

ASHLAND GLOBAL HOLDINGS INC

FORM 8-K (Current report filing)

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Address	50 E RIVERCENTER BLVD COVINGTON, KY 41011
Telephone	859-815-3333
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Sector	Basic Materials
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549**

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): May 12, 2017

ASHLAND GLOBAL HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

333-211719
(Commission File Number)

81-2587835
(I.R.S. Employer Identification No.)

**50 E. RiverCenter Boulevard
Covington, Kentucky 41011
Registrant's telephone number, including area code (859) 815-3333**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.01. Completion of Acquisition or Disposition of Assets

On May 12, 2017, Ashland Global Holdings Inc. (“Ashland”) completed its previously announced distribution of 170,000,000 shares of common stock of Valvoline Inc. (“Valvoline”) as a pro rata dividend on shares of Ashland common stock outstanding at the close of business on the record date of May 5, 2017. Based on the shares of Ashland common stock outstanding as of May 5, 2017, the record date for the distribution, each share of Ashland common stock received 2.745338 shares of Valvoline common stock in the distribution.

On September 28, 2016, Valvoline completed the initial public offering of 34,500,000 shares of its common stock representing approximately 17% of the economic interest in, and the voting power of, its capital stock for a purchase price of \$22.00 per share (the “IPO”). Prior to the IPO, Valvoline was a wholly-owned subsidiary of Ashland. After the IPO, Ashland held 170,000,000 shares of Valvoline common stock, which represented approximately 83% of the economic interest in, and the voting power of, Valvoline’s capital stock.

A copy of the news release is attached as Exhibit 99.1

Item 9.01. Financial Statements and Exhibits

(b) Pro forma financial information.

The following Unaudited Condensed Pro Forma Consolidated Financial Statements of Ashland Global Holdings Inc. and Consolidated Subsidiaries are included as Exhibit 99.2 to this Current Report on Form 8-K and incorporated herein by reference:

- Unaudited Condensed Pro Forma Consolidated Balance Sheet as of March 31, 2017; and Unaudited Condensed Pro Forma Statements of Consolidated Income for the six months ended March 31, 2017 and for each of the three fiscal years ended September 30, 2016, 2015 and 2014

(d) Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
99.1	News Release dated May 12, 2017.
99.2	Unaudited Condensed Pro Forma Consolidated Balance Sheet of Ashland Global Holdings Inc. and Consolidated Subsidiaries as of March 31, 2017; and Unaudited Condensed Pro Forma Statements of Consolidated Income for the six months ended March 31, 2017 and for each of the three fiscal years ended September 30, 2016, 2015 and 2014.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ASHLAND GLOBAL HOLDINGS INC.

(Registrant)

May 12, 2017

/s/ Peter J. Ganz

Peter J. Ganz
Senior Vice President, General Counsel and
Secretary

EXHIBIT INDEX

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News Release

Ashland announces completion of final separation of Valvoline Inc.

COVINGTON, KY, May 12, 2017 – Ashland Global Holdings Inc. (“Ashland”) (NYSE: ASH) announced today that it has completed the previously announced distribution of 170,000,000 shares of common stock of Valvoline Inc. (“Valvoline”) (NYSE: VVV) as a pro rata dividend on shares of Ashland common stock outstanding at the close of business on the record date of May 5, 2017.

Based on the shares of Ashland common stock outstanding as of May 5, 2017, the record date for the distribution, each share of Ashland common stock received 2.745338 shares of Valvoline common stock in the distribution.

Fractional shares of Valvoline common stock were not distributed to Ashland stockholders. Instead, the fractional shares of Valvoline common stock will be aggregated and sold in the open market, with the net proceeds distributed pro rata in the form of cash payments to Ashland stockholders who would otherwise receive Valvoline fractional shares. The distribution was structured to qualify as a tax-free distribution to Ashland stockholders for U.S. federal income tax purposes. Cash received in lieu of fractional shares will, however, be taxable. Ashland stockholders should consult their tax advisors with respect to U.S. federal, state, local and foreign tax consequences of the distribution.

“With the separation and distribution now completed, we are fully focused on Ashland’s two core priorities for the year – positioning Ashland to deliver against our fiscal 2017 plan and pivoting to become the premier specialty chemicals company,” said William A. Wulfsohn, Ashland chairman and chief executive officer. “Our work in creating two great companies, each positioned for success, would not have been possible without the tremendous commitment and support from our teams around the world.”

BofA Merrill Lynch acted as financial advisor to Ashland in connection with the distribution. Cravath, Swaine & Moore LLP acted as legal advisor to Ashland in connection with the distribution.

About Ashland

Ashland Global Holdings Inc. (NYSE: ASH) is a premier global specialty chemicals company serving customers in a wide range of consumer and industrial markets, including adhesives, architectural coatings, automotive, construction, energy, food and beverage, personal care and pharmaceutical. At Ashland, we are 6,000 passionate, tenacious solvers – from renowned scientists and research chemists to talented engineers and plant operators – who thrive on developing practical, innovative and elegant solutions to complex problems for customers in more than 100 countries. Visit ashland.com to learn more.

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Forward-Looking Statements

This news release 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. Ashland has identified some of these forward-looking statements with words such as “anticipates,” “believes,” “expects,” “estimates,” “is likely,” “predicts,” “projects,” “forecasts,” “objectives,” “may,” “will,” “should,” “plans” and “intends” and the negative of these words or other comparable terminology. These forward-looking statements include statements relating to the potential for the final separation to position Ashland and Valvoline for profitable growth. In addition, Ashland may from time to time make forward-looking statements in its annual reports, quarterly reports and other filings with the SEC, news releases and other written and oral communications. These forward-looking statements are based on Ashland’s expectations and assumptions, as of the date such statements are made, regarding Ashland’s future operating performance and financial condition, the strategic and competitive advantages of Ashland and Valvoline, and future opportunities for each company, as well as the economy and other future events or circumstances. Ashland’s expectations and assumptions include, without limitation, internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, operating efficiencies and economic conditions (such as prices, supply and demand, cost of raw materials, and the ability to recover raw-material cost increases through price increases), and risks and uncertainties associated with the following: the potential that Ashland does not realize all of the expected benefits of the separation; Ashland’s substantial indebtedness (including the possibility that such indebtedness and related restrictive covenants may adversely affect Ashland’s future cash flows, results of operations, financial condition and its ability to repay debt); the impact of acquisitions and/or divestitures Ashland has made or may make, including the proposed acquisition of Pharmachem Laboratories, Inc. (“Pharmachem”) (including the possibility that Ashland may not complete the proposed acquisition of Pharmachem or that Ashland may not realize the anticipated benefits from such transactions); and severe weather, natural disasters, and legal proceedings and claims (including environmental and asbestos matters). Various risks and uncertainties may cause actual results to differ materially from those stated, projected or implied by any forward-looking statements, including, without limitation, risks and uncertainties affecting Ashland that are described in Ashland’s most recent Form 10-K (including Item 1A Risk Factors) filed with the SEC, which is available on Ashland’s website at <http://investor.ashland.com> or on the SEC’s website at <http://www.sec.gov>. Ashland believes its expectations and assumptions are reasonable, but there can be no assurance that the expectations reflected herein will be achieved. Unless legally required, Ashland undertakes no obligation to update any forward-looking statements made in this news release whether as a result of new information, future events or otherwise. Information on Ashland’s website is not incorporated into or a part of this news release.

SM Service mark, Ashland or its subsidiaries, registered in various countries.

TM Trademark, Ashland or its subsidiaries, registered in various countries.

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ASHLAND GLOBAL HOLDINGS INC. AND CONSOLIDATED SUBSIDIARIES
UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited condensed pro forma consolidated financial statements are based upon the historical financial statements of Ashland Global Holdings Inc. and its consolidated subsidiaries (Ashland), adjusted to reflect the distribution to Ashland stockholders of an aggregate 170 million shares of Valvoline Inc. (Valvoline) common stock. The following unaudited condensed pro forma consolidated financial statements of Ashland should be read in conjunction with the related notes and with the historical consolidated financial statements of Ashland and the related notes included in previous filings with the Securities and Exchange Commission. The unaudited condensed pro forma consolidated balance sheet reflects the distribution of Valvoline as if it occurred on March 31, 2017 while the unaudited condensed pro forma statements of consolidated income give effect to the distribution as if it occurred on October 1, 2013, the beginning of the earliest period presented. The pro forma adjustments, described in the related notes, are based on the best available information and certain assumptions that Ashland management believe are reasonable. Actual amounts may differ from these estimated amounts.

The unaudited condensed pro forma consolidated financial statements are provided for illustrative purposes only and are not necessarily indicative of the operating results or financial position that would have occurred had the distribution of Valvoline closed on March 31, 2017 for the unaudited condensed pro forma consolidated balance sheet or on October 1, 2013 for the unaudited condensed pro forma statements of consolidated income. For example, these financial statements do not reflect any cost reductions of previously allocated corporate costs and potential subsequent restructuring charges. Readers should not rely on the unaudited condensed pro forma consolidated financial statements as being indicative of the historical operating results that Ashland would have achieved or any future operating results or financial position that it will experience after the distribution closes.

Ashland Global Holdings Inc. and Consolidated Subsidiaries
Unaudited Condensed Pro Forma Consolidated Balance Sheet
March 31, 2017

(In millions)	Historical	(a) Valvoline	(d) Adjustments	Pro Forma
ASSETS				
Current assets				
Cash and cash equivalents	\$ 605	\$ (135)	\$ -	\$ 470
Accounts receivable	972	(402)	-	570
Inventories	687	(148)	-	539
Other assets	113	(25)	11	99
Total current assets	2,377	(710)	11	1,678
Noncurrent assets				
Property, plant and equipment				
Cost	4,364	(765)	-	3,599
Accumulated depreciation	2,159	(416)	-	1,743
Net property, plant and equipment	2,205	(349)	-	1,856
Goodwill	2,413	(312)	-	2,101
Intangibles	1,017	(6)	-	1,011
Restricted investments	298	-	-	298
Asbestos insurance receivable	193	-	-	193
Equity and other unconsolidated investments	61	(30)	-	31
Deferred income taxes	199	-	(163)	36
Other assets	423	(85)	77	415
Total noncurrent assets	6,809	(782)	(86)	5,941
Total assets	\$ 9,186	\$ (1,492)	\$ (75)	\$ 7,619
LIABILITIES AND EQUITY				
Current liabilities				
Short-term debt	\$ 95	\$ (75)	\$ -	\$ 20
Current portion of long-term debt	16	(16)	-	-
Trade and other payables	520	(173)	-	347
Accrued expenses and other liabilities	406	(181)	11	236
Total current liabilities	1,037	(445)	11	603
Noncurrent liabilities				
Long-term debt	2,812	(656)	-	2,156
Employee benefit obligations	1,017	(833)	-	184
Asbestos litigation reserve	663	-	-	663
Deferred income taxes	69	389	(163)	295
Other liabilities	445	(162)	77	360
Total noncurrent liabilities	5,006	(1,262)	(86)	3,658
Equity				
Total Ashland stockholders' equity	3,300	58	-	3,358
Noncontrolling interest	(157)	157	-	-
Total equity	3,143	215	-	3,358
Total liabilities and equity	\$ 9,186	\$ (1,492)	\$ (75)	\$ 7,619

See Notes to Unaudited Condensed Pro Forma Consolidated Financial Statements.

Ashland Global Holdings Inc. and Consolidated Subsidiaries
Unaudited Condensed Pro Forma Statement of Consolidated Income
Six months ended March 31, 2017

(In millions except per share data)	Historical	(b) Valvoline	Pro Forma
Sales	\$ 2,513	\$ (1,003)	\$ 1,510
Cost of sales	1,694	(603)	1,091
Gross profit	<u>819</u>	<u>(400)</u>	<u>419</u>
Selling, general and administrative expense	483	(172)	311
Research and development expense	47	(6)	41
Equity and other income	18	(15)	3
Operating income	<u>307</u>	<u>(237)</u>	<u>70</u>
Net interest and other financing expense	170	(18)	152
Net loss on divestiture	(1)	-	(1)
Income (loss) from continuing operations before income taxes	<u>136</u>	<u>(219)</u>	<u>(83)</u>
Income tax expense (benefit)	24	(70)	(46)
Income (loss) from continuing operations	<u>\$ 112</u>	<u>\$ (149)</u>	<u>\$ (37)</u>
Earnings per share from continuing operations attributable to Ashland			
Basic	\$ 1.42		\$ (0.59)
Diluted	1.41		(0.59)
Average common shares outstanding (in millions)			
Basic	62		62
Diluted	63		62 (c)

See Notes to Unaudited Condensed Pro Forma Consolidated Financial Statements.

Ashland Global Holdings Inc. and Consolidated Subsidiaries
Unaudited Condensed Pro Forma Statement of Consolidated Income
Year ended September 30, 2016

(In millions except per share data)	Historical	(b) Valvoline	Pro Forma
Sales	\$ 4,948	\$ (1,929)	\$ 3,019
Cost of sales	<u>3,321</u>	<u>(1,168)</u>	<u>2,153</u>
Gross profit	1,627	(761)	866
Selling, general and administrative expense	1,228	(314)	914
Research and development expense	100	(13)	87
Equity and other income	<u>28</u>	<u>(20)</u>	<u>8</u>
Operating income (loss)	327	(454)	(127)
Net interest and other financing expense	182	(9)	173
Net loss on divestitures	<u>(9)</u>	<u>1</u>	<u>(8)</u>
Income (loss) from continuing operations before income taxes	136	(444)	(308)
Income tax expense (benefit)	<u>133</u>	<u>(158)</u>	<u>(25)</u>
Income (loss) from continuing operations	<u>\$ 3</u>	<u>\$ (286)</u>	<u>\$ (283)</u>
Earnings per share from continuing operations attributable to Ashland			
Basic	\$ 0.03		\$ (4.51)
Diluted	0.03		(4.51)
Average common shares outstanding (in millions)			
Basic	63		63
Diluted	64		63 (c)

See Notes to Unaudited Condensed Pro Forma Consolidated Financial Statements.

Ashland Global Holdings Inc. and Consolidated Subsidiaries
Unaudited Condensed Pro Forma Statement of Consolidated Income
Year ended September 30, 2015

(In millions except per share data)	Historical	(b) Valvoline	Pro Forma
Sales	\$ 5,387	\$ (1,967)	\$ 3,420
Cost of sales	3,814	(1,282)	2,532
Gross profit	1,573	(685)	888
Selling, general and administrative expense	1,028	(336)	692
Research and development expense	110	(11)	99
Equity and other income	23	(8)	15
Operating income	458	(346)	112
Net interest and other financing expense	174	-	174
Net loss on divestitures	(115)	26	(89)
Income (loss) from continuing operations before income taxes	169	(320)	(151)
Income tax benefit	(22)	(117)	(139)
Income (loss) from continuing operations	<u>\$ 191</u>	<u>\$ (203)</u>	<u>\$ (12)</u>
Earnings per share from continuing operations			
Basic	\$ 2.81		\$ (0.18)
Diluted	2.78		(0.18)
Average common shares outstanding (in millions)			
Basic	68		68
Diluted	69		68 (c)

See Notes to Unaudited Condensed Pro Forma Consolidated Financial Statements.

Ashland Global Holdings Inc. and Consolidated Subsidiaries
Unaudited Condensed Pro Forma Statement of Consolidated Income
Year ended September 30, 2014

(In millions except per share data)	Historical	(b) Valvoline	Pro Forma
Sales	\$ 6,121	\$ (2,041)	\$ 4,080
Cost of sales	4,605	(1,409)	3,196
Gross profit	1,516	(632)	884
Selling, general and administrative expense	1,358	(356)	1,002
Research and development expense	114	(11)	103
Equity and other income (loss)	2	(30)	(28)
Operating income (loss)	46	(295)	(249)
Net interest and other financing expense	166	-	166
Net gain on divestitures	4	-	4
Loss from continuing operations before income taxes	(116)	(295)	(411)
Income tax benefit	(188)	(102)	(290)
Income (loss) from continuing operations	\$ 72	\$ (193)	\$ (121)
Earnings per share from continuing operations			
Basic	\$ 0.94		\$ (1.57)
Diluted	0.93		(1.57)
Average common shares outstanding (in millions)			
Basic	77		77
Diluted	78		77 (c)

See Notes to Unaudited Condensed Pro Forma Consolidated Financial Statements.

ASHLAND GLOBAL HOLDINGS INC. AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(a) These adjustments reflect the elimination of assets and liabilities associated with Valvoline and included in Ashland's historical condensed consolidated financial statements.

(b) These adjustments eliminate the operating results of Valvoline as if the transaction occurred on October 1, 2013. The direct operating results of Valvoline are reported in discontinued operations. The amounts eliminated do not include allocations of corporate expenses included in Selling, General and Administrative Expense. These corporate expenses were \$22 million, \$23 million and \$25 million for the fiscal years ended September 30, 2016, 2015 and 2014, respectively. Allocations of corporate overhead remaining with Ashland may not be allocated to discontinued operations for financial statement presentation purposes.

Additionally, a portion of the other components of pension and other postretirement benefit costs (i.e., interest cost, expected return on assets, amortization of prior service credit, and actuarial gain or loss) related to Valvoline has been reclassified from the Unallocated and other segment and included within Valvoline's results. The amounts attributable to Valvoline were income of \$43 million and \$35 million for the six months ended March 31, 2017 and the fiscal year ended September 30, 2016, respectively, and expense of \$37 million and \$52 million for the fiscal years ended September 30, 2015 and 2014, respectively.

For purposes of these unaudited condensed pro forma consolidated financial statements, estimated income tax rates of 32%, 36%, 37% and 35% have been used for the six months ended March 31, 2017 and fiscal years ended September 30, 2016, 2015 and 2014, respectively. The estimated effective tax rates are based on the application of the intraperiod tax allocation model in ASC 740, Income Taxes, and the impact of changes in the mix of global earnings and permanent items.

(c) As a result of the loss from continuing operations on a pro forma basis, the effect of the share-based awards convertible to common shares would be anti-dilutive. As such, they have been excluded from the diluted calculation.

(d) Adjustments related to the Tax Matters Agreement and stand alone tax effects.