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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Q3 2024 Ingredion earnings conference call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, 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 third-quarter 2024 earnings call. I'm Noah Weiss, Vice President of Investor Relations. Joining me on today's call are Jim Zallie, our President and CEO, and Jim Gray, our Executive Vice President and CFO. The press release we issued today as well as the presentation we will reference for our third quarter results can be found on our website, 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 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.

During this call, we will 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.

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

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Thank you, Noah, and good morning, everyone. Ingredion achieved a significant milestone in the third quarter with a 29% increase in adjusted operating income marking not only our best third quarter performance ever, but also the second highest quarter in the history of our company.

In fact, all three of our segments delivered double-digit operating income growth in the quarter which is a testament to the dedication and hard work of our teams across the world.

Operating excellence and contract management across each of our segments were key drivers of the exceptional profit growth. Despite facing input and wage cost inflation, our sales teams successfully adjusted multi-year contract pricing with customers, which supported margin recovery. Furthermore, volume recovery, improved fixed cost absorption, and our operations and procurement teams drove structural savings, which complemented the savings coming from our Cost2Compete program.

Turning to a summary of our sales volume growth. All three segments reported year-over-year increases, resulting in 4% net sales volume growth compared to last year when adjusted for the sale of our South Korea business.

Starting with Texture and Healthful Solutions. The double-digit sales volume increase that we experienced was the result of notable food and beverage category growth in the US in areas such as savory, packaged meals, and frozen prepared meals. Additionally, our sales volumes in Europe also experienced double-digit growth, driven by an uptick in consumer buying behavior as more and more people are commuting to work and seeking convenient meal and snacking options.

We are experiencing the greatest volume growth with our most differentiated products and solutions, which generally offer higher profitability. We anticipated strong second half organic volume growth for Texture and Healthful Solutions and our new global segment is better enabling our commercial and operations teams to identify opportunities and capture growing global demand.

In the Food & Industrial Ingredients-LATAM segment, volume growth from Brazil's brewing category showed continued recovery, despite some unevenness in the quarter. I'm also pleased to report that our sales for nutritional meal supplements in Colombia have significantly improved, and we anticipate continued growth through year-end. Lastly, for Food & Industrial US/Canada, we had continued strong demand from paper making and packaging customers, which was partially offset by softer sweetener shipments primarily to foodservice.

Now, let me update you on progress against our three strategic pillars. Beginning with Business Growth, Customer engagement on current and active future innovation pipeline projects, rose by 27% this quarter. These opportunities set the stage for deeper collaborations and greater long-term partnerships, leveraging our expanding solutions capabilities.

Texture and Healthful Solutions saw strong sequential net sales and profit growth driven by lower raw material costs, better volumes, and improved mix. For each of our Food & Industrial Ingredients segments in 2024, we had renewed several long-term contracts with key customers, enabling us to offset inflationary input cost increases, which we absorbed over the past two years. The benefits of these renegotiated contracts, led to increased profitability. We also observed consistent demand for industrial starches in the US and Canada to the paper making and packaging sectors.

Lastly, this quarter, we ramped up higher throughput production at our Cali Colombia, and Mexico City facilities after successfully debottlenecking both operations with minimal capital expenditures yielding very attractive returns. We are constantly seeking out these type of modest organic investment opportunities to optimize our network and provide headroom capacity for future growth.

Turning to our second strategic pillar, Cost Competitiveness through Operational Excellence, earlier in the year, we launched a two-year cost savings program called “Cost2Compete” with a target to deliver $50 million of run rate savings by the end of 2025.

I am pleased to report that through the first nine months of the year, we are slightly ahead of our savings target expectations, driven by captured SG&A from our global business re-segmentation. As we also execute on network optimization projects as part of our cost of goods sold savings initiatives tied to cost to compete over the next 15 months. In parallel, we are also investing in opportunities to expand capacity and capabilities elsewhere. For example, we are investing to expand our texture solutions, formulating, and innovation capabilities.

With production ramping up as a result of increasing volumes, our commercial, operations, and procurement teams have improved sales and operations planning efficiency, leading to improved forecasting, higher schedule adherence, and improved service levels, which have been reflected higher net promoter scores. This has also resulted in lower levels of inventory, which has driven improvements in working capital and strong cash flow. As we manage through 2025 contracting, we're focused on leveraging our pricing centers of excellence to balance volume growth with pricing and a focus on margins to deliver year-on-year growth.

Now, let's move to our last pillar, supporting our purpose-driven and people-centric growth culture. Building on our exemplary safety record with a notable reduction in incidents in 2023, were named a finalist for the National Safety Council's Green Cross for Safety Awards. This prestigious recognition celebrates companies that exhibit exceptional dedication to safety and health, which reinforced our foundational value of “Care First”.

Our internship program has been named one of the top 100 in the US by WayUp for the third time. We are especially proud of this ranking as it recognizes that Ingredion is a great place to develop a career and positions us well in the minds of highly sought after college interns and graduates in a tight labor market.

Furthermore, this quarter, we were recognized as one of the most innovative companies in the food, beverage, and ingredient sectors in Brazil by Valor Inovacao. This award was in recognition of our Digital Transformations that leveraged artificial intelligence to predict equipment failures. Also the developing of products in local markets from our Idea Labs using proprietary consumer and customer insights and investing in CO2 emission reductions through the use of biomass energy.

Lastly, it is worth highlighting that after a year of significant organizational change, impacted by the reorganization of the company into new segments, our employee engagement scores remain at their highest levels and above industry benchmarks.

As discussed in the previous slide, our significant gross margin improvement this quarter is largely attributable to a well-executed approach toward contract pricing, raw material procurement, improvements in hedging, and increased volumes benefiting fixed cost absorption.

Now, I'd like to make some comments regarding the volume strength in our Texture and Healthful Solutions segment ahead of our Texture Innovation Day coming up next week on November 14th. We are pleased that a large proportion of our volume growth is coming from our more highly differentiated solutions. These opportunities are created when our customers come to us with complex problems that require a multi-faceted solutions approach to meet a particular label challenge or cost target.

Driven by front of pack label changes across many geographies, customers are looking to suppliers like Ingredion to partner and deliver on their recipe and labeling needs, while meeting cost-and-use and sustainability targets. We are investing in our Solutions capabilities, specifically in Texture Solutions, Sugar Reduction Solutions, and Protein and Fiber Fortification. We expect these investments to drive volume growth going forward, offering faster customer innovation, affordable recipe development, along with the opportunity for simplified and sustainable sourcing.

Now, I'm pleased to hand it over to Jim Gray for the financial review.

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Thank you, Jim, and good morning, everyone. Moving to our income statement. Net sales for the third quarter were approximately $1.9 billion, down 8% versus prior year. Gross profit dollars grew 14% with corresponding margins up 490 basis points to 25.6%. Reported and adjusted operating income were $268 million and $282 million, respectively, with adjusted operating income up 29% versus the prior year, driven by lower raw material costs, higher sales volume, and better fixed cost absorption, partially offset by price mix.

Turning to our Q3 net sales bridge. The 8% decrease was driven by $150 million in lower price/mix and $20 million of foreign exchange impact, partially offset by positive sales volume growth of $86 million. Furthermore, the exit from South Korea had a $79 million impact on sales volume. For modeling purposes, last year's Korea net sales for the fourth quarter were similar to this quarterly run rate.

Turning to the next slide. We highlight net sales drivers for the third quarter. For the total company, net sales were down 8% and excluding the impact of South Korea, net sales were down 4%. Texture and Healthful Solutions, net sales were flat. Price mix was down 12%, and for the quarter, primarily reflecting the pass-through of lower corn costs as well as last year's higher pricing due to double-digit inflation experienced in our specialty corn and energy costs. Food & Industrial Ingredients LATAM net sales were down 6% and Food and Industrial Ingredients US/CAN net sales were down 9%, both resulting from the impact of the pass-through of lower corn costs.

Let me turn to a recap of our Q3 performance by Segment. Texture and Healthful Solutions net sales were flat compared to the prior year and down 1% on a constant currency basis. Texture and Healthful Solutions operating income was $96 million, up 12% from the prior year. Op Income margin improved to 16%, driven by lower input costs and higher sales volumes partially offset by unfavorable price mix. We still anticipate OI margins to be between 13% and 15% for the full year.

In Food & Industrial Ingredients LATAM, net sales were down 6% versus last year and down 2% on a constant currency basis. Operating income improved to $131 million, resulting in 26% year-over-year growth. Op Income margin of 21.1% was driven by lower input costs and lapping last year's transition costs to a more sustainable biomass energy source in Brazil.

In addition, the weakness in the Mexican peso led to favorable transactional FX impacts as we are dollar-denominated in Mexico. The movement of the Mexican peso weakening contributed approximately $3 million upside in the quarter to LATAM's Op Income. We now expect OI margins for the full year to be between 18% and 20%, with the increase in the range, driven by stronger performance as well as transactional FX impacts in Mexico.

Moving to Food & Industrial Ingredients US/CAN, net sales were down 9% for the quarter and operating income was $99 million, with an OI margin of approximately 18%. The improvement year-over-year was driven by reduced raw material costs and the renewal of long-term customer contracts, which have been price adjusted for previous year's input inflation. We expect full year OI margins for this segment to be between 16% and 18%.

For all other, net sales decreased, driven by the overlap of South Korea's net sales in the prior year's quarter. Although the operating loss was minus $4 million, primarily driven by our protein fortification business.

Turning to our earnings bridge on the top half, you can see the reconciliation form reported to adjusted earnings per share. Operationally, we saw an increase of $0.77 per share for the quarter. The increase was driven primarily by an operating margin increase of $0.93, partially offset by volume of minus $0.12 per share, which includes Korea for 2023.

Moving to the change in our non-operational items, we had a decrease of $0.05 per share, primarily driven by an unfavorable tax rate change of minus $0.37. Mostly offset by lower financing costs, contributing a positive $0.30 per share.

Shifting to our year-to-date income statement highlights net sales for the first nine months were approximately $5.6 billion, down 10% versus the prior year, due mainly to lower corn costs in the current period. While gross profit dollars decreased 1%, gross margin has increased 220 basis points to 23.8%. Reported and adjusted operating income were $721 million and $768 million, respectively, flat to down slightly from last year, reflecting the lap of a strong first quarter in 2023.

Turning to our year-to-date earnings bridge operationally, the result is an increase of $0.03 per share. To note, last year's results include an approximate $0.35 per share contribution from the South Korea business. For our non-operational items, we had an increase of $0.54 per share, primarily driven by lower financing costs of $0.64 per share, partially offset by an unfavorable tax rate change of minus $0.19.

Moving to cash flow. The first nine months of cash generated from operations was $1 billion. Cash from operations benefited from consistent net income strength as well as short-term working capital benefits. The year-to-date working capital benefits are the result of lower raw material costs passing through working capital balances as well as improved inventory management. Year-to-date, we have repurchased $87 million of outstanding common shares, and we expect that we will meet or exceed our $100 million goal. Our capital allocation priorities continue to be: first, organic investment; second, a return to shareholders through our dividend; and third, strategic deployment of cash into M&A and/or share repurchases.

Now, let me turn to our outlook for 2024. For the full year 2024, we anticipate continued sales volume growth and op income improvement. Excluding the impact of the sale of South Korea from our outlook, we expect net sales to be down mid-single digits, reflecting the reduction in price mix as we pass through lower raw material costs, partially offset by improving volume demand. We anticipate that adjusted operating income will now be up high single digits due to lower input costs and better operational efficiencies. We are decreasing our financing cost estimate to align with the reduction of overall debt levels and some positive foreign exchange impacts. We now see total financing costs in the range of $40 million to $50 million.

For the full year 2024, we expect reported effective tax rate of 28% to 29% and an adjusted effective tax rate of 26.5% to 27.5%. The company expects its full year reported EPS to be in the range of $10.60 and to $10.90, which includes the gain from the sale of our South Korea business as well as our restructuring and impairment charges. For the full year, we are increasing our estimate for adjusted EPS to be in the range of $10.35 to $10.65.

We expect diluted weighted average shares outstanding to be between 66 million and 67 million shares. We anticipate our 2024 cash from operations estimate to be in the range of $1.1 billion to $1.25 billion. We expect capital expenditure investment to be between $310 million and $330 million. Corporate costs are now expected to be flat year-over-year. In the appendix, we have included a 2024 full year segment outlook and our estimated 2023 comparable range.

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

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Thanks, Jim. Our strong sales volume growth from Texture and Healthful Solutions, coupled with operational excellence, has enabled us to increase margins despite inflationary pressures. Cost2Compete savings are ahead of target in year one of the program with line of sight to network optimization projects that have been scoped and will be the focus of cost of goods sold savings over the next 15 months.

We continue to deliver profitable growth and strong cash flow with a commitment to return cash to shareholders as evidenced by our 10th consecutive annual dividend increase and our full year $100 million share buyback goal. We anticipate building on our highest ever third quarter operating income performance enabling us to carry momentum through year-end and into 2025.

And finally, our driving growth road map continues to guide long-term value creation for our shareholders as we leverage the benefits of our new segment structure and capture new market and customer opportunities.

Before we go to the Q&A, I would like to remind everyone about an exciting event that we are planning for November 14th that we will highlight our texture, innovation leadership capabilities. During the event, our leading scientists and culinologists will lead participants through a delicious journey of texture and how it impacts taste. We will explain the strategic vision and the differentiated solutions that will drive incremental profitability and growth for this business segment. We are excited to demonstrate how we intend to use our vast ingredient library and expertise along with the capabilities we are building to provide texture solutions that make healthy taste better.

Now, let's open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ben Theurer, Barclays.

Ben Theurer - *Barclays - Analyst*

Hey. Good morning. Jim and Jim, congrats. So just two quick ones actually on my side. So first of all, you obviously have very impressive volume growth, again, in the Texture and Healthful Solutions segment, right? We got 8% last quarter, 11% now but there seems to be a little bit higher down on the price mix. And I wanted -- I was just to understand if you're doing something with your customers to push the volume on the price mix. So is it more price? Or is it more mix? What's driving it? Did you get the very strong volume, but then at the same time, a little more negative on the price mix piece within Texture and Healthful Solutions, just understanding what's been driving it? That would be my first question. And then I have a quick follow-up.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Yeah. Ben, thank you. I think what we feel good about is that if we go back to the pricing centers of excellence that we put together probably three, four years ago that served us so well through the ramp-up of inflation. That also led to us becoming very clear minded in relationship to the customer base and the marketing categories that we wanted to position ourselves in. And we've invested a lot in consumer and customer insights to anticipate where the puck is going in relationship to consumer buying behavior. And with inflation, we've sought out pockets of growth.

So I would say that we feel fortunate that we are well positioned to grow in those categories and those the end uses that are generating growth. So for example, in this past quarter, we've seen low single-digit volume growth in the Sircanadata across the categories of savory, prepared meals, bakery, and snacks as well as dairy. And our volume growth in these same categories was reflected by our sales in the quarter.

And also though it's worth noting that we are lapping last year's soft demand as customers were optimizing their inventory levels. In Europe, there's evidence that consumer sentiment has turned more positive versus last year's economic challenges. And we believe we're seeing more worker mobility as professionals return to the workplace and the demand for the products that we're selling into for convenience and takeaway items pick up. And right now, we anticipate that this strength in demand will continue through the end of the year.

Jim, do you want to have any additional comments?

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Yeah. I would just highlight, too, that Jim started to kind of know upon more of our differentiated solutions. I would say that the way that those show up in our P&L is that we do sell some ingredients that might be very clean label that have high functionality. They show up at a higher value per ton. And we're selling that volume, that's helping to drive the gross profit dollar growth to some of the products that were in Texture and Healthful Solutions that might be a bit more kind of functional in terms of their week-to-week, month-to-month use. As corn price comes down, it does get passed through and that's what I think you're seeing in terms of the price mix. And so very confident in the profit pool and the growth that we're generating in texture and healthful.

Ben Theurer - *Barclays - Analyst*

Okay. Got it. And then just a quick follow-up from a capital allocation point of view, you significantly upped your free cash flow guidance, call it, roughly $300 million-ish, give or take. At the same time, CapEx seems to come in a little bit lower. What's it going to do with the excess cash?

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Yeah. Well, fair enough. I think that those are both, I think, beneficial to our overall balance sheet and our financial position. I think most importantly, I understand that we've said this in the past that our capital allocation, we really look at, first, what are those organic investment opportunities. We're going to be very disciplined on the dividend. We have increased it for the 10th year in a row. It does generate excess cash on our balance sheet. We're looking at and are very committed to our share repurchase goal for the year. So we plan to meet or exceed that.

And then yeah, I think also that there has to be a bit of timing involved. It can't necessarily just be every quarter. There are opportunities in front of us, both organic investments as well as we're always looking at M&A. And I think that we have to look at what we have done as a team to deliver results for shareholders. And just note that when cash flow was against us, like in, say, 2022, corn was going up, and we had a significant investment in working capital. Since then, if you look back over the last two and three quarters years, we've delivered 50% TSR. So, I think that now that we just have a bit of a surplus of cash flow because working capital is a little bit favorable that's a temporary. Our business invests in working capital, and so we'll invest that cash very wisely.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

And Ben, I just think to address the capital investment phasing aspects of your question, I think it's just a reminder that we have spent the most historically of our capital investment for projects in the fourth quarter. And our teams have many projects underway, and we anticipate we will invest a significant amount of capital into our growth and the reliability of our manufacturing assets and it's natural from a phasing standpoint to incur some delays from equipment suppliers and the availability of local skilled labor to complete projects on time. And that can impact the timing of the spend one year to the next. But we do anticipate getting close, I guess, to our full year target despite being at 170 through the first three quarters on capital spend.

Ben Theurer - *Barclays - Analyst*

Okay. Perfect. Thanks again and congrats.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Thank you.

Operator

Kristen Owen, Oppenheimer.

Kristen Owen - *Oppenheimer & Co., Inc. - Analyst*

Hi. Good morning. Thank you for taking my question, and congratulations on the nice results.

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Thank you, Kristen.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Good morning, Kristen.

Kristen Owen - *Oppenheimer & Co., Inc. - Analyst*

Good morning. Hoping we could start with the demand question. You noted the improved European consumer behavior that's been sort of a lackluster performer for the entire sector year-to-date. So I'm wondering if you can double-click on that. Help us understand what's driving the volume growth? Is it lack of destock? Or are we seeing some real green shoots in that region?

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Yeah. I think that the first thing to highlight is that against the prior year quarter, we are lapping a softer quarter. So I think that that's important to put in perspective, just as I highlighted in relationship to the US situation as well. That all being said, it does appear that the European consumer is more mobile and is spending more in relationship to convenience type offerings. And that's one of the outlets that we've deciphered back to the customer base and where we think we're doing well. That's basically how I would summarize it.

Kristen Owen - *Oppenheimer & Co., Inc. - Analyst*

Okay. Thank you for that. Maybe just a quick follow-up. The level of inventory, if you could comment on how you're seeing channel inventories there. Are we really still at this stage where a little bit of growth because the comps are easy? Or is there any restocking that you're seeing in the channel?

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Yeah. I don't -- I'm not necessarily seeing necessarily the restocking is driving the sales volume growth. I think that there was a surplus of inventories in some of our packaged foods and some of our private label customers within both the UK as well as Europe they just -- they had to get rid of those inventories. That's what they used during 2023.

I don't think that they ever really pressed their inventories down to a level where like they were really trying to manage cash flows. I think what we're seeing is just a nice steady demand pickup as both, as Jim alluded to, there's greater consumer mobility, a little bit more takeaway kind of lunch and breakfast activity, as well as just the kind of that overall need for convenience, I think, is really driving some of the demand we've seen in our customers.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Yeah. I don't think there are any concerns at a macro level globally to rebuild inventories with safety stock that would be in excess of anything that would be typical. If anything, we're taking a cautious approach in relationship to the outlook as it relates to how customers will manage inventories between now even and the end of the year, always the case as you go into a new year of contracting. So we don't see anything where it's any kind of a robust pipeline refilling or restocking.

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Yeah. Demand is very steady. Utilizations are up. Yes.

Kristen Owen - *Oppenheimer & Co., Inc. - Analyst*

Thank you for that clarification. I did have one follow-up question just on the COGS side, some nice improvement in the gross margin here. I'm just wondering if you can help us unpack -- how much of that is the improved volume backdrop versus you're continuing to roll off that high cost for?

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Yeah. I think that obviously, we've re-negotiated the multiyear contracts, which we referred to, and that enabled us to recover the margins and the costs that we had absorbed over the last couple of years. And that has helped us in the Food and Industrial Ingredients segments. Clearly, there is a benefit from the reduction in raw material input costs.

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Which is share with customers. But I would say, look, it's also that -- I mean we noted last year that the volume -- the production volume was down, and that was creating a fixed cost absorption headwind as we've particularly seen volumes come back in Texture and Healthful Solutions, and we benefit from better fixed cost absorption on those assets that's really driving some of our better performance, right? And we're really managing that well.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

It's those three things. It's the pricing. It's the cost and it's the mix and volume on Texture and Healthful Solutions and the fixed cost absorption.

Kristen Owen - *Oppenheimer & Co., Inc. - Analyst*

Thank you.

Operator

Ben Mayhew, BMO Capital Markets.

Ben Mayhew - *BMO Capital Markets - Analyst*

Hey, guys. Good morning and thank you for taking the question. So industry sources suggest that 2025 sweetener contracting is tracking better than buyers maybe initially expected. So what is your visibility on contracting so far? And do you foresee a chance that pricing could be up modestly? And I have another question.

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Ben, can I just clarify your question? And you said tracking better than buyers expected?

Ben Mayhew - *BMO Capital Markets - Analyst*

Yeah. Sorry, then sellers expect it.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Better than sellers expected. Okay. Well, what we would say is contracting appears to be moving slower than last year. And I think that, that's probably attributable to the change in the value of corn that is modest year-over-year.

But just a reminder, in relationship to contracting for 2025 and really, for that matter, for any year when we're at this point of the year, that approximately 50% of our revenue dollars in North America comes from fee contracts or should I say, US, Canada primarily from fee contracts that reprice monthly with corn cost inputs from our customers. We anticipate some pass-through of lower corn costs in 2025 if the markets remain with a similar outlook as today.

But Jim mentioned earlier the fact industry capacity utilization has also lifted up a couple -- a few percentage points as well, which has kind of tightened up overall supply-demand. And we believe that our experienced commercial teams and our pricing centers of excellence are well prepared to manage pricing and volume trade-offs thoughtfully in response to customer demand and the competitive market conditions.

And I guess, although raw material and input cost inflation has moderated, the wet milling industry is a high capital-intensive industry and needs to earn a fair return. So that's all yet to play itself fully out. So that's kind of how I would summarize where we're at right now with contracting. It is still early, Ben. It is early.

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

But I would say that we see that industry grind utilization is up year-over-year and so that's always a nice backdrop.

Ben Mayhew - *BMO Capital Markets - Analyst*

Yeah. Thank you. That's very helpful. And my second question is around M&A. So you previously talked to kind of focusing more on more like bolt-on type acquisitions, call it, under $400 million. But given your healthy cash balance, would you consider -- or are you starting to consider more transformative type acquisitions. Fully understanding that, that would have to probably be outside of the US. Thanks.

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Hey, Ben. I think as we've always stated, we consider the M&A landscape broadly, right. So while the Street may characterize tuck-in, we look at acquisitions that accelerate our capabilities and our market position, particularly in Texture as well as Healthful Solutions. And we're always going to take a disciplined approach to that. We're going to be front and center on what's the return to the Ingredion shareholder really first and foremost.

And that, I think, guides us. I think in terms of maybe market opportunities, Jim, I --

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James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Well, I think that one of the things we feel very clear-minded about is the strategic direction of a company because of the enterprise-wide strategy refresh work we did all of last year and then the activation of that strategy with our winning aspiration, which is to be the go-to provider for Texture and Healthful Solutions that make healthy taste better. That is what is uniting the company going forward. And that will shape the M&A approach that we take. And anything that we can do to enhance the value propositions inherent in that strategy is what we're looking at. And I would say that we're always actively managing a pipeline of M&A opportunities across the spectrum of size.

But I would say that what we want to buy is we want to buy revenue. We want to buy profit, and we want to buy talent and capabilities that are going to complement that winning aspiration culture and obviously, cultural fit as well. So -- but that's what we're looking to do to. We're encouraged to expand growth. And honestly, I think the landscape is fertile with some opportunities out there. So we're actively working those.

Ben Mayhew - *BMO Capital Markets - Analyst*

Thanks a lot, guys. That makes total sense. And congratulations on strong results. I'll hop back in the queue.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Thank you.

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Thank you, Ben.

Operator

Josh Spector, UBS.

Josh Spector - *UBS Equities - Analyst*

Hi. Good morning. I guess the first thing I want to ask is you hit on this maybe different ways, but specifically how much of the earnings improvement when you look at the last couple of quarters, would you say is structural? So this is the earnings power of Ingredion today, you've recovered corn, you're running at better utilization rates. Let me stop there and get your thoughts first.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

I think -- let me take a shot at it and let Jim kind of complement. I think that what we're seeing, what we're feeling in relationship to our performance over the last number of quarters is the result of our operating model in support of the new segment structure. So the decision to move to the new business segment structure, which followed the enterprise-wide strategy refresh work that was done company-wide in 2023, as you would expect, has brought additional clarity and focus within those segments to their customer base, to their raw material base, to the need to reduce earnings volatility within each one of those segments. And we're absolutely getting benefit from the dedicated focus and leadership from the clarify segment work that we did.

But what I don't think has been fully appreciated and what we're also recognizing is overlaying all of that is a global operating model that we began to put the foundation together with about three to four years ago. And the benefits of that, that's always a work in progress. It leads to an awful lot of productive tension internally from a standpoint of where roles and responsibilities accountabilities lie. But we're through the tough part of all of that.

And example are operations and supply chain team, we have moved from internal metrics with customers that used to be delivered in full on time to now perfect order, which is a higher standard of delivery, and we're at well over 90% perfect order and our Net Promoter Scores are showing that. Our procurement teams have been continuously finding opportunities to optimize. We're scheduled to hold our first Procurement Supplier Day next year, something we never would have thought of or conceived of back two, three, four years ago.

So there's a maturity aspect and Jim certainly can comment on shared services. And the work that is going on there and how we've evolved that. And so I think there's structural cost savings that are coming about from the global operating model across all aspects of global -- what we call global business services, and Jim can comment on that. But I think we're in the early innings of the benefits coming from the resegmentation. We kind of highlighted some of that. And that's coming from that laser-like focus, I think that these now more global or multi-regional segments are bringing and the accountabilities that the management is feeling with the line of sight to their customer base.

Sorry to be a little bit long winded, but it's a good question. And we, ourselves, to be quite frank, are doing some sole searching and reflecting because we're pleasantly surprised, pleasantly pleased, but nonetheless, trying to make sure we clearly understand it. But we feel good about multiple levels of performance.

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Josh, I would add that when we look at our food and industrial ingredient types of businesses, there's a cadence in the business that we've tightened, right? So it's around how is the raw material cost changing? How do we implement our pricing and our contracting, how does that reflect against expanded hedging and then just running the assets at a reasonably good utilization. So that is helping support the higher op income margins that we're seeing both in our US/CAN F&I business as well as in our LATAM F&I business.

I think on our Texture and Healthful Solutions, the structural improvements that I think Jim alluded to are still a little bit in the early innings is it's really is around kind of which products and which solutions we can provide for customers recognizing that the better job we do there, there's even more utilization of our downstream assets, which really enhances our gross profit growth. So I think yet to come there.

Josh Spector - *UBS Equities - Analyst*

Really helpful. I appreciate all those comments. I guess I did want to follow up that. Earlier in the call, you talked about a balance of pricing with volume growth to deliver year-on-year growth next year. I think your comments earlier on contracting seem somewhat optimistic there. So I don't know if that comment is geared just with concerns on what demand growth looks like or if there's increased competition elsewhere but how do you see that balance playing out for you?

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Yeah, not to be evasive, I just think it's early yet still in the process. And we feel good about the momentum that we have as we finish the year and don't sense anything other than perhaps the normal working capital management that goes on at customers in December month. And corn is fluctuating a bit and --

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James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Reasonably affordable.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Yeah.

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

And generally, you're seeing, I think, GDP across the globe in some of our key countries of improving is somewhat the -- if I could generalize the global interest rate environment softens, that's generally good for demand, and that's the type of industry utilization that we're seeing is increasing year-over-year.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Yeah, then interest rates are remaining elevated. So I think that --

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James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

But as they come down, we might see some management towards GDP growth.

Josh Spector - *UBS Equities - Analyst*

Okay. I'll leave it there. Thank you.

Operator

Heather Jones, Heather Jones Research.

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

Good morning. Congratulations on the quarter.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Thank you, Heather.

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Hey, Heather.

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

Hi. I wouldn't normally start with this because -- but this year, your financing costs have been very volatile given what's been going on with currency and down almost $100 million -- not $100 million, almost $50 million from original guidance. So just -- this is a big if, but if currencies were stable from here on out, which is unlikely, but if they were, how should I be thinking about net financing costs for '25?

James Gray - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Yeah. I think we've had some FX gain which is offset or lowered our financing costs. I want to say we're about $9 million to $10 million year-to-date, favorable. I can follow up with you on that. But that's generally, if I think about what's happened in the quarters.

I think the other really unanticipated piece, Heather, was that the lower cost passing through our working capital, we just didn't have to invest in working capital this year. In fact, it's been a bit of the reverse. It's been a source of cash. It's allowed us to pay off or pay down any kind of short-term lines of credit. We're not carrying any CP and obviously, short-term rates have been in the 4% to 5%. So instead now we have some cash balances, and we're earning some interest income. So that's -- I think that's really been the two big drivers of the expectation for financing costs for the full year.

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

Okay. Perfect. Thank you for that. And then on the protein fortification business. So I think, if I remember correctly, you guys were reducing your losses there by roughly a third this year. Is it fair to think that you could reduce it by a similar amount going into '25? Or how are you all thinking about that?

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Yeah. That's exactly how we're thinking about it. We've had those internal discussions, obviously, as we're putting our budgets together for next year. And again, just a reminder, protein fortification is within the -- all other category. And that group does consist of our protein fortification or sugar reduction and our Pakistan business of which we have a 71% stake and Pakistan, and sugar reduction are generating positive operating income and they're growing, and they will continue to contribute positively. But protein fortification is loss-making, but we have been actively working a turnaround plan to steadily improve the health of that trend operating unit over the next one to three years.

And this year, there will be, we have line of sight to a significant year-over-year improvement in operating income. And proportionately, we estimate that we should see that same order of magnitude of improvement next year based on business that we have actually contracted heading into next year for that relatively small segment but because it's loss-making it's worth highlighting, and I appreciate the question. So thank you.

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

Yes. So when you're thinking about that improvement in '25, is it similar for the Canadian and US assets? Or is one of those benefiting more? Because I know I can't remember the magnitude, but there was antidumping duties put on Chinese imports. So are you seeing more of the improvement in the US assets? Or how should I think about that?

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Yeah. I would say that my comments were based on the entire protein fortification business operating segment and the higher value or pea protein isolate business is the business that is carrying the improvements right now and that was what my comments were predominantly based off of in relationship to this year's improvement in operating income and then what we project for next year being proportional.

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

Okay. All right. Thank you so much.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

Thank you.

Operator

Thank you. I'm showing no further questions at this time. I will now turn it back to Jim Zallie for closing remarks.

James Zallie - *Ingredion Inc - President, Chief Executive Officer, Director*

All right. Well, thank you all for joining us this morning. We look forward to seeing many of you at the upcoming Texture Innovation Day in Bridgewater, New Jersey next Thursday. And I want to thank you for your continued interest in Ingredion.

Operator

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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