

LSEG STREETEVENTS

# EDITED TRANSCRIPT

ASH.N - Q2 2026 Ashland Inc Earnings Call

EVENT DATE/TIME: APRIL 29, 2026 / 1:00PM GMT

## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

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

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

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

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

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

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

## CONFERENCE CALL PARTICIPANTS

**Joshua Spector** *UBS AG - Analyst*

**Kevin Estock** *Jefferies LLC - Analyst*

**Jeffrey Zekauskas** *JPMorgan Chase & Co - Analyst*

**Michael Sison** *Wells Fargo Securities LLC - Analyst*

**Steven Haynes** *Morgan Stanley & Co Ltd - Analyst*

**Chris Parkinson** *Wolfe Research LLC - Equity Analyst*

**David Begleiter** *Deutsche Bank AG - Analyst*

**John Roberts** *Mizuho Securities USA LLC - Analyst*

**Mike Harrison** *Redburn Partners LLP - Equity Analyst*

**John McNulty** *Bank of Montreal - Analyst*

## PRESENTATION

### Operator

Good day, and thank you for standing by. Welcome to Ashland's second quarter 2026 earnings call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to your first speaker today, Sandy Klugman, Director of Investor Relations. Please go ahead.

---

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

Thank you. Hello, everyone, and welcome to Ashland's Second Quarter Fiscal 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 Assis, 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 the webcast materials available at [ashland.com](http://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 and 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. I'll start with a brief overview of our second quarter performance, then William will review the financials and outlook, followed by a deeper business unit detail with the team.

Please turn to Slide 5.

Overall, second quarter results reflect resilient underlying commercial performance amid stable demand conditions with pricing and portfolio mix action remaining a central focus across the organization.

Life Sciences delivered steady results supported by resilient pharma demand. Injectables, tablet coatings and high-purity excipients continued to drive growth, marking a fourth consecutive quarter of volume gains. Progress across our innovate and globalized pillars remain strong with continued adoption of differentiated new product introductions.

Personal Care generated broad-based portfolio growth, driven by strong volume gains and execution across biofunctional actives, care ingredients and microbial protection. Biofunctional actives delivered robust double-digit year-over-year growth, while microbial protection continued to gain share following our globalized investments.

Specialty Additives operated in a mixed market environment. Coatings volumes grew year-over-year, reflecting share gains and new product traction, while construction sales remained lower, reflecting deliberate portfolio mix actions and slightly softer demand.

Overall results returned to flat year-over-year, which is an important step forward given that we have not yet fully lapped our prior year China impact. Intermediates operated in a stable but trough level environment with results impacted by both commercial and operating effects of the Calvert City outage.

The team will cover more later, but operational performance was impacted by specific issues during the quarter, all of which are internal and not reflective of underlying demand trends. Despite these headwinds, commercial execution across much of the portfolio was solid, and we continue to see encouraging demand trends in Q3.

Please turn to Slide 6.

I'll now walk through our second quarter results, which reflect disciplined execution across the portfolio in a mixed market environment. Teams remain focused on cost control, operating discipline and customer service while managing through operational headwinds during the quarter.

Structural actions taken over the past several years continue to support the underlying economics of the business, even as near-term performance was pressured by temporary execution challenges. Working capital was a key strength in the quarter, driving strong operating cash flow and reinforcing our focus on cash discipline.

Looking across the portfolio, the quarter demonstrated resilient underlying performance and continued progress in strengthening the business foundation with demand conditions generally stable across the portfolio and margin pressure primarily driven by specific operational issues rather than end market weakness.

Please turn to Slide 7.

First, our consumer-focused businesses, principally Life Science and Personal Care continue to provide stability, supported by resilient end market demand.

Second, innovation and globalization initiatives are gaining traction with accelerating momentum in higher-value applications across the portfolio. Innovation has already exceeded our full year target after two quarters, reflecting the strong pipeline execution and commercialization.

Third, structural actions taken in prior periods are now embedded across the business, enhancing margin durability and positioning the portfolio to benefit as operating conditions normalize. Teams remain focused on disciplined execution and targeted corrective actions.

Before turning the call over to William, I want to emphasize 3 themes for this quarter: resilient consumer-focused demand, accelerating innovation and globalization momentum and continued commitment on improving execution.

I'd like to now turn the call over to William to provide a more detailed review of our second 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. Second quarter sales were \$482 million, up 1% year-over-year, reflecting resilient demand conditions across much of the portfolio. Volumes were relatively stable overall with growth in Personal Care offsetting softness in Intermediates, while Life Sciences delivered steady performance.

Pricing declined modestly year-over-year, primarily reflecting carryover impacts from prior period pricing actions supporting targeted share gain activity generally across the segments. Foreign exchange was a meaningful tailwind, contributing approximately \$16 million or 3% to reported sales.

Adjusted EBITDA was \$98 million, down 9% year-over-year, reflecting approximately \$10 million of previously disclosed temporary impacts, including the Calvert City start-up delay and weather-related operational disruptions during the quarter.

Excluding these discrete items, underlying performance reflected softer pricing, offset by disciplined cost control and foreign exchange benefits, consistent with the resilience we are seeing across the portfolio. As previously discussed, Calvert City impacted results in the second quarter. Repairs are now complete and the facility is back online.

Adjusted EBITDA margin was approximately 20%, down 220 basis points year-over-year, largely reflecting these temporary operational disruptions. Adjusted EPS, excluding intangible amortization, was \$0.91, down 8% year-over-year, consistent with the EBITDA decline. Cash generation and conversion was notable strength in the quarter.

Cash flow provided by operating activities totaled \$50 million, up from \$9 million in the prior year, driven by disciplined working capital management, including meaningful inventory reductions. Ongoing free cash flow was \$29 million, representing solid conversion driven by working capital improvements and reduced capital expenditures.

We ended the quarter with total available liquidity of approximately \$939 million and net debt just over \$1 billion, resulting in net leverage of roughly 2.7 times. The balance sheet remains strong, 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 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 sales were \$172 million, flat year-over-year. Results reflect resilient pharmaceutical demand, partially offset by softness in select non-pharma end markets and modest pricing pressure.

Pharma delivered low single-digit growth for a fourth consecutive quarter supported by strength across differentiated cellulose excipients, injectables and tablet coatings. Outside of pharma, nutrition and other non-pharma markets remained softer, reflecting customer order timing rather than underlying market deterioration.

Pricing declined modestly year-over-year, largely reflecting carryover impacts from prior period actions while remaining stable sequentially. Foreign exchange contributed approximately \$6 million to sales during the quarter. Looking at our globalized initiatives, Injectables continued delivering quarter-over-quarter growth with a record second quarter results.

Positive lead indicators on sales pipeline, new product uptake and new orders signal continued growth momentum in this high-margin segment. Coatings continued its double-digit growth trajectory versus prior year, fueling capacity release initiatives.

Turning to innovation. Growth was supported by expanding adoption of low nitride oral solid dosage excipients and high-purity injectable and bioprocessing products. New product success in this segment reinforced Echelon's differentiation in regulated, high value markets fully aligned with our growth strategy.

Looking ahead, we have positioned the second half of the year for multiple new product launches across oral solid dose injectables and Crop Care, supporting sustained growth and portfolio renewal. These initiatives continue to reinforce portfolio differentiation and long-term growth opportunities. Turning to profitability.

Adjusted EBITDA was \$50 million, down 11% year-over-year. Adjusted EBITDA margin was 29%, reflecting the combined impact of modestly lower pricing and higher costs, including approximately \$5 million of weather-related disruption and Calvert City start-up delays during the quarter. These headwinds were partially offset by favorable mix, disciplined execution and foreign exchange, which contributed approximately \$3 million to EBITDA.

Importantly, underlying pharma demand remains resilient and recently announced pricing actions are now being implemented across the portfolio. Life Sciences continues to benefit from durable end market fundamentals, strong customer engagement and sustained momentum across our Innovate and globalized pillars.

Please turn to Slide 11 for Intermediates.

Intermediates operated in a challenging but stable trough market environment, consistent with expectations entering fiscal year 2026. Demand conditions remain stable with sales and pricing at trough levels across the BDO value chain. Sales were \$35 million, down 5% year-over-year, reflecting continued pressure across the BDO value chain and commercial and operating impacts related to the Calvert City outage.

Merchant sales were \$26 million compared to \$27 million last year as our relatively steady volumes were partially offset by modest pricing pressure and disciplined commercial actions, including controlled merchant activity. Captive BDO sales were down approximately \$1 million year-over-year, primarily reflecting the Calvert City impacts during the quarter.

Foreign exchange provided a modest \$1 million benefit to sales in the quarter. Turning to profitability. Adjusted EBITDA was \$5 million, up from \$2 million in the prior year quarter. The improvement reflected disciplined cost management and favorable manufacturing input actions, which more than offset Calvert City-related impacts and ongoing pressure across the BDO value chain.

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 resilient results, supported by broad-based demand and strong execution across the portfolio. Sales were \$150 million, up 3% year-over-year or 4% on a comparable basis, driven by growth across all three business lines. Biofunctional actives delivered another quarter of double-digit growth, supported by continued adoption of Collapeptyl and customer expansions across Europe and North America.

Microbial Protection delivered robust growth across the portfolio and geographies, driven by new customer wins and continued share expansion. Within Care Ingredients, the portfolio remained resilient with strong growth across hair and skin care categories, particularly in Asia Pacific and Latin America.

Previously reported customer-specific outages from the prior quarter have now returned to more normalized levels. Foreign exchange contributed approximately \$5 million to sales during the quarter.

Turning to innovation. Biofunctional Actives recently launched Eternight, our 2026 flagship ingredient. Eternight targets key skin longevity markers and was recognized with an industry award at the In-Cosmetics Global event earlier this month.

Care Ingredients launched a new hair care conditioning polymer from our Guar technology, which is already gaining customer adoption. Overall, Personal Care continues to benefit from strong momentum across our globalized and innovate platforms, reinforcing growth in consumer-focused applications.

Turning to profitability. Adjusted EBITDA was \$43 million compared to \$44 million in the prior year quarter. The slight decline was driven by operational outages from weather-related events, which were predominantly offset by volume growth and mix.

Adjusted EBITDA margin was approximately 29%, demonstrating the strength of the portfolio and benefit of ongoing commercial and productivity efforts. Foreign exchange contributed approximately \$2 million to EBITDA.

In summary, Personal Care delivered robust sales growth across all three business lines, demonstrating strong margin resilience, disciplined execution and meaningful progress across its innovate and globalize initiatives.

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*

Thank you, Jim.

Please turn to Slide 13.

Specialty Additives operated in a mixed demand environment during the second quarter with performance varying by end market and region. Overall results reflected disciplined commercial execution with targeted pricing actions supporting share gains and specific operational headwinds.

Sales were \$134 million, flat year over-year as volume growth for the second consecutive quarter was largely offset by softer pricing and the lapping of a difficult prior year comparison following share losses in China.

Breaking down the segments, Architectural Coatings returned to year-over-year growth, supported by share gains and new product traction. Volume trends improved relative to prior quarters as commercial initiatives gained momentum, while underlying demand remained generally flat with continued regional variability.

Construction volumes were lower, reflecting deliberate portfolio mix management actions associated with network optimization and relative muted end market demand. Other end markets were mixed with volumes growth in Performance Specialties offset by softer energy demand tied to customer-specific impacts in the Middle East.

Pricing declined modestly year-over-year, reflecting targeted share gain opportunities. Foreign exchange contributed approximately \$4 million to reported sales.

Turning to profitability. Adjusted EBITDA was \$16 million, down from \$26 million in the prior year quarter. Adjusted EBITDA margin was 11.9%, reflecting softer pricing and higher manufacturing-related costs, including approximately \$2 million from weather-related disruptions, a discrete bad debt reserve related to a Middle East energy customer as well as productivity challenges associated with the Hopewell scale-up, notably regarding the HEC scale-up.

Product quality and customer service levels have been maintained and achieving profitable scale remains a key operational focus. While near-term performance has been impacted, these actions are expected to enhance long term reliability and cost efficiency across our cellulose network.

All other sites continue to operate reliably and our global network supported uninterrupted customer supply. Overall, the focus remains on targeted actions to improve operational performance, strengthen cost control and advance differentiation across the applications, positioning the business to benefit as market conditions normalize.

With that, I'll turn the call back to William.

---

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

Thanks, Dago.

Please turn to Slide 15.

Given recent geopolitical developments in the Middle East, I want to briefly highlight how Ashland is positioned in this environment. Starting with exposure. Ashland's direct exposure is limited and manageable. The Middle East and North Africa represent approximately 5% of total sales, largely concentrated in Turkey and Egypt, and we have no manufacturing footprint in the region, which significantly reduces operational risk.

From a cost perspective, Ashland is structurally advantaged. We are less reliant on petrochemical and energy-intensive feedstocks across our portfolio. Energy-intensive inputs represent roughly 15% of sales with the majority sourced from North America, supporting lower cost volatility and more resilient margins as energy prices fluctuate.

The team is advancing pricing actions to address cost escalation. And given the additives represent a relatively small share of our customers' overall cost structure, we expect to be able to recover these increases.

From a demand standpoint, visibility remains solid, supported by a strong order book and a portfolio concentrated in resilient consumer-facing end markets, including Pharma and Personal Care.

Finally, based on prior dislocations, we expect security of supply to become increasingly important to our customers. Ongoing geopolitical disruptions, antidumping actions and reassessments of single region sourcing are reinforcing the value of reliable diversified supply chains, positioning Ashland as a preferred partner for critical applications.

Taken together, while the environment remains dynamic, Ashland's limited exposure, advantaged cost structure, resilient demand profile and supply chain reliability position us well to manage volatility.

Please turn to Slide 16.

I'd like to spend a few minutes on our execute agenda with a specific focus on manufacturing, including the challenges we encountered at Hopewell, our progress across the broader commitment and how this ties to our longer-term cost savings targets.

Starting with Hopewell. Our HEC scale-up has progressed more slowly than planned, which impacted second quarter performance. As Dago mentioned, our product quality and customer service have been maintained.

However, productivity, yield and cost performance did not ramp as expected. These challenges are execution related and internal, and we have taken targeted actions to address them, including tightening operating discipline, increasing leadership focus on the site and advancing specific technical work streams.

While productivity has been below expectations, results have stabilized, and we are seeing sequential improvement. We continue to take targeted actions, though the financial benefits will take time to flow through the results.

Importantly, the issues at Hopewell do not change the strategic rationale for the consolidation. The site remains critical to simplifying the network and lowering the structural cost base of our cellulose platform. Outside of Hopewell, manufacturing optimization efforts continue to progress in line with expectations.

VP&D and small plant consolidation initiatives remain on track with benefits weighted towards the second half of fiscal 2026. As a result of timing delays at Hopewell, our fiscal 2026 manufacturing optimization benefit has been reduced by approximately \$10 million to \$12 million.

That reflects delayed realization, not a reduction in the underlying opportunity. Stepping back, our longer-term manufacturing optimization targets remain intact. We continue to expect \$50 million to \$55 million of sustainable annual cost savings with an opportunity to reach approximately \$60 million as China volumes recover.

Execute remains a core pillar of our strategy, focused on simplifying the footprint, improving reliability and strengthening cost competitiveness. While near-term execution has been uneven, the actions underway are designed to ensure we deliver the full value of the program over time.

I'll address how this translates into our outlook and expectations for the remainder of fiscal 2026 in a moment.

Please turn to Slide 17.

I'd now like to briefly update you on the progress across our globalized and innovate platforms. Starting with Globalize. Performance has accelerated year-over-year with incremental contribution increasing approximately \$8 million to \$11 million fiscal year-to date.

Globalized businesses delivered double-digit year-over-year growth in the quarter and incremental sales are ahead of plan to date, reflecting continued traction from prior investments across our regions. Turning to Innovate, momentum has been even stronger. Innovate has already exceeded its full year target after just two quarters, reflecting accelerated commercialization across the portfolio.

Performance has been supported by continued strength in high-purity pharma excipients with emerging contribution from GLP-1-related applications. In the quarter, Innovate delivered approximately \$10 million of incremental sales, taking us past our original \$15 million full year target. This reflects the strength and depth of our innovation pipeline, particularly in pharma cellulosics, as well as successful new product introductions across other parts of the portfolio.

Based on the progress to date, strong executions across both platforms reinforce our confidence in delivering our fiscal 2026 \$35 million combined revenue commitment from Globalize and Innovate.

Please turn to Slide 18.

I'll now walk you through our updated fiscal 2026 outlook, which reflects current operating conditions and a prudent view on near-term execution while maintaining confidence in the underlying strength of the portfolio.

For fiscal 2026, we are updating our guidance as follows; For sales, \$1.835 billion to \$1.870 billion and adjusted EBITDA of \$385 million to \$400 million. We also expect adjusted EPS growth to be mid-single to high single-digit growth and ongoing free cash flow conversion of approximately 50% of adjusted EBITDA.

The updated outlook reflects softer energy-related demand tied to the Middle East conflict, reduced EV-driven demand and slower-than-anticipated productivity at Hopewell. This is partially offset by resilient demand in core end markets, ongoing price actions and continued growth across our globalized and innovate platforms.

In addition, key assumptions underlying the outlook include Life Sciences and Personal Care are expected to remain resilient, supported by stable end market fundamentals, continued portfolio progress and encouraging early third quarter demand trends.

Specialty Additives and Intermediates markets remain stable at trough levels with any recovery in Coatings expected to be gradual and regionally uneven. Raw material and logistics costs are trending higher, reflecting geopolitical-driven volatility, although recent pricing actions are expected to offset these impacts. Performance remains second half weighted, consistent with historical seasonality.

Given these factors, we believe it is appropriate to remain prudent while continuing to manage production, inventory and free cash flow with discipline.

With that, I'll now turn the call back to Guillermo to discuss our technology platforms and share some closing thoughts before we open the call for questions. Guillermo?

---

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

Thank you, William. Innovation remains a core driver of Ashland's long-term value creation and the progress we're seeing in fiscal 2026 reinforces the strength of our pipeline.

Slide 19 highlights three innovation platforms that demonstrate how we are translating science into scalable, differentiated growth opportunities across multiple end markets. Importantly, these are scalable technology foundations supported by customer collaboration, regulatory progress and clear paths to commercialization.

Starting with transformed vegetable oil. This platform continues to move towards early commercialization. Customer trials are progressing in crop care, regulatory milestones are being achieved and TVO-based solutions are expanding into Personal Care, Coatings and industrial applications.

Turning to super wetting agents customer feedback remains strong, particularly in Personal Care. Originally developed within Specialty Additives, this PFAS-free, silicon-free technology is expanding across multiple end markets.

Finally, bioresorbable polymers continue to gain momentum across high-value medical applications, including long-acting injectables and medical devices. Beyond these platforms, we continue to advance adjacent innovation programs across Personal Care and Coatings, including new multifunctional starches, pH neutralizers and next-generation rheology solutions with multiple global launches planned in fiscal 2026 and early regulatory progress supporting broader commercialization.

Taken together, these platforms demonstrate Ashland's ability to translate science into scalable growth, combining strong technical capabilities, global manufacturing expansion and deep customer relationships to support value creation over time.

Please turn to Slide 20.

As we look ahead, I want to briefly outline the leadership priorities guiding our actions as we strengthen the foundation of the business and position Ashland for sustained performance beyond 2026. Our full year expectations reflect both the underlying strength of our portfolio and the reality that our operating performance this year has fallen short of our standard.

While the market environment remains mixed, the fundamentals of the business continue to provide resilience.

Performance in the second quarter was impacted by specific internal manufacturing challenges. These issues are disappointing, but they are internal and within our control and addressing them is a top priority for the leadership team.

We are making targeted disciplined actions to improve operational reliability, cost performance and consistency of execution.

At the same time, several elements of our strategy continue to progress. As William highlighted, innovation and globalize momentum remains strong. Cash generation and balance sheet discipline remains central supporting resilience in a volatile macro. Portfolio simplification and structural actions are strengthening the foundations for improved performance as execution stabilizes.

As we move forward, our priorities are clear: operate safely and reliably with a focus on consistent customer service, stabilize and improve manufacturing execution, execute pricing actions to offset raw material inflation while actively managing supply chain volatility to strengthen resilience, convert innovation momentum into commercial results using our global platforms.

Fiscal 2026 is a year of strengthening the foundation. While near-term manufacturing performance has fallen short of our expectation, the strategy remains sound and our actions are focused on restoring delivery against our commitments.

With a more focused portfolio, resilient end markets and clear operational road map, we are positioned to manage near-term challenges while building towards improved performance in fiscal 2027.

I want to thank our Ashland employees for their continued commitment during a demanding period. And I thank our shareholders for their continued engagement and support. Operator, please open the line for Q&A.

---

## QUESTIONS AND ANSWERS

### Operator

Thank you. At this time, we will conduct the question-and-answer session. (Operator Instructions)

Josh Spector, UBS.

---

**Joshua Spector** - UBS AG - Analyst

Yes, hey, good morning. I was wondering if you could talk a little bit more about price/cost dynamics. I think from the prior energy cycles, you guys have been a bit more of a beneficiary because of some of your back integration and then it's just a matter of timing for pricing to catch up. But you've lowered your sales guidance for a couple of different reasons rather than raising it with higher pricing. So I'm curious if you could talk about that a bit more around how you expect that to play out in the second half or if that's a little bit more of a longer duration thing or if I'm just thinking about it in the wrong context here.

---

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

Thanks, Josh, for your question, a critical question in this environment. Let me answer first on pricing and then on how we adjusted some of the guidance. So first and foremost, on the pricing, we're moving. We've announced each business is executing on that, given cost differences in different regions. It's region by region, product line by product line that we're doing it.

Like in 2022, we're moving quickly. We're not a big part of the cost of our customers. We're not as petrochemical exposed so our increases overall to cover cost is not that significant. So the quicker we can move, get out of the way of our customers, they've got bigger problems that they need to address. That's our objective.

So we are moving at that, and we're already starting to get some of that benefit and will start flowing through this month and into the coming months. Also to clarify, we're moving both on price increases and surcharges. That depends on contracts, how we need to move. I think the market understands the dynamics.

Obviously, you have to do the dance with customers on timing, magnitude and all that, but we're making very good progress. If you look at our guidance, I think it's a very uncertain environment right now with many things.

So our trim of the high end of the sales guidance was really more driven by things we know. Energy & Resources, it's not a big part of our overall exposure, but we do have some business in the Middle East, and we're seeing that coming down both in terms of sales.

Also, we had some credit issues, but we believe will recover later on. But right now, in this environment, I think it is having a little bit of impact and also, we're seeing a lot of delays in the EV projects for intermediates.

So that's basically what's driving it. On the pricing side, it is an upside. And we didn't put it up or factor that in, but there's still a lot of uncertainty in the macro market. And I think the biggest issues that we're looking at is will demand start picking up again in North America, for example, Coatings. North America and Europe, we're not seeing any improvement so we want to be prudent on that so I would keep the pricing dynamic more of an upside in these numbers.

---

**Joshua Spector** - UBS AG - Analyst

Okay. That's helpful. Maybe just quickly within Life Sciences. I think you noted the downturn you saw in Nutrition and talked about customer order timing. And I know that's relatively small, but do you have visibility to that coming back? Because I think most of your comments broadly where demand was more resilient across Life Science and Personal Care, and that's kind of maybe one outlier to that dynamic.

---

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

Yes. No, we're trying to be transparent on the specific segments. I'll ask Alessandra to comment. But overall, I would say Life Science and Personal Care are moving positively. We're not talking, for example, we've lapped all the things, but just to be clear, in the case of Personal Care, as an example, we did have some sales last year so the growth is actually a little bit stronger. So overall, all the segments are doing pretty well. But Alessandro, if you want to talk -- it's not a big issue.

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

Yes. Just talking a little bit about the non-pharma nutrition. So we have had, as we talked about, we have had recent wins and the ongoing commercial activity does support the growth that we are projecting for the third and fourth quarter. Josh, it is timing. There was some order timing on Nutrition, but we are confident on the wins that we're seeing and the commercial activity. It is just a timing, but we see the improving traction.

**Operator**

Laurence Alexander, Jefferies.

**Kevin Estock** - Jefferies LLC - Analyst

Hey, good morning. This is Kevin Estock on for Laurence. Thank you for taking my question.

Just on your revised outlook, so \$385 million to \$400 million EBITDA, I guess, could you help frame what sort of what needs to go right from here to get to the top end of that range, maybe particularly around like operations and pricing realization?

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

I think as we said in the other one, pricing is an upside. So the net impact of pricing and macro demand outlook and it's probably mostly in Specialty Additives and Intermediates. There is opportunity for some upside there. Those are the 2 big things, and we're just being prudent and conservative in terms of not including them at this time given the uncertainty. And we're listening to our customers. If you look at the Coatings customers in North America, Europe, everybody is being more prudent. So I think it's better to be prudent and perform on the upside if those markets get strength.

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

Just to add a little bit more, as you think about the range on the guidance, it's mostly on the sales side. So as you look at the lower end of it, at the low single-digit year-over-year growth rate, most of that's driven by some of the activity on the pricing side, which, of course, then implies flattish volumes otherwise. But as you look on the higher end of it, it's closer to a 6% to 7% sales growth rate, and it's balanced across both volume and price. And as you look at the volume side, credit to the team, it's been a really strong start on the Globalize and Innovate, and we expect that to continue. So what gets you on the higher end is your delivery growth outside of the Global and Innovate.

**Operator**

Jeffrey Zekauskas, JPMorgan.

**Jeffrey Zekauskas** - JPMorgan Chase & Co - Analyst

Thanks very much. If you total up all the onetime events in Specialty Additives in the quarter, how much was that? And do you expect Specialty Additives operating income to grow in the third quarter?

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

So Jeff, two comments that I would say, in line with the question, but I'll broaden it a little bit. The bigger year-to-date impact was the Calvert City, which impacted all the business, mostly Life science and Personal Care. And that was equipment failure, downtime. It was just waiting to get the equipment delivered. It was just the lead times.

There was nothing that we were doing in that period of time other than waiting. So it was more of an absorption impact, and that was the bigger impact for the full year. And obviously, we have a little bit of the weather and all that but focusing on Calvert and Hopewell.

Calvert was the big one. That plant is back on stream and producing did impact sales per se, but a lot of absorption. We're moving back. Hopewell had some impact in this quarter, but it's really moving forward. Our production rates are not where we want them to be.

So the plant is operating. The budget is above our expectation and the production rates. We're not producing at the rate we want. So again, from an absorption perspective, those are the big impacts. I would say between the two, I would say 20-ish, between the weather and Calvert on the front end and another \$10-ish on the Hopewell in the back end, just to be very high level on some of those products.

To be very clear, all the other areas are performing per our expectation. If - would have - should have - could have, but \$30 million is an internal issue, does not reflect some of our overall core performance.

So overall, this should have been a much better year. We're very frustrated, obviously, as everybody is on our operating performance, but those are internal things. We're working them.

As I said, Calvert is back online, and we already have the resources, the investments in place going on in Hopewell to get the productivity back in line. The other issue that I would point out in terms of our EBITDA impact is we are not planning to make significant inventory rebuild, okay?

Given the uncertainty, we are focused right now on specific product lines. The Calvert City outage did help us bring down inventories and normalize them. There are specific products that we're going to build up. Similarly, with the HEC, we built up inventories for the Parlin transition, and that is coming. And we will build on specific product lines, but it's not a broad base.

We feel very good of all the changes that we've made in the sense of timing. We've reduced the overall cost structure of the company. Parlin is out. We've reduced the operation of specific units in our BT&D network. All that has reduced our cost base and our need for absorption.

So that puts us in this uncertain environment in a better, more stable operating environment in terms of our normal production rates that we need to do. So these are specific plant issues that we're addressing at this moment.

---

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

And Jeff, on the specific question around Specialty Additives operating income or EBITDA in the second half, a key piece of the Hopewell adjustment, right, the 10 million to 12 million that we cited material sits within Specialty Additives. So on that basis, I would expect Specialty Additives down year-over-year.

---

**Jeffrey Zekauskas** - JPMorgan Chase & Co - Analyst

Okay. And then in the Intermediates and solvents area, there have been all of these different duties that have been placed on US producers and offshore producers in Europe. Does that affect you? And when you think about the EBIT or EBITDA generation of I&S, what's the trajectory from here? Are we going down or up or nobody can tell?

---

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

So Jeff, I would say two things. And I would split up our back integration, which is BDO related and the competitive dynamics.

So BDO costs are increasing for China overall production. – We're in this business to support our VP&D back integration that should be favorable from a competitive environment perspective because the cost structure for Europe and Asia is going up. We're mostly US-based natural gas, butane based so we're in a good position. So that's favorable for the entire company.

If you look at specifically Intermediates, we don't sell a lot of BDO. It's more the derivatives. We are seeing pricing. The business is operating stably in the trough, We've been in the trough now for several quarters, but it's stable. I think the issue right now is as price inflation comes, that will drive some improvements. Hopefully, given our lower cost structure, that will be an upside potential.

Just today, Alessandro was mentioning the BDO numbers came up. So prices are increasing overall in the US, 5% to 6%. So there is good momentum to support but I don't know if you have anything else you would add, Alessandra.

---

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

Yes. No, that's right. We announced price increases this month we are implementing. And Guillermo, as you mentioned, right, the cost implications, US versus China are different.

And we do see a market stabilization and less erosion from a pricing standpoint. Prices are have started to move up with the cost implications. But availability remains It's basically this market are different when we look at, when you compare to other markets that other segments, right, being impacted by the Middle East conflict.

So definitely, even though costs are going up, there's still a supply-demand dynamics and not a lot of impact from availability. The availability is not changing significantly in this market with the Middle East conflict.

So we are moving forward with prices increases, but of course, managing the supply-demand dynamics.

---

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

And Jeff, on the margin side, we did slow down Lima as part of the Calvert City because obviously, that feeds into the Calvert City so we had to slow that down.

So it did have an impact in terms of absorption. But all that is now normalizing with Calvert City picking up so the cost side should be more normalized as we move forward.

---

**Operator**

Michael Sison, Wells Fargo.

---

**Michael Sison** - Wells Fargo Securities LLC - Analyst

Hey, good morning, guys. Just curious how you think about 2027, I know it's a little bit early to give any specific guidance. But just directionally, what the run rate should be? And what are the pushbacks that we should see next year?

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

So Mike, just high level and then, William, if you want to give other comments.

I mean we're not ready to talk about 2027, but just high level, what we're seeing right now. Obviously, macro uncertainty is what everybody questions. We don't have a crystal ball.

But I would say if you look at this year, the business mix, we've done all the work. It is performing as we expected. All the businesses, obviously, Life Sciences and Personal Care on resilient so we would expect that to continue.

The Specialty Additives is stable. I think we're gaining volume, Coatings as an example, this year, we will get volume growth for the year, and that's about share and going back into the market. I feel very good about what Dago and the team is doing.

The response now is much more high-end response in the market. We're launching a lot of products with different price points. So we're not just dropping price. We're giving customers, hey, choices on different price points of what we can do. We can be competitive. We can change cost performance so I feel SA is well positioned to continue to drive share gain.

And obviously, the expectation is more the question would be is North America and Europe going to start to improve. We don't see China improving a lot in the foreseeable future in terms of macro demand in the construction side.

We've streamlined the manufacturing. I'll repeat it, this has been a challenging year of internal operating issues, but our cost structure, the footprint changes, all those things make us stronger, more competitive and we have a lower cost base.

So that should continue taking out a lot of these issues that we had this year, that should be additive to next year's performance. It should have been additive to this year's performance.

The Globalize and Innovate continue with good momentum so we'll still continue to work that. Then we continue to improve our systems and processes to give more visibility to our regional management teams as they start driving their P&L.

We're pushing a lot of these activities to the front line so that they can have more ownership and accountability for driving performance.

So our goals moving forward remain, if you look at the 5% growth is a target overall for the market, plus or minus a few percentage points, getting back to the 25% EBITDA margins and 55% free cash flow conversion.

---

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

And just, Mike, we don't want to be premature to get into the specifics on '27, but just a couple of things to keep in mind that we spoke to.

One, first half this year at the VLO, right, both the outage as well as the extension as well as weather, which is a \$20 million impact in the first half of this year.

Two, the team continues to do a really good job. So we're focused on Hopewell, of course, because it's not in line with our expectations, but BP&D and the small plant consolidation, all of that work is progressing.

And so you'll continue to expect some carryover benefit from that. Hopewell, the team is doing work. We're committing to improving operations, particularly in the second half this year. We'll start to get some carryover sequential benefit going into fiscal '27.

Of course, this is very dynamic on price raws. But right now, of course, that's a key piece of the carryover next year, some of the pricing activity as well as raw material.

And then to Guillermo's point, volume growth contribution, mix benefit over time as we drive to globalize and innovate.

And really, the only piece on the offset side, of course, is that we have to manage cost inflation.

So I think there are several things that point to a nice recovery going into fiscal '27 and a lot of it's in our control.

---

**Michael Sison** - *Wells Fargo Securities LLC - Analyst*

Thank you.

---

**Operator**

Steven Haynes, Morgan Stanley.

---

**Steven Haynes** - *Morgan Stanley & Co Ltd - Analyst*

Hey, good morning, everyone. Thanks for taking my question. I wanted to just come back to the price/cost dynamic for a second. Is there any way to maybe just put a finer point on the magnitude of how much price you're expecting to achieve versus how much cost is going up? Maybe I'm sorry if I missed this somewhere earlier in the call, but is the midpoint of the guidance assuming that that's neutral this year? Or is it expected to be a net positive or net negative? If you could just put a finer point around all that, that would be helpful. Thank you.

---

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

Thanks, Steven. It's a good and it's an important question. So I think, first of all, let me just anchor on what we've said in the call, and then I'll add some additional color.

So the good news for us, right, is that we purchased a number of our raws that are from the US, right? And so even those that are energy-intensive or petchem derived, a lot of that is sourced in the US. And so the way that we've been sizing this is around the percent of sales, just to help from your framework perspective.

So overall, we group energy-intensive raws as well as petchem linked raw materials and freight because freight is obviously moving to. That's roughly 20% of sales. 15% is the raw material basket, 5% is freight, so 20% overall.

So even though we are well positioned, we're, of course, not immune to what's going on in the world from a volatility perspective. Some of our processing inputs are up, of course, and that varies a great deal by product line and by region.

So if you isolate that 20% exposure of sales and assume it's up 10% to 15%, you'll get a sense of the increase that we're seeing on the cost structure. As I'm sure you can appreciate, there's lagged components, both on pricing and raws. I would say on the raws side, the lag is a bit longer.

So you do get some favorable price raws benefit in the second half on that basis because of our inventory position. But I'd say really the key piece for us is given that magnitude, 10% to 15% on that 20% of sales, the team believes it's a manageable exposure for us, and it's one that we can manage to cover.

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

And overall, I mean, we're talking, you could get 20%, put an inflation number to that. That's raw material, we're in the single digits. – It depends by region. There are product lines that are much higher. So I don't want to generalize, but 3% to 8% in general has been sort of the numbers that we've been giving, I would say, if I average out some of the numbers.

We don't want to get into specific. We're negotiating with customers and all that and the specifics, but it's a very doable number for us, and we've had a good track record in moving that through.

---

**Operator**

Chris Parkinson, Wolfe Research.

---

**Chris Parkinson** - Wolfe Research LLC - Equity Analyst

Great. Thank you so much. So just a broad-based question. When you look globally at pretty much every one of your competitors and knowing it's fairly fragmented, but across VP&D, across cellulose, across HEC, essentially every single supplier has been raising price.

And I'm a bit confused in terms of the disconnect in terms of the customer acceptance or, let's say, not acceptance as quite yet in terms of that because it doesn't seem like anybody is really budgeting into kind of the middle part of this year.

And at the same time, in certain geographies, people are potentially facing even shortages based on the fact that the supply is at fairly low availability right now.

So what are you actually hearing from your customers? Is this a when, not an if? Or just how would you kind of characterize the dynamics heading into the middle of the year?

---

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

I don't think it's an if. I mean things are moving. So we're, like I said, we're moving across the board. Everybody understands the dynamics of what's going on and we're moving.

So we're not questioning our need or ability to do the pricing. That's moving, and we expect that to deliver. What we're trying to make sure everybody understand is that we are not as petrochemical exposed.

So our numbers are the necessity. Our margin expansion isn't driven by increasing prices in this kind of environment. We want to recover our inflation, our margins so that we don't get erosion into it. And I think our customers know that.

Our overall margin performance is driven by value pricing and by managing our cost structure. And value pricing is going very well, especially as you look at some of the newer products.

The price increase inflation is going very well. Obviously, this year, we've taken a lot of strategic actions on the cost, but that's where I would say we underperformed in our internal relationship with two of the plants.

---

**Chris Parkinson** - Wolfe Research LLC - Equity Analyst

And just as a very quick follow-up, just in the Personal Care market, at the beginning of the year, I'd say the end of '25 into '26, there were some rumblings of some inventory destocking here and there.

At the same time, it does seem like you're seeing pretty substantial improvements, especially in some of the biofunctionals. What are you hearing from customers in terms of the balance of the year in terms of end market demand, inventory management? It seems like things are back on track, but what is your degree of confidence on that?

---

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

Jim, do you want to comment?

---

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

So in Q1, in the December quarter, as we mentioned, excluding some of the specific customer outages, we were up low single digit, and we continue to see momentum in this quarter as we're up low to mid-single digits.

I would unpack that into 2 parts. There's the base and then there's the actions that we're driving.

So if you look at our biofunctional actives, the base continues to perform well. And we've had really good success expanding our customer base and getting our new products adopted and ramped with customers.

Similar, microbial protection, the base is holding well, and the team has done really a phenomenal job converting our pipeline and continuing to gain share in that business line.

And even our care ingredients, that was the one that was impacted by the customer outages in Q1. They're back online, and that's going to continue to flow through the balance of the year.

So as we look out through the rest of the year, we see the market remaining relatively stable. There's the things that we're driving in our globalized business lines that we expect to continue to flow through. And then we'll continue to monitor how the base performs through the balance of the year as it is dynamic, although we still see fairly robust demand.

Thank you.

---

**Operator**

David Begleiter, Deutsche Bank.

---

**David Begleiter** - *Deutsche Bank AG - Analyst*

Guillermo, just on the price/cost fill in F Q3, how much of a tailwind is that dynamic? And what would you expect as well for F Q4? How much of a tailwind, a dollar EBITDA tailwind do you expect price loss to be for you guys in F Q3 and [F Q4]?

Thank you.

---

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

How much? I'm sorry, I didn't --

**David Begleiter** - *Deutsche Bank AG - Analyst*

How much of a tailwind? How much of a tailwind, a dollar EBITDA tailwind do you expect price loss to be for you guys in FQ3 and FQ4?

---

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

So I mean, for the price raws, the inflation, most of it will start hitting us a bit later. So our issue is getting the pricing in line.

I mean the costs are coming up and it will flow through into our inventories for now. But we want to make sure that we're getting our costs, our pricing in place to cover that as we move forward.

So we haven't really outlined specifics on the price increases and the flow-through, but that's already starting to come this month, and it's building in. So we'll be reporting more as we go forward.

But it's more of a timing issue. I would say, for the spot business, I think we'll be moving spot non-contract business, we will be moving in faster.

I think we have a lot of contract business, especially if you look at pharma and some of our bigger customers. And that's where we're working with them on the timing.

But we're not uncertain about the magnitude of the increase that we're getting at this point in time. But we don't have a specific number to give you at this point in time.

---

**David Begleiter** - *Deutsche Bank AG - Analyst*

Great. And on the revised EBITDA guidance, was there a change to incentive comp accruals for this year?

---

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

Not significant. I think the biggest issue would be on the Specialty Additives. Obviously, there was some impact given some of the operating issues, but we're working it, but it's not a significant impact overall because we, for the majority of the organization, it's business by business in terms of incentive comp.

---

**David Begleiter** - *Deutsche Bank AG - Analyst*

That's right. Thank you.

---

**Operator**

John Roberts, Mizuho.

---

**John Roberts** - *Mizuho Securities USA LLC - Analyst*

Thank you. What's the route engineering cause of the Hopewell ramp-up issues? Are you doing something differently there than at other HEC sites?

---

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

Yes. The whole issue in Hopewell, remember, we shut down Parlin. We changed the mix of the plant significantly. We had just brought on some investments in capacity at the end of last year in terms of HEC overall capacity, but the mix change is really what is driving the productivity.

So we're putting a lot of investments in, in terms of enabling the new mix. So we're producing, we're getting the products we want, but it's not at the production rates that we wanted.

And I think that's the biggest issue. But the teams are already working on it. The budgets were a little bit higher, and that is, I would say, 2 things. One is on our own performance. The other one is we are putting more resources to drive those improvements in the near term.

---

**John Roberts** - *Mizuho Securities USA LLC - Analyst*

And then in Personal Care, there was a range of growth from high single digits in Skin Care to low single digit in Oral Care and Home Care. Is there just more innovation going on in Skin Care that's driving that? Or is there something else just in the comparisons to cause the unevenness?

---

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

So it depends on the product line. Obviously, a lot of the biofunctional actives and actually micro goes into the Skin Care and those areas. So it's a product mix. And it's the base business, but Jim can give more color on especially on the base business.

---

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

Absolutely. Yes. So John, as you mentioned, I mean, a lot of our innovation and globalized businesses are both focused in skin and hair, and that is the majority of our Personal Care business, and we're seeing really nice growth in both of those segments.

In Oral Care, we also, as no surprise, we've shared it in the past, we do have sometimes order pattern timing. And so we are seeing some shift again this year in order pattern timing, fine for the full year.

And so that's driving some of maybe the lower comps on a prior year basis. And you'll see that step up as we go through the balance of the year in oral. Thank you.

---

**Operator**

Mike Harrison, Seaport Research Partners.

---

**Mike Harrison** - *Redburn Partners LLP - Equity Analyst*

Hi, good morning. I had a question on Life Sciences. The last time we went through a round of supply chain disruption and kind of an inflationary cycle, you guys ended up picking up some market share kind of temporarily in the pharma space and then you ended up giving it back.

Just curious, could we see that kind of dynamic again given maybe some of the challenges that your competitors are seeing in Europe and Asia? And how would you approach the situation differently to make sure that you're generating more durable share gain with some of your customers?

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

So Mike, let me high level and Alessandro, if you have anything specific, but just at a high level.

I mean in this level of uncertainty with the war, all the news and analysis that we're getting would be, hey, if this persists, the cost structures for China or Asia in general, India would also be impacted and also for Europe would increase.

So we are one of the few large producers in that product line from the Western world and we're US-based. There's not a lot of other production at our scale in the US. Most of our competitors are either in Europe or in China.

So there is an opportunity. I think as Alessandra said, there is not a shortage at this point in time. So that would be not an issue of cost. I think, would be more of an issue of availability, especially for Europe and for China.

So there is an opportunity that that could evolve as we move forward. I think what would we do? Obviously, I think, one, just this risk reinforces for customers the need to be balanced in terms of their supplier base and having a balance and a US-based good energy costs, good position from a cost structure is obviously a favorable reminder for everybody, and I think that plays well for us.

But obviously, we can do if that scenario starts to play out, there's things that we can do in terms of contracts and how we want to play it.

But I think importantly, we would also be very clear with everybody on what are some of these share shifts that are permanent versus that would be transitory. But we would maximize our performance as orders come in.

But if you want to -- anything else you would add?

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

Yes. As Guillermo mentioned, there is not a shortage at this time, but we are seeing as we have the largest, the broadest portfolio from an excipient standpoint in the pharma industry.

We are a reliable, high-quality supplier so definitely, we have seen in the last month. I mean, customers service about their business continuity plans, BCP plans and looking at dual sourcing. So that opens opportunities for where we didn't have participation.

So definitely, we see this as there are opportunities. And as Guillermo mentioned, making this more with long term as far as agreements.

But definitely, we expect to see Life Sciences, specifically Pharma continue to deliver healthy growth in the second half of the year and going forward, we see the resilience of the Pharma demand, and we are working on basically capitalizing on the momentum of our globalized Innovate, which are areas where we have opportunities to grow our market share.

So definitely, the disruption, we don't see a shortage, but it does bring us opportunities and our customers work on their BCP plans.

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

One last thing, Mike, just on your comment, but just broader than just the VP&D question.

I mean, there's a lot of uncertainty. And depending on how these things go, there's a lot of upside that can come in intermediates, I mean shortages. If things get worse, there's a lot of upside.

We don't have a crystal ball. We don't think it's prudent just to be overly positive with the guidance that we're giving, especially on the revenue and the core businesses, the core performance of the business portfolio.

I think we're in a healthy growth, healthy momentum, and we don't want to be overly optimistic and surprised on that side of the equation, and we're being transparent about it.

I think on the EBITDA side, same thing. If that picks up, it will translate into greater EBITDA. But again, we're going to be more conservative.

I think we're acknowledging our internal issues, but we are very pleased with all the broader external macro issues. And we do recognize that there is upside on pricing impact and that there is upside if demand tightness increases.

---

**Mike Harrison** - *Redburn Partners LLP - Equity Analyst*

Thanks very much.

---

**Operator**

John McNulty, BMO.

---

**John McNulty** - *Bank of Montreal - Analyst*

Yes, thanks for taking my question. I just wanted to revisit the commentary around the innovate part of your kind of midyear progress. So I think you were looking for \$15 million for the year, and you're at \$16 million already.

I think you did \$6 million in the first quarter of sales, that means \$10 million in the second. So clearly, things are coming in, I think, better than what you expected and you're on pace for potentially coming in double what the target was going to be.

I guess can you help us to think about where you expect to end the year in terms of a run rate, just so we can think about how some of that innovation may drive growth as we look into 2027?

---

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

I think the way you described it is sort of how we see it. I mean this is a cumulative metric for the year. So if we already gained the business and it's at a certain run rate, if it continues, we will continue with that level of performance.

So that's sort of our expectation. As a reminder, I mean, from a dollar perspective, it's a lot of the core innovations that we've been working on, and it's a very, very healthy growth, both, I would say, right now, pharma and Personal Care driving a lot of it.

But we're launching a lot of new products. So I think the opportunities for continued momentum there, both with core in the near term.

And I would highlight that I'm very excited on the progress that the team is making on some of the new platforms in significant projects, especially in Personal Care and the Specialty Additives.

In Life Science would be more ag pharma takes a longer pipeline. So it's going to take a little bit longer for those things to take off.

But all of them, we're really confident, we've proven the value, the technical and performance value of these platforms. The teams are now really working on product development, specific customer projects to tailor the technologies for them.

So both in the near term, but more importantly, in the long term, we see continued momentum there.

---

**John McNulty** - *Bank of Montreal - Analyst*

Great. Thanks very much for the color.

---

**Operator**

I am showing no further questions at this time. I would now like to turn it back to the CEO, Guillermo Novo, for closing remarks.

---

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

So thank you, everyone, for your time and your interest.

Just wanted to reiterate the 3 big points that we made. From the business side, we're really happy with the overall performance of the businesses, the market trends, be it resilient Life Science, Personal Care, stable, Specialty Additives with growing momentum around share gains, Intermediates stable on the trough with opportunities depending on market dynamics to improve, globalize and innovate very strong.

Competitive dynamics continue to be strong, but stable. So that is giving us room to really start to drive our own agenda moving forward. And we haven't seen any significant prebuying of our things.

So overall, the business side of things are moving probably stronger, on the stronger side of our expectations.

We are moving on pricing, and there is upside in terms of the financial impact there. We're muting that a little bit just with caution on demand outlook in core markets that we don't have a crystal ball, and we're not seeing the immediate recovery. Coatings, North America, Europe is a big example.

So we're following the lead of our customers and what they're saying.

And lastly, it's the real issue for the outlook changes that we have is more our operating performance and our manufacturing, 3 issues that have impacted us, 2 are behind us.

Calvert City, the equipment failure and the delays in getting the replacement equipment, which impacted our absorption, weather impacts. And right now, the big focus for us is Hopewell and getting it back on productivity.

We are frustrated with that part of the performance, but we're working on it. That's in our control. It does not represent a view of the broader portfolio or all the bigger strategic actions, and we're confident that we will be overcoming that in the near future.

So thank you for your time. We look forward to connecting with you after and answering any other questions you may have.

---

**Operator**

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

---

**DISCLAIMER**

LSEG reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

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

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES LSEG OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2026, LSEG. All Rights Reserved.