major customers around the world, and we're getting access to a lot more people, technology, marketing people, the whole engagement has changed because now we validated, I think, the technology. Now the issue is can we get the right product or the right formulation that they want to launch?

And can we fall into their reformulation plans whenever they do their big brands, be it in Personal Care, be it in Coatings, or even some of the Life Science. So the feedback has been very positive. I can say, hey, the silicone replacement in Personal Care is looking really exciting.

Now expanding the modified multifunctional starch, extremely exciting work that we're seeing the feedback very strong and beyond. We were focusing on carbomer replacements of microplastic acrylic based thickeners and all that, but now in the sensorial. There is a lot of other benefits there that people are excited about. So skin, it's not just for hair, but now also in skin, we got both of those markets really moving well.

The Super Wetters is now going through a lot of different markets. One area that we weren't thinking of moving that quickly was in Personal Care, and actually now we found a home in terms of ethnic care for applications to be able to wet and condition hair much faster.

I think as Alessandra mentioned in the TVO for AG, we have it in the seed coatings are working now in the oil dispersants that's also very exciting. The Super Wetter is doing well over there. I'm personally, and I am biased. I'm really excited by the work that coatings is doing. It really is more of my prior history.

The TiO2 spacer technology we're working very well received by customers. We haven't sampled that one yet because we were getting all the IP. That process is going, but I will say, I mean, extremely exciting.

Just those examples that I mentioned, we're talking about a very big market potential, and that will be the theme of the meeting. Silicones in Personal Care, it's an $800 million market. There's a lot of opportunity. This is not a $3 million, $4 million option. We're trying to target some big opportunities.

If you look at rheology, acrylic type chemistry, synthetic chemistries, being able to replace that huge $400 million or $500 million of business that we're going up. TiO2 replacement, if we can get 10% to 20% TiO2 efficiency, you can do the math on how much TiO2 in different types of paints and architectural.

So AG also very large market. So that's the issue here is scale. And what I would add that I'm excited about is for the external world, we've been talking about the new technology platforms. In the future, you're going to hear us talk about technology platforms because there's a lot of other things now that we are going into our old technology and we see opportunities to also go after scalable, and especially in the low six area, I think change the game over the next couple of years, how do we move on to new things that we can bring to the technology. Not a lot of innovation in that space for a long time, and I'm very excited about that.

Operator

Stephen Haynes, Morgan Stanley.

Steven Haynes - *Morgan Stanley - Analyst*

Good morning, everyone. Thanks for taking my question. Lots been covered, so maybe just a quick one on Life Sciences. I think somewhere in the materials we talked about customer order timing benefiting the quarter. Just to clarify, was that capturing something that was pushed out of the second quarter or was that pulling forward? Something from 4Q?

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

Alessandra, you want to comment?

Alessandra Assis Faccin

Yeah, so to some extent from the second quarter but as I mentioned, if you look at across second, third, fourth quarter, we target mid-single-digit growth, and that's what we expect in looking across the year and across those quarters.

We're talking about the fundamentals, right? The market is stable. We are seeing the great momentum with Globalize, Innovate, with the growth on Injectables and logics portfolios. So definitely, it is the underlying fundamentals are there and the order pattern wasn't no material.

Operator

Abigail Eberts, Wells Fargo.

Abigail Eberts - *Wells Fargo Securities LLC - Equity Analyst*

Hi there. Thanks for taking my question. Just wondering if you could speak more regarding the end fundamentals that you're seeing, end demand fundamentals you're seeing in the nutrition business and what led to that decline for you specifically?

Alessandra Assis Faccin

So, Nutrition, we're talking about the projects we have and working with customers on new applications with a focus on improving our mix as well, more towards an improved mix. And the new winds, they are coming, but they're coming lower than what we anticipated. So, we see the momentum with the new applications is just coming slower than what we anticipated.

And, basically, as we're talking about Nutrition in the past, right, from the non-meat applications, this is a market that hasn't materialized, right? The growth isn't there, so we definitely focused on other applications with our Nutrition portfolio. And we are seeing that. It's just the winds are coming is lower than what we anticipated. But in the third quarter specifically, just looking at Nutrition, the revenue was stable. It was not a decline.

Operator

Mike Harrison, Seaport Research Partners.

Mike Harrison - *Seaport Global - Analyst*

Hi, good morning. Just one for me. I'm curious in the globalized portion of your strategy. It looks like you're getting good traction with the current round of investments. I believe you made those going back a couple of years.

So I'm curious, do you still see that there are some gaps or areas that are going to be in need of further investments? And what could the timing look like on an additional round of globalized investments? Thanks.

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

I think we've made a lot of the big investments if you look at it, and if I go by business, so Microbial Protection now we have, as Jim said, every region in Brazil, in North America, in Europe, in Asia, we have local supply and that changes. It's not just the active. We back integrated also on some of the key actives, so we got a better cost structure as we go forward. So it puts us in a much more competitive position and allows us to formulate locally using local raw materials, so there's a lot of benefits to that.

Biofunctionals, we now have in Europe. We have capabilities that we're going to add in Brazil; we have capabilities and in China, I think the US, that would be one that we want to bring in production here too so that we can work and be closer to our customers. Those are not big investments, but we'll bring in that capability at the right time.

I think in tablet coatings, as Alessandra mentioned in her comments, India, that's a big market for us, so we should have the new plant. They will do the groundbreaking middle of next year, we should be in production. Customers are very excited about some of the products that we've been introducing, but you got be local to really to play in that area.

And I would say we made most of the investments already in the injectable side. I think in Ireland, the investment we made was oversized so that we can continue to build samples, but now we're already getting our first commercial sales and that started to ramp up so we're well positioned there.

And in the high purity excipients for Injectables, sugars and other products that cyclodextrin, we made the investment here in the US in Columbus, Ohio, and we're ramping up production there, so we're in a good place. Maybe that's something as we grow, we could put it in another region in the future, but that would be further out.

So I would say biofunctionals and the tablet coatings would be the areas that I would see some investments there. Hopefully, I think the issue is going to be with new technologies coming in. I think that's the one that we'll probably look at investments to globalize those product lines as a commercialized.

Operator

Okay, thank you. This concludes the question-and-answer session. I would now like to turn the call back to Guillermo for any closing remarks. Guillermo?

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

Thank you, everyone, for your participation and questions. We look forward to connecting with everybody over the coming weeks. And most importantly, I look forward to updating you on September 17 on the webinar on innovation update on the progress that we've made on those new technologies. So, look forward to seeing you in the near future. Thank you.

Operator

Thank you for your participation in today's conference. This does now conclude the program. You may now disconnect.
