BMO Farm-to-Market Conference
Ingredion

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Ken Zaslow: It gives me great pleasure to have you back at our conference in person, particularly as Ingredion's transformation is truly underway and delivering results. With you as CEO, Ingredion has been on a steady path to transition itself from a commodity company to a more consistent, value-added ingredient company. At the same time, Ingredion has been successfully navigating among the most challenging operating environments in history through transformative pricing and risk management strategies. Importantly, over the next three years, Ingredion will increase its sales from specialty products from 1/3 to 40%. Ingredion has also been laser focused on capital projects, improving processes and cash generation. Again, I can't express my gratitude for you being here with us today.

With that, I'm going to turn it over to you. I think you're going to have some introductory remarks, or do you want to go right into --?

James Zallie: Well, I would just like to say thank you for allowing Ingredion to be part of this BMO conference. It's a pleasure to be with you. I always enjoy our discussions, always enjoy your questions on the earnings calls. We're coming off of a record Quarter 1 in our company's history. So I think that that says a lot about what we've done over a number of years to shift the portfolio more towards specialty food ingredients at 33% today, a higher percentage of that based on operating income. Our core business fundamentals are improving, and that's by a lot of design and a lot of hard work and also I think some industry fundamentals.

And we've invested a lot in pricing centers of excellence starting about three years ago -- or four years ago, actually -- which was related to foreign exchange. 62% of our sales are outside of the United States. So when the US dollar strengthens, we have to pass through price increases. So we had muscles developed three years before inflation, and we started pricing centers of excellence.. And that has served us well. It's positioned us. We have momentum as we go into the following quarters of this year.

The world remains still a very uncertain place. No one can predict all of the factors that are going to come into play. That being said, we just maintained our guidance for the full year. And in fact, from an effective tax rate standpoint, the guidance was actually increased a bit. So we're feeling good about where we are, but we're ever watchful of the uncertainties in the environment.

Ken Zaslow: Let me kick it off. Look, Ingredion spent about $700 million over the last four years on plant-based proteins, sugar reduction, alternative starches, China expansion and food systems. How do you asses the contribution, the cadence and the return on invested capital from these investments not just in 2022, but really 2023 and beyond? How does this set you up, and how do you think about that?

James Zallie: So, Ingredion five years ago, you would have considered us a starch and sweetener company. Today, we're so much more than that. We are I think a total solutions provider. 70% of the ingredients that we produce -- or I should say, the ingredients that we produce go into 70% of all the new product introductions that typically happen with new product development. So the breadth or the reach of our products can find their way into much of the food innovation that's occurring in the food industry.

Specifically what we branched out into beyond sweeteners and texturizers is in the areas of plant-based proteins, so we placed a significant bet in plant-based proteins. It's a diversified portfolio beyond just one magic bullet of, say, pea protein isolate, but a whole portfolio. We made a very strategic investment in stevia where we are the world's largest producer of stevia-based products from leaf extract, bioconverted and fermented, which is very, very important from a standpoint of sustainability going forward long term.

And then we've built out our systems capability, which is to formulate with four pillars and complementing that with a formulation skill capability where in today's environment, labor costs and just having a foolproof integrated system that you can supply to a customer is very, very important. So we've invested in all of those capabilities, and our opportunity set has expanded and really been transformed, and so we're feeling very, very good.

Now, specifically about your question about returns on investment and cadence, so let's take it one at a time very quickly. Plant-based proteins, we invested $250 million. We built out a facility in South Sioux City, Nebraska, which is producing pea protein isolate, but we also have in Vanscoy, Saskatchewan, which is the pulse growing part of the country, a range of pulse-based flours and concentrates. So those would be fava bean, chickpea, lentil, et cetera. That gives us a whole formulating capability for fortified, protein fortified products for sports nutrition, for bakery, for snacks, for alternative dairy, for alternative meats, which everybody of course reads about, but it's so much more than that.

And specifically there, you have investment costs. There weren't acquisitions that were cheap because the space is so hot. So we decided five years ago, we were going to go and make an acquisition and retrofit it. And then we made an acquisition, actually a very attractive one up in Saskatchewan, and it takes some time to get the returns on those investments. This year, we're looking at a $10 million improvement in operating income as those factories continue to produce. We were up in Quarter 1 250% in sales. The target is to get to $150 million in sales by 2025 from $16 million currently.

In sugar reduction, we made an acquisition of PureCircle, which was the leading stevia manufacturer, primarily in leaf extract and bioconverting. That has proved incredibly timely. We have turned that business around. It's fully integrated. Not only that, it's growing very significantly, and we see tremendous prospects for this. We're investing in greater tasting or better tasting stevia products. When stevia first came out, there was a first generation product called Reb A. There's now a product called Reb M. It tastes very close to real sugar. It's about 300 times sweeter than sucrose, and it really is a great product.

In addition, we've partnered with a company called Amyris, which is a leading synthetic biology company, to produce fermented Reb M from sugar cane down in Brazil, very sustainable. So that is an opportunity and is lowering the cost profile, which will give increased penetration. So we're looking there. We're already operating income positive with stevia and PureCircle this past quarter. Our sugar reduction sales were up 28% this past quarter, and the prospects look very, very good. We're going to be up well into the double digits this year on sales, and operating income will be up quite nicely this year in sugar reduction.

Starch-based texturizers, we've diversified beyond corn-based products. That's been part of our strategy for a while to be into tapioca. We're the world's leader in tapioca starches, rice-based products, and also something that we don't talk about, Ken, is pea-based products, pea starch. So pea starch is a byproduct of pea protein isolate. Interesting. That is growing also right now because the market for starches is very, very tight. So we're actually selling everything we can make in starch-based texturizers, and pricing is very strong. And that's our heritage, that's our franchise. So we're doing very well there.

And then food systems is a lower capital intensive investment because it's blending facilities and integrated blending. So we're making investments. And that's growing about 15% a year, again, driven by customers that want to take steps out of their manufacturing process and simplify their labor requirements. One of the things about Ingredion that we've been known for for years is our go-to-market capabilities and how we work with customers very intimately to formulate. So when you have that applications expertise, food science capabilities and you can formulate, it's just logical to extend into food systems that are more integrated systems that now customers big and small are interested in. Years ago, it used to be small customers. Now, believe it or not, some of our largest and fastest growing customers are large customers that, again, are all dealing with the same issues.

Then lastly, it's our clean and simple franchise, and that's growing very nicely. In fact, that's going to be a significant contributor I think also to our growth in specialties as we grow specialties from $2.3 billion this year, this past year, to $3.2 billion by 2025/2026.

Ken Zaslow: Can we just go back to the texturizers? I'm going to go to a couple. Can you talk about what industries and geographies you see the greatest opportunities in texturizers?

James Zallie: So it's interesting. In texturizers, they find themselves into just about all products where you need to impart mouth feel, texture, crunchiness, crispiness, smoothness, emulsification. So they find themselves into a lot of applications. But equally, they're very affordable on a cost of use basis. So in today's high inflationary environment, they're used to extend expensive ingredients or replace expensive ingredients. So right now, our formulation scientists are working with customers that are coming to us that can't find certain ingredients and want to replace skim milk powder, for example, which is very high in price. Because you can impart emulsification properties to a starch to replace casing, for example, in a protein. Or you want to extend gelatin, for example, in a gummy bear or something like that and still get a degree of clarity, but also the bite to it. So texturizers really find themselves in so many different applications.

And then specifically around the world, we just -- we're completing an investment right now, and China's a tough place right now because of the lockdowns. But we're completing right now with our team that's still there and able to progress this, in August we'll be commissioning a $100 million investment in China. And interesting about China when it comes to starch-based texturizers is they are one of the world's largest consumers of specialty starches, one of the world's largest markets for specialty starches, but on a per capita basis, on a kilogram per capita basis, 3x less than western economies like the United States. So from a standpoint of headroom for growth, a lot of headroom for growth.

So we're fortunate that we have that heritage, and then we've built off these other capabilities in plant-based proteins and sugar reduction and then this whole formulation capability.

Ken Zaslow: Just sticking a little bit with plant-based proteins, first of all, I like the idea that it's just not plant-based because that's all we hear about is this whole plant-based, that that's the only thing, the alternative protein. So it goes beyond that. Can you talk about how your portfolio has transformed just from -- how diversified is that plant-based protein portfolio? And then your business, it's a little bit behind what you expected. You're fixing it now. Can you talk about what you're doing to fix it, what's the outlook, and how you think about the growth prospects once you do fix it?

James Zallie: Okay. So specifically, your question is about plant-based proteins. And as it relates to plant-based proteins, look, it's a $10 billion market today, and it's growing projected at 7% per annum. I'm long enough in the industry to have been through fads and to be able to differentiate fads from trends. And this is a trend that I think is irreversible, and I think plant-based proteins and plant-based formulating will be here to stay for a variety of reasons that all of you identify with, which is sustainability, mindful consumption, just overall health and wellness, et cetera.

So it's like anything else. There's a flood of products that come into the market. Consumers get saturated. The products have to be formulated and improved. Bottom line is, we're very bullish about the prospects. We have a very healthy pipeline and, again, our sales were up 250% in the quarter, because we decided to take the necessary harder route. Why? Because there weren't any acquisition candidates to buy into, and they were priced ridiculously. We decided to invest five years ago, and now those investments are coming to fruition. We invested $250 million in plant-based proteins. We decided we didn't want to be a magic bullet in pea protein isolate alone, because we've learned in starch-based texturizing, when you have a whole portfolio of eight different varieties of corn and two different varieties of tapioca and two different varieties of potato and rice and pea, it's a whole mosaic of formulating capabilities that you need to have to be able to give to design in or dial in texture, which is what we like to call.

Similarly with plant-based proteins. You're looking at having to optimize amino acid profiles for bioavailability, biodigestibility to get the most complete protein. Then you have to also understand taste and texture, which we do. So we decided to invest in pulse-based flours and concentrates and isolates. So, and you say, well, the isolates are the more premium products. True. Concentrates, though, have a very sustainable footprint because they're not as processed, there's not as much water that goes into them, and they are very high in protein unto themselves.

So understanding all of that, understanding the flavors, the concentrates that we just developed are de-flavored. So, we've been able to develop a de-flavoring technology to have them be clean tasting for a variety of applications. So, the reason it's taking just a little bit longer from a standpoint of the delay is because when you're starting up a new process, it's always challenging to commission a new facility. The good news is this past quarter, we've increased significantly our output, doubled our output, basically, and our yields are improving and our quality, first-pass quality is all improving. That's in Nebraska. In Canada, it's a less complex process, and we have no manufacturing issues whatsoever. So we're delayed about a year from a standpoint of where we thought we would be, but this year, again, we're going to see a $10 million improvement in operating income year-on-year.

Ken Zaslow: Just to kind of close out on this ingredient side, which of the subsegments especially have the greatest contribution to profit today and which will have the greatest contribution in 2025?

James Zallie: Okay. So again, specialties for Ingredion, again, starch-based texturizers, clean and simple ingredients, plant-based proteins, sugar reduction, food systems, five of them. So in order of magnitude in dollar terms, it's starch-based texturizers. But they're going to grow mid-single digits, okay. Clean and simple ingredients is a very substantial and very profitable portfolio for us. That's going to grow high-single digits. Plant-based proteins coming off a small base. $150 million is what we said by 2025. Mid-teens operating income.

Sugar reduction is going to be the I think fastest growing, personally. It's going to be the fastest growing. We're already seeing that. I think that you're going to see increasing concerns from consumers over artificial sweeteners. And I think that a high intensity natural sweetener, which stevia is, I think will outperform. We're seeing tremendous interest from customers. And what we like to say is in the area of stevia, we have what we call the perfect trifecta, which is stevia leaf extract, bioconverted, which is an enzyme treatment of the leaf to extract the most -- to concentrate the most best tasting Reb M, and fermented with the sustainability driver and low cost profile.

When you think about sugar reduction, it's a global requirement or a global demand phenomenon. And that's driven by government, regulations, people's concern for health and wellness, disease prevention, diabetes, et cetera. So we see this as global, and we haven't even gotten some of the regulatory approvals that we're waiting on in target countries. So we think that that's all going to be coming.

And then food systems will be just a nice, high profitable, low capital intensive, high ROIC business that will I think be a $300 million business by 2025.

Ken Zaslow: There's obviously a lot of talk about Russia/Ukraine. How has Russia/Ukraine affected your supply chain, capital spending opportunities? Does it affect your long-term growth targets, particularly across the supply chain and costs?

James Zallie: So first of all, for everybody's sake, the Ukraine and Russia combined account for less than 0.5% of our revenues, and we have pretty much exited Russia. We only had a couple of employees in the Ukraine where we've evacuated families. But as it relates to the indirect impacts of all of that, in Europe, we do not source any of our corn from Eastern Europe. We source it all from Western Europe. And for this year, we have all of our corn hedged, and we have all of our natural gas hedged.

Now, in Korea -- and it's an isolated case -- in Korea, we were importing some corn from Eastern Europe. And unfortunately, there we're having to jump through hoops to get corn from different routes, and that will increase our costs in Korea. But the Korean business is not a very large proportion of our overall. It's 15%, 20% of our Asia Pacific business. But that's going to cost us about maybe $8 million I think this year on an incremental cost basis.

So overall, I think we're weathering it as best as possible. Everybody's watching very closely, of course, what Russia's going to do with just the ability to supply gas to Europe. Nobody knows what's going to happen there. But overall, we've been able to navigate that situation pretty well.

Ken Zaslow: But it doesn't impact your long-term growth targets. It doesn't impact the investment cases.

James Zallie: No, it does not impact our business case. You have to worry about big things, but no, it does not impact our -- from what we can control.

Ken Zaslow: You mentioned it in your opening remarks about your pricing. Can you discuss the actual transformation of your pricing over the last several years? What are the key actions that you have taken, or what are the key changes or improvements made with your pricing center of excellence?

James Zallie: What I was saying earlier, and this is something that I was trying to explain to my Board. I've been in my job, this is my fifth year as CEO. And what I was trying to explain to my Board in my first three years, I kept trying to remind them, is that I had to offset $950 million, roughly, of foreign exchange headwinds in my first three years. And so typically what we say is our business model is very resilient, and it takes three to six months to pass through. That was pre 40-year high inflation that we were able to pass through that price increase in three to six months. That was part of our business model.

So out of necessity, we had to develop those pricing muscles. So what we did is we developed pricing centers of excellence. It was really led by South America, which if you think back three, five years ago, the need to do that. So we segmented all of our customers globally. We've looked at our customers not just on their relative profitability, which we'd say of course you're going to do that, but you look at them based on your relative growth potential with them, based on what they're saying, those customers are saying about where they're investing, the applications areas, the growth. We line those up with the value propositions of the products we sell. We looked at just a variety of different aspects. And then what we did is we had our legal teams, especially at the start of the inflationary environment that we're in right now, work with customers to renegotiate pricing terms, to give ourselves more flexibility so that we can pass through, for example this year, dynamic in-year pricing as opposed to the typical annual contracted pricing.

So our teams have done I think a very, very good job, but we're fortunate because, in a sense, the fact that 62% of our sales are outside of the US had given us that impetus to be able to develop those pricing centers of excellence, and those are serving us very well. And that's evident in the fact that we had an all-time best Quarter 1 in the company's history.

Ken Zaslow: With the rising corn prices and surging energy prices, I know you've said you hedged. How long does it take to price through that type of inflation? When will you actually be caught up with that inflation? How do you think about that?

James Zallie: So, it's a never-ending battle because we're all trying to read the tea leaves in regards to continual cost inflation. But again, as it relates to foreign exchange, I think we're passing through foreign exchange now not in six months. We're passing it through in three months, as fast as we can. Again, the terms and conditions with contracts are enabling us to do that, so that's a good thing.

And as it relates to other input cost inflation, whether it's diesel prices, we can pass that through now because of all the contract flexibility. So we're not seeing the kind of delays that we had where I think you beat me up maybe on a call maybe two years ago. So we're tighter on all of those things, but it's all borne out of necessity now. We just -- we had to get better at that, and we've developed those muscles, and we're able to respond. Our teams are just hyper focused on it right now. We're just hyper focused. My CFO is here, Jim. It's one of his top objectives for the entire year is to work with the general managers. And literally, it's weekly that we manage these things.

Ken Zaslow: And then the other thing that you mentioned is also risk management practices. You guys have really come through on that. Obviously you hedged natural gas prices. You guys have always had good --. Can you talk a little bit of how your risk management practices evolved and how has that helped you manage through this situation?

James Zallie: So I really appreciate you asking us that question because that's the other thing that we're focused about and something that we probably haven't spoken a lot about. But 33% of our sales are specialties, but 67% of our sales is core. So you would say, oh, well, you're vulnerable on the core. Three years ago, we organized a global core optimization team. And typical in businesses, when you have a sexy specialty business and a core business, the core business gets somewhat forsaken and you get -- people want to be part of the specialty business. But we've made the core business sexy. And so -- but what we're focused on is very realistic targets, which is margin maintenance or little modest increases in margin, but also -- or a little bit of growth. But most importantly, mitigating risk.

And so what we've done is we've looked all of our hedging practices. We've extended our hedging practices from a standpoint of co-products and basis. So typically when we come out with guidance in a year, we'll have a certain amount of volatility when we look historically. This year, we've been able to mitigate, based on previous history, 55% of that volatility through these enhanced practices. So we believe that our core business, which typically has a little bit more volatility than the specialty business -- specialty business less so because it's specialty business -- but we've put in place these practices.

The other thing, though, is the fundamentals of our core business have also, we think, improved, and we're working to find application areas to trade up. Example, in the area of papermaking, well, we're looking at packaging and we're looking at sustainable packaging. We're looking at pharma and personal care applications. Those represent opportunity. I think the speaker after me, they're going to talk to you about biosolutions, and we're seeing the same thing. We're in a similar industry. So the fundamentals, I would say, have improved as it relates to our core business.

And just really quickly, lastly, when you look at our core business, 67% of our sales, only 36% is in the United States. The rest of the world on our core business is growing. Our EMEA business grows at 4% because we're in Pakistan and we got a great market position. In South America, interesting statistic. In South America, which is primarily a core business, 80% core, over the last five years, our sales -- our operating income has grown 9% CAGR in a core business, and our operating margins have went from 8.9% to 13.1% in South America, which also, by the way, gets back to the pricing discussion I was having earlier with you.

So when you think of Ingredion, one of the things, again, that we didn't talk about a lot -- our fault probably a few years ago -- we were talking specialties, specialties, specialties. Core business, we've been keeping our head down, and what we've been doing is working to mitigate earnings volatility, eke out a little margin growth, eke out a little bit of growth, but also sometimes the industry fundamentals start to change. And again, what we hadn't talked about is that South America business has done very, very well for us over that time. And that's a predominantly core business and only 36% exposed in the United States. And by the way, our Mexico business and Canada is the other 30%. Very low volatility. Very low volatility in that business.

Ken Zaslow: Staying with the core business, and again, it doesn't get as much press as the specialty, rightfully so. But how much opportunity is created by shifting to value? I think there's dextrose to pharmaceuticals, nutritional foods. Is there an opportunity -- I know you said you eke out a little profitability, reduce volatility, but is there a little bit of growth, and where does it come from? Is there a value-added product mix?

James Zallie: We're investing in pharmaceutical-grade dextrose. Pharmaceutical-grade dextrose you can imagine over the last couple years, the demand as well as the ability to price and profitability has done extremely well for us. We're investing there. We're investing in niche pharmaceutical type applications as it relates to certain polyols, mannitol, for example. In the area of home and beauty care, we've taken that business and we've tripled our profitability. Now it's off a small base, but that's growing very, very nicely, and that's in the skin and hair care type products with our texturizers. So again, it's really bringing emphasis to something that we see an opportunity to enhance the value for our core business, which when the industry fundamentals and with that kind of effort, we're excited by the prospects for that.

Ken Zaslow: What operational improvements can you make? I know you've rationalized some production facilities. Is there more to come on that? Can you think about any other -- is there a need to right size any part of your asset portfolio or anything like that that's on the horizon?

James Zallie: Well, so I'd like to remind you of what we have already done before I talk about what might be possible. Let's talk about what we've already done. First of all, you take a country that's extremely volatile that we were struggling with, Argentina. We decided to form a joint venture with probably one of the most respected leading companies in Argentina called Arcor. And that was last year. So we consolidated a business that will reduce our earnings volatility and exposure there to that business. We're out of ethanol.

We decided to exit ethanol in our Cedar Rapids facility. So we're no longer into ethanol. We had closed a high fructose corn syrup plant in Stockton a few years ago. And so we're really not -- we don't really have assets that are terribly underperforming or are a low ROIC or low EVA assets anymore in that respect.

So we're not looking at doing anything right now from the standpoint of consolidation or rationalization of assets or network optimization. A lot has been done. And I think the other thing, again, the fundamentals I think that are changing is that assets are getting repurposed, or the prospects for assets to get repurposed from a standpoint of the investments in renewables amongst our industry brethren. So the assets that we have that go into food ingredients are attractive in that respect on a relative basis.

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Ken Zaslow: And I think you did set up global centers of expertise as well, and you're executing manufacturing and supply chain network optimization. Is there opportunity in that respect just on cost savings? I know we've --

James Zallie: For sure. Yes. No, for sure. When I first came in, again as CEO, just a little reminder for everybody, in 2018, we had a tough first year. So our Board obviously wanted me to focus on cost. So we had a three-year program called Cost Smart. We had a $125 million target. We overdelivered that target to $170 million. The program sunsetted at the end of last year and that really helped us develop operational excellence muscles and embedding continuous improvement. And Jim really led our shared services and global business services program where we have shared services centers in Tulsa, Guadalajara and now Kuala Lumpur. And we have finance centers of excellence, HR centers excellence, marketing centers of excellence for certain administrative type things. So all of that has helped us be extremely cost competitive.

And I've got a great head of global operations right now who is embedding an ingredient performance system, which is really standard work and visual factories and all of that. And that is helping to drive operational improvements. In a business like ours where, again, we are at our essence a manufacturing company, there's a big bucket of costs to continuously go after and innovate.

And then we're also investing in digital technologies and connected factories where we see a lot of opportunities from a standpoint of digital technology to improve reliability and just drive overall productivity. And also we're looking at obviously automation, investments in automation because of the challenges for labor as well.

Ken Zaslow: Can you size some of this? Is it bigger than a bread box? How big is it?

James Zallie: Bigger than a break box, yes.

Ken Zaslow: I figured it would be bigger than a bread box. Is it enough to offset some of the inflation, all the inflation? Does it go to the bottom line? How do we kind of frame this?

James Zallie: That used to be our mantra before we're looking at 40-year high inflation. But that used to be the message internally is to the operations team, I want you to offset inflation, which was 2%. Now, we want them to obviously contribute to offsetting some inflation. And we also think that, believe it or not, there is an opportunity. You have to have a very good procurement team as well, not just from a standpoint of mitigating the inflationary impact, but today, it's all about resiliency and business continuity and redundancy of supply. And so I think that that's extremely important. So we're very, very focused on that as well.

One of the watchouts I would say for all companies right now is just being able to get the material and the ingredients that you need. We see customers more concerned about availability than price, and that's the biggest issue. So we're very focused and have our operations team focused. Yes, we want you to drive operational improvement and cost out, of course. And they're doing all of that that I just talked about. But at the same time, business continuity, resilience, contingency planning on supply, extremely, extremely important right now, and we're hyper focused on that.

Ken Zaslow: Just moving to acquisitions. Look, over the years, you guys have made some bolt-on acquisitions. What do you think about the environment out there for acquisitions? Is it plentiful, not plentiful? Are you in a position to maybe do things? How do you think about your outlook for the next 12 to 24 months in terms of acquisitions?

James Zallie: We have done very well with the acquisitions that we have made, and we're very proud of the fact that we integrate very well. And we get the returns on those investments in pretty short order, whether it be going back to when we bought Penford for potato starches, that was a homerun acquisition. Whether it be even Kerr concentrates. We don't even talk about that acquisition that we made. It's a fruit puree concentrates and essences business. It's at record sales and record profitability. We bought it in 2015. It's a very nice addition from a standpoint of clean and simple ingredients. Western Polymer was another potato starch acquisition we made. Integrated it seamlessly. Outperformed our business case. And PureCircle. PureCircle's going to be a homerun. It's already overdelivering at a rate for all the reasons that I gave you earlier.

That all being said, the market for M&A, especially the last six months of last year, in my opinion was overly frothy. So we participated in a couple processes. At the end, we stayed very disciplined. We decided to walk away. Was talking to somebody last night over dinner. We were talking about the state of the market. And I don't know. With interest rates rising as they are, my view is maybe the last six months from an M&A standpoint, we could have been looking at a high watermark in our industry, in specialty food ingredients, from a standpoint of the kind of multiples that were being paid. So we have a very active M&A pipeline, very active M&A pipeline. It's all built on relationships with people, customers that we've developed over many, many years. And so we're always progressing them, and hopefully we will continue to have acquisitions that fall into line.

What we've also done, though, what I will say is when you think about M&A for Ingredion, you think about, okay, we want to expand our growth platform value propositions in the five growth platforms I talked about. We're also trying to look and challenge ourselves differently from a standpoint of what different lenses might we look through to grow: geographic expansion, market segments, maybe penetration into dairy, penetration into beverages, et cetera. Or just looking at technologies that are part of the future. Again, precision fermentation is an example of that from a standpoint of the partnership that we have with Amyris. Looking at technologies that will be the technologies of the future for the food industry.

Ken Zaslow: So within the last two to three minutes, what is your level of confidence in your long-term growth algorithm? What gives you confidence? How much is in your control? And what is the key variance, not just on -- everybody talks about the downside, but what about on the upside as well?

James Zallie: We're confident in our long-term profit outlook. Again, for specialties, mid to high-single digits from a standpoint of revenue growth. We have our core business that we see growing modestly, but again, for all the reasons, reducing the earnings volatility. The thing that I would say is why are we confident. We have invested $700 million before inflation. So I think this is a very important point. $700 million that we invested going back from 2018 to the present. If you tried to make those investments today, imagine what they would be costing with the inflation of all commodities. These are -- in our industry, it takes four to five years for those investments to begin to start to pay back, plant-based proteins, sugar reduction, et cetera. We believe very strongly that those are going to pay back, plus the work that we've done on the core and the industry fundamentals improving I think sets us up very well.

We also have a very strong balance sheet. We generate $600 million, $650 million of cash a year. And so that gives you an additional lever to dial from a standpoint of total shareholder return as it relates to dividends where we've consistently increased our -- maintained or increased our dividend. Also this past quarter, we felt our shares were undervalued, so we bought back some shares, about $40 million worth of share buyback.

So we feel that we're proving that we can manage through this very turbulent environment, do that well. We have a strong balance sheet. And we have ingredients that go into everything that we all consume in all different channels: food service, retail, we're with multinational customers, distributors, local customers, Chinese customers, Brazilian customers. So we're global. We're diversified globally. We sell to 19,000 customers in 120 countries around the world. Again, we feel that we're very diversified, and we've been through many recessions before. So we're feeling very good about where we sit with our long-term profit outlook.

Ken Zaslow: Great. We'll leave it there.

James Zallie: Thank you.

Ken Zaslow: Fantastic. Thank you very much. Good to see you in person.

James Zallie: Thank you. Thank you.