

# Quaker Houghton

Third Quarter 2023 Results  
Investor Conference Call



# Forward-Looking Statements

## **Regulation G**

The attached charts include Company information that does not conform to generally accepted accounting principles ("GAAP"). Management believes that an analysis of this data is meaningful to investors because it provides insight with respect to ongoing operating results of the Company and helps investors to evaluate the financial results of the Company. These measures should not be viewed as an alternative to GAAP measures of performance. Furthermore, these measures may not be consistent with similar measures provided by other companies. This data should be read in conjunction with the first quarter and full year earnings news release, dated November 2, 2023, which has been furnished to the Securities and Exchange Commission ("SEC") on Form 8-K.

## **Forward-Looking Statements**

This presentation contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements on our current expectations about future events, including statements regarding the potential effects of the COVID-19 pandemic, the conflicts between Russia and Ukraine and between Israel and Hamas, bank failures, higher interest rate environment, inflation and global supply chain constraints on the Company's business, results of operations, and financial condition, our expectation that we will maintain sufficient liquidity, remain in compliance with the terms of the Company's credit facility, expectations about future demand and raw material costs, and statements regarding the impact of increased raw material costs and pricing initiatives. These forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, intentions, financial condition, results of operations, future performance, and business, including but not limited to the potential benefits of the Combination and other acquisitions, the impacts on our business as a result of the COVID-19 pandemic and global supply chain constraints, the potential impacts of the automotive industry labor dispute, and our current and future results and plans including our sustainability goals and statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan" or similar expressions. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in such statements. A major risk is that demand for the Company's products and services is largely derived from the demand for its customers' products, which subjects the Company to uncertainties related to downturns in a customer's business and unanticipated customer production slowdowns and shutdowns, including as is currently being experienced by many automotive industry companies as a result of supply chain disruptions and labor disputes. Other major risks and uncertainties include, but are not limited to, the primary and secondary impacts of the COVID-19 pandemic, as well as inflationary pressures, including the potential for continued significant increases in raw material costs, supply chain disruptions, customer financial instability, rising interest rates and the possibility of economic recession, worldwide economic and political disruptions including the impacts of the military conflicts between Russia and Ukraine and Israel and Hamas, the economic and other sanctions imposed by other nations on Russia, suspensions of activities in Russia by many multinational companies and the potential expansion of military activity, foreign currency fluctuations, significant changes in applicable tax rates and regulations, future terrorist attacks and other acts of violence, and the impact of consolidation in our industry, including loss or consolidation of a major customer and the potential occurrence of cyber-security breaches, cyber-security attacks and other security incidents. Furthermore, the Company is subject to the same business cycles as those experienced by our customers in the steel, automobile, aircraft, industrial equipment, and durable goods industries. Our forward-looking statements are subject to risks, uncertainties and assumptions about the Company and its operations that are subject to change based on various important factors, some of which are beyond our control. These risks, uncertainties, and possible inaccurate assumptions relevant to our business could cause our actual results to differ materially from expected and historical results. All forward-looking statements included in this presentation, including expectations about business conditions during 2023 and future periods, are based upon information available to the Company as of the date of this presentation, which may change. Therefore, we caution you not to place undue reliance on our forward-looking statements. For more information regarding these risks and uncertainties as well as certain additional risks that we face, refer to the Risk Factors section, which appears in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 and in subsequent reports filed from time to time with the Securities and Exchange Commission. We do not intend to, and we disclaim any duty or obligation to, update or revise any forward-looking statements to reflect new information or future events or for any other reason. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

# Non-GAAP and Pro Forma Measures

The information included in this presentation includes non-GAAP (unaudited) financial information that includes EBITDA, adjusted EBITDA, adjusted EBITDA margin, non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, non-GAAP earnings per diluted share, and pro forma net sales, net income attributable to Quaker Houghton, EBITDA, adjusted EBITDA, and adjusted EBITDA margin. The Company believes these non-GAAP financial measures provide meaningful supplemental information as they enhance a reader's understanding of the financial performance of the Company, are indicative of future operating performance of the Company, and facilitate a comparison among fiscal periods, as the non-GAAP financial measures exclude items that are not considered indicative of future operating performance or not considered core to the Company's operations. Non-GAAP results and pro forma information are presented for supplemental informational purposes only and should not be considered a substitute for the financial information presented in accordance with GAAP. In addition, our definitions of EBITDA, adjusted EBITDA, adjusted EBITDA margin, non-GAAP operating income, non-GAAP operating margin, non-GAAP net income and non-GAAP earnings per diluted share, as discussed and reconciled below to the most comparable respective GAAP measures, may not be comparable to similarly-named measures reported by other companies.

The Company presents EBITDA which is calculated as net income attributable to the Company before depreciation and amortization, interest expense, net, and taxes on income before equity in net income of associated companies. The Company also presents adjusted EBITDA which is calculated as EBITDA plus or minus certain items that are not considered indicative of future operating performance or not considered core to the Company's operations. In addition, the Company presents non-GAAP operating income which is calculated as operating income plus or minus certain items that are not considered indicative of future operating performance or not considered core to the Company's operations. Adjusted EBITDA margin and non-GAAP operating margin are calculated as the percentage of adjusted EBITDA and non-GAAP operating income to consolidated net sales, respectively. The Company believes these non-GAAP measures provide transparent and useful information and are widely used by investors, analysts, and peers in our industry as well as by management in assessing the operating performance of the Company on a consistent basis.

Additionally, the Company presents non-GAAP net income and non-GAAP earnings per diluted share as additional performance measures. Non-GAAP net income is calculated as adjusted EBITDA, defined above, less depreciation and amortization, interest expense, net, and taxes on income before equity in net (loss) income of associated companies, in each case adjusted, as applicable, for any depreciation, amortization, interest or tax impacts resulting from the non-core items identified in the reconciliation of net income attributable to the Company to adjusted EBITDA. Non-GAAP earnings per diluted share is calculated as non-GAAP net income per diluted share as accounted for under the "two-class share method." The Company believes that non-GAAP net income and non-GAAP earnings per diluted share provide transparent and useful information and are widely used by investors, analysts, and peers in our industry as well as by management in assessing the operating performance of the Company on a consistent basis.

In addition, the Company has provided certain unaudited pro forma financial information in this presentation. The unaudited pro forma financial information is based on the historical consolidated financial statements and results of both Quaker and Houghton and has been prepared to illustrate the effects of the Combination. The unaudited pro forma financial information has been presented for informational purposes only and is not necessarily indicative of Quaker Houghton's past results of operations, nor is it indicative of the future operating results of Quaker Houghton and should not be considered a substitute for the financial information presented in accordance with GAAP. The Company has not provided pro forma financial information as it relates to the acquired operating divisions of Norman Hay plc or for any of its other acquisitions based on materiality. Pro forma results for the year ended December 31, 2019 include five months of Houghton's operations post-closing of the Combination, while Houghton reflects seven months of results for the period from January 1, 2019 through July 31, 2019. Pro forma results for the years ended December 31, 2018, 2017 and 2016, respectively, include Quaker's historical results, while Houghton reflects its stand-alone results.

As it relates to 2023 projected adjusted EBITDA growth for the Company, the Company has not provided guidance for comparable GAAP measures or a quantitative reconciliation of forward-looking non-GAAP financial measures to the most directly comparable U.S. GAAP measure because it is unable to determine with reasonable certainty the ultimate outcome of certain significant items necessary to calculate such measures without unreasonable effort. These items include, but are not limited to, certain non-recurring or non-core items the Company may record that could materially impact net income. These items are uncertain, depend on various factors, and could have a material impact on the U.S. GAAP reported results for the guidance period.

The following charts should be read in conjunction with the Company's third quarter earnings news release dated November 2, 2023, which has been furnished to the Securities and Exchange Commission on Form 8-K, the Company's Annual Report for the year ended December 31, 2022, and the Company's 10-Q for the period ended September 30, 2023. These documents may contain additional explanatory language and information regarding certain of the items included in the following reconciliations.



# Speakers

## **Andy Tometich**

Chief Executive Officer, President

## **Shane W. Hostetter**

Executive Vice President, Chief Financial Officer

## **Robert T. Traub**

Senior Vice President, General Counsel & Corporate Secretary

## **Jeffrey Schnell**

Vice President, Investor Relations

# Q3'23 Highlights

Net sales of \$491m driven by strong execution in a very challenging and dynamic environment

Delivered \$84m of adj. EBITDA<sup>1</sup>, a 20% increase Y/Y primarily reflecting an improvement in margins

Record operating cash flow of ~\$199m YTD due to increased earnings and working capital management

Strong balance sheet - leverage declined to 2.0x net debt / adjusted EBITDA<sup>1,2</sup>

Advancing our enterprise strategy to deliver profitable growth and long-term value for stakeholders



<sup>1</sup> This is a non-GAAP measure, refer to the reconciliations of our non-GAAP measures to their most comparable GAAP measures provided within this presentation and in our SEC filings

<sup>2</sup> Total gross debt, net of cash and cash equivalents divided by trailing twelve months adjusted EBITDA

# Financial Snapshot

(Unaudited; Dollars in millions, unless otherwise noted)

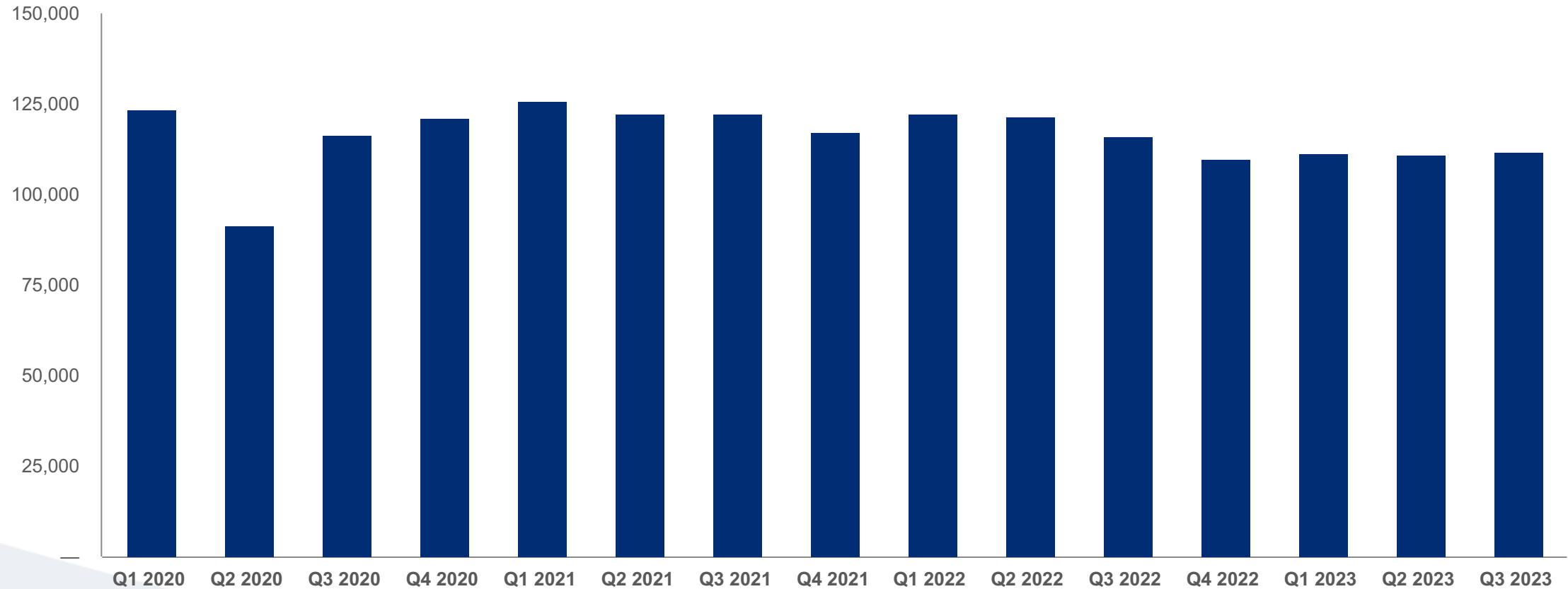
	Q3 2023	Q3 2022	Variance <sup>(1)</sup>		Q2 2023	Variance <sup>(1)</sup>		YTD 2023	YTD 2022	Variance <sup>(1)</sup>	
<b>GAAP</b>											
Net sales	\$ 490.6	\$ 492.2	\$ (1.6)	(0.3%)	\$ 495.4	\$ (4.8)	(1.0%)	\$1,486.2	\$1,458.8	\$ 27.4	1.9%
Gross profit	183.3	160.7	22.6	14.1%	177.7	5.7	3.2%	534.5	456.4	78.1	17.1%
Gross margin (%)	37.4%	32.7%	4.7%	14.4%	35.9%	1.5%	4.2%	36.0%	31.3%	4.7%	15.0%
Operating income	59.5	44.6	14.9	33.4%	56.8	2.7	4.8%	166.2	105.9	60.3	57.0%
Net income	33.7	25.9	7.8	30.3%	29.4	4.3	14.7%	92.6	60.0	32.5	54.2%
Earnings per diluted share	1.87	1.44	0.43	29.9%	1.63	0.24	14.7%	5.14	3.35	1.79	53.4%
<b>Non-GAAP</b>											
Non-GAAP operating income	\$ 61.8	\$ 50.9	\$ 10.9	21.4%	\$ 58.8	\$ 3.1	5.2%	\$ 176.9	\$ 128.9	\$ 48.0	37.2%
Non-GAAP operating margin (%)	12.6%	10.3%	2.3%	21.8%	11.9%	0.7%	6.3%	11.9%	8.8%	3.1%	34.7%
Adjusted EBITDA	84.4	70.3	14.1	20.0%	80.2	4.1	5.2%	243.4	189.2	54.2	28.6%
Adjusted EBITDA margin (%)	17.2%	14.3%	2.9%	20.4%	16.2%	1.0%	6.2%	16.4%	13.0%	3.4%	26.3%
Non-GAAP earnings per diluted share	2.05	1.74	0.31	17.8%	1.93	0.12	6.2%	5.87	4.48	1.39	31.0%



<sup>(1)</sup> Certain amounts may not calculate due to rounding

# Total Company Volume Trend<sup>1</sup>

(kilograms, in thousands)



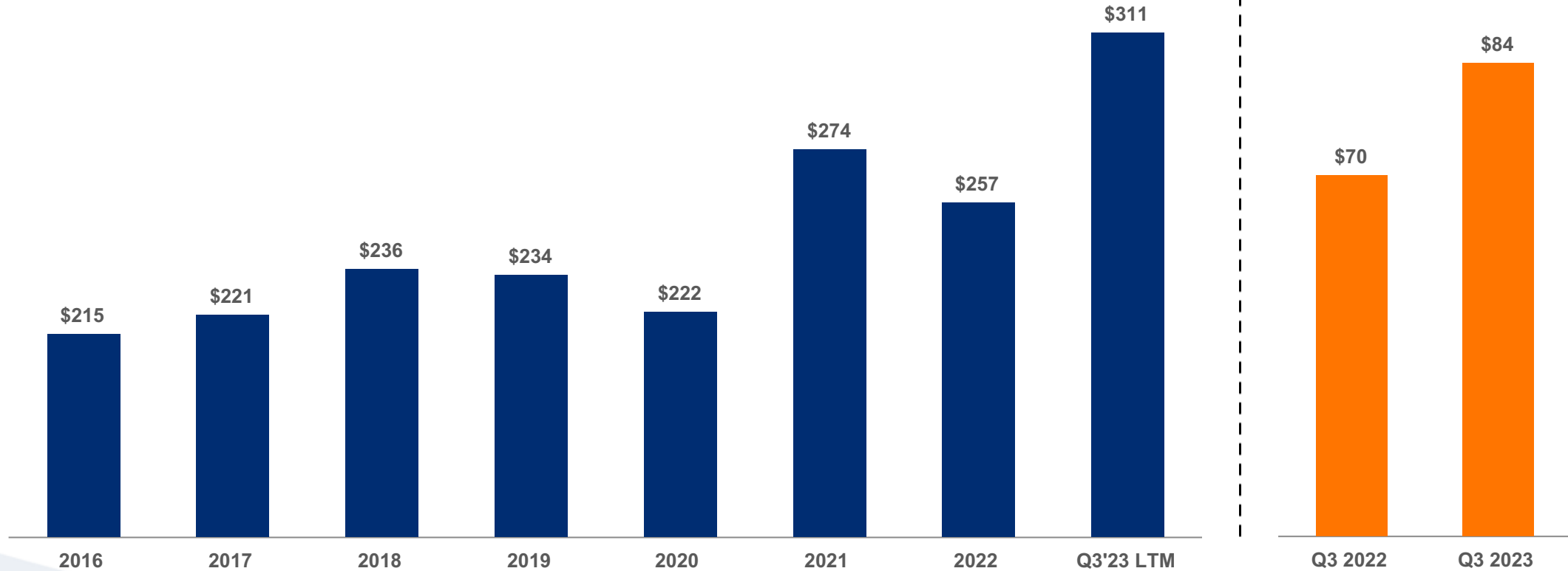
Sales volumes in Q3'23 declined compared to Q3'22 primarily due to softer end market conditions  
Sales volumes increased approximately 1% in Q3'23 compared to Q2'23



<sup>1</sup> The total company volume trend excludes volumes in the prior periods that are related to the tolling agreement for products previously divested related to the Combination as well as volumes related to business impacted due to the War in Ukraine

# Adjusted EBITDA<sup>1,2</sup>

(dollars in millions)



Generated \$84m of adjusted EBITDA in Q3'23, a +20% increase Y/Y, primarily due to an improvement in gross margins



<sup>1</sup> Periods presented prior to the Combination, on August 1, 2019, are pro forma results

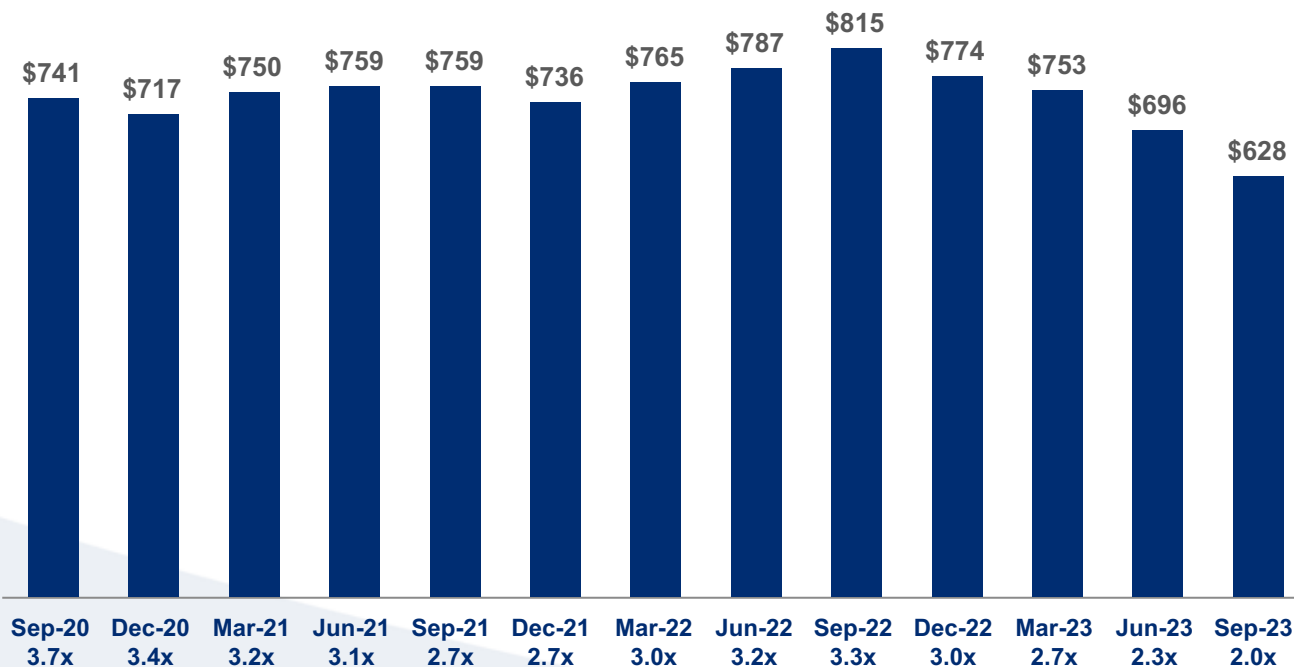
<sup>2</sup> This is a non-GAAP measure, refer to the reconciliations of our non-GAAP measures to their most comparable GAAP measures provided within this presentation and in our SEC filings



# Leverage and Liquidity Update

## Net Debt and Leverage Ratio<sup>1</sup>

(Dollars in Millions)



- **Total debt of \$826 million**
- **Cash and cash equivalents of \$198 million**
- **Net debt of \$628 million**
- **Leverage of 2.0x as of September 30, 2023<sup>1</sup>**
  - Repaid \$127 million of debt YTD
- **Operating well within bank covenants**
  - Bank leverage of 1.9x as of September 30, 2023<sup>2</sup>
  - Maximum permitted leverage of 4.0x<sup>2</sup>
- **Healthy balance sheet and ample liquidity**
  - No significant maturities until June 2027
  - Q3'23 cost of debt on credit facility was ~6.4%



<sup>1</sup> Leverage ratio defined as net debt divided by trailing twelve month adjusted EBITDA

<sup>2</sup> Defined as net debt divided by trailing twelve month adjusted EBITDA, as calculated under the terms of the credit agreement

# Appendix

## *Actual and Non-GAAP Results*



# Non-GAAP Operating Reconciliation

*(Unaudited; Dollars in thousands, unless otherwise noted)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Non-GAAP Operating Income and Margin Reconciliations:</b>				
Operating income	\$ 59,518	\$ 44,609	\$ 166,242	\$ 105,915
Combination, integration and other acquisition-related expenses	—	2,107	—	7,992
Restructuring and related charges (credits), net	1,019	(1,423)	6,034	(609)
Strategic planning expenses	1,093	4,545	3,759	10,745
Russia-Ukraine conflict related expenses	—	88	—	2,183
Other charges	206	1,016	855	2,681
Non-GAAP operating income	<u>\$ 61,836</u>	<u>\$ 50,942</u>	<u>\$ 176,890</u>	<u>\$ 128,907</u>
Non-GAAP operating margin (%)	12.6 %	10.3 %	11.9 %	8.8 %

# Adjusted EBITDA & Non-GAAP Net Income Reconciliation

(Unaudited; Dollars in thousands, unless otherwise noted)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Non-GAAP Net Income Reconciliations:</b>				
Net income attributable to Quaker Chemical Corporation	\$ 33,670	\$ 25,867	\$ 92,550	\$ 60,026
Depreciation and amortization	20,866	19,908	62,210	61,491
Interest expense, net	12,781	8,389	38,744	20,228
Taxes on income before equity in net income of associated companies	13,593	10,185	36,956	14,425
<b>EBITDA</b>	<b>80,910</b>	<b>64,349</b>	<b>230,460</b>	<b>156,170</b>
Equity (income) loss in a captive insurance company	(756)	174	(748)	2,199
Combination, integration and other acquisition-related expenses (credits)	—	2,107	(475)	10,387
Restructuring and related charges (credits), net	1,019	(1,423)	6,034	(609)
Strategic planning expenses	1,093	4,545	3,759	10,745
Russia-Ukraine conflict related expenses	—	88	—	2,183
Currency conversion impacts of hyper-inflationary economies	1,229	991	2,869	1,216
Loss on extinguishment of debt	—	—	—	6,763
Other charges (credits)	886	(540)	1,515	172
<b>Adjusted EBITDA</b>	<b>\$ 84,381</b>	<b>\$ 70,291</b>	<b>\$ 243,414</b>	<b>\$ 189,226</b>
<b>Adjusted EBITDA margin (%)</b>	<b>17.2 %</b>	<b>14.3 %</b>	<b>16.4 %</b>	<b>13.0 %</b>
Adjusted EBITDA	\$ 84,381	\$ 70,291	\$ 243,414	\$ 189,226
Less: Depreciation and amortization - adjusted	20,866	19,908	62,210	61,491
Less: Interest expense, net	12,781	8,389	38,744	20,228
Less: Taxes on income before equity in net income of associated companies - adjusted	13,806	10,821	36,766	27,189
<b>Non-GAAP net income</b>	<b>36,928</b>	<b>31,173</b>	<b>105,694</b>	<b>80,318</b>

# Non-GAAP EPS Reconciliation

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Non-GAAP Earnings per Diluted Share Reconciliations:</b>				
GAAP earnings per diluted share attributable to Quaker Chemical Corporation common shareholders	\$ 1.87	\$ 1.44	\$ 5.14	\$ 3.35
Equity (income) loss in a captive insurance company per diluted share	(0.04)	0.01	(0.04)	0.12
Combination, integration and other acquisition-related expenses (credits) per diluted share	—	0.09	(0.03)	0.47
Restructuring and related charges (credits), net per diluted share	0.04	(0.05)	0.25	(0.02)
Strategic planning expenses per diluted share	0.04	0.19	0.17	0.46
Russia-Ukraine conflict related expenses per diluted share	—	0.01	—	0.11
Currency conversion impacts of hyper-inflationary economies per diluted share	0.07	0.06	0.16	0.07
Loss on extinguishment of debt per diluted share	—	—	—	0.29
Other charges (credits) per diluted share	0.04	(0.03)	0.06	—
Impact of certain discrete tax items per diluted share	0.03	0.02	0.16	(0.37)
<b>Non-GAAP earnings per diluted share</b>	<b>\$ 2.05</b>	<b>\$ 1.74</b>	<b>\$ 5.87</b>	<b>\$ 4.48</b>

# Segment Performance

(Unaudited; Dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales				
Americas	\$ 245,899	\$ 254,678	\$ 750,531	\$ 702,580
EMEA	139,620	134,386	\$ 435,602	\$ 426,739
Asia/Pacific	105,093	103,154	\$ 300,071	\$ 329,458
Total net sales	<u>\$ 490,612</u>	<u>\$ 492,218</u>	<u>\$ 1,486,204</u>	<u>\$ 1,458,777</u>
Segment operating earnings				
Americas	\$ 69,148	\$ 66,749	\$ 204,280	\$ 164,065
EMEA	27,922	15,479	\$ 81,076	\$ 58,803
Asia/Pacific	30,963	26,723	\$ 86,604	\$ 76,146
Total segment operating earnings	128,033	108,951	371,960	299,014
Combination, integration and other acquisition-related expenses	—	(2,107)	—	(7,992)
Restructuring and related (charges) credits, net	(1,019)	1,423	(6,034)	604
Non-operating and administrative expenses	(52,280)	(47,852)	(154,001)	(139,894)
Depreciation of corporate assets and amortization	(15,216)	(15,806)	(45,683)	(45,817)
Operating income	59,518	44,609	166,242	105,915
Other (expense) income, net	(2,713)	85	(8,558)	(10,520)
Interest expense, net	(12,781)	(8,389)	(38,744)	(20,228)
Income before taxes and equity in net income of associated companies	<u>\$ 44,024</u>	<u>\$ 36,305</u>	<u>\$ 118,940</u>	<u>\$ 75,167</u>

# Historical Segment Net Sales<sup>1</sup>

(Unaudited; Dollars in millions)

## Net Sales

Segment	Quarterly														
	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23
Americas	\$ 172.6	\$ 115.2	\$ 159.3	\$ 159.9	\$ 180.8	\$ 186.6	\$ 197.4	\$ 197.4	\$ 212.1	\$ 235.8	\$ 254.7	\$ 243.9	\$ 251.4	\$ 253.2	\$ 245.9
EMEA	123.2	93.9	112.7	126.1	141.1	146.0	142.3	134.7	146.8	145.5	134.4	135.8	152.4	143.5	139.6
Asia/Pacific	82.7	77.0	95.2	99.8	107.9	102.7	109.3	115.0	115.3	111.0	103.2	105.1	96.3	98.7	105.1
<b>Total</b>	<b>\$ 378.6</b>	<b>\$ 286.0</b>	<b>\$ 367.2</b>	<b>\$ 385.9</b>	<b>\$ 429.8</b>	<b>\$ 435.3</b>	<b>\$ 449.1</b>	<b>\$ 447.0</b>	<b>\$ 474.2</b>	<b>\$ 492.4</b>	<b>\$ 492.2</b>	<b>\$ 484.8</b>	<b>\$ 500.1</b>	<b>\$ 495.4</b>	<b>\$ 490.6</b>

## Annual

Segment	FY'20	FY'21	FY'22
Americas	\$ 607.0	\$ 762.2	\$ 946.5
EMEA	455.9	564.1	562.5
Asia/Pacific	354.7	434.8	434.6
<b>Total</b>	<b>\$ 1,417.7</b>	<b>\$ 1,761.2</b>	<b>\$ 1,943.6</b>

<sup>1</sup> During Q1'23, the Company reorganized its executive management team to align with its new business structure, which includes three reportable segments: (i) Americas; (ii) EMEA; and (iii) Asia/Pacific. Prior period information shown above has been recast to align with the Company's business structure as of January 1, 2023. The Company's reconciliation of total segment operating earnings to Income before taxes and equity in net income of associated companies was not materially impacted by this change. Certain amounts may not calculate due to rounding.



# Historical Segment Operating Earnings<sup>1</sup>

(Unaudited; Dollars in millions)

## Segment Operating Earnings

Segment	Quarterly												Annual		
	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23
Americas	\$ 41.3	\$ 19.7	\$ 43.8	\$ 37.1	\$ 44.7	\$ 47.7	\$ 43.4	\$ 40.5	\$ 45.0	\$ 52.1	\$ 66.8	\$ 59.5	\$ 66.1	\$ 69.0	\$ 69.1
EMEA	24.3	15.4	22.9	29.8	32.7	30.6	25.8	22.0	23.2	20.1	15.5	17.6	27.6	25.6	27.9
Asia/Pacific	22.3	21.3	30.6	26.0	31.1	26.3	26.3	25.6	24.5	24.9	26.7	29.7	27.7	28.0	31.0
<b>Total</b>	<b>\$ 87.9</b>	<b>\$ 56.4</b>	<b>\$ 97.3</b>	<b>\$ 93.0</b>	<b>\$ 108.4</b>	<b>\$ 104.6</b>	<b>\$ 95.4</b>	<b>\$ 88.1</b>	<b>\$ 92.8</b>	<b>\$ 97.1</b>	<b>\$ 109.0</b>	<b>\$ 106.8</b>	<b>\$ 121.3</b>	<b>\$ 122.6</b>	<b>\$ 128.0</b>

Segment	FY'20	FY'21	FY'22
Americas	\$ 141.9	\$ 176.3	\$ 223.4
EMEA	92.5	111.0	76.4
Asia/Pacific	100.2	109.2	105.8
<b>Total</b>	<b>\$ 334.6</b>	<b>\$ 396.5</b>	<b>\$ 405.6</b>

<sup>1</sup> During Q1'23, the Company reorganized its executive management team to align with its new business structure, which includes three reportable segments: (i) Americas; (ii) EMEA; and (iii) Asia/Pacific. Prior period information shown above has been recast to align with the Company's business structure as of January 1, 2023. The Company's reconciliation of total segment operating earnings to Income before taxes and equity in net income of associated companies was not materially impacted by this change. Certain amounts may not calculate due to rounding.



# Appendix

## *Pro Forma Results*



# Full Year 2019 Pro Forma Reconciliation

(dollars in millions)

	2019				
	Quaker	Houghton	Divestitures	Other (a)	Pro Forma*
Net Sales	\$ 1,134	\$ 475	\$ (34)	\$ (13)	\$ 1,562
Net Income (Loss) Attributable to Quaker Houghton	\$ 32	\$ (3)	\$ (6)	\$ 10	\$ 33
Depreciation and Amortization	45	31	—	3	77
Interest Expense, Net	17	33	—	(15)	35
Taxes on Income (b)	2	(1)	(2)	3	2
EBITDA*	96	60	(8)	1	148
Combination, integration and other acquisition related expenses	35	44	—	—	80
Gain on the sale of divested assets	—	(35)	—	—	(35)
Fair value step up of inventory sold	12	—	—	—	12
Restructuring and related charges	27	—	—	—	27
Other addbacks (c)	3	—	—	—	3
Adjusted EBITDA*	<u>\$ 173</u>	<u>\$ 68</u>	<u>\$ (8)</u>	<u>\$ 1</u>	<u>\$ 234</u>
Adjusted EBITDA Margin* (%)	15 %	14 %	24 %	(4)%	15 %

\* Certain amounts may not calculate due to rounding, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin (%) as well as the total pro forma financial results presented for combined Quaker Houghton

(a) Other includes: (i) additional depreciation and amortization expense based on initial estimates of fair value step up and estimated useful lives of depreciable fixed assets, definite-lived intangible assets and investment in associated companies acquired; (ii) adoption of required accounting guidance and alignment of related accounting policies; (iii) elimination of transactions between Quaker and Houghton; and (iv) an adjustment to interest expense, net, to reflect the impact of the new financing and capital structure of the combined Company.

(b) Taxes on income related to both Divestitures and Other reflect each tax effected at the U.S. federal tax rate of 21%.

(c) Other addbacks include currency conversion impacts of hyper-inflationary economies, a gain on the liquidation of an inactive legal entity and charges related to non-recurring non-income tax and VAT charges.



# Full Year 2018 Pro Forma Reconciliation

(dollars in millions)

	2018				
	Quaker	Houghton	Divestitures	Other (a)	Pro Forma*
Net Sales	\$ 868	\$ 861	\$ (53)	\$ (22)	\$ 1,655
Net Income (Loss) Attributable to Quaker Houghton	59	—	(9)	17	66
Depreciation and Amortization	20	54	—	5	79
Interest Expense, Net	4	56	—	(25)	35
Taxes on Income (b)	25	3	(3)	5	30
EBITDA*	108	113	(12)	1	210
Combination, integration and other acquisition related expenses	16	7	—	—	23
Other addbacks (c)	1	2	—	—	3
Adjusted EBITDA*	<u>\$ 126</u>	<u>\$ 121</u>	<u>\$ (12)</u>	<u>\$ 1</u>	<u>\$ 236</u>
Adjusted EBITDA Margin* (%)	14 %	14 %	23 %	(4)%	14 %

\* Certain amounts may not calculate due to rounding, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin (%) as well as the total pro forma financial results presented for combined Quaker Houghton

(a) Other includes: (i) additional depreciation and amortization expense based on initial estimates of fair value step up and estimated useful lives of depreciable fixed assets, definite-lived intangible assets and investment in associated companies acquired; (ii) adoption of required accounting guidance and alignment of related accounting policies; (iii) elimination of transactions between Quaker and Houghton; and (iv) an adjustment to interest expense, net, to reflect the impact of the new financing and capital structure of the combined Company.

(b) Taxes on income related to both Divestitures and Other reflect each tax effected at the U.S. federal tax rate of 21%.

(c) Other addbacks include currency conversion impacts of hyper-inflationary economies, a gain on the liquidation of an inactive legal entity and charges related to non-recurring non-income tax and VAT charges.

# Full Year 2017 Pro Forma Reconciliation

(dollars in millions)

	2017				
	Quaker	Houghton	Divestitures	Other (a)	Pro Forma*
Net Income (Loss) Attributable to Quaker Houghton	\$ 20	\$ (47)	\$ (9)	\$ 9	\$ (26)
Depreciation and Amortization	20	55	—	5	80
Interest Expense, Net	1	51	—	(16)	36
Taxes on Income (b)	42	42	(2)	2	84
EBITDA*	83	102	(11)	—	175
Equity income in a captive insurance company	(3)	—	—	—	(3)
Combination, integration and other acquisition related expenses	30	10	—	—	40
Pension and Postretirement benefit costs, non-service components	4	(1)	—	—	4
Cost reduction activities	—	2	—	—	2
Loss on disposal of held-for-sale asset	—	—	—	—	—
Insurance insolvency recovery	(1)	—	—	—	(1)
Affiliate management fees	—	2	—	—	2
Non-income tax settlement expense	—	1	—	—	1
Other addbacks (c)	—	—	—	—	—
Adjusted EBITDA*	\$ 115	\$ 116	\$ (11)	\$ —	\$ 221
Adjusted EBITDA Margin* (%)	14 %	15 %	20 %	— %	14 %

\* Certain amounts may not calculate due to rounding, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin (%) as well as the total pro forma financial results presented for combined Quaker Houghton

(a) Other includes estimated increases to depreciation and amortization due to purchase accounting fair value adjustments and a reduction of interest expense based on the average borrowings of the period plus the purchase consideration under the Quaker Houghton facility estimated interest rates.

(b) Taxes on income related to both Divestitures and Other reflect each tax effected at the U.S. federal tax rate of 21%.

(c) Other addbacks include charges related to inventory fair value step up adjustments in the Wallover acquisition, currency conversion impacts of hyper-inflationary economies and other non-recurring charges.



# Full Year 2016 Pro Forma Reconciliation

(dollars in millions)

	2016				
	Quaker	Houghton	Divestitures	Other (a)	Pro Forma*
Net Income (Loss) Attributable to Quaker Houghton	\$ 61	\$ (37)	\$ (8)	\$ 7	\$ 23
Depreciation and Amortization	20	55	—	5	80
Interest Expense, Net	1	51	—	(14)	37
Taxes on Income (b)	23	(5)	(2)	2	18
EBITDA*	105	64	(10)	—	158
Equity income in a captive insurance company	(2)	—	—	—	(2)
Combination, integration and other acquisition related expenses	2	3	—	—	5
Pension and Postretirement benefit costs, non-service components	2	(1)	—	—	1
Cost reduction activities	—	4	—	—	4
Impairment of goodwill and intangible assets	—	41	—	—	41
Full-year impact of Wallover acquisition	—	3	—	—	3
Affiliate management fees	—	2	—	—	2
Non-income tax settlement expense	—	2	—	—	2
Other addbacks (c)	—	1	—	—	1
Adjusted EBITDA*	<u>\$ 107</u>	<u>\$ 119</u>	<u>\$ (10)</u>	<u>\$ —</u>	<u>\$ 215</u>
Adjusted EBITDA Margin* (%)	14 %	16 %	22 %	— %	15 %

\* Certain amounts may not calculate due to rounding, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin (%) as well as the total pro forma financial results presented for combined Quaker Houghton

(a) Other includes estimated increases to depreciation and amortization due to purchase accounting fair value adjustments and a reduction of interest expense based on the average borrowings of the period plus the purchase consideration under the Quaker Houghton facility estimated interest rates.

(b) Taxes on income related to both Divestitures and Other reflect each tax effected at the U.S. federal tax rate of 21%.

(c) Other addbacks include charges related to a legal settlement, inventory fair value step up adjustments in the Wallover acquisition, offset by a gain on the sale of an asset, currency conversion impacts of hyper-inflationary economies and a restructuring credit.

