Quaker Houghton
Forward Together™

Quaker Chemical Corporation

(also known as Quaker Houghton)

Second Quarter 2019 Results

Investor Conference Call

August 2, 2019

Risks and Uncertainties Statement

On August 1, 2019, Quaker Chemical Corporation completed its combination with Houghton International, Inc. (“Houghton”) (herein referred to as “the Combination”). The results of operations of Houghton are not included in the Company’s results described in this presentation as the date of closing was after June 30, 2019.

Regulation G

This presentation includes 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 allows investors to better 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 Company’s most recent annual report filed on form 10-K and 10-K/A as well as the second quarter earnings news release dated August 1, 2019, which has been furnished to the Securities and Exchange Commission (“SEC”) on Form 8-K and the Company’s Form 10-Q for the period ended June 30, 2019, which has been filed with the SEC.

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. 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, including but not limited to statements relating to the potential benefits of the Combination described above, our current and future results and plans, 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 shutdowns. Other major risks and uncertainties include, but are not limited to, significant increases in raw material costs, customer financial stability, worldwide economic and political conditions, foreign currency fluctuations, significant changes in applicable tax rates and regulations, future terrorist attacks and other acts of violence. Furthermore, the Company is subject to the same business cycles as those experienced by steel, automobile, aircraft, appliance, and durable goods manufacturers. 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 the Company’s business could cause its results to differ materially from expected and historical results. Other factors beyond those discussed in this Report could also adversely affect us including, but not limited to the following related to the Combination:

- potential adverse effects on the Company’s business, properties or operations caused by the implementation of the Combination;
- the Company’s ability to promptly, efficiently and effectively integrate the operations of Houghton and Quaker Chemical;
- the ability to develop or modify financial reporting, information systems and other related financial tools to ensure overall financial integrity and adequacy of internal control procedures;
- the ability to identify and take advantage of potential synergies, including cost reduction opportunities, while maintaining legacy business and other related attributes, as well as the risk that the costs to achieve synergies may be more than anticipated;
- difficulties in managing a larger, combined company, addressing differences in business culture and retaining key personnel;
- risks related to each company’s distraction from ongoing business operations due to the Combination; and,
- the outcome of any legal proceedings that may be instituted against the companies related to the Combination.

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, you should refer to the Risk Factors detailed in Item 1A of our Form 10-K for the year ended December 31, 2018 as well as the proxy statement the Company filed on July 31, 2017 and in our quarterly and other reports filed from time to time with the SEC. 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.

Speakers

Michael F. Barry
Chairman of the Board, Chief Executive Officer & President

Mary Dean Hall
Senior Vice President, Chief Financial Officer & Treasurer

Robert T. Traub
Senior Vice President, General Counsel & Corporate Secretary

Joseph Berquist
Senior Vice President, Global Specialty Businesses & Chief Strategy Officer

Shane W. Hostetter
Vice President, Finance & Chief Accounting Officer

Second Quarter 2019 Headlines

- Quaker Chemical Corporation closed its combination with Houghton International, Inc. on August 1, 2019
- Net sales of $205.9 million reflect a 3% negative foreign exchange impact and certain end-market challenges
- Reported net income of $15.6 million or $1.17 per diluted share
- Adjusted EBITDA and non-GAAP earnings per diluted share decrease 2% to $31.4 million and $1.56, respectively, primarily due to a 3% negative foreign exchange impact to earnings

Chairman Comments

- **Second Quarter 2019**
  - Headwinds in the quarter included continued negative impacts from foreign exchange of ~ 3%, a decline in underlying markets including lower global automotive production of ~7% and a number of global customers reducing production in June due to inventory corrections
  - Market share gains helped partially overcome end market challenges
  - Net sales of $205.9 million included a negative impact from foreign currency translation of 3%, a decrease in sales volumes of 3% and lower selling price and product mix of 1%
  - Gross margin of 36.5% in Q2'19 was up sequentially from Q1'19 and consistent with Q2'18
  - Non-GAAP earnings per diluted share of $1.56 compared to $1.59 in Q2'18
- **Second half of 2019 Outlook**
  - Do not expect to experience the same magnitude of the current quarter challenges, as many of the headwinds faced in the first half of 2019 began near the end of the second quarter of 2018 and gradually worsened throughout the second half of the prior year
  - Begin our journey as Quaker Houghton and in two years expect to have an enterprise that will be integrated, positioned for above market growth and generating over $300 million of adjusted EBITDA on a going forward basis

"I continue to be very confident in our future and look forward to our journey as Quaker Houghton." – Michael F. Barry

Financial Highlights

Second Quarter of 2019

Quaker Houghton

Forward Together™

- **Non-GAAP EPS of $1.56 and adjusted EBITDA of $31.4 million decreased 2% compared to $1.59 and $32.2 million in Q2’18, respectively, primarily due to the negative impact from foreign exchange of approximately 3% or $0.04 per diluted share**
- **Net sales of $205.9 million decreased 7% driven by a negative impact from foreign currency translation of 3% or $6.6 million, as well as a decrease in sales volumes of 3% and lower selling price and product mix of 1%**
- **Gross profit decreased $5.8 million compared to Q2’18 due to the decrease in net sales as gross margin was consistent at 36.5% in both periods**
- **SG&A decreased $4.1 million in Q2’19 primarily due to a positive impact from foreign currency translation as well as lower labor-related costs**
- **Houghton combination and other acquisition-related costs (including interest) totaled $5.5 million or $0.34 per diluted share in Q2’19 compared to $4.5 million or $0.29 per diluted share in Q2'18**
- **ETR of 24.2% and 16.8% in Q2'19 and Q2'18, respectively, include the impact of certain non-deductible acquisition-related expenses as well as a Q2’18 U.S. Transition tax adjustment; ETR without these and other non-core items would have been ~22% and 21%, respectively**
- **First six months of 2019 net operating cash flow of $22.4 million compared to $19.7 million in the first six months of 2018, primarily due to working capital improvement partially offset by higher current year cash tax payments**

Chart #4

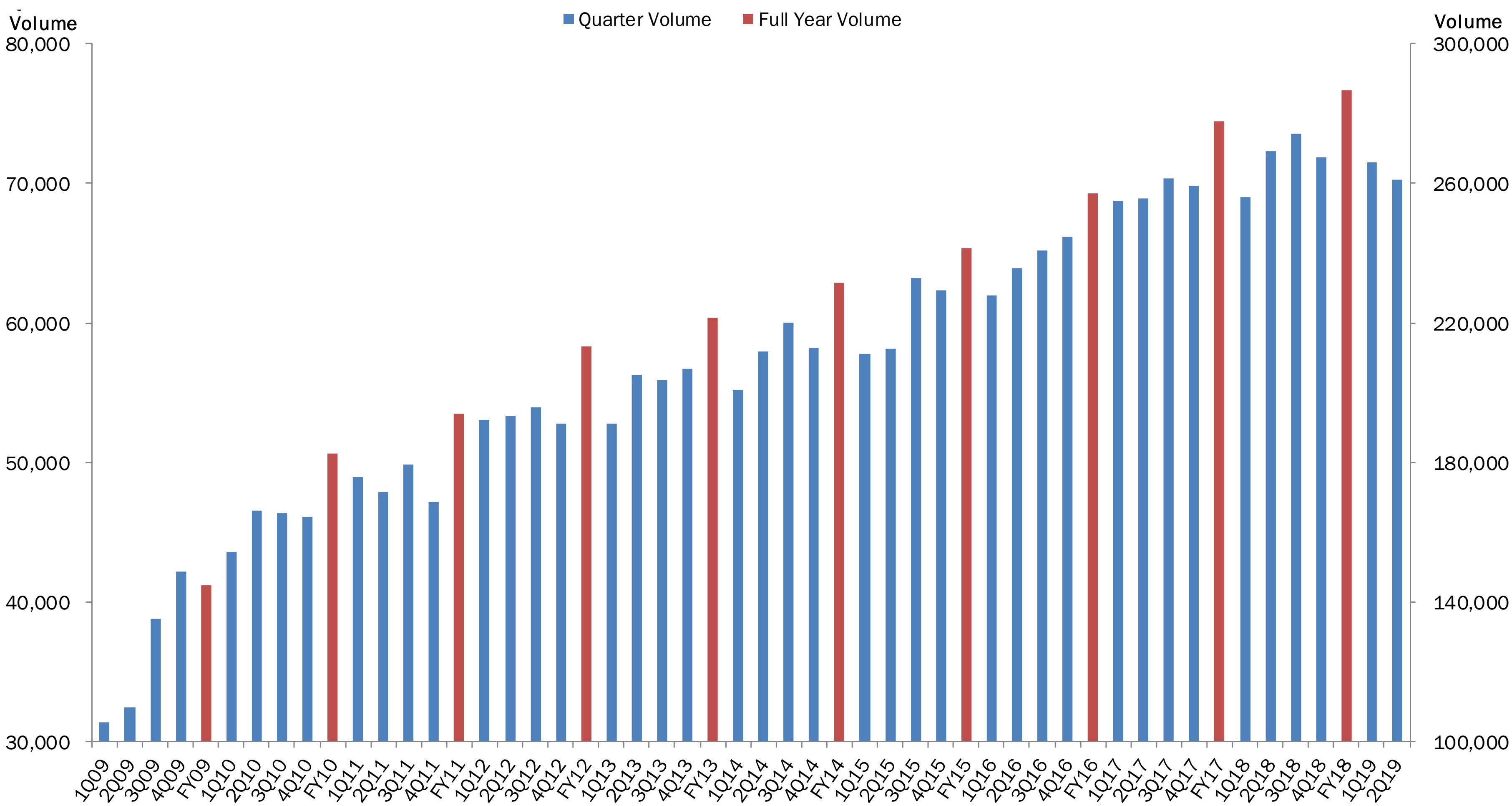
Financial Snapshot

($ in Millions unless otherwise noted)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Net Sales	205.9	222.0	417.1	434.0
Gross Profit	75.2	80.9	150.9	156.4
Gross Margin (%)	36.5%	36.5%	36.2%	36.0%
SG&A	50.0	54.1	101.5	104.1
Combination and Other Acquisition-Related Expenses	4.6	4.3	9.1	9.5
Operating Income	20.5	22.6	40.4	42.8
Operating Margin (%)	10.0%	10.2%	9.7%	9.9%
Non-GAAP Operating Income	25.5	26.9	49.8	52.3
Non-GAAP Operating Margin (%)	12.4%	12.1%	11.9%	12.0%
Net Income Attributable to Quaker Chemical Corporation	15.6	19.2	29.4	32.0
GAAP Earnings Per Diluted Share	1.17	1.44	2.20	2.40
Non-GAAP Earnings Per Diluted Share	1.56	1.59	2.97	3.00
Adjusted EBITDA	31.4	32.2	61.1	63.1
Adjusted EBITDA Margin (%)	15.3%	14.5%	14.6%	14.5%
Net Cash (Debt)	73.9	26.1	—	—
Net Operating Cash Flow	22.4	17.0	22.4	19.7
Effective Tax Rate ("ETR") (%)	24.2%	16.8%	25.4%	22.8%

Chart #5

Product Volume by Quarter and Year

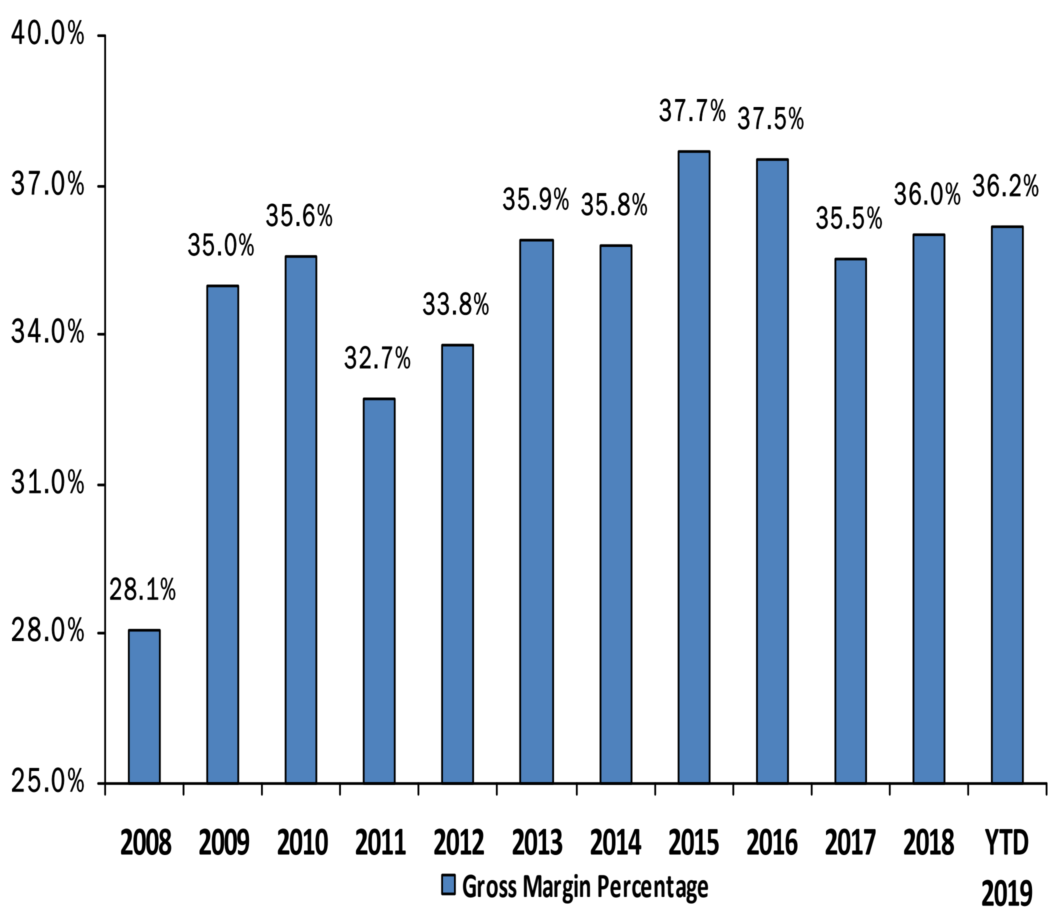
in Thousands of Kilograms

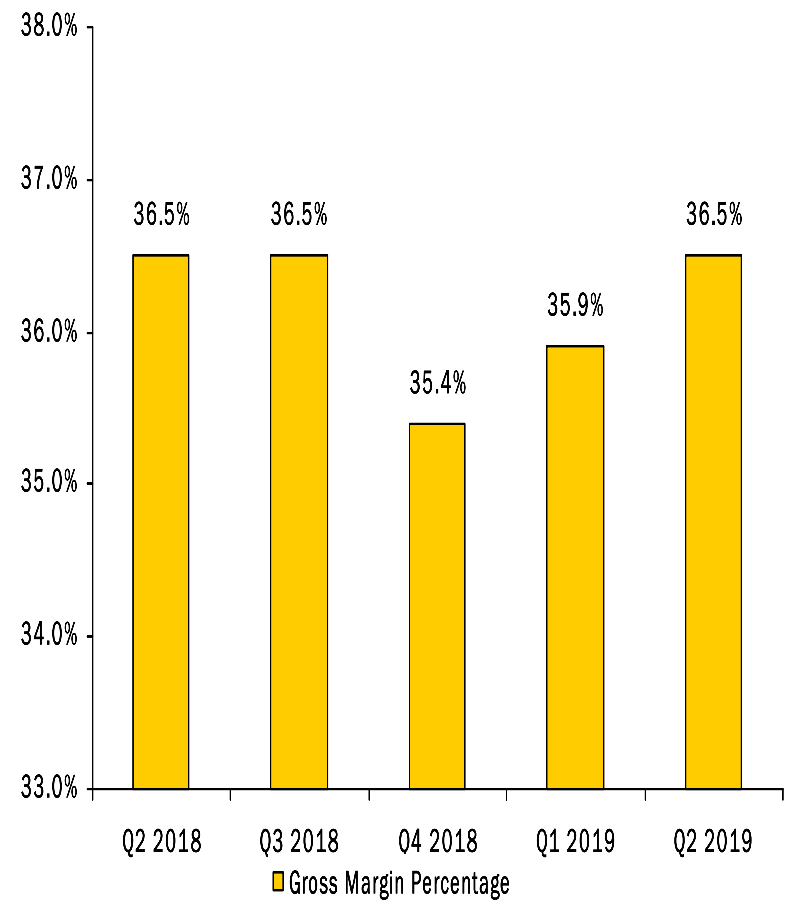


Volume declines sequentially and year-over-year driven by challenging end-market conditions

Chart #6

Gross Margin Percentage Trends



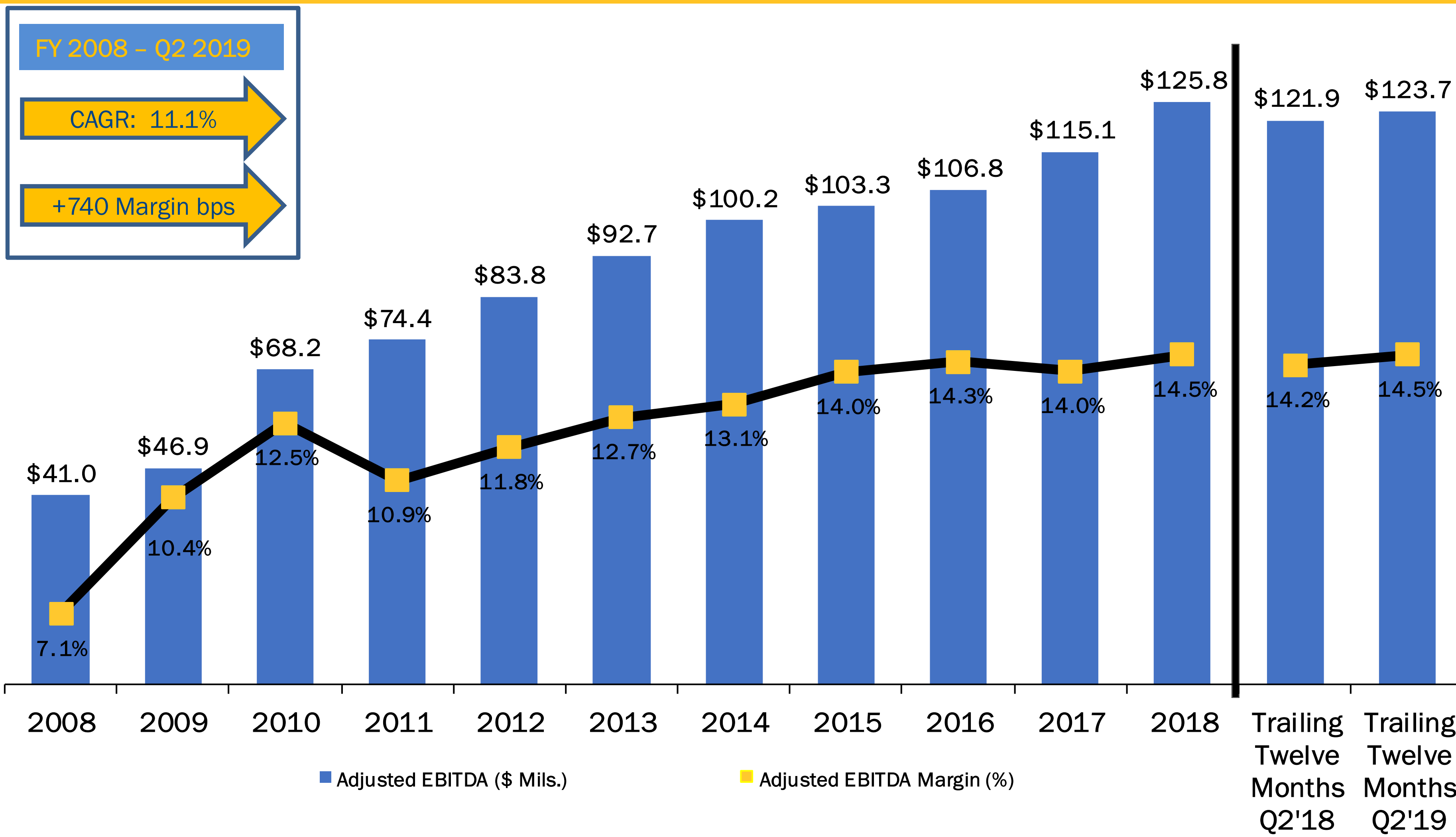


Gross margin consistent with the prior year but up sequentially

Chart #7

Adjusted EBITDA*

Baseline Historical Performance

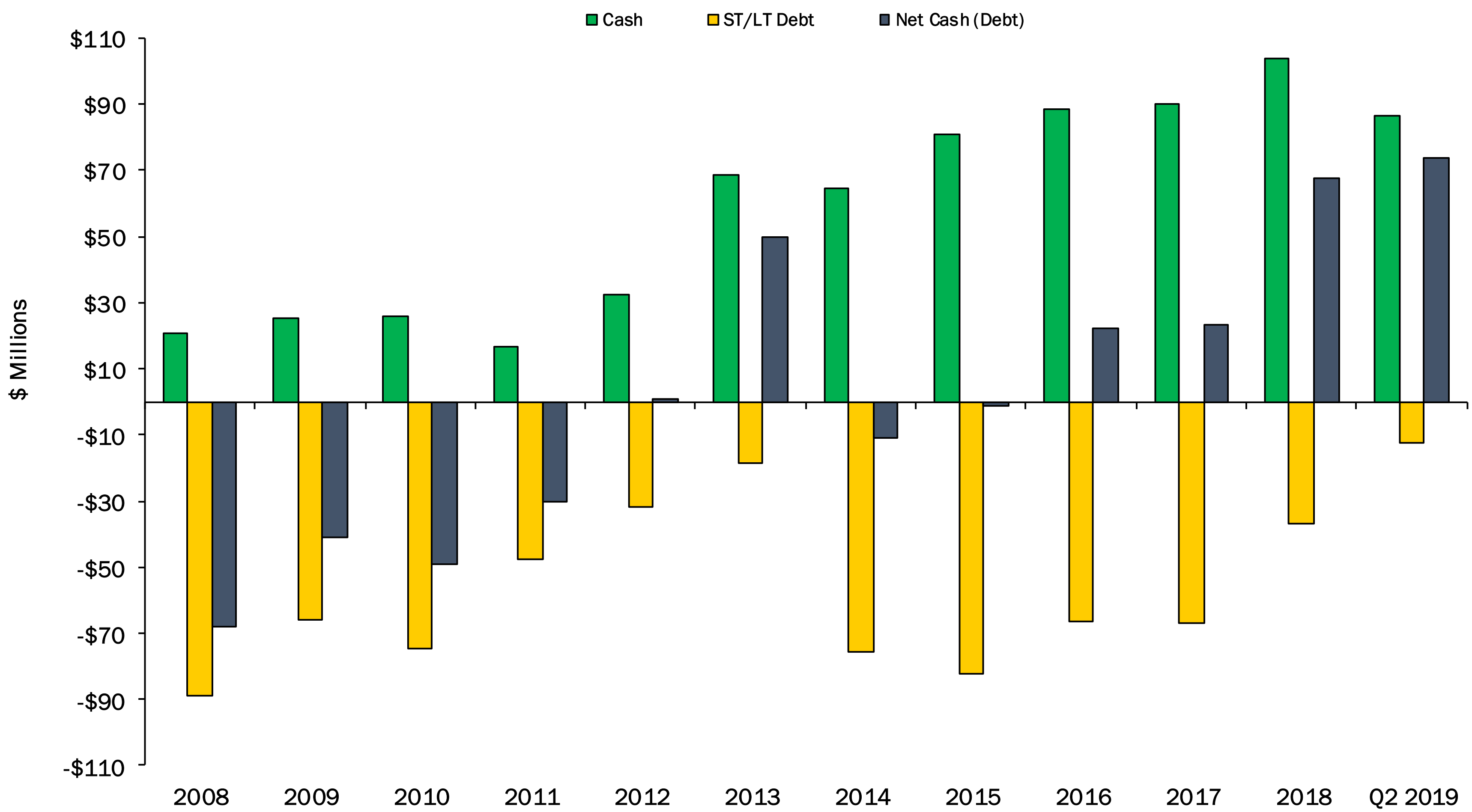


*Refer to Appendix and non-GAAP reconciliations; recast for changes in adjusted EBITDA presentation in Q1’19.

Chart #8

Balance Sheet

Cash and Debt



Continued strong balance sheet as the Company's cash exceeded its debt ~ $74 million

Chart #9

APPENDIX

Non-GAAP EPS Reconciliation

	Q2 2019	Q2 2018	YTD 2019	YTD 2018
GAAP earnings per diluted share	$ 1.17	$ 1.44	$ 2.20	$ 2.40
Equity income in a captive insurance company per diluted share	(0.03)	(0.08)	(0.06)	(0.05)
Houghton combination and other acquisition-related expenses per diluted share	0.34	0.29	0.69	0.66
U.S. Transition tax adjustment per diluted share	-	(0.09)	-	(0.09)
Pension and postretirement benefit costs, non-service components per diluted share	0.06	0.03	0.11	0.06
Charges related to the settlement of a non-core equipment sale per diluted share	0.02	-	0.02	-
Currency conversion impacts of hyper-inflationary economies per diluted share	(0.00)	0.00	0.01	0.02
Non-GAAP earnings per diluted share	$ 1.56	$ 1.59	$ 2.97	$ 3.00

Chart #10

Non-GAAP Operating Income Reconciliation

($ in thousands unless otherwise noted)

	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Operating income	$ 20,531	$ 22,563	$ 40,360	$ 42,794
Houghton combination and other acquisition-related expenses	4,604	4,291	9,087	9,500
Charges related to the settlement of a non-core equipment sale	384	-	384	-
Non-GAAP operating income	$ 25,519	$ 26,854	$ 49,831	$ 52,294
Non-GAAP operating margin (%)	12.4%	12.1%	11.9%	12.0%

Chart #11

TTM Adjusted EBITDA Reconciliation

($ in thousands unless otherwise noted)

	I = G + H Trailing Twelve Months Q2 2019	H YTD Q2 2019	G = F - D Last Six Months 2018	F FY 2018	E = C + D Trailing Twelve Months Q2 2018	D YTD Q2 2018	C = B - A Last Six Months 2017	B FY 2017	A YTD Q2 2017
Net income	$ 56,930	$ 29,435	$ 27,495	$ 59,473	$ 33,358	$ 31,978	$ 1,380	$ 20,278	$ 18,898
Depreciation	12,130	6,087	6,043	12,373	12,595	6,330	6,265	12,598	6,333
Amortization	7,258	3,615	3,643	7,341	7,462	3,698	3,764	7,368	3,604
Interest, net *	3,316	1,509	1,807	4,041	3,219	2,234	985	1,358	373
Taxes on income before equity in net income of associated companies	25,555	9,729	15,826	25,050	39,788	9,224	30,564	41,653	11,089
Equity income in a captive insurance company	(1,059)	(736)	(323)	(966)	(2,163)	(643)	(1,520)	(2,547)	(1,027)
Houghton combination and other acquisition-related expenses	16,248	9,087	7,161	16,051	25,415	8,890	16,525	29,938	13,413
Pension and postretirement benefit costs, non-service components *	2,931	1,791	1,140	2,285	2,378	1,145	1,233	4,235	3,002
Loss on disposal of held-for-sale asset	-	-	-	-	125	-	125	125	-
Insurance insolvency recovery	(90)	-	(90)	(90)	(600)	-	(600)	(600)	-
Cost streamlining initiative	-	-	-	-	-	-	-	286	286
Gain on liquidation of an inactive legal entity	(446)	-	(446)	(446)	-	-	-	-	-
Charges related to the settlement of a non-core equipment sale	384	384	-	-	-	-	-	-	-
Currency conversion impacts of hyper-inflationary economies	583	163	420	664	292	244	48	388	340
Adjusted EBITDA	$ 123,740	$ 61,064	$ 62,676	$ 125,776	$ 121,869	$ 63,100	$ 58,769	$ 115,080	$ 56,311
Adjusted EBITDA Margin (%)	14.5%	14.6%	14.5%	14.5%	14.2%	14.5%	13.9%	14.0%	14.2%

* The Company updated its calculation methodology to include the use of interest expense net of interest income compared to the historical use of only interest expense, and also to include the non-service component of the Company's pension and postretirement benefit costs. Prior year amounts have been recast for comparability purposes.

Chart #12

Adjusted EBITDA Reconciliation

($ in thousands unless otherwise noted)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net income	$ 9,833	$ 16,058	$ 32,120	$ 45,892	$ 47,405	$ 56,339	$ 56,492	$ 51,180	$ 61,403	$ 20,278	$ 59,473
Depreciation	10,879	9,525	9,867	11,455	12,252	12,339	12,306	12,395	12,557	12,598	12,373
Amortization	1,177	1,078	988	2,338	3,106	3,445	4,325	6,811	7,009	7,368	7,341
Interest, net *	4,409	4,805	4,024	3,585	3,691	1,936	(170)	961	852	1,358	4,041
Taxes on income before equity in net income of associated companies	4,977	7,065	12,616	14,256	15,575	20,489	23,539	17,785	23,226	41,653	25,050
Equity loss (income) in a captive insurance company	1,299	162	(313)	(2,323)	(1,812)	(5,451)	(2,412)	(2,078)	(1,688)	(2,547)	(966)
Non-cash gain from the purchase of an equity affiliate	-	-	-	(2,718)	-	-	-	-	-	-	-
Equity affiliate out of period charge	-	-	564	-	-	-	-	-	-	-	-
Restructuring expense (credit)	2,916	2,289	-	-	-	-	-	6,790	(439)	-	-
Executive transition costs	3,505	-	-	-	609	-	-	-	-	-	-
Houghton combination and other acquisition-related expenses	-	-	-	-	-	-	-	2,813	1,531	29,938	16,051
Customer bankruptcy costs	-	-	-	-	1,254	-	825	328	-	-	-
Pension and postretirement benefit costs, non-service components *	2,051	5,944	3,880	2,548	3,504	4,040	3,833	3,308	2,302	4,235	2,285
Cost streamlining initiatives	-	-	-	-	-	1,419	1,166	173	-	286	-
Loss on disposal of held-for-sale asset	-	-	-	-	-	-	-	-	-	125	-
Insurance insolvency recovery	-	-	-	-	-	-	-	-	-	(600)	(90)
Non-income tax contingency charge	-	-	4,132	-	-	796	-	-	-	-	-
Change in acquisition-related earnout liability	-	-	-	(595)	(1,737)	(497)	-	-	-	-	-
Mineral oil excise tax refund	-	-	-	-	-	(2,540)	-	-	-	-	-
Gain on liquidation of an inactive legal entity	-	-	-	-	-	-	-	-	-	-	(446)
Currency conversion impacts of hyper-inflationary economies	-	-	322	-	-	357	321	2,806	88	388	664
Adjusted EBITDA	$ 41,046	$ 46,926	$ 68,200	$ 74,438	$ 83,847	$ 92,672	$ 100,225	$ 103,272	$ 106,841	$ 115,080	$ 125,776
Adjusted EBITDA Margin (%)	7.1%	10.4%	12.5%	10.9%	11.8%	12.7%	13.1%	14.0%	14.3%	14.0%	14.5%

* The Company updated its calculation methodology to include the use of interest expense net of interest income compared to the historical use of only interest expense, and also to include the non-service component of the Company's pension and postretirement benefit costs. Prior year amounts have been recast for comparability purposes.

Chart #13

Segment Performance

($ in thousands)

	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Net sales				
North America	$ 94,383	$ 97,392	$ 189,636	$ 189,212
EMEA	53,150	60,166	109,438	122,221
Asia/Pacific	49,827	55,348	100,354	104,125
South America	8,509	9,056	17,651	18,459
Total net sales	$ 205,869	$ 221,962	$ 417,079	$ 434,017

	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Operating earnings, excluding indirect operating expenses				
North America	$ 20,547	$ 23,237	$ 41,419	$ 43,602
EMEA	9,043	9,096	17,825	19,389
Asia/Pacific	12,685	14,621	25,767	26,763
South America	1,220	1,114	2,417	1,749
Total operating earnings, excluding indirect operating expenses	43,495	48,068	87,428	91,503
Combination and other acquisition-related expenses	(4,604)	(4,291)	(9,087)	(9,500)
Non-operating charges	(16,533)	(19,344)	(34,266)	(35,383)
Depreciation of corporate assets and amortization	(1,827)	(1,870)	(3,715)	(3,826)
Operating Income	20,531	22,563	40,360	42,794
Other income (expense), net	43	261	(592)	(108)
Interest expense	(1,283)	(1,602)	(2,497)	(3,294)
Interest income	550	571	988	1,060
Income before taxes and equity in net income of associated companies	$ 19,841	$ 21,793	$ 38,259	$ 40,452

Chart #14