

Quaker Houghton

Second Quarter 2024 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 earnings news release, dated August 5, 2024, which has been furnished to the Securities and Exchange Commission (“SEC”) on Form 8-K.

Forward-Looking Statements

This presentation contains “forward-looking statements” that fall under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Securities Act of 1933, 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 assumptions, projections and expectations about future events that we believe are reasonable based on currently available information, including statements regarding the potential effects of the conflicts in Ukraine and the Middle East; 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 and 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, anticipations, intentions, financial condition, results of operations, future performance, and business, which may differ materially from our actual results, including but not limited to the potential benefits of acquisitions and divestitures, the impacts on our business as a result of global supply chain constraints, and our current and future results and plans and statements that include the words “may,” “could,” “should,” “would,” “believe,” “expect,” “anticipate,” “estimate,” “intend,” “outlook,” “target,” “possible,” “potential,” “plan” or similar expressions. 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. Other major risks and uncertainties include, but are not limited to 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; economic and political disruptions, including the impacts of the military conflicts between Russia and Ukraine and between Israel and Hamas; legislative and regulatory developments including changes to existing laws and regulations, or the way they are interpreted, applied or enforced; tariffs, trade restrictions, and the economic and other sanctions imposed by other nations on Russia and/or other government organizations; 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; the impacts 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, aluminum 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 press release, including expectations about business conditions during 2024 and future periods, are based upon information available to the Company as of the date of this press release, 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, 2023 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 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 and non-GAAP earnings per diluted share. 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 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 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 competitors in our industry as well as by management in assessing the operating performance of the Company on a consistent basis.

As it relates to 2024 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 second quarter earnings news release dated August 5, 2024, 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, 2023, and the Company's 10-Q for the period ended June 30, 2024. 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

Tom Coler

Executive Vice President, Chief Financial Officer

Robert T. Traub

Senior Vice President, General Counsel & Corporate Secretary

Jeffrey Schnell

Vice President, Investor Relations

Q2'24 Highlights

Net sales of \$464m despite the challenging macroeconomic environment

Gross margins of 37.9%, an improvement of 200bps Y/Y

Delivered \$84m of adj. EBITDA¹, a 5% increase Y/Y

Generated operating cash flow of \$74m YTD; Balance sheet strong with net leverage² of 1.7x

Quaker Houghton Board approved a 6.6% increase in cash dividend



¹ 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

² Defined as net debt (gross debt less cash and cash equivalents) divided by trailing twelve months adjusted EBITDA

Financial Snapshot

(Unaudited; Dollars in millions, unless otherwise noted)

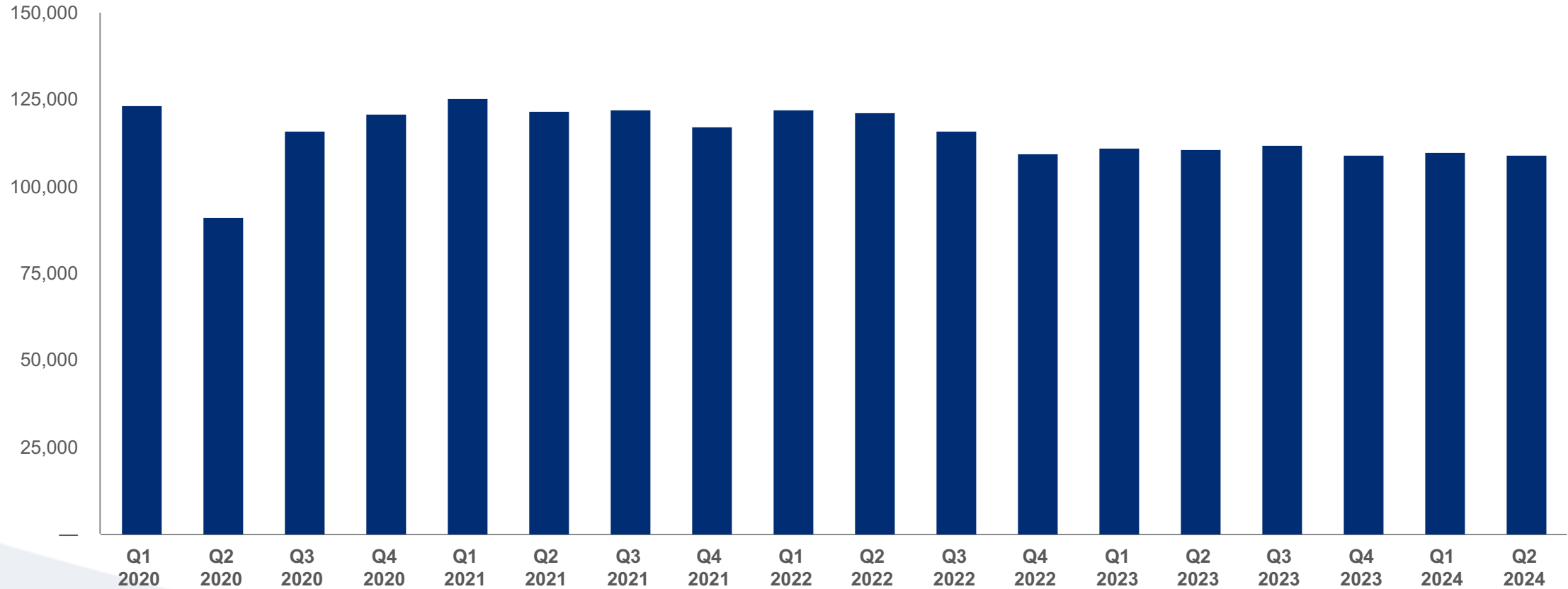
	<u>Q2 2024</u>	<u>Q2 2023</u>	<u>Variance⁽¹⁾</u>		<u>Q1 2024</u>	<u>Variance⁽¹⁾</u>		<u>YTD 2024</u>	<u>YTD 2023</u>	<u>Variance⁽¹⁾</u>	
GAAP											
Net sales	\$ 463.6	\$ 495.4	\$ (31.9)	(6.4%)	\$ 469.8	\$ (6.2)	(1.3%)	\$ 933.3	\$ 995.6	\$ (62.3)	(6.3%)
Gross profit	175.7	177.7	(2.0)	(1.1%)	181.6	(5.8)	(3.2%)	357.3	351.1	6.1	1.7%
Gross margin (%)	37.9%	35.9%	2.0%	5.7%	38.7%	(0.7%)	(1.9%)	38.3%	35.3%	3.0%	8.5%
Operating income	58.4	56.8	1.7	2.9%	55.5	2.9	5.3%	114.0	106.7	7.3	6.8%
Net income	34.9	29.4	5.6	19.0%	35.3	(0.3)	(1.0%)	70.1	58.9	11.2	19.1%
Earnings per diluted share	1.94	1.63	0.31	19.1%	1.95	(0.01)	(0.5%)	3.89	3.27	0.62	19.0%
Non-GAAP											
Non-GAAP operating income	\$ 59.8	\$ 58.8	\$ 1.1	1.8%	\$ 59.2	\$ 0.6	1.0%	\$ 119.1	\$ 115.1	\$ 4.0	3.5%
Non-GAAP operating margin (%)	12.9%	11.9%	1.0%	8.8%	12.6%	0.3%	2.3%	12.8%	11.6%	1.2%	10.4%
Adjusted EBITDA	84.3	80.2	4.0	5.0%	83.3	1.0	1.2%	167.6	159.0	8.5	5.4%
Adjusted EBITDA margin (%)	18.2%	16.2%	2.0%	12.3%	17.7%	0.5%	2.6%	18.0%	16.0%	2.0%	12.4%
Non-GAAP earnings per diluted share	2.13	1.93	0.20	10.5%	2.09	0.04	1.9%	4.22	3.82	0.40	10.5%



⁽¹⁾ Certain amounts may not calculate due to rounding

Total Company Volume Trend¹

(kilograms, in thousands)



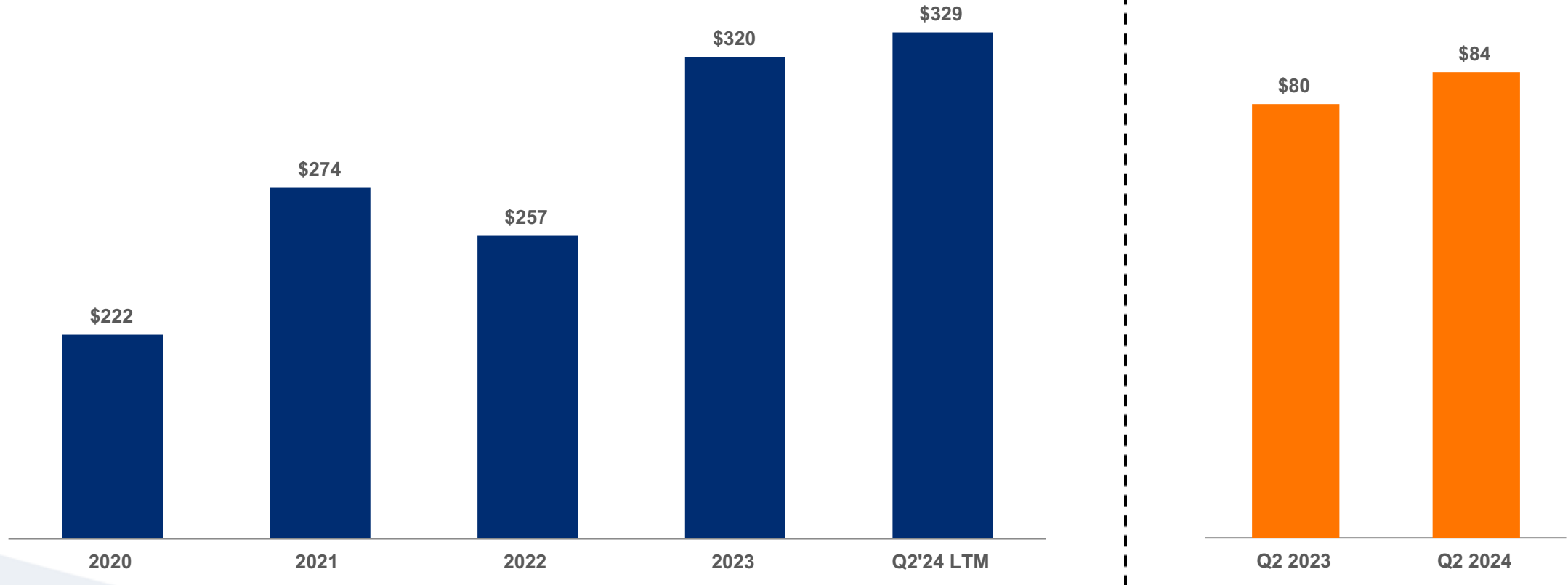
Sales volumes in Q2'24 declined slightly compared to Q2'23, primarily due to softer end market conditions



¹ 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, volumes related to business impacted due to the War in Ukraine, and volumes relating to the I.K.V. Tribologie IKVT acquisition.

Adjusted EBITDA¹

(dollars in millions)



Generated \$84m of adjusted EBITDA in Q2'24, a 5% increase Y/Y, primarily due to an improvement in gross margins

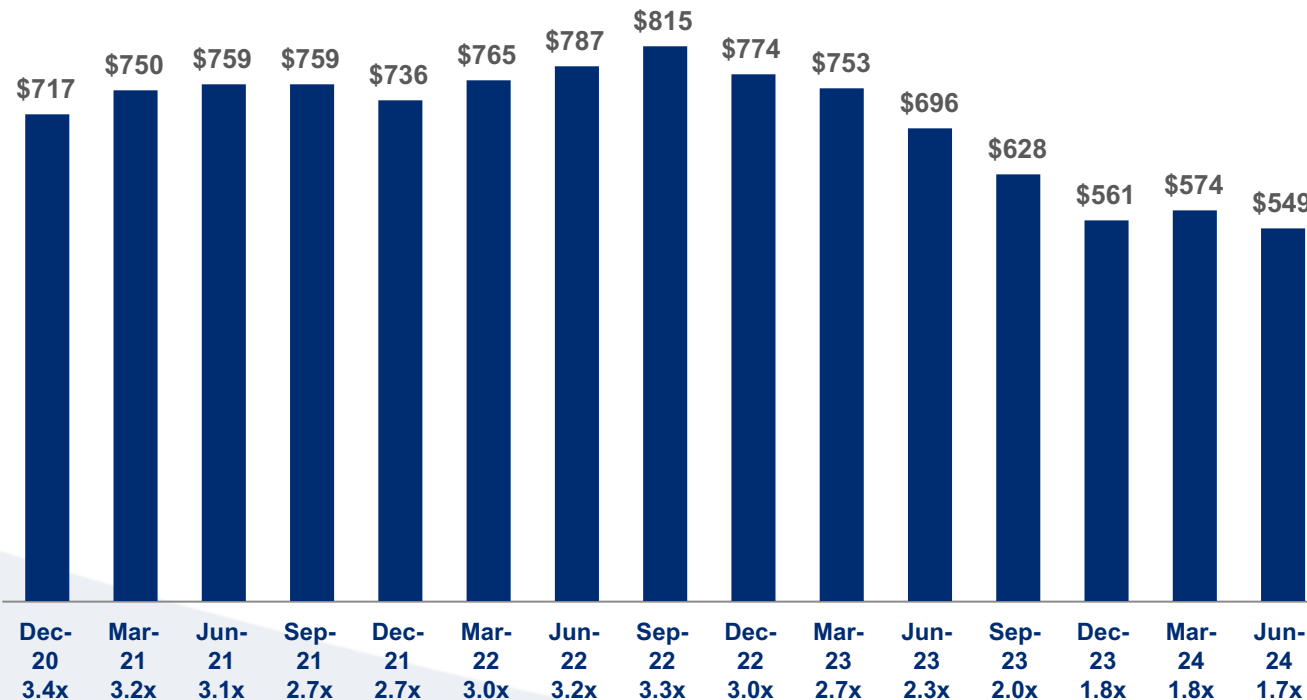


¹ This is a non-GAAP measure, refer to the reconciliations of our non-GAAP measures to their most comparable GAAP measures provided within this presentation and in our SEC filings

Leverage and Liquidity Update

Net Debt and Leverage Ratio¹

(Dollars in Millions)



- Total debt of \$737 million
- Cash and cash equivalents of \$189 million
- Net debt of \$549 million
- Leverage of 1.7x as of June 30, 2024¹
- Operating well within bank covenants
 - Bank leverage of 1.6x as of June 30, 2024²
 - Maximum permitted leverage of 4.0x²
- Healthy balance sheet and ample liquidity
 - No significant maturities until June 2027
 - Q2'24 cost of debt on credit facility was ~6.2%



¹ Leverage ratio defined as net debt divided by trailing twelve month adjusted EBITDA

² 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Non-GAAP Operating Income and Margin Reconciliations:				
Operating income	\$ 58,449	\$ 56,795	\$ 113,975	\$ 106,724
Restructuring and related charges, net	320	1,043	2,177	5,015
Strategic planning (credits) expenses	—	579	(109)	2,666
Customer insolvency costs	—	—	1,522	—
Other charges	1,046	344	1,492	649
Non-GAAP operating income	<u>\$ 59,815</u>	<u>\$ 58,761</u>	<u>\$ 119,057</u>	<u>\$ 115,054</u>
Non-GAAP operating margin (%)	12.9 %	11.9 %	12.8 %	11.6 %

Adjusted EBITDA & Non-GAAP Net Income Reconciliation

(Unaudited; Dollars in thousands, unless otherwise noted)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Non-GAAP Net Income Reconciliations:				
Net income attributable to Quaker Chemical Corporation	\$ 34,885	\$ 29,346	\$ 70,112	\$ 58,880
Depreciation and amortization	21,428	20,834	42,484	41,344
Interest expense, net	10,754	12,721	21,578	25,963
Taxes on income before equity in net income of associated companies	15,778	13,830	28,286	23,363
EBITDA	82,845	76,731	162,460	149,550
Equity (income) loss in a captive insurance company	(475)	430	(981)	8
Restructuring and related charges, net	320	1,043	2,177	5,015
Strategic planning expenses (credits)	—	579	(109)	2,666
Customer insolvency costs	—	—	1,522	—
Facility remediation recoveries	—	(187)	—	(1,014)
Product liability claim costs	—	—	896	—
Currency conversion impacts of hyper-inflationary economies	613	1,184	(291)	1,640
Other charges	988	462	1,899	1,168
Adjusted EBITDA	\$ 84,291	\$ 80,242	\$ 167,573	\$ 159,033
Adjusted EBITDA margin (%)	18.2 %	16.2 %	18.0 %	16.0 %
Adjusted EBITDA	\$ 84,291	\$ 80,242	\$ 167,573	\$ 159,033
Less: Depreciation and amortization - adjusted	21,428	20,834	42,484	41,344
Less: Interest expense, net	10,754	12,721	21,578	25,963
Less: Taxes on income before equity in net income of associated companies - adjusted	13,877	11,913	27,606	22,960
Non-GAAP net income	\$ 38,232	\$ 34,774	\$ 75,905	\$ 68,766

Non-GAAP EPS Reconciliation

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Non-GAAP Earnings per Diluted Share Reconciliations:				
GAAP earnings per diluted share attributable to Quaker Chemical Corporation common shareholders	\$ 1.94	\$ 1.63	\$ 3.89	\$ 3.27
Equity (income) loss in a captive insurance company per diluted share	(0.02)	0.02	(0.05)	—
Restructuring and related charges, net per diluted share	0.01	0.04	0.09	0.21
Strategic planning (credits) expenses per diluted share	—	0.03	—	0.13
Customer insolvency costs per diluted share	—	—	—	—
Facility remediation recoveries per diluted share	—	(0.01)	—	(0.05)
Product liability claim costs per diluted share	—	—	0.04	—
Currency conversion impacts of hyper-inflationary economies per diluted share	0.03	0.06	(0.02)	0.09
Other charges per diluted share	0.04	0.02	0.08	0.04
Impact of certain discrete tax items per diluted share	0.13	0.14	0.13	0.13
Non-GAAP earnings per diluted share	\$ 2.13	\$ 1.93	\$ 4.22	\$ 3.82

Segment Performance

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net sales				
Americas	\$ 223,517	\$ 253,219	\$ 453,271	\$ 504,632
EMEA	138,001	143,533	276,423	295,982
Asia/Pacific	102,049	98,692	203,632	194,978
Total net sales	\$ 463,567	\$ 495,444	\$ 933,326	\$ 995,592
Segment operating earnings				
Americas	\$ 64,137	\$ 69,007	\$ 130,906	\$ 135,132
EMEA	26,652	25,583	56,223	53,154
Asia/Pacific	31,000	27,989	61,377	55,641
Total segment operating earnings	121,789	122,579	248,506	243,927
Restructuring and related charges, net	(320)	(1,043)	(2,177)	(5,015)
Non-operating and administrative expenses	(47,584)	(49,950)	(101,760)	(101,721)
Depreciation of corporate assets and amortization	(15,436)	(14,791)	(30,594)	(30,467)
Operating income	58,449	56,795	113,975	106,724
Other income (expense), net	422	(3,606)	1,502	(5,845)
Interest expense, net	(10,754)	(12,721)	(21,578)	(25,963)
Income before taxes and equity in net income of associated companies	\$ 48,117	\$ 40,468	\$ 93,899	\$ 74,916

Historical Segment Net Sales¹

(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	Q4'23	Q1'24	Q2'24
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	\$ 226.6	\$ 229.8	\$ 223.5
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	135.7	138.4	138.0
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	104.8	101.6	102.1
Total	\$ 378.6	\$ 286.0	\$ 367.2	\$ 385.9	\$ 429.8	\$ 435.3	\$ 449.1	\$ 447.0	\$ 474.2	\$ 492.4	\$ 492.2	\$ 484.8	\$ 500.1	\$ 495.4	\$ 490.6	\$ 467.1	\$ 469.8	\$ 463.6

Annual

Segment	FY'20	FY'21	FY'22	FY'23
Americas	\$ 607.0	\$ 762.2	\$ 946.5	\$ 977.1
EMEA	455.9	564.1	562.5	571.3
Asia/Pacific	354.7	434.8	434.6	404.9
Total	\$1,417.7	\$1,761.2	\$1,943.6	\$1,953.3

¹ 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 Earnings¹

(Unaudited; Dollars in millions)

Segment Operating Earnings

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	Q4'23	Q1'24	Q2'24
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	\$ 61.8	\$ 66.8	\$ 64.1
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	23.7	29.6	26.7
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	31.9	30.4	31.0
Total	\$ 87.9	\$ 56.4	\$ 97.3	\$ 93.0	\$ 108.4	\$ 104.6	\$ 95.4	\$ 88.1	\$ 92.8	\$ 97.1	\$ 109.0	\$ 106.8	\$ 121.3	\$ 122.6	\$ 128.0	\$ 117.3	\$ 126.8	\$ 121.8

Annual

Segment	FY'20	FY'21	FY'22	FY'23
Americas	\$ 141.9	\$ 176.3	\$ 223.4	\$ 266.0
EMEA	92.5	111.0	76.4	104.8
Asia/Pacific	100.2	109.2	105.8	118.5
Total	\$ 334.6	\$ 396.5	\$ 405.6	\$ 489.3

¹ 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.

