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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to Ingredion's second quarter 2026 earnings call. (Operator Instructions) Please be advised that today's conference is being recorded.

I'd now like to hand the conference over to Noah Weiss, Vice President of Investor Relations. Please go ahead.

Noah Weiss - *Ingredion Inc - Vice President of Investor Relations*

Good morning, and welcome to Ingredion's second quarter 2026 earnings call. I'm Noah Weiss, Vice President of Investor Relations. Joining me on today's call are Jim Zallie, our Chairman, President, and CEO; and Jason Payant, our Vice President, and Interim CFO.

The press release issued this morning, along with the presentation we will reference during today's call, is available on ingredion.com, in the Investors section. As a reminder, our comments within this presentation may contain forward-looking statements. These statements are subject to various risks and uncertainties and include expectations and assumptions regarding the company's future operations and financial performance. Actual results could differ materially from those estimated in the forward-looking statements, and Ingredion assumes no obligation to update them in the future as or if circumstances change.

Additional information concerning factors that could cause actual results to differ materially from those discussed during today's conference call or in this morning's press release can be found in the company's most recently filed annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. During the call, we also refer to certain non-GAAP financial measures, including adjusted earnings per share, adjusted operating income and adjusted effective tax rate, which are reconciled to US GAAP measures in Note 2 non-GAAP information included in our press release and in today's presentation appendix.

As part of our prepared remarks, we will touch on the announced acquisition of Tate & Lyle and the progress we have made since announcing the transaction. That said, given where we are in the process, we are limited in what we can disclose and cannot speculate on potential outcomes, timing, integration matters, or other transaction-related topics beyond information already in the public domain. We appreciate your understanding and ask that questions today be focused on our operating results and outlook.

With that, I will turn the call over to Jim.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you, Noah, and good morning, everyone. Ingredion delivered a second quarter performance, which was in line with expectations, led by continued momentum in Texture and Healthful Solutions, with net sales increasing 1% to $1.85 billion.

Adjusted operating income was $258 million, down 5% from the prior year. Results were impacted by softer production and demand in our Food and Industrial Ingredients US/Canada segment and continued macroeconomic pressures in Mexico. At the same time, performance across the rest of the portfolio was strong as we delivered the second highest quarterly operating income ever in Texture and Healthful Solutions.

We are pleased to say that Argo reliability and production sequentially improved during the quarter. And at the end of June, the plant was operating at normal production rates across all major operating units.

Turning to the next slide. We are pleased with the momentum that we continue to see in Texture and Healthful Solutions. Quarter two marked the ninth consecutive quarter of net sales volume growth in the segment, up 7% with broad-based growth from our solutions offerings and clean label ingredients. While the consumer environment remains mixed, we are seeing robust customer innovation activity with reformulation across health and wellness, protein and fiber fortification and clean label all supported by new product launches. These trends align with the value proposition inherent in our Texture and Healthful Solutions growth strategy and they reinforce our confidence in sustainable long-term volume and margin growth.

Tempering the positive innovation momentum, we did see additional increases in tapioca costs in the quarter with root prices now up more than 40% since the start of the year due to weather-related impacts limiting supply. We are actively passing through price increases which, as a reminder, take approximately 1 to 1.5 quarters to realize.

In Food and Industrial Ingredients, LATAM, volumes were down slightly against a strong prior year comparison. While the macroeconomic conditions in Mexico have been challenging, underlying long-term market trends remain intact. The business in South America continued to benefit from broad regional strength particularly the growth in Brazil's industrial and brewing markets.

In Food and Industrial Ingredients US/Canada, volumes remain below prior year levels due to lower production and softer food and beverage demand. That said, reliability and performance at our Argo facility sequentially improved throughout the quarter, and we exited June operating at normal production rates.

Our industrial business in US/Canada saw growth from the packaging sector, supported by a differentiated solution we recently launched for corrugating, which speeds up box production.

Turning to the next slide. Let's review our progress against our three strategic pillars. First, under profitable growth. Our announced pending acquisition of Tate & Lyle achieved an important milestone last week with the approval by Tate & Lyle shareholders of the deal. As stated previously, we believe this combination will establish Ingredion as a more comprehensive global leader in ingredient solutions with the innovation expertise and geographic reach that will help create the future of food.

Our solutions led growth strategy continues to gain traction, contributing to strong first half performance in Texture and Healthful Solutions. As part of Texture and Healthful Solutions diversified portfolio, we strengthened our pharma business in India through an announced strategic partnership with Sanstar. This important relationship expands our capabilities in pharmaceutical excipients with the opportunity to also partner in the development of specialty food Ingredients while providing access to large-scale manufacturing in the world's most populous country and one of the fastest-growing markets for Food Ingredients.

Moving to our next pillar, Innovation remains a key differentiator for Ingredion. We are increasingly leveraging digital capabilities to accelerate innovation. And during the quarter, we launched Ask Ingredion, our AI-powered formulation platform designed to help customers identify ingredients and solve formulation challenges that help them bring new products to market faster.

We also strengthened our healthful solutions portfolio through the acquisition of Benicaros, a clinically supported immune health prebiotic. Benicaros value proposition sits at the intersection of several attractive consumer trends, including digestive health, immune support, and clean label formulation. It is an example of how we are helping customers differentiate their products by enabling them to make science-backed health benefit claims.

Additionally, we continue to target new higher-value industrial applications. Our advancements in coatings, adhesives and barrier solutions for sustainable food packaging continue to gain traction with active customer engagements.

For example, we are helping customers replace PFAS containing grease-resistant barriers with plant-based alternatives that maintain performance while improving recyclability and being regulatory compliant. Our differentiated bio-based adhesive solutions for corrugated packaging manufacturers are improving machine productivity, reducing waste, and enhancing board performance. We are bullish on the growth prospects of these targeted industrial applications.

We remain equally focused on delivering growth consistent with our sustainability commitments. Ingredion was named to Forbes Net Zero Leaders Lst for the second year in a row. This distinction is especially noteworthy because it is based on demonstrating progress against objective, quantifiable metrics for lowering greenhouse gas emissions.

Finally, for the enterprise productivity pillar, we continue to invest to transform our portfolio and optimize our processes and network to best position the company for long-term value creation. Last quarter, we announced the sale of our majority stake in the Pakistan business as well as the closure of our Cabo, Brazil Plant. Both moves reduce our exposure to less differentiated ingredients and will drive improved effectiveness and efficiency.

Last week, Tate & Lyle shareholders approved the terms of a recommended all-cash offer by Ingredion for the entire issued and to be issued share capital of Tate & Lyle, an important milestone in the UK scheme of arrangement process and a positive step toward completing the transaction.

With shareholder approval secured, our focus is now on progressing the required regulatory reviews and satisfying the remaining closing conditions. We are actively engaged with the relevant authorities and are working to support their review processes as efficiently as possible.

The financial profile of the transaction remains compelling. With the addition of $2.7 billion of highly complementary revenue, the opportunity to deliver $130 million of expected run rate synergies by 2030 and the expectations to deliver greater than 15% adjusted EPS accretion in the first full calendar year post acquisition, all with a clear path to achieving less than 2.5 times net leverage within 18 months of closing.

Turning to the next slide. Let me explain why we are so enthusiastic about the strategic rationale for the pending acquisition of Tate & Lyle. Across the Food and Beverage industry, manufacturers are working successfully appeal to changing consumer buying behaviors. Consumers are placing greater emphasis on health and wellness in response to changing regulations and lifestyle preferences.

While brands remain under pressure to deliver affordability without compromising taste, and the overall eating experience. These challenges increasingly require customers to optimize multiple attributes at the same time. That can include improving nutrition through fortification or reducing sugar while enhancing Texture and Healthful to maintain great taste and delivering on affordability. This is where combining Ingredion's and Tate & Lyle's capabilities becomes particularly compelling.

Together, we will bring a broader portfolio of complementary capabilities across sweetening, Texture, mouth feel, fiber, and protein fortification supported by expanded scientific expertise and a more comprehensive global innovation network.

Beyond an expanded portfolio of individual ingredients, the opportunity is to provide more integrated and complete solutions that help customers solve formulation challenges more quickly and effectively. Combined with greater scale, deeper scientific capabilities, and enhanced digital and AI-enabled tools, we believe we will be even better positioned to support customers as consumer needs continue to evolve.

Following the combination, more than half of our revenue will come from Texture and Healthful Solutions, the fastest growth segment of our business portfolio, where customer and consumer demand remains strong and volume growth endures. Ultimately, Tate & Lyle will accelerate our shift toward higher-value and higher-margin solutions and positions Ingredion to be an even stronger innovation partner and reliable supplier.

With that, I'll turn the call over to Jason for the financial review.

Jason Payant - *Ingredion Inc - Interim Chief Financial Officer*

Thank you, Jim, and good morning, everyone. Moving to our income statement. Net sales for the second quarter were $1.85 billion, up 1% versus prior year. Reported and adjusted operating income were $188 million and $258 million, respectively.

Adjusted operating income declined 5%, driven by Argo related manufacturing issues and foreign exchange and macroeconomic headwinds in Mexico, which were partially offset by strong Texture and Healthful Solutions performance.

Turning to our Q2 net sales bridge. The 1% increase was driven by $36 million of favorable foreign exchange and $20 million of higher volume, partially offset by $39 million of unfavorable price mix.

Moving to the next slide. We highlight net sales drivers by segment for the second quarter. Texture and Healthful Solutions net sales were up 5%, driven by sales volume growth of 7% and foreign exchange favorability of 1%, partially offset by lower price/mix.

Food and Industrial Ingredients LATAM net sales were up 3%, driven by favorable foreign exchange, partially offset by lower volumes and weaker price mix. Food and Industrial Ingredients US/Canada net sales declined 7%, driven by operational challenges at Argo and weaker consumer demand.

Now let's turn to a summary of results by segment. Shared Healthful Solutions net sales and operating income were both up 5% in the quarter. The increase in operating income was driven by volume growth and favorable foreign exchange, partially offset by unfavorable price/mix and higher tapioca costs.

Texture and Healthful Solutions delivered its second highest quarterly operating income ever, despite persistent inflationary pressures, which demonstrates the strength of the portfolio, the quality of execution by our team, and the benefits of our solutions-led strategy.

In Food and Industrial Ingredients LATAM, net sales were up 3%. Operating income decreased by 7% to $118 million with operating margins of 19.3%. This decrease was driven primarily by transactional currency impacts in Mexico and a more challenging demand environment.

Moving to Food and Industrial Ingredients US/Canada. Second quarter net sales were down 7%. The Operating income was $58 million, impacted by production challenges at our Argo facility and softer volumes and price mix.

Net sales in all other increased 8%, driven by more than 40% net sales growth in protein fortification. Particularly from higher-value isolates and specialty protein applications. Operating income improved by $7 million year-over-year, reflecting improved mix and operating leverage.

Turning to our second quarter earnings bridge. The top half of the slide reconciles reported to adjusted diluted earnings per share and the bottom half walks through the drivers of the year-over-year change. Adjusted diluted EPS declined $0.05 compared to the prior year, primarily driven by $0.34 of margin impacts. These headwinds were partially offset by favorable foreign exchange impacts of $0.05 per share other income benefits of $0.09 per share and $0.12 of non-operating benefit, $0.07 from share repurchases and $0.05 from lower financing costs.

Shifting to our year-to-date income statement highlights. Net sales for the first six months were approximately $3.6 billion, flat versus the prior year. Reported and adjusted operating income were $391 million and $470 million, a decrease of 29% and 14%, respectively.

Turning to our year-to-date earnings bridge. The resulted a decrease of $0.68 per share. Operationally, we saw a decrease of $0.85 per share for the first six months, driven by a margin decrease of $1.04, partially offset by other income and foreign exchange of $0.17 and $0.12, respectively.

Moving to the change in non-operational items. We had an increase of $0.17 per share, primarily driven by fewer shares outstanding of $0.13 per share and lower financing costs equivalent to $0.04 per share.

Turning to cash flow and capital allocation. We maintained disciplined financial management throughout the quarter. Year-to-date cash from operations was $123 million, reflecting a planned investment of approximately $231 million in working capital that was driven primarily by receivables and payables. We invested $210 million of capital expenditures, net of disposals, to support reliability, capacity, and strategic priorities across the business.

During the first half, we continued to return cash to shareholders through $105 million in dividends and the repurchase of $14 million of shares, which underscores our commitment to balance capital allocation and long-term shareholder value creation.

Now let me turn to our 2026 outlook. We are reaffirming our full year 2026 adjusted earnings per share outlook after amending guidance for the sale of the majority stake in our Pakistan business at the end of the second quarter. For the full year 2026, we still anticipate net sales to be flat to up low single digits but are now expecting adjusted operating income to be down mid-single digits, reflecting the impact of the sale of our majority stake in the Pakistan business on the second half of the year.

We expect full year adjusted earnings per share to be in the range of $10.30 to $10.90, in line with previous guidance after reflecting the sale of our majority stake in the Pakistan business. Guidance assumes diluted shares outstanding of $63 million to $64 million, which includes completion of our planned $100 million of share repurchases this year.

We anticipate that our 2026 cash from operations will now be in the range of $700 million to $800 million, with the decrease again stemming from the sale of the majority stake in our Pakistan business. Capital expenditures for the full year are now anticipated to be between $450 million to $490 million with additional spend allocated to our Argo facility.

Please note that our guidance reflects current tariff levels in effect at the end of July 2026. In addition, this guidance excludes any acquisition-related integration and restructuring costs as well as any potential impairment costs.

Turning to our updated full year outlook by segment. For Texture and Healthful Solutions, we now expect net sales to be up mid-single digits and operating income to now be up mid to high single digits. Driven by higher volumes and solution sales growing at a faster rate than the overall business.

For Food and Ingredients LATAM, net sales are now estimated to be up low single digits, and operating income is expected to be down low single digits. Reflecting transactional foreign currency and macroeconomic headwinds in Mexico, partially offset by foreign currency translation benefits in Brazil.

As a reminder, our Mexico business is US dollar denominated, but most of our SG&A and operating costs are in pesos. As the peso strengthens against the dollar, our transactional costs increased in dollar terms, which negatively impacts operating income and can more than offset translational benefits from a weaker US dollar in other parts of our LATAM business.

For Food and Industrial Ingredients US/Canada, we expect net sales to be down low single digits and operating income to now be down 20% to 25%, driven by Argo's operational headwinds in the first half of the year. All other net sales is expected to be down 20% to 25%, and its operating loss is now anticipated to be approximately $15 million after the sale of the majority stake in our Pakistan business.

Lastly, for the third quarter of 2026, we expect net sales to be up low single digits and adjusted operating income to be down mid-single digits, which reflects the impact of the sale of the majority stake in our Pakistan business.

Sequentially, Q3 corporate costs are expected to be higher as Q2 benefited from the timing of certain adjustments that are typically evaluated later in the year. Additionally, the second quarter benefited from a $2 million mark-to-market gain on our new investment in Sanstar, which is recorded in the texture and Healthful Solutions segment. In mark-to-market adjustment based on our equity stake in Sanstar will be made at the end of each subsequent quarter.

That concludes my comments, and I'll turn it back over to Jim.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you, Jason. As we wrap up, I'd like to highlight four reasons we remain confident in the direction of the business despite a dynamic macroeconomic environment and the first half challenges we experienced in Food and Industrial Ingredients, US/Canada.

First, Texture and Healthful Solutions continues to validate our growth strategy. Strong net sales volume performance, solutions-led growth, and market share gains helped deliver the second highest quarterly operating income in the segment's history.

Second, at Argo, we have made meaningful progress. Operational performance improved, production levels increased and as stated, we expect to be operating at normalized run rates for the balance of the year. Our focus remains on sustaining reliability and restoring profitability.

Third, we are already seeing the benefits from our enterprise productivity initiatives. These efforts, which are evidenced in our control of operating expenses, are helping to offset inflationary pressures, improving cost discipline, and creating opportunities to reinvest for growth.

And fourth, we are continuing to reshape our business portfolio in significant ways. The announced pending acquisition of Tate & Lyle will be transformational. And our integration planning efforts are underway to help ensure we're prepared to move quickly and effectively as one organization once the transaction closes. Our balance sheet and cash flow also provide us with flexibility to invest in the business or future integration activities and return capital to shareholders as we reaffirm our commitment to $100 million of share repurchases this year and to our continued track record of dividend growth.

Now let's open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Kristen Owen, Oppenheimer.

Kristen Owen - *Oppenheimer & Co Inc - Analyst*

I wanted to follow up here, Jim, on the updated guidance, specifically around US/Can. Really happy to see some forward progress on Argo. Just in your second half guidance, is there any additional like volume or maybe mix headwinds implied there just as you get Agro to meet specs? And then I have an unrelated follow-up question.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yes, I'll tell you what. I'll talk about Argo and what we -- what gives us confidence going forward. But let me turn it over to Jason to take the view on the second half guidance. Jason, go ahead.

Jason Payant - *Ingredion Inc - Interim Chief Financial Officer*

Yes, thanks. So being specific about what changed, it's really only amending the range to reflect the sale of the majority stake in the Pakistan business. So our underlying full year expectations are otherwise unchanged. The composition shifted a little bit.

We're seeing better performance in TNHS and a little bit softer performance in F&I US/Canada. Part of that is because of network optimization with some of our native starches that's benefiting TNHS and pulling a little bit back from F&I US/Canada. The business is performing in line with expectations, and we continue to see solid execution across TNHS, which is very encouraging.

And Jim will talk a little bit more about Argo. But as it remains an area of focus, production rates and yields are improving sequentially and they finished June running at normal rates. And the reality of our Q2 -- really Q2 to Q3 is we did have some corporate cost benefits in that corporate costs are going to sequentially be higher in Q3. We also had that Sanstar benefit. It was about a $2 million gain in Q2 that we believe will unwind in Q3.

And what we've also seen a little bit in Q3 is we've been relatively fortunate in that the Argentine peso has been fairly benign over the last five months, but we did see a steep decline in July, and that's going to negatively impact Q3.

So that's why we're seeing a little bit of a pull forward of some benefits into Q2 that are going to unwind a little bit in Q3 and basically all unrelated to Argo other than potentially some higher cost in inventory that are still flowing through the P&L in Q3.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

And I can, Kristen, just give you a little bit more specifics regarding Argo. We have systematically addressed the various issues that arose at Argo over the last number of quarters. I guess, starting with the grind, it is now operating reliably and at expected run rates.

We've talked previously about the downstream refinery issues and that led to downtime and rework and that's now been completely addressed. And the vast majority of the costs associated with that rework that impacted us previously, that's all now behind us and the unexpected thermal event that occurred on April 10 that took down our germ processing unit came back up in early June really with heroic efforts by engineering, procurement, the operations teams and the supplier that was able to get us a rebuilt baghouse operation and our oil processing is now operating at historical run rates.

So we feel these three accomplishments along with the investment of some targeted additional capital directed specifically towards reliability at Argo gives us confidence in the guidance that we put forward for the rest of the year.

Kristen Owen - *Oppenheimer & Co Inc - Analyst*

That's super helpful. And then you talked about some of the transitory costs. I'm interested in some of the elevated input costs. I mean Tapioca is when you -- you guys have been really clear about -- but just help us understand how much of the inflationary costs that you're seeing, how much of that do you expect to stay with you versus maybe just some timing around your ability to pass that through in price?

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. Let me turn it over to Jason because Jason has been actually on point similar to how the finance team was on point last year with tariffs, and we set up a tariff hub. This year, we've got a Middle East response team in response to, obviously, the conflict in the Middle East and what that's doing. But Jason, do you want to talk specifically about inflation and the tariffs and how we're looking at the net impact of that for the full year?

Jason Payant - *Ingredion Inc - Interim Chief Financial Officer*

Yes. I mean, to Jim's comments, we -- similar to the tariff response team last year. We now have a Middle East response team. and really impacting to a greater degree, our APAC and EMEA businesses. And what we're seeing there is generally in APAC.

And it's a little bit compounded with the tapioca increases. But because of our history of passing through Tapioca price changes, which can occur fairly dramatically and fairly quickly, that business is very solid and moving those prices through.

It does take about a quarter to a quarter and a half to completely pass those prices through and get more to a neutral place. At the end of the day, we're estimating that the net impact outside of Tapioca for the inflationary pressures from the Middle East conflict. It's really manageable and the impact is in the range of a few million dollars, and that's all factored into the guidance

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Operator

Ben Klieve, Benchmark.

Benjamin Klieve - *Benchmark Company LLC - Analyst*

I wanted to ask a follow-up here on the Argo progression. Great to hear all the progress on getting that operational at a full run rate by the end of the quarter. But I'm wondering if you can isolate the margin structure that you're seeing out of that facility here at the end of the quarter. Great that volumes are back, but I'm wondering where margins stand at the end of the quarter and how you see the margin profile for that facility specifically evolving over the next couple of quarters as those mechanical improvements that you noted are made?

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Jason, do you want to take that? I know our margins were up, I don't know, 400 basis points or more.

Jason Payant - *Ingredion Inc - Interim Chief Financial Officer*

Yes. And as we stated on the Q1 earnings call, what we were looking for, even with the thermal event that, to Jim's point, required significant efforts by the team with sequential improvement during the quarter, and that's what we saw.

So it does take some time for those costs to completely flow through inventory in the P&L. So we'll carry a little bit of that in for the July, but the plant now has room to run. And as the plant can run as we can rebuild inventories, we should get back to normal historical margins towards the end of the year.

Benjamin Klieve - *Benchmark Company LLC - Analyst*

Okay. Great. And then my follow-up is related to Argo as well here. You noted the investments to kind of enhance the predictability for Argo going forward. I'm wondering if you can just lean into this a little bit. Tell us a bit about not only what's changed operationally, but what these investments are to enhance the reliability out of this, so we can just get a bit more comfort that this facility is going to be kind of more boring going forward?

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

We also want it to be more boring as well. The investments are in targeted locations throughout the plant to improve reliability. We're also making changes. It's not just about the capital. We've conducted extensive root cause analysis.

Across maintenance, training, leadership, and operating procedures. And so for example, some of the things that occurred were related to some management of change issues that we have standardized more strongly. And those we don't -- those issues won't reoccur. But the targeted investments will be in some redundancies. And, for example, the tanks that we use to the cost clarification tanks basically.

And it's where you take the feedstock for the starch and you liquefy it which is the main heart of the facility that feeds all the downstream refineries. And so we now have -- or will have the redundancies built in to prevent any kind of impact should one of those tanks not perform as they should which is one of the things that impacted us as well.

So that's where a notable amount of that, say, capital, but it's not just capital. I want to assure you, it's across the areas of maintenance, training, leadership, and operating procedures. And a lot of these things have been improved, and we do feel we've turn the corner in relationship to stabilizing the plant. And now we just have to continue to demonstrate sequential incremental improvements quarter-on-quarter.

Benjamin Klieve - *Benchmark Company LLC - Analyst*

Appreciate you taking my questions. Congratulations on the Argo improvements and the solutions business as well. I'll get back in queue.

Operator

Ben Theurer, Barclays.

Benjamin Theurer - *Barclays Services Corp - Analyst*

I wanted to dig a little bit and trying to understand a little bit more of the dynamics within the volume performance across sector. And particularly within Food and Industrial US, maybe to start off, I mean, obviously, you still have a little bit of an impact from Argo. But could you help us understand how significant the continued weakness in food and beverage sweetener volumes has been over the course of the quarter? And -- but essentially, what is a decline if Argo would have been normal or not an impact on Food and Industrial US/Canada volumes?

Jason Payant - *Ingredion Inc - Interim Chief Financial Officer*

Yes, I can take that one. I would say the teams really did a good job. If you look at our volume impact relative to the OI impact, it really was a lot about moving things around the network. And where we are seeing softer volumes in general, that was not the lion's share of the impact for us. So as the plant gets up and running and we can take additional opportunities for volume, we should expect that to normalize.

We are seeing a little softness in the industrial side, basically market driven. We expect that to improve balance of year as things normalize from a macroeconomic standpoint globally. But really, the larger share of the impact is from the Argo challenge is not necessarily the weaker demand environment.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

And we did go through kind of jump through some hoops to make sure that we serve as customers, which also came at some incremental cost, but the volume was there to ship in to supply.

Benjamin Theurer - *Barclays Services Corp - Analyst*

Okay. Got it. And then as we think about like just rounds of pricing, I mean, obviously, across the different regions. There are different challenges everywhere, right? I mean you have in LATAM, US Mexico a little bit softer. In the US, you have lower demand. I mean, I think the only area of not so many issues are Texture and Healthful solutions. But as we think about preparing customers for pricing initiatives and looking into what you can or should do in terms of pricing?

What are the conversations you're having in terms of like just price evolution in, let's say, more the Food and Industrial areas, North America as well as Latin America and what has been mix versus real price realization in terms of impact on the top line? And how should we think about this for the second half and then beyond that, maybe into 2027 as you start renegotiating some of the contracts.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. I think the pricing approach that we've taken in here has been entirely related to that Middle East response team that we've assembled analogous to the tariff hub that we had established. And now, of course, we're looking again at what implications there may be of the 301 tariffs that appear to be going into place in August -- mid-August. And as Jason said, those, surprisingly have went the customers have understood that those in-year price increases are justified.

And to your point, they're kind of across regions depending on origins of the impacts and the ingredients that are impacted and how freight and logistics are impacted and maybe chemicals could be impacted. So -- but -- and the net impact of that is really not that much because of the offsets with the pricing increases. But that's really how we've been managing that. It's really too early to talk about next year and corn prices and all of that. What I will say is the one area outside of the Middle East response team that we are laser-focused on is the tapioca cost run-up.

As we referenced, I think, from our quarter one call, we view that impact as temporary and it's not going to be a structural margin impact.

We're going to see some near-term margin pressures as pricing catches up to cost, as Jason says, 1, 1.5 quarters to typically realize that. But we have seen due to the dry conditions in Thailand, we have seen really record tapioca prices. Now the thing to point out, though, is the way this works is when tapioca prices do come down and they will come down based on history, they do come down. We benefit from the sticky down, then we will have to give back some of that to customers. But typically, we benefit on the other side of that.

But we've been laser-focused on that, and so far, so good on that. And the volumes for Tapioca because of its premium nature, have continued to be strong.

Operator

Pooran Sharma, Stephens.

Pooran Sharma - *Stephens Inc - Analyst*

Wanted to understand a little bit about the -- you've spoken about the industrial applications. And sustainable packaging. I wanted to better understand at what point do you think that these opportunities become meaningful enough to offset some of the secular pressure we're seeing in some of the more commoditized products?

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. I think that what's important to note about our industrial business, and that would be, I would say, ex, say, CPG non-food, which is personal care, beauty care, and pharma, which we really don't talk about all that much, but which is those two segments are higher margin and growing at high single digits. But separate from those two, which we will talk more about in the future, as we made the investments, as we've talked about in India, et cetera. But specific to your question about the industrial, it's a sizable business when you think about the Americas and a position we have in Asia.

So for the last number of years, what we have done is focused more on the corrugating side of that business, where we see box production and linerboard production as being more durable and in need of better speeds better strength for lower -- what they call basis weights or grammage. And we've been investing in a targeted fashion in some technologies to help the corrugator speed up that business. And so a larger portion of our business is exposed there as opposed to uncoated free sheet, for example, which is in a secular decline in a decline. And so in addition, there is a growing market for sustainable food packaging and food compliant, packaging for coatings, we talked about grease resistance, et cetera.

And so we call that advanced packaging materials. So we've had in concert with support from innovation and R&D, targeted new product development in that area, and those products are being trialed with customers, and they are growing. And so we're seeing nice volume and value growth. And these are also at very respectable margins, not quite at what our solutions margins are, but close. So -- and in comparison, to other industrial gets that are less differentiated, they're absolutely a trade up.

So -- we're excited by the prospects of that. And what I would point to is we strategically expanded, as you know, the capacity for Cedar Rapids.

And we made an investment and that was designed for exactly that business and to support some of those growth opportunities that we see in the future. So again, we think the trend is favorable to appeal to it. And we -- again, we think we're very focused and selective on what we've chosen, and we hope to talk more about that in the future to you and its impact.

Operator

Andrew Strelzik, BMO.

Andrew Strelzik - *Bank of Montreal - Analyst*

I had a couple and apologies if any of this has already been asked. I hopped on a little late. But you mentioned in the press release some of the kind of integration planning work you've been able to do at -- with the Tate business. Can you talk about, at this stage what you're able to do in terms of that work? And any surprises or learnings from that process as it relates to the combination of the two businesses.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. No real surprises. What I would say is, just as a reminder, this week was an exciting week for us because on Tuesday, shareholder approval or last week, I should say, shareholder approval was indeed an important milestone. And the transaction is now subject to ordinary regulatory approval in 11 jurisdictions, including the US and the EU.

And to date, we're on track with all requisite filings and the projected timeline reflects the anticipated time required to get clearance for a deal of this size. So right now, that's where it is. It's where it's at in the normal process. And again, we feel good about the shareholder approval and other step in the process. But that's really where we're at with the Tate & Lyle acquisition.

Andrew Strelzik - *Bank of Montreal - Analyst*

Okay. I do know that you said it's kind of too early to talk about pricing and corn prices and those types of things. But I guess, I've just been trying to think through, given we're on kind of year two of volume declines and for the industry, right, we've been pressured globally, kind of where utilization rates sit now for the industry or Ingredion in the US and globally? And kind of -- I know that Ingredion has done a lot to improve the risk management over the last five-plus years. But just how you think about the ability to offset a higher corn price environment should that materialize if utilization rates maybe aren't where they need to be.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Well, just in relationship to corn prices, first of all, and I'll talk about, say, utilization here in a second and the essence of your question. But just on corn, we successfully managed through multiple corn cycles using a combination of disciplined hedging and pass-through pricing. And while volatility can create short-term timing differences, our hedge program and the pricing mechanisms preserve earnings stability. So we would not expect changes in corn prices alone may impact margins and alter our long-term outlook. So that's the strength of our business model.

And I think that's just important to remind everybody about. And then what I would say is in our industry in the US, there has been a significant announcement by one of the manufacturers that they will be closing one of their facilities which represents about 5%, I believe, of capacity utilization sometime in 2027. So that is on the horizon. That will impact contracting going into 2027. And at the same time, I think we've not seen this year, we talked about F&I.

Previously, there was a question about the volumes, and we have felt that putting aside the Argo challenges, the volumes were there to service our customers, especially for the products that we produce, given where we sit in comparison to, say, larger producers of some of the sweeteners. So -- but this impact of this closure of this one facility, which is 5% of capacity of the industry in 2027 is something that's going to be pretty notable.

Andrew Strelzik - *Bank of Montreal - Analyst*

Okay. That's super helpful. And then just one last one, if I could squeeze it in. The Canada tariff announcement and the potential impact on your plant in Ontario, can you just talk about maybe work around some potential implications? And again, apologies if you've already addressed that.

Jason Payant - *Ingredion Inc - Interim Chief Financial Officer*

I can take that one. And we have not addressed it. But what I can say is, obviously, that's still evolving. Nothing is in place yet other than having been announced. What I will say is we've managed through this multiple times this year already.

And as we assess it, it appears that the impact on us will be fairly limited. We have the network capabilities to move product around where we need to. And historically, we've seen that we can pass through these additional costs to our customers. and we would expect to do the same going forward.

Operator

Josh Spector, UBS.

Joshua Spector - *UBS AG - Equity Analyst*

I apologize because I want to bring it back to Argo for a second here. I guess, when I go through what you guys have said the last couple of quarters, I mean, you guys said it was a $40 million impact in 1Q. My math looks like maybe it was $20 million, $25 million in 2Q. Maybe your 3Q guide implies about $10 million to $15 million in 3Q?

I guess, overall, that gets about $70 million to $75 million. I'm just wondering, one, are those numbers roughly right for 2Q, 3Q? And are those numbers we should be adding back for next year for a base assumption in F&I, US, and Canada? Or is there anything else offsetting that? You commented about some network inefficiencies serving Texture and Health. So I just want to square that away if I can.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. So let me help with some of the numbers, but Jason is better at doing this than I am. So for quarter two, three, four last year, cumulative. The impact was $40 million. And in quarter one of this year, the impact was $40 million, and that was what was so frustrating for us about quarter one.

And I'll let you take it from there from a standpoint of the estimates for Q2 and how we have I think, prudently taking an outlook to the second half quarters three and four, for Argo reliability.

Jason Payant - *Ingredion Inc - Interim Chief Financial Officer*

Yes. I think in general, and we can follow up your math is directionally correct. What I would say is one piece that we need to think about is some of the network moves we made because there's native starches that we make at Argo that we also make in our Texture and Healthful Solutions network. So some of those volumes have moved and it will take time to move those volumes back. Particularly since we look to benefit the business as a whole versus just one segment to another.

And when you have that situation, we have intersegment sales, obviously, and there's a bit of profit kept by the manufacturing entity and the remainder is passed to the selling entity.

So that's a little bit of the math that's probably not quite as apparent when you're looking at that, but that will have a bit of an impact in Q3 and Q4. That will give you a little bit of a tailwind in TNHS, and it will offset with a little bit of a headwind in F&I US/Can. But having said that, we do expect F&I US can to get back to normal operations. There will be a little bit of a hangover from those network moves as we move into next year. But we do see the F&I US/Can business returning to normal profit margins and levels next year.

Joshua Spector - *UBS AG - Equity Analyst*

Okay. Yes, I'll follow up on some of that off-line. That sounds a little bit more complicated. I did want to ask on Texture and Health, just, I mean, obviously, the second quarter was very strong. I mean 7% volume is great to see.

I mean, clearly, we're not seeing any end market growing at that level. So I'm wondering if you could help decompose that a little bit between wins like share gains? And just given some of the commentary around Tapioca. Is there any pull forward in 2Q you think, from customers expecting price increases? Or is this a good run rate you'd expect?

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. We don't think there's any pull forward in the Q2 numbers. we're pleased with the 7% net sales volume growth, and we're pleased that it was our ninth consecutive quarter of sales volume growth. And that really continues to be driven by what we see as structural trends that we've been discussing really for the past several years, particularly clean label, where we have a great franchise, texture solutions, sugar reduction, protein fortification and where we're working increasingly on customized formulations and systems with large CPGs, private label manufacturers and insurgent brands all through a revamped solution selling model supported by customer briefs and a strong pipeline of projects.

And so customers increasingly want customized systems to appeal to really the trends, the regulation changes, the appeal towards health and wellness, and some of the folks that are on some of the anti-obesity medications, again, looking for protein-fortified and fiber fortified ingredients.

Operator

Heather Jones, Heather Jones Research.

Heather Jones - *Heather Jones Research, LLC - Analyst*

Thanks for the questions. I wanted to revisit the THS volume question. If I'm doing the math correctly, it was like a two-year stack of plus 10% on volumes. And if I'm remembering correctly, at the time of the Q1 call, it didn't sound like the I mean, you sound like things were good, but not that good. So I was just wondering if you could give us a sense of how -- what the cadence for demand was as the quarter progressed.

And I know you mentioned that there was some tailwind from the Argo issue, someone that got shifted to texturance, but did we -- did you see some restocking maybe in EMEA or whatever? Just wonder if you could help us understand what drove that.

Jason Payant - *Ingredion Inc - Interim Chief Financial Officer*

Yes. Heather, I think we saw volume supported across the board. As you can see, the strong volume, and we still are seeing our solutions growing at a faster clip than the balance of the business, but we are also seeing strong performance in the remainder, including some of our native starches. Which obviously is very positive from our standpoint. Nothing really around restocking. Just overall, the market is performing pretty well.

Heather Jones - *Heather Jones Research, LLC - Analyst*

Okay. And then thinking again about the Argo impact and just fast forward into '27. And I don't know if you all are ready to quantify this, but the impact of Argo, as all were talking about earlier, I mean it backs up to a pretty sizable number. Have you done any work around how much the benefit to THS nets against that of how we should be thinking about that net benefit? I know you talked about at qualitatively but have you all thought putting any numbers to it?

Jason Payant - *Ingredion Inc - Interim Chief Financial Officer*

Yes. I mean, in general, I would say it's a few million dollars a quarter. And also, I would remind you that there is a tailwind there from the Sanstar $2 million gain on our shares that hit the TNHS business. So that's a bit of a one timer that we think is going to unwind in the third quarter. But remember, it's not just moving the native starch.

It's when you're filling up that other plant, you also get that absorption benefit that can sort of be outsized when you're talking about native starch.

Heather Jones - *Heather Jones Research, LLC - Analyst*

So your back half guidance for US/Can implies anywhere from like 5% to 20%-plus year-on-year growth. Is that a function of demand growth? Or is that a function of does Argo improve at the clip you anticipate? Or is there some backsliding in there? How should I think about that guidance range?

Jason Payant - *Ingredion Inc - Interim Chief Financial Officer*

Yes. No, Argo, that definitely includes Argo improving in the second half. As I mentioned earlier, we did see a little bit of a benefit in Q2. So there was some -- a little bit of a pull forward in Q2 because of how our corporate costs laid out in the Sanstar benefit. But that assumes Argo recovering balance of year.

As we look at that layout, we just continue to see it improving quarter by quarter by quarter. And that's what we anticipated in our guidance.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

But we also haven't -- but we also haven't in the second half, just projected an automatic uptick straight up. It's not -- it's a sequential increase in improvement.

Jason Payant - *Ingredion Inc - Interim Chief Financial Officer*

Yes. And to give more color around that, a lot of the products we make at Argo are dual supplied. And in cases where we're having challenges like we did in Q1 and Q2, our customer will pull more from 1 of the other suppliers. As we start to pull that volume back, that's why you see a little bit of a ramp-up in the third quarter and the fourth quarter and then expecting that to normalize next year.

Operator

Pooran Sharma, Stephens.

Pooran Sharma - *Stephens Inc - Analyst*

You guys have talked about the solutions business for quite some time now. So I just wanted to understand if we could just get some higher-level details here around where you're at in terms of customer penetration. Are your largest global customers already heavily utilizing the platform? Or do you think the bigger opportunity for still expanding solutions is with existing customer relationships?

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. What we have been talking about as it relates to our solution selling model, which has really evolved and transformed over the last really two years is -- has been done while at the same time and our customer base and aligning our go-to-market resources towards where we have seen the majority of the reformulation and innovation coming from.

So some of the dynamics that we've observed is obviously going back a year, 1.5 years ago, the amount of innovation and new product introductions coming from prime manufacturers, and we had already pivoted towards understanding that ecosystem, the co-man, the co-manufacturing networks and where the innovation was getting done.

And we incrementally have continued to focus there. The branded manufacturers have fought back to gain share, and they are also heavily trying to innovate right now to drive organic volume growth. And historically, we've had great relationships with them and that's also benefited. But also -- and we've talked about this in some different interviews. We also are very focused on the growth of insurgent brands.

And these start-up companies, really, if you are formulated into their winning products, they are driving the majority of the organic volume growth in the food industry. And as a supplier, the business that you can generate with them in a relatively short period of time can be attractive as well.

So we've reoriented our go-to-market model as it relates to our inside sales or selling as well as the regular sales force and how we reach these insurgent brands and support their efforts. So it's really in those three areas. And then equally, as it relates to foodservice and food consumed away from home, especially the QSRs and the focus for them on affordability and texture and textural innovation.

So it's coming from a really a variety of areas that we feel we have consciously purposefully segmented and deployed resources against to try our best to move to where we see the pursuit of the consumer and where real underlying organic volume growth exists. And that's why we think we've had 9 consecutive quarters of net sales volume growth for Texture and Healthful Solutions.

Operator

Thank you. That concludes today's question-and-answer session. I'd like to turn the call back to Jim Zallie for closing remarks.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

I want to thank everyone for joining us this morning. We look forward to seeing many of you at our upcoming investor events with the next significant engagement being the Barclays Global Consumer Conference on September 8 in Boston. At this time, I want to thank everyone for your continued interest in Ingredion.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.
