

# Ingevity beats estimates, benefits from caprolactone deal

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Ingevity reports net income of 22.7 million, down 36.6% year on year (YOY) on costs related to the acquisition of Perstorp's caprolactone business. Adjusted earnings of 99 cts/share was 25.3% higher YOY, and beat the analysts' consensus estimate by 2 cts/share, as reported by Refinitiv (New York). Net sales increased 17.7% YOY, to \$276.8 million.

"Our first-quarter performance was in line with our expectations," says Michael Wilson, Ingevity's president and CEO. "We benefited from continued strong growth in our Performance Materials segment and from price and mix improvements in our legacy Performance Chemicals applications. In addition, our newly acquired engineered polymers product line contributed significantly to the Performance Chemicals segment."

Performance Chemicals sales increased 20.0% YOY, to \$167.7 million, and segment EBITDA increased 29.7%, to \$32.3 million. The company cites the addition of the caprolactone business, which closed mid-quarter. Increased oilfield sales were driven by demand for production chemicals, while sales in industrial specialties decreased as it shed sales to low-margin applications.

Performance Materials sales increased 14.2% YOY, to \$13.6 million, while segment EBITDA increased 21.3%, to \$51.2 million. "Adoption of Ingevity's patented U.S. Tier 3 and LEV III gasoline vapor emission solutions, particularly our 'honeycomb' scrubber products, by automotive customers once again fueled growth in our Performance Materials segment," Wilson says. "Our growth in this application enabled us to achieve a record segment EBITDA for any quarter, despite reduced North American and Chinese auto production in the period."

Looking ahead, the company maintains its outlook for adjusted EBITDA between \$390 million and \$410 million. "Despite some moderate macroeconomic headwinds, we're exactly where we expected to be at this stage of the year," Wilson said. "We're working to enhance margins and profitability in Performance Chemicals, rapidly integrate the engineered polymers product line, and deliver on the growing global demand in Performance Materials. We expect to turn in another strong performance in 2019."