

REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

INGR.N - Q3 2025 Ingredion Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 04, 2025 / 2:00PM GMT

## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Noah Weiss** *Ingredion Inc - Investor Relations*

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

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

## CONFERENCE CALL PARTICIPANTS

**Andrew Strelzik** *Bank of Montreal - Analyst*

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

**Benjamin Theurer** *Barclays Services Corp - Analyst*

**Pooran Sharma** *Stephens Inc - Analyst*

**Joshua Spector** *UBS AG - Equity Analyst*

**Heather Jones** *Heather Jones Research - Analyst*

## PRESENTATION

### Operator

Good day, and welcome to the Ingredion Q3 2025 earnings call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker, Mr. Noah Weiss, Vice President of Investor Relations. Please go ahead.

---

### Noah Weiss - Ingredion Inc - Investor Relations

Good morning, and welcome to Ingredion's third quarter 2025 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 the third quarter results can be found on our website, [ingredion.com](http://ingredion.com), in the Investors section. As a reminder, our commitment -- our comments within the 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.

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. The third quarter was more challenging than we expected, with net sales and adjusted operating income down more than our previous guidance. Despite Q3's results, we are, however, confident that Ingredion's diversified business portfolio will deliver another full year of operating income growth.

As we discussed the performance in the quarter, we will highlight the progress we are making to improve upon recent and near-term operating challenges while navigating with agility, pockets of economic weakness and uncertainty by remaining focused on driving innovation and operating excellence to deliver profit growth.

Turning to the next slide. Let's start with a summary of our net sales volume growth for the quarter. Texture & Healthful Solutions delivered a solid performance with 4% sales volume growth across US/Canada and EMEA, including double-digit sales increases for clean-label ingredient solutions.

Growth in foodservice channels globally as well as for convenient grab-and-go offerings at retail drove increased demand for our batter and bread ingredients in the quarter. Additionally, our solutions portfolio continues to grow, outpacing the segment's net sales growth, thanks to increased demand for specialty blends that help customers address affordability, eliminate artificial ingredients, and simplify labels.

In Food & Industrial Ingredients, LatAm. The main driver of the sales volume decrease came from softer brewing industry volumes with customers attributing it to cooler, wetter weather for some of the seasonal decline. More broadly, weaker LatAm demand became increasingly evident as higher inflation and interest rates impacted consumer spending.

Our Food & Industrial Ingredients US/Canada segment experienced a 5% decline in net sales volume, largely due to our inability to meet customer demand requirements from continued production challenges at our Chicago plant as well as overall softness in beverage and food volumes. In contrast, we saw increasing volume demand for industrial starches to our major corrugating and paper and packaging customers.

Moving to the next slide. I would like to take a moment to elaborate on the primary factor contributing to our Food & Industrial Ingredients US/Canada performance, and that is the ongoing operational challenges at our Argo facility outside of Chicago.

For background, Argo is one of the largest plants in our network and accounts for more than 40% of the segment's net sales. Following a fire in our feed dryer at the end of quarter two, which halted the entire plant's production we faced several challenges while plant operations recovered during the third quarter. This quickly and directly contributed to tighter inventories being available for incremental sales.

Given the size of the volumes that move through this plant on a daily basis, we estimate that the cumulative operating income impact to the segment was approximately \$22 million across both the second and third quarters with \$12 million of that operating income impact being felt in quarter three.

Production rates remained challenged in July and August before improving in September. In quarter four, our team remains focused on stabilizing production and rebuilding inventories. Also in the quarter, we experienced the overall market demand for sweetener products weakening in July and August before bouncing back in September.

We believe many beverage and food customers were experiencing slowing demand as a result of price increases that were put into effect to offset anticipated rising packaging costs, particularly from aluminum and tin plate.

Turning to the next slide, our Food & Industrial Ingredients, LatAm segment saw a decrease in operating income this quarter, down 11% versus last year. The reduction is primarily attributable to the strategic realignment of our brewing customer mix as well as lower brewing industry volumes. We are making good progress strategically diversifying our customer and product mix in LatAm towards higher-margin sweeteners that serve food and confectionery customers. We will continue to repurpose our grind to improve the consistency of profit margins over time.

Beyond what we believe was a transitory impact from the brewing segment in the quarter. We are monitoring softer consumer demand in general across LatAm, which became increasingly evident in quarter three as higher inflation and rising interest rates weigh upon GDP growth and consumer spending.

Turning to the next slide. It is important to reinforce the fact that we have made considerable progress to expand the company's gross margins over the last three years through a combination of service differentiation, operational excellence and solutions selling. We are focused on not only sustaining the performance but steadily improving upon it by executing against our strategic pillars to drive mix improvement and enterprise productivity.

Let me now update you on progress against our three strategic pillars. To start I'd like to highlight our focus on driving profitable growth, particularly within Texture & Healthful Solutions segment where we continue to expand our leadership in clean label ingredients and solutions globally.

North America and Asia Pac experienced double-digit clean label growth this quarter, reflecting a growing demand from customers and consumers for greater transparency and simplicity in ingredient labeling. This trend has become mainstream with both private label and CPG consumer -- customers reformulating products at an accelerated pace.

Additionally, demand for protein isolates remains robust as evidenced by our record sales for protein fortification during the quarter and the fact that we are already more than 50% contracted for isolates for 2026. Our high-value pea protein isolates offer notable functional advantages and benefits from labeling preferences compared to other protein sources across various food categories with our new product introductions being preferred for their taste and overall quality.

Moving now to our second pillar, innovation. Our focus on integrated solutions continues to favorably impact Texture & Healthful's results with solutions-based sales growing at a faster rate than the overall segment's net sales growth for the quarter.

Furthermore, as food inflation -- food inflation pressures persist, affordability remains a key catalyst for recipe reformulation across our customer base. Brands are actively seeking our assistance with cost-effective ingredient solutions that allow them to maintain quality and shelf life while reducing input costs.

Our latest innovations in egg and cocoa replacement solutions delivered cost savings, improved functionality, and enhanced flavor profiles. By enabling customers to reformulate recipes without compromising taste or texture, we're helping them differentiate their products and respond quickly to market trends.

As consumer demand for natural sweeteners continues to increase, Ingredion is advancing development partnerships for sweet proteins and novel customized clean taste solutions containing stevia and sweet proteins. We believe this will further strengthen Ingredion's position as a leader in sugar reduction innovation.

Lastly, I'd like to comment on our operational excellence pillar. Our operational focus has translated into meaningful benefits at our Indianapolis facility, where we've taken steps to maximize asset utilization across our starch network. By modernizing the plant layout and reengineering slurry transfer systems, we've created flexibility to run specialty starch operations in a more integrated manner with downstream operations. This means fewer bottlenecks, better load balancing, and improved throughput. These changes reduce inventory requirements, enhance service levels and deliver meaningful savings, all while better positioning the plant to support future growth for texture solutions.

Additionally, we feel confident we will surpass our \$50 million run-rate Cost2Compete savings target, and we'll realize more than \$55 million in run-rate savings by the end of 2025. This achievement reflects a relentless focus on operational efficiency and disciplined cost management across the organization. By optimizing processes, eliminating waste, leveraging technology, and driving continuous improvement initiatives, we've been able to unlock significant savings.

Last month, we hosted our first ever Supplier Day, bringing together strategic partners from across our supply chain globally in the pursuit of shared value creation. This was a valuable forum for collaboration, knowledge sharing and strengthening of relationships. The event created

increased awareness and understanding by our suppliers of our business and is already leading to new opportunities for value creation for us and them.

Lastly, in October, we held a Global AI Forum for our entire employee base to accelerate adoption for the responsible usage of AI. Our AI priorities for value creation are focused on enhancing the customer experience, driving supply chain and manufacturing efficiency and accelerating innovation.

Now I'm pleased to hand it off to Jim Gray for the financial review. Jim?

---

**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 \$1.8 billion, down 3% versus prior year. Gross profit dollars decreased by 5% and with gross margin slightly lower at 25.1% as volume headwinds are partially offset by lower input costs. Reported and adjusted operating income were \$249 million and \$254 million, respectively.

Turning to our Q3 net sales bridge. The 3% decrease was driven by \$39 million in lower volume and \$30 million in lower price mix, offset partially by \$15 million of favorable foreign exchange.

Moving to the next slide. We highlight net sales drivers for the third quarter. Texture & Healthful Solutions net sales were up 1%, driven by sales volume growth of 4% and foreign exchange favorability of 2%, partially offset by price-mix.

Food & Industrial Ingredients LatAm reported a net sales decrease of minus 6%, largely attributed to a reduction in sales volumes, which was mainly influenced by weaker brewing demand as well as slower macroeconomic growth across the segment.

Food & Industrial Ingredients US/CAN net sales declined 7%. The sales volume decline of 5% was impacted by the extended recovery time to normalize production at our Argo plant as well as softness in sweetener volume demand.

Now let's turn to a summary of results by segment. For the third quarter 2025, Texture & Healthful Solutions net sales was up 1% and operating income was up 9%, equating to a 17.4% operating income margin, significantly higher than prior year. This result has been driven by lower raw material costs, as well as favorable volume impact, partially offset by unfavorable price/mix. In Food & Industrial Ingredients, LatAm, net sales were down 6% versus last year. Operating income declined to \$116 million with an operating income margin at 19.8%, holding strong.

Moving to Food & Industrial Ingredients, US/CAN, third quarter net sales were down 7%. Operating income was \$81 million, down 18% or \$18 million. driven by production challenges at our Argo plant and lower-than-expected beverage and food volume demand.

As we stated earlier, we estimate that this disruption has had a \$12 million operating loss impact on the quarter's results. For all other group of businesses, the 17% increase in net sales was driven by increases across the board. Operating income was flat versus the prior year as protein fortification gains were offset by lower profits from the Pakistan business.

Turning to our earnings bridge. On the top half, you can see the reconciliation from reported to adjusted earnings per share. Operationally, we saw a decrease of \$0.31 per share for the quarter, driven by a decrease in operating margin of \$0.22 and a volume of minus \$0.12, partially offset by foreign exchange of \$0.03 per share.

Moving to the change in nonoperational items. We had an increase of \$0.01 per share. Shares outstanding had a favorable impact of \$0.05, and a lower tax rate equivalent had a \$0.02 per share impact, partially offset by higher financing costs of minus \$0.06 per share.

Shifting to our year-to-date income statement highlights. Net sales for the first nine months were approximately \$5.5 billion, down 3% versus prior year. Gross profit dollars grew by 4% and gross margin has increased to 25.6%, up 180 basis points. Reported and adjusted operating income were \$796 million and \$800 million, an increase of 10% and 4%, respectively.

Turning to our year-to-date earnings bridge. The result is an increase of \$0.58 per share. Operationally, we saw an increase of \$0.36 per share for the nine months. The increase was driven by an operating margin increase of \$0.61 as well as favorable other income of \$0.14 per share, primarily from our Argentina joint venture, and these were partially offset by volume of minus \$0.38.

Moving to the change in nonoperational items. We had an increase of \$0.22 per share, primarily driven by fewer shares outstanding of \$0.15 as well as lower financing costs and tax rate of \$0.03 per share each.

Moving to cash flow. Year-to-date cash from operations was \$539 million which includes an investment in working capital in the current year. Year-to-date capital expenditures net of disposals were \$298 million. The company expects to invest in organic growth initiatives that provide a significantly higher return than our cost of capital.

Lastly, we have repurchased \$134 million of outstanding common shares, exceeding our share repurchase target of \$100 million. We have paid out \$157 million in dividends and increased the dividend per share to \$0.82 for the quarter, which represents our 11th consecutive annual dividend increase.

Now let me turn to our updated outlook for the year. For the full year 2025, we anticipate net sales to be flat to down low single digits with our outlook reflecting lower price/mix due to pass-through of corn costs and an updated view of the effects of foreign exchange.

We anticipate that adjusted operating income will be up low single digits to mid-single digits for the full year. Our 2025 financing cost estimate will now be in the range of \$35 million to \$40 million, reflecting year-to-date foreign exchange impact.

For the full year 2025, we expect a reported effective tax rate of 25.5% to 26.5%, and adjusted effective tax rate of 26% to 27%. We are narrowing our full year adjusted EPS range to be \$11.10 to \$11.30. Given the macroeconomic softness evident in the third quarter for Latin American economies and the incremental issues that we absorbed related to F&I US/CAN segment's Chicago plant outage.

We anticipate our 2025 cash from operations will now be in the range of \$800 million to \$900 million. Our guidance reflects current tariff levels in effect at the end of 2025. In addition, this guidance excludes any acquisition-related integration or restructuring costs as well as any potential impairment costs.

Turning to the full year outlook for each segment where we have made updates. For Texture & Healthful Solutions, our estimate for net sales is to be up low single digits. We have raised our operating income profit growth to now be up high double digits.

For F&I LatAm, we have lowered our net sales outlook to be down mid-single digits and operating profit to be flat to up low single digits. For F&I US/Canada, we have now lowered our outlook for net sales to be down mid-single digits and operating income to be down low double digits based upon operating challenges.

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

---

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

Thank you, Jim. As we conclude today's call, I want to emphasize the focus we have on our operational and strategic priorities. Clearly, we have a near-term focus on improving productivity at Argo and rebuilding inventories and driving sales recovery in our US Food & Industrial Ingredients segment.

Complementing this focus on operational excellence, the entire organization is committed to exceeding its Cost2Compete target, delivering \$55 million of run rate savings by year-end. We will continue to deploy capital towards organic growth opportunities to expand and strengthen our Texture & Healthful Solutions portfolio.

Lastly, we remain committed to returning capital to shareholders through share repurchases. As of the end of September, we exceeded our full year target by purchasing \$134 million worth of shares and have increased our 2025 share repurchase target to \$200 million, underscoring our commitment to maximizing shareholder value and reflecting our confidence in the future, we are announcing that our Board has authorized a new share repurchase program of up to 8 million shares over the next three years.

Now let's open the call for questions.

---

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Andrew Strelzik, BMO Capital Markets.

---

### Andrew Strelzik - Bank of Montreal - Analyst

I wanted to start on the demand environment, and I apologize if you covered some of this in the prepared remarks that I missed. But I guess I'm just curious that you're seeing that evolve. It certainly seems a bit softer than anticipated. And so I guess, are you seeing it continue sequentially to slow? Or are you seeing any signs of stabilization? In the release, you mentioned some customer mix management. I was hoping you could maybe elaborate on that as well.

---

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

Yes, Andrew I'm going. (technical difficulty) Okay. Andrew, I'm going to start back with the response related to what's happening in LatAm and with Mexico and Brazil, I think that's where the line got cut off. Is that correct?

---

### Andrew Strelzik - Bank of Montreal - Analyst

Yes. I mean the question was broadly about the demand backdrop and if you're seeing any signs of stabilization, but then there was the comment. I think it was on LatAm about the mix management, customer mix management. I was hoping you could elaborate on.

---

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

Right, right. Yes. So in Brazil and in Mexico, we're seeing inflation, elevated prices that are impacting the consumer. Interest rates are relatively high versus history and we do believe that's impacting consumer spending and confidence.

Mexico GDP is forecasted to only grow 0.5% and Brazil's GDP is forecasted to grow only 2% It's just noteworthy to remind everyone that food spending represents approximately 20% to 30% of disposable income for the LatAm consumer. And thus, when we see softness and thus, we're seeing the cumulative impacts related to softness in beverage and multiple food categories.

Moving to the United States, we saw demand for sweeteners in particular decrease in July and August. That's what the industry data showed. It was a pretty notable drop in July and August, but it did recover nicely in September.

So -- but for the quarter, July and August was impacted. And of course, we, at the same time, in those months, had issues related to Argo depletion of inventories inability to sell, but things picked up in September. And again, as it relates to Texture & Healthful, we didn't see that kind of decline.

In fact, the US market contributed most to volume, net sales, and operating income growth, but all three geographies grew operating income high single digits for Global and Texture & Healthful. Hopefully, that answers the question.

---

**Andrew Strelzik** - *Bank of Montreal - Analyst*

It does. And as a follow-up, I was hoping you could drill down a little bit more on the Texture & Healthful Solutions segment. The change in the outlook there. Is that -- what kind of is the biggest driver of that piece? Is it more what you saw in 3Q? Is it more what your expectation is for the 4Q? I was just looking for a little more color on the guidance change there.

---

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

Jim Gray, I'm going to let you take that.

---

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

Andrew, I mean, I think that as we look at Q4, we have from prior years, kind of a slightly easier lap. But I think more importantly, when we look across Texture & Healthful, it's really a diversity of customers. And so we have some of our largest customers that are in foodservice. We also have customers that are into private label as well as kind of branded CPG.

So when affordability and value against either the US or the European consumer, we're already benefiting a bit from what that sort of food service traffic and food service ticket looks like as well as whether it's store brands or private label brand. I think we're seeing a nice balance of our volume demand across all of our customers. And so we feel like that's a well-diversified and very solid business right now that has some growth right in front of it.

---

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

And we're also benefiting from a focus with a well-defined definition for solutions selling, where we went through a complete retraining of our go-to-market sales and technical service force. And we're into the second full year of, I would say, more advanced solution selling than we've ever had in relationship to selling differentiating ingredients, customized blends and solutions all around consumer benefit platforms around affordability, health and wellness, which are really aligned to the trends.

And that's why I think we're seeing the strength in our clean label solutions growth, which again grew double digits in the US and Asia Pac.

---

**Operator**

Kristen Owen, Oppenheimer.

---

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

Jim, I did want to follow up on the F&I businesses. You gave some helpful color on Argo in the prepared remarks. But can you just help us unpack how much of the volume was sort of this macro weakening that you addressed in the first question, how much of that was sort of these company-specific events like the Chicago plant or this transition in your brewery business in LatAm?

And I'm just trying to think how much of those onetime items kind of roll off in the fourth quarter and what sticks with that? If we could start there and then I'll have a follow-up.

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

Kristen, can we just clarify which segment? So US/CAN F&I first.

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

Yes. Let's take -- why don't we take US/CANADA F&I first, Jim, and then maybe I'll take the LatAm F&I.

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

Yes. Okay. Is that okay, Kristen. Yes.

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

Yes, I was hoping to get both.

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

So I think with regard to US/CAN F&I, so first of all, as Jim mentioned on the prerecording that the feed dryer is very much at the end of the process. When that goes down, the entire plant has to shut down and so then as we looked at those, we just -- we wanted to bring up the full recovery of the plant.

And so we had a couple of impacts in terms of you have some lower value from your coproducts that you got to clear out. You also had some periodic halting of the grind, which impacted a variety of the refinery processes. And so we didn't have as much volume available. We also had to absorb some fixed costs and then as we've got running to kind of normal production rates in September, you can really put a kind of cap on those costs, and that cap is around \$12 million impact to Q3. Don't really anticipate that, that's going to repeat, right?

I mean, we want to work on reliability. We think about our planning as we go forward. And obviously, we plan to run at normal to full capacities in 2026. So I really don't think we're going to overlap this maintenance and the idle plant charges within US/CAN F&I.

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

So \$12 million of the \$18 million decline, we would attribute to the Argo issues. The remainder related to the market weakness that we saw, which was very curious with the drop off in July and August, but the good news is we saw industry recovery in September.

So let me pivot and I'll talk about LatAm. For the LatAm F&I segment, approximately 40% of the revenue decline year-on-year was attributable to soft brewing volumes. Now the largest contributing factor was related to the impact of the terms and timing of purchases associated with the rollover of significant customers multiyear agreement. That situation is now satisfactorily resolved and it should not repeat.

So for color, in the quarter, Mexico was down 10% with half of the net sales decline due to brewing related situations to that unique customer situation. And in Brazil, 90% of the decline was due to brewing demand, again, predominantly related to that customer situation. And because brewing adjunct represents 18% of net sales for F&I/LatAm and a larger percentage of our volume what we've been doing is we're actively pursuing alternative paths to utilize our grind more profitably by trading up to support higher-margin products in food and confectionery.

We believe this represents an exciting incremental opportunity to diversify beyond brewing and valorize our grind more profitably. So hopefully, that answers the question related to the -- what we believe is some transitory aspects in F&I with about half of the decline in LatAm was due to

the brewing transitory nature, and Jim indicated about two-thirds of the decline in F&I US/Canada was related to the Argo situation. Hopefully, that's clear.

---

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

No, really, I appreciate all of that color. That is very helpful in helping us understand what goes the way in the fourth quarter. My follow-up question is actually as far as thinking about fourth quarter contracting season, I understand it's a little early in 2026. But just given some of these onetime items in '25 I'm wondering if you can give us a sense of how you're thinking about price cost dynamics into 2026. I mean we've had a lot of volatility on the input cost side. And then you've got some of these onetime items on the cost side.

So just some of the big buckets that we should think about from a price cost perspective into 2026 would be very helpful.

---

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

Yes. I would say, just as it relates to contracting, obviously, we're early in the process. I would say that we're currently midway through firm price contracting in the US and in Europe. So still a long way to go. And as it relates to inflationary pressures, which there are on input costs, along with US cost of corn projected to be higher in '26 versus '25, we anticipate this is going to prolong customer commitments and that contracting will not be completed until late in the year.

And obviously, we always do a, we think, a pretty good job of balancing all of the puts and takes, especially given the pricing centers of excellence that we have stood up over the last few years that have served us very well during the inflationary period, and now as we manage a more benign but yet still sticky inflationary period. We're cautiously optimistic that 2026 contracting will position us for another year of modest profit growth based on everything that's happening in the economies globally along with the backdrop of uncertainty.

---

**Operator**

Ben Theurer, Barclays.

---

**Benjamin Theurer** - *Barclays Services Corp - Analyst*

I wanted to follow up on T&H, just the dynamics in the quarter and the outlook. So the first question really is related, if you could elaborate maybe with a few examples on what's been driving the negative price mix in Texture & Healthful Solutions, which at minus 5% look pretty high. So that's the first thing I would like to understand. And then I have a quick follow-up.

---

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

Let me have Jim make that comment, Jim?

---

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

So Ben, on the price mix, when you look quarter-over-quarter, right? So some of the pricing that we had coming into the beginning of 2025 from Europe. We had some higher energy costs that were evident in '24. And so as energy costs had come down, that was part of our pricing mix. That's been kind of true all year as well as some of the corn -- corn was about equal, but we've also seen some higher expected corn costs and like basis for some of our specialty grains.

So that's literally -- in the prior year, that was there. And then as there's been more plentiful corn some of that basis has come down year-over-year. So it's really more of a pass-through, I think, of some of the -- either net corn costs or the inputs.

---

**Benjamin Theurer** - *Barclays Services Corp - Analyst*

Okay. Perfect. And then my follow-up question is really coming back to some of the dynamics in Food & Industrial, Latin America and the outlook in particular. So as you're probably aware of, in Mexico, there is a proposal out which is about to be approved for a significant increase on taxation for soft drinks which would not only affect the ones with caloric content but also the ones with no sugar in it. So no caloric content at all. It's still being taxed.

And the bottler is down there, for example, expectation that there's going to be a significant need to pass pricing because of these taxes and with an expectation of large volume declines. So I wanted to understand what your provisioning is. And how can you kind of like protect maybe volume? Or what are you doing in order -- on your contracting side, particularly in Mexico, as it relates to the sweeteners piece, but also the non-caloric sweeteners as alternatives, which both are going to be impacted by the taxation into 2026?

---

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

Jim, why don't you take first, and then I'll pick up on it.

---

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

So obviously, what Ben, you're discussing is this kind of sweetness tax that is across both caloric as well as non-caloric or light beverages that will impact in Mexico. I think that legislation is up for vote or maybe it's approved, but the effective date, I thought was January 1, 2026.

So on the caloric side, clearly, the bottlers in Mexico have a choice between kind of liquefied sugar and HFCS, and we think that as you look at the cost competitiveness and the formulation for HFCS, it should lean a little bit more towards kind of the use of HFCS and then just -- and what we've also seen historically when we've seen kind of taxes go into place on beverages is that usually, there's an initial sort of sticker shock.

But then after that, I think consumers generally kind of sort of accept or work that in to their overall cost of their grocery basket or their cost of lunch on the go or dinner. And so there's always usually an initial impact for anywhere between a month to three, four, five months. And then it sort of -- it works through. I think the customers that we have also are very much thoughtful around their pack -- their price pack architecture, and we'll think about value in those trade-offs.

I think for non-caloric sweeteners, it's more of an interesting issue, right, which is there's a consumption tax going in will you see any separation for beverages that we sell like maybe a stevia solution into where you have where you have maybe a unique proposition on that beverage and that might be able to withstand that tax increase.

---

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

Yes. What I would also say, Ben, is that this proposed increase, which I think is \$0.17 a liter on sugary drinks. And again, non-sugary drinks but sweetened with artificial sweeteners as well that will go into effect. It's coming now maybe eight years later than first 6.8% tax that was put in place. And as Jim said, when that went into effect, there was a dampening for six months to nine months on purchases.

And then what was interesting, is consumer behavior was modified and the tax actually had unintended consequences and impacted purchases of other products outside even the food category, where people then went back to products that they liked, which were some of the caloric beverages, especially consumed by laborers and the construction workers, et cetera. And we actually observe that.

Now we'll see what's going to happen this time. But the other important point, Jim, that I think is important for us to highlight is we do not export a lot of, say, HFCS into Mexico. In fact, it's a very small quantity because we produce locally and we're not a large HFCS producer locally. We're much more of a glucose producer locally.

So from a standpoint of how directly -- so I use the word directly going to be impacted, I don't foresee it will have a direct impact, how it impacts the industry and what indirect effects are kind of remains to be seen. But I do think it won't be a one for one that is prolonged, it will -- consumers will adjust as they did when that tax went into effect in 2016, '17 and we'll see then what happens from there.

---

**Operator**

Pooran Sharma, Stephens.

---

**Pooran Sharma - Stephens Inc - Analyst**

I just wanted to ask about US/Canada F&I. I think you mentioned it in the prepared comments and in the Q&A here. I think you called out \$12 million weakness from Argo and \$6 million from a softer market and just parsing into that further, you mentioned softness in July and August, but a recovery in September. Were you speaking on a volume basis? And are you able to kind of share if that recovery has held into October? Or what you're seeing thus far quarter-to-date?

---

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

Yes. I think you've summarized it accurately as it relates to US/Canada. And the comments that we made about July and August in US/Canada related to volume shipments in the industry of sweeteners, which is what we were specifically talking about and that recovery in September was also volume related and related to sweeteners.

I would say it's early yet in the quarter for quarter four, but we're not, I don't believe, going to see the July and August step-downs that we saw from an order of magnitude, and we do really believe that it was related to a subset of brand companies -- brand food companies in both beverages and packaged foods, taking price, promoting less and absorbing higher aluminum and tinplate packaging costs, passing those on.

Because the 232 tariffs that went into effect actually were announced, I believe, in March. And by the time they started to be manifested at the retail level, we believe that, that onetime impact was experienced in those months.

And the manufacturers were optimizing their approach to how they were going to price and thus the impact was felt by consumers. The adjustments have occurred and again, September was evidence of that. That's how we have interpreted it. And again, we need more data points going forward to really be conclusive, but that's our best understanding of what took place and how we would explain the impact in the quarter.

---

**Pooran Sharma - Stephens Inc - Analyst**

Great. I appreciate that detail there. And just maybe wanted to understand just Argo a little bit better. Maybe I was wrong in my thinking, but I think last time we had spoken or last earnings call, you were expecting to get some of the volumes back as we work through 3Q and 4Q.

So I was just wondering what you are all facing from like a production challenge standpoint. And do you see these manufacturing issues abating by 2026? Or what kind of timeline should we be thinking of here?

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

Yes. No, you are correct in what we had expected and what we thought was possible. The point we wanted to make and the point we'll make again is that Argo is a big complex facility factory. And when it runs well, we can make up for a lot of lost ground.

And what we were expecting was that it was going to recover more quickly than it did. And unfortunately, the recovery lasted into the quarter. So not to be repetitive, but when a factory like that of that size goes down, the first challenge that we have because it impacted what we call the back end, which is the co products and the feed is we then lose the valorization premium on coproducts. And we have to get the plant up and running, and we have to dispose of the coproducts so it doesn't become a bottleneck and it takes time to normalize the quality of those coproducts to get the valorization.

In addition, you then have periodic halting of the grind that impacts the downstream refinery processes, and then that leads to product downgrades and then that leads to under-absorption of fixed costs and unplanned maintenance costs, and we incurred all of that.

The -- again, the production impacts that we experienced separate from what we saw in the industry from a standpoint of volume for us was particularly acute in July and August, but September returned to normal production rates.

So the team right now is very focused. We don't want to declare victory. They are -- we're seeing steady recovery, stabilization, and we're hopeful that certainly quarter four is going to be better than quarter three. And then as we go into the winter, assuming we don't hit -- we've lived through polar vortexes and those kinds of things. Assuming we don't have anything like that, we should be on a steady road to recovery at Argo.

---

**Operator**

Josh Spector, UBS.

---

**Joshua Spector** - *UBS AG - Equity Analyst*

So a follow-up on the US/Canada side. Just specific for our fourth quarter I mean it looks like on your guidance for the year, down low double digits, it maybe implies that your fourth quarter is around \$70 million in EBIT. So you're still down around \$10 million year-over-year I guess, is that right?

And is that primarily just comments around weaker market buying and seasonality? Or are there any other effects there? And I guess I'll ask my follow-up in addition here that around -- does that carry into the first half of next year with some of the comments around weaker consumer buying or not?

---

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

Josh, this is Jim Gray. I think with regard to how we think about the momentum going into Q4, we don't really expect any kind of operational issues or onetime issues, whether -- if it's the US/CAN Chicago plant operations or kind of the LatAm brewing what we did want to come back and just say for US/CAN market for the demand for beverages and food, for kind of our sweetener serves.

I think we do see some customers not just branded but also private label taking price in the market. They are overcoming package -- expected package cost inflation. And our markets are always -- consumer is always going to be a little elastic. And we've seen this before. It's not dramatic in terms of the overall cost inflation that we're seeing in the market.

But you are seeing some unit price increases show up in the kind of the scanner data. And I do anticipate that, that will carry into Q4 and so that's kind of what's shaped our guidance a little bit. But overall, it's not a shock. I think the US consumer is in a good spot with regard to wages and affordability is always top of mind, but I think there is some necessary, if not modest pricing inflation on behalf of some beverage and food customers,

and that's going to always slow the demand for sweeteners. But we're in a good spot if that sweetener demand does pick up in Q4, and that's kind of part of our guidance.

---

**Operator**

Heather Jones, Heather Jones Research.

---

**Heather Jones** - *Heather Jones Research - Analyst*

And apologies if I repeat anything. I got on the call late. I was wondering you talk about LatAm and as you're thinking about '26 and the Mexico tax issue that you discussed and then just the broader inflation challenges for the consumer. Just wondering -- I know you're not giving '26 guidance yet, but just wondering now, how you're thinking about that setup for next year, particularly given it's had a couple of really good years. Just I was hoping you could give us some color on that.

---

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

Yes. We -- let me just make a comment. We just actually celebrated our 100th year operating in Mexico. In fact, we had a Board meeting in Mexico, and we were able to meet with government officials, and we were able to hear from economists in relationship to the pulse on the economy. And definitely, the government's budget deficit in Mexico has presented a challenge along with the muted GDP growth. So we are seeing a softer Mexican economy and also some of the companies that we sell to their export to the US and export to a Hispanic community in the US from a standpoint of some of their products and brands.

So -- and we all have read from CPG companies in the US about a weaker Hispanic consumer here in the US So clearly, that manifested itself in the shipments that we make to these customers in the third quarter, not really prior to that. It's starting.

And you're going to have an overhang as well in relationship to USMCA negotiations that will need to be resolved or postponed by July of '26. So there will be, we believe, some uncertainty that will hang over certainly the Mexican economy and that's kind of what we're anticipating as we exit the year and as we head into the year.

That all being said, the position that we hold in the Mexican market is a very solid position, very strong position. And the overall Mexican consumer has been resilient and affordability is going to be very, very important that plays to one of our strengths from a standpoint of how we work with customers on recipe development.

And -- we also really know how to optimize our network down there. We've got three great plants, and the team is working very hard to optimize supply chains and look at cost management. So that's kind of the backdrop, and that's how we're approaching it right now. But it's early. It's really early to project too much forward what we've seen in Q3 into '26 at this point in time.

---

**Heather Jones** - *Heather Jones Research - Analyst*

Okay. And then my next question is just on the share repo. This is a throwback to years ago, but I remember at one point, your shares weren't as liquid as far as how they trade and all. And so that sort of limited the optionality on the magnitude of share repurchases. So I was just wondering if you could update us as far as your thinking on that. Is there a limit to how many you want to repurchase ultimately and just update it.

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

Yes. Well, first of all, I mean, why the new authorization from our Board on our share repurchase program. So our -- the program that we had in place was set to expire at the end of '25. I think overall, we're confident in the growth strategy for the company and believe that organic investment is going to continue to favorably impact cash flow growth.

And so if you look at that going forward, then our capital allocation priorities are still around reliability capital, organic growth investment supporting the dividend. But after that, we have strategic cash to deploy, and we have a healthy cash balance today.

And so I think we look at our repurchase history for 2024 and now for 2025 with trying to exceed \$200 million of share repurchases in 2025. So we're going to anticipate that we're going to have kind of more share repurchases in '26, '27, '28 and thus the need to come back and renew and reauthorize it at 8 million shares over that time period.

---

**Operator**

I'm showing no further questions in the queue at this time. I would now like to turn the call back over to Mr. Jim Zallie for any closing remarks.

---

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

Thank you, operator, and I want to thank all of you for joining us this morning. We look forward to seeing many of you at our upcoming investor events in the next engagement being the Stephens Annual Investment Conference in mid-November. And at this time, I just want to thank everybody again for your continued interest in Ingredion.

---

**Operator**

This concludes today's program. Thank you all for participating. You may now disconnect.

---

**DISCLAIMER**

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2025, Refinitiv. All Rights Reserved.