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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the fourth quarter 2025 Ingredion Inc. Earnings conference call. (Operator Instructions). I would now like to hand the conference over to your speaker today, Noah Weiss. Please go ahead, sir.

Noah Weiss - Ingredion Inc - Investor Relations

Good morning, and welcome to Ingredion's fourth quarter and full year 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 our fourth quarter and full year results, can be found on our website, ingredion.com, in the Investors section.

As a reminder, 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 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. Despite unforeseen challenges throughout the year, we are pleased to share that we delivered record full year operating income and earnings per share growth driven by continued strength in Texture and Healthful solutions and solid results from our Food and Industrial Ingredients LatAm business.

Although the largest facility in our Food and Industrial Ingredients US, Canada segment faced operational difficulties, we have taken steps at the Argo facility to systematically address the issues. While we expect a gradual recovery, the actions we are taking should lead to steadily improving performance throughout 2026. Turning to the next slide.

Let's start with a summary of our net sales volume growth for the fourth quarter. Texture and Healthful Solutions posted its seventh straight quarter of volume growth, up 4%, led by clean label ingredients and solutions. Clean label ingredient volumes experienced significant growth in both the fourth quarter and throughout the year across Asia Pacific and US, Canada.

Clean label remains one of the food industry's fastest-growing areas, emphasizing its critical role in meeting consumers' preference for authentic ingredients and simple food labels. Ingredion continues to be a leader in the clean label texturizing space due to the breadth and strength of its portfolio, which is supported by proprietary technology, patents, consumer insights and years of formulating expertise.

Furthermore, our solutions selling approach continues to deliver robust growth, outpacing the segment's overall net sales performance. This comprehensive way of engaging customers is driving greater intimacy at a time when food companies are pursuing more reinvention and reformulation. These higher margin sales are also expected to be margin accretive to the segment over time.

In our Food and Industrial Ingredients LatAm segment, we started to see brewing adjunct volume demand recover from our long-term contracted customers. However, the region continued to face challenges in the confectionery and paper and corrugating sectors, where demand remains soft. Partially offsetting this softness, food ingredient sales experienced modest growth.

Lastly, our Food and Industrial Ingredients US, Canada segment saw a 7% decrease in net sales volume in the most recent quarter, primarily driven by ongoing production challenges at Argo, which limited our ability to produce inventory available for sale.

In addition to this operational issue, our business and the industry faced overall softness in beverage sweetener volumes, further contributing to lower sales.

As we move to segment updates, I want to highlight progress against key growth investments and strategic initiatives. Starting with Texture and Healthful Solutions. Our focus on the customer has never been stronger, delivering sales volume growth of 4% NOI growth of 16% versus prior year. In addition, strategic capital growth and cost savings investments were completed.

At our flagship Indianapolis facility, our starch modernization project completed in quarter four will reduce our modified starch production costs through more efficient product flows and debottlenecking, which will drive the release of new capacity.

In addition, we completed the expansion of our blending centre of expertise in Belcamp, Maryland, which increases customized solutions revenue potential by \$30 million a year. The range of solutions capable to be produced from this facility support clean label, plant-based protein and fibre fortification, sugar reduction and affordable formulating.

Turning now to our Food and Industrial Ingredients LatAm segment. Against a backdrop of regional, economic and political volatility throughout the year, our team managed to deliver record operating income and margins of greater than 21% for the year, up 140 basis points. Mexico specifically demonstrated resilience to offset challenging unforeseen economic conditions, delivering another record year of operating income.

In pursuit of more profitable growth, Mexico repurposed a portion of its grid to strategically diversify its customer and product mix towards higher-margin ingredients that serve food and confectionery customers. We successfully completed a complex network optimization move in Brazil for long-term cost competitiveness.

We closed our Alcantara facility and successfully expanded polyol production at Mogi Guacu, our largest facility in Brazil. This investment was supported by long-term customer volume commitments.

Now turning to our Food and Industrial Ingredients US, Canada segment. Operational issues at our Argo facility stubbornly persisted throughout the fourth quarter. Despite being encouraged by a strong September, we experienced intermittent grind shutdowns, which resulted in higher maintenance costs, lower yields and fixed cost absorption, which reduced both our saleable finished product inventory and our co-product valorisation. Furthermore, industry volume demand for sweeteners was down throughout the second half.

The 2025 full year operating income impact of Argo's operational challenges was approximately \$40 million. With the majority of the first quarter still ahead of us, our team remains focused on executing an achievable recovery plan. Despite the unforeseen challenges and headwinds described, Food and Industrial Ingredients US, Canada delivered greater than 15.5% operating income margins for the year.

Let me now update you on progress against our three strategic pillars. Let me start with driving profitable growth. By continuing to prioritize solutions and clean label offerings, we have significantly enhanced the results of our Texture and Healthful segment.

As mentioned previously, sales in both ingredient solutions and clean label categories have outpaced the overall segment's net sales growth during the second half of 2025, and we have a strong pipeline and growth momentum in both areas going forward.

Furthermore, we are excited to report that our protein fortification business delivered a record year, with net sales growth exceeding 40%. As you know, we have been working diligently to optimize this business for several years.

In 2025, we doubled production and were able to increase the average selling price through new product innovation. We see this business representing a viable long-term growth opportunity for us, supported by strong and clear consumer pull.

Looking at our second strategic pillar, innovation. We have developed a new family of ingredient solutions that help customers readily replace ingredients that have been impacted by shortages and rapidly rising raw material costs.

For example, our suite of solutions to replace cocoa and product reformulations have seen steady sales increases throughout 2025. Furthermore, we are advancing our proprietary sugar reduction taste modulation platform in collaboration with Oobli through a strategic commercial partnership.

Our sweet proteins and stevia blends improve the quality of natural sweetness while offering a cost-competitive clean taste solution. Regarding innovation, texture elevation represents the next level in value delivery that we are offering to select customers.

This co-creation approach combines proprietary consumer insights, sensory science and rapid formulation expertise to help customers predict overall liking and deliver consumer-preferred textures faster and with higher success rates.

Our 2025 customer engagements proved very effective and are leading to customer successes in the marketplace. We are extremely excited by this opportunity and what it represents to grow customized solution sales with the potential also to generate new service revenues.

Lastly, I'd like to comment on our operational excellence pillar. In 2025, we delivered \$59 million of Cost2Compete run rate savings, exceeding our previously stated \$50 million savings target.

This achievement reflects our ability to optimize across manufacturing -- our manufacturing network, as well as deliver procurement and SG&A savings, leveraging our scale. Building off the success of Cost2Compete, we are transitioning our operational excellence strategic pillar toward long-term enterprise productivity. We look forward to updating you on our enterprise productivity progress in the future.

It is also worth highlighting that despite the volatile trade and tariff environment in 2025, Ingredion was minimally directly impacted. This was due to the fact that more than 80% of our production is locally made and locally sold.

Turning to the next slide. Our results this year demonstrate how Ingredion's diversified portfolio continues to drive stronger and more consistent profitability. While navigating volatile market conditions, we delivered record gross profit and expanded margins to over 25%, a clear testament to our agility and operational discipline.

This performance also reflects the ability to leverage the strength of our global network, adapt quickly to shifting demand and our focus on higher-value solutions. As we continue to optimize our mix and execute against our strategy, we are building a foundation for sustained long-term growth.

Overall, 2025 stands out as a year where disciplined actions and portfolio balance enabled us to perform well in a challenging environment. Before I turn the call over to Jim to discuss our financial results, I do want to take a moment to comment on our CFO transition. Last week, we announced that Jim Gray will be retiring on March 31, 2026, and we have begun a comprehensive search to identify his successor.

The Board, the executive leadership team and I are incredibly grateful for Jim's leadership during his more than nine years as a CFO of Ingredion. He's been an invaluable partner to me and has made significant contributions to our success. I wish Jim all the best in retirement.

And with that, I'll turn the call over 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 fourth quarter were \$1.8 billion, down 2% versus prior year.

Gross profit dollars decreased by 4%, with gross margin slightly lower at 24.5%, as cost of goods sold was impacted by higher manufacturing expense in US, Canada Food and Ingredients. Reported and adjusted operating income were \$220 million and \$228 million, respectively.

Turning to our Q4 net sales bridge. The 2% decrease was driven by \$40 million in lower volume, \$39 million in lower price, mix, offset partially by \$36 million of favourable foreign exchange. Moving to the next slide. We highlight net sales drivers for the fourth quarter.

Texture and Healthful Solutions net sales were up 2%, driven by sales volume growth of 4% and foreign exchange favourability of 2%, partially offset by price/mix attributable to pass-through of declining tapioca input costs and greater volume mix of lower-value tapioca-based sweeteners sold locally in Thailand.

Food and Industrial Ingredients LatAm reported net sales up 1%, largely driven by favourable foreign exchange, partially offset by weaker volumes.

Food and Industrial Ingredients US, Canada net sales declined 9%. Sales volume fell by 7%, primarily driven by less available inventory for sale as our Argo facility faced operating challenges, and we met customer demand by sourcing from other plants.

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 \$0.23 per share for the quarter, driven by a decrease in operating margin of minus \$0.22 and volume of minus \$0.10, partially offset by foreign exchange gain of plus \$0.08 per share.

Moving to the change in non-operational items, we had an increase of \$0.13 per share. Shares outstanding had a favourable impact of \$0.08 per share, and a lower tax rate equivalent was \$0.06 per share favourable. Moving to our full year income statement.

Net sales for the full year were \$7.2 billion, down 3% versus prior year. Gross profit dollars increased by 2%, with gross margin increasing to 25.3%.

Reported and adjusted operating income were \$1.016 billion and \$1.028 billion, respectively. Turning to our full year net sales bridge. The 3% decrease was driven by \$144 million in lower price/mix, \$75 million in lower volume, offset partially by \$8 million of favourable foreign exchange.

Moving to the next slide, we highlight net sales drivers for the full year. Texture and Healthful Solutions net sales were up 1%, driven by 4% sales volume growth and foreign exchange favourability of 2%, partially offset by price/mix. Food and Industrial Ingredients LatAm reported net sales down 4%, driven by weaker volumes across brewing hedge.

Food and Industrial Ingredients US, Canada net sales declined 7%. Sales volume fell 4%, primarily due to previously mentioned challenges at our Argo facility and weaker sweetener demand.

Now let's turn to a summary of results by segment. For full year 2025, Texture and Healthful Solutions net sales was up 1%, and operating income was up 16%, which translated into a higher operating income margin of 16.9%, up more than 200 basis points from the prior year.

The increase for the full year was driven by lower raw material and input costs as well as improved margin volumes, partially offset by unfavourable price, mix.

In addition, one comment regarding Texture and Healthful Solutions' quarter four operating income. Last year's fourth quarter had onetime benefits from SG&A, which we were lapping. We anticipate that Texture and Healthful will continue to generate positive operating income growth.

In Food and Industrial Ingredients LatAm, net sales were down 4% versus last year. However, operating income increased to \$493 million, and op income margin reached a record 21.1%.

Moving to Food and Industrial Ingredients US, Canada, full year net sales were down 7%. Operating income was \$315 million, down 16%, driven by production challenges at our Argo plant and lower-than-expected beverage and food volume demand.

For the fourth quarter, we estimate that operating challenges have had a \$16 million loss impact and that the total 2025 impact is approximately \$40 million. For the all other group of businesses, the 2% increase in net sales was driven by growth both in our sugar reduction and protein fortification businesses. Operating loss improved by \$20 million versus prior year, driven mainly by significant gains in protein fortification.

Turning to our full year earnings bridge, where we illustrate a 4.5% year-over-year increase in adjusted diluted earnings per share. Operationally, we saw an increase of \$0.13 per share, driven by an increased operating margin equivalent of \$0.39 and other income of \$0.15, partially offset by volume of minus \$0.47 per share.

Moving to the change in non-operational items. We had an increase of \$0.35 per share. Shares outstanding had a favourable impact of \$0.23 per share, a lower tax rate equivalent of \$0.09 per share and lower financing costs of \$0.03 per share.

Moving to cash flow. Full year cash from operations was \$944 million, which includes investment in working capital of \$75 million for 2025.

Full year CapEx investments, net of disposals, was \$433 million. The company continues to invest in organic growth opportunities that provide a significantly higher return than our cost of capital. We repurchased \$224 million of outstanding common shares, exceeding our \$100 million share repurchase target announced at the beginning of the year.

Furthermore, we paid out \$211 million in dividends and increased the dividend per share to \$0.82 during the third quarter, which represents our 11th consecutive annual dividend increase.

Now let me turn to our 2026 outlook. For the full year 2026, we anticipate net sales to be up low single digits to mid-single digits, reflecting greater volume demand. We anticipate the reported and adjusted operating income will be up low single digits for full year 2026.

Our 2026 financing cost estimate is in the range of \$40 million to \$50 million and a reported and adjusted effective tax rate of 25.5% to 27%. Our full year adjusted EPS is expected to be in the range of \$11 to \$11.80, reflecting continued sales volume growth in Texture and Healthful Solutions and relatively slower operating income growth from our Food and Industrial ingredients segments as we face industry volume demand softness and higher manufacturing inflation not fully offset by pricing.

This adjusted EPS range is based upon a share count of 64 million to 65 million shares. We anticipate our 2026 cash from operations will be in the range of \$820 million to \$940 million, reflecting slightly more working capital investment as net sales are expected to grow.

Capital expenditures for the full year are anticipated to be between \$400 million to \$440 million. Please note that our guidance reflects current tariff levels in effect at the end of January 2026. In addition, this guidance excludes any acquisition-related integration and restructuring costs as well as any potential impairment costs.

Turning to our full year outlook by segment. For T&H, we estimate net sales to be up low single digits to mid-single digits and for operating income growth to be up low single digits to mid-single digits, driven by sales volume growth. For F&I LatAm, net sales are estimated to be up low single digits to mid-single digits and operating profit to be flat to up low single digits, reflecting sales volume growth, partially offset by foreign currency transactional headwinds, specifically in Mexico. As a reminder, we are dollar functional in Mexico. Therefore, a stronger pace of inflates local manufacturing and costs and operating expenses.

For F&I US, Canada, our outlook for net sales is in the range that is generally flat year-over-year, and operating income is projected to be flat. While we have near-end confidence in Argo's recovery, we anticipate continued challenges through the first quarter, in line with the previous quarter.

Furthermore, while contract pricing covered raw material cost changes, we were not fully able to cover anticipated manufacturing cost inflation. For all our other businesses, we expect the combined net sales to be up high single digits and operating income to improve between \$5 million to \$10 million.

Lastly, for the first quarter of 2026, we expect net sales to be down low single digits and operating income to be down mid-double digits, primarily due to the strength of first quarter 2025's 26% operating income growth.

With regards to my announced retirement, it has been a privilege to host 35 quarterly calls with you, our shareholders, analysts and employees. Ingredion has an amazing leadership team led by Jim Zallie and will continue to be supported by a very, very strong finance team.

As a shareholder, I look forward to Ingredion's continued success as the company navigates any challenges with proven agility and seizes future growth opportunities to deliver solutions that make healthy taste better.

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

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

Thank you, Jim. In closing, 2025 was another year where we displayed meaningful progress against our strategic pillars, led by the strong sales volume momentum we saw from our Texture and Healthful Solutions segment.

We believe the clear customer focus that has resulted from the resegmentation completed two years ago, along with our advanced approach to solutions selling, positions us well for continued growth in this segment in 2026.

We are also encouraged by the continued benefits we expect to see from the nearly \$60 million of Cost2Compete run rate savings we delivered by the end of last year. Our commitment to cost competitiveness will continue forward as we pursue enterprise productivity for long-term effectiveness and efficiency.

We anticipate Food and Industrial Ingredients in US, Canada to meaningfully overcome its operational setbacks as we remain laser-focused on stabilizing Argo, and we expect steady improvement from the facility throughout the year. Finally, our financial position remains a source of strength.

We delivered nearly \$950 million of cash from operations in 2025 and returned \$435 million to shareholders. And as Jim explained, we expect cash flow from operations to continue at these levels, providing flexibility to pursue growth.

Now let's open the call for questions.

QUESTIONS AND ANSWERS

Operator

Kristen Owen, Oppenheimer & Co.

Kristen Owen - Oppenheimer & Co Inc - Analyst

Hi, good morning. Thank you so much for taking the question and Jim Gray, best wishes. Thank you so much for the help over the last several years. So kicking off then with the outlook. You sprinkled some breadcrumbs throughout the prepared remarks about the Argo facility. Just help me understand how much in the fourth quarter was Argo versus the volume decline?

And then how we should think about that playing out in 2026? Because I would have thought with the \$40 million headwind from that facility that maybe the op income guide would be a bit higher in F&I North America. So maybe help me bridge all those pieces together that you left for us throughout the call?

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

Yeah, sure,

So obviously, in Q4, the primary issue was the operational challenges there. As we said, we felt that that was about \$16 million impact as we're kind of estimating between idle and yield loss and some incremental maintenance costs. That was the impact to the US, CAN F&I segment in Q4. So -- and then for -- in total for 2025, the impact to the US, CAN F&I segment was about \$40 million.

As we roll forward and we look at kind of the 2026 guide for that segment, we also then -- we had some lapse when we go from -- let me back you up to 2024 versus 2025, right? So we're down about, let's call it, \$58 million. So \$40 million is Argo.

We had a couple other earlier events in the year, kind of more manufacturing events related. We had a small train derailment in Cedar Rapids and let's say that was about \$10 million. And then from '24 to '25, we had probably about \$8 million in terms of just volume softness.

So through 2025 and probably more June on, you saw some response by some of our customers to tariffs. We saw some pricing increases across some categories, soda beverages, beer and cans, et cetera, where we provide a lot of sweetener volume or adjunct volume into. And naturally, those categories are elastic. So you're going to see some volume softness in really in the second half. Maybe that started May, May-June, but throughout summer, and throughout fall.

So as we go into 2026, we'll still have some Argo costs, and those will be mostly impacted in Q1. But we will probably get back some of the Argo onetime impacts in the back half of 2026. So then what says to -- so that should say, hey, you should be up year-over-year at '26 versus '25 on your op income and maybe you should be up \$15 million, \$20 million. And what I think what we're really seeing is that when we looked at contract pricing, we absolutely were able to cover any change, anticipated change in the net cost of corn.

But we do have some manufacturing inflation. We have some higher nat gas and we have some higher labour rates. And so those are playing against our COGS rate of change in US, Canada. And that's in our guide. So our upside to our guide would be that our inflation is less.

Maybe there's a stronger volume that shows up in the second half. And all of those would be pluses. But we felt it kind of prudent to guide kind of flat year-over-year.

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

And Jim, just to answer the question regarding the percentage or say, the apportionment of the decline in the quarter, Argo vis-a-vis sweetener volumes, we say two third Argo, one third sweetener volumes?

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

Yeah, two third, three fourth,

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

yeah, and then in addition to that, the impact for the full year of \$40 million for Argo. Of course, if you look at that as limited to 2025, and I would say January's been a little bit of a rough start to January. And so...

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

It's been pretty cold.

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

It's been pretty cold. It's been pretty cold in January. And as we sit here right now, the plant is running well. It actually ran well from a standpoint of through the very severe cold spell, but January was not as strong as we had anticipated. And I think that in addition to everything else that Jim just said, is the reason why we're putting forward, say a flat year-on-year projection for the full year.

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

Yes. And maybe, Kristen, I think it's helpful to then say, well, what do you anticipate US, CAN F&I's potential to be. I think once through Argo's recovery and we look at some of the investments that we've made and how we're positioned with customers, this segment can definitely still achieve a 16% to 17% op income margin.

Kristen Owen - *Oppenheimer & Co Inc - Analyst*

Okay. That is super, super helpful. I'm going to ask one here also on Texture & Healthful Solutions. Because I think, Jim, you called out maybe some tapioca headwinds here, maybe some mix headwinds. One of the questions that we get about Ingredion is through this Texture & Healthful Solutions, really looking to see that ASP per ton move higher, help contribute to that OI income outgrowth.

Maybe pencil out for us the onetime items there? And then the price/mix headwinds that you're expecting in 2026, just help us unpack those a little bit?

Thank you.

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

Yes. Look, I think if you looked at just the print on the op income margin for Texture & Health for fourth quarter, right, it would show op income down year-over-year by a slight percentage. That was all really driven by some op -- some benefit in op expense in Q4 of 2024. One timers, as you adjusted, there was some comp benefit, and we had to take that in the Q4 and accrue for that.

And so we really -- it's kind of just the year-over-year cleanup when you're getting to how you're looking at one year's finishing. So I really didn't see that because I want to highlight the gross margins for Texture & Healthful for Q4. Gross margin -- gross profit had grown and gross margins have expanded, right? So I think that's always a better measure of the health of the product mix in Texture & Healthful.

As we look forward to 2026 and we talk a little bit about what's the expectation for price/mix to finally move positive, right, and to finally show kind of year-over-year gains in ASPs, that's absolutely going to be reflected by some of the comments Jim made on solutions growth, on texture elevation. These are all very many positives that are driving much higher average selling prices per ton and I think are reflected in value to the customer.

I do want to remind everybody, though, that -- so we're in -- we just finished the second year of this regimentation, and we're going into 2026. And we still have some little pockets of business that may not be at that higher average ASP. And so one of those businesses is in Thailand, and we still have a tapioca glucose syrup business. It is pretty big volume relative to our more higher value tapioca texture solutions. And so when it has a lot of demand, and it moves up, it's going to have an impact on price/mix, and/or we had a healthy tapioca crop and tapioca prices came down.

And so again, we're going to reflect those changes in the raw materials, we pass those through. We'll always try and call that out. But I think we're pretty confident and pretty excited about the texture solutions growth and what it implies for ASP as we go forward year-over-year

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

Yeah, and it's noteworthy, I think for the full year, texture and healthful operating income margins were up 210 basis points.

Kristen Owen - *Oppenheimer & Co Inc - Analyst*

Yeah. That's great. I'll leave it there.

Thank you

Operator

(Operator Instructions) Josh Spector, UBS.

James Cannon - UBS AG - Analyst

Hey guys, You have James Cannon on for Josh. I wanted to ask on the LatAm business. You had some mix management from business rationalizations earlier in the year. And you talked in the quarter about underlying demand there being improving. I was just wondering if you could kind of break out some of the volume movements that you saw there, kind of like you did with US, CAN earlier?

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

Yeah, quarter four net sales were up 1%. For the segment, quarter four sales volume declined by 3%, but that was largely attributable to the brewing adjunct volume declines. More than 100% of the downside was attributed to brewing adjunct, whereas there was sales volume growth for food and beverage, and that was positive.

And because the brewing adjunct business represents 18% of net sales and a larger percentage of our volume, we've been actively pursuing alternative paths to utilize the grind more profitably by trading up to support higher-margin products in food and confectionery.

And this really represents an exciting incremental opportunity to diversify beyond brewing and valorise our grind much more profitably. Just for some additional color, Mexico food volumes were up 3%, and beverage volumes were up 1%.

James Cannon - UBS AG - Analyst

For the for the quarter?

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

For the quarter. Yes. So we've started that -- James, we started that transition, right? So we still have -- Mexico still has, I would say, at least 1 to 2 years of ramp from the volume that is sort of released by kind of rightsizing and managing through the customer change, but it's starting well. So we're excited about that.

James Cannon - UBS AG - Analyst

Okay. Great. And then I just wanted to poke one thing on THS as well. You talk about the solutions business being higher margin than the rest of the segment. Could you just give us some quantification of like how much of the mix is sold as solutions today, what that margin differential looks like?

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

Yeah, sure, go ahead.

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

Yeah, hey, So the solutions has been something where we've been working on establishing a baseline and really tightly defining that and really completed that work in 2024. And in 2025, we're able to -- Jim and Patrick Kalotis and Michael O'Riordan were able to kind of set

some real objectives for the sales teams. So that business right now in '24 and '25 is just over \$1 billion. And the gross margins are definitely higher than the segment average, and they're like 30%, 35%.

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

I'd say 5% higher than the segment's overall average, and it's about 40% of the revenue approximately of the segment.

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

yeah.

James Cannon - *UBS AG - Analyst*

Great, thank you very much.

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

Thank you.

Operator

(Operator Instructions), Ben Theurer, Barclays.

Benjamin Theurer - *Barclays Services Corp - Analyst*

Hi, good morning Jim and Jim. Thanks for taking my question. Jim I'll talk to you later on, but, enjoy retirement. Two quick ones. So number one, just picking up on Texture & Healthful Solutions a little bit. Can you help us maybe understand within the framework of the guidance, where you stand in terms of like contracting pricing for 2026? Is there anything off cycle in terms of like the pricing mechanisms going out to?

I guess, if I remember right, I think you said something like flat for the beginning -- at the beginning of '25 and then kind of like ended up somewhat negative mid-single digits. So just understanding a little bit the drivers and things you've already talked about tapioca and those factors. So how should we think about '26 nonetheless on your current expectations as it relates to T&H. That would be my first question.

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

Yeah, So let me take that and then let Jim add some color commentary. I would say that contracting for TH&S in the US was completed with pricing slightly down, and we anticipate that we covered any changes in the cost of corn and other raw materials. We are anticipating volume gains year-over-year.

That said, some large customers were communicating that unit volumes might be lower given their pricing actions and the fact that US consumers continue to struggle with affordability. We anticipate that we will not fully cover the expected manufacturing cost inflation, and that will hold our gross margins basically flat in general for that segment.

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

And Ben, just for Texture and Healthful, right, so slightly higher semi-variable and fixed costs in that business, right, as we use more production lines to create value. So manufacturing cost inflation, 2%, 2.5%. Some of that reflected in energy cost change year-over-year, some of that in labour costs.

And as you go into your pricing, clearly, you're having a conversation with the customer about any change in the raw material. But you're always trying to price in enough to cover that manufacturing cost inflation.

And I think this year, we are looking at the outlook and saying, well, some of that manufacturing cost inflation is going to show up. And we'll see. Clearly, our operations team will always take up the mantle to work enterprise productivity, to lower that. Our procurement team is going to go and work against any rate changes year-over-year, but that would be upside to our guidance for Texture & Healthful.

Benjamin Theurer - *Barclays Services Corp - Analyst*

Okay. Perfect. And then, Jim, for you, on the outlook. I mean, clearly, cash from operations, expected another strong year, close to \$1 billion, with CapEx a little less than, call it, \$0.5 billion. So that leaves me with like \$0.5 billion free cash flow.

You've spent a little over \$200 million for repurchases and then there's a little over \$200 million on dividends. How should we think for '26 in terms of repurchases of stock, and that maybe in context to M&A, what you might have in your pipeline or not? So what are the key preferences here between one or the other, given where the stock price is currently at?

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

Yeah, I guess right now, the view that we have is, as we have done in previous years, we've established a share repurchase commitment of at least \$100 million for 2026. The cash on the balance sheet does, as you indicated, remains strong by this year, generating nearly \$950 million of cash from operations. And we think it's important to remain flexible and retain optionality for strategic M&A opportunities. And clearly, our balance sheet provides us that opportunity to do that.

So -- but that's the view for the buybacks. Just a reminder, I think, Jim, in '24, we also bought back more than \$200 million of shares as well. So -- but for '26, we've established the same target we've had in previous years of at least \$100 million.

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

Yes. And maybe just for everyone listening because when we think about capital allocation priorities. We're putting out there that CapEx will be between \$400 million and \$440 million, tongue-twister. But within that, it's still a healthy budget for growth, anticipating between like \$80 million to \$100 million in growth for 2026. Pretty excited about those projects.

Jim highlighted a few projects that we've completed in 2025. We still see opportunities around the world that really support us having the capacity as well as the product lines to continue to drive growth, supporting solutions and supporting some of our other sectors where we see growth.

And then we also have about \$40 million or so in kind of large cost savings and infrastructure improvement projects. And so those will finish up in '26. But for example, at our Indianapolis plant, we're working on a new cogeneration, and that project will finish in 2026. So we have some very discretionary discrete opportunities that we're pursuing in our CapEx budget that we think is a great deployment of capital to create returns for shareholders.

Benjamin Theurer - *Barclays Services Corp - Analyst*

Thank you very much

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

Thank you, Ben.

Operator

Heather Jones, Heather Jones Research LLC.

Heather Jones - *Heather Jones Research - Analyst*

Good morning. Thanks for the question. And Jim, I'm really going to miss working with you. It's been a great pleasure, enjoy retirement. I guess my first question is on LatAm.

Given this recent surge in currencies, I think you called out the peso and -- the Mexican peso. And then some of the tax regulatory changes that we've got going on this year in Mexico, just wondering what are the positives that will offset those potential risks and drive growth in that segment in '26?

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

Yeah, maybe let me take some upsides and downside maybe to what is currently in our forecast with regard to LatAm. So you're right. So as I mentioned in the remarks, so we're dollar functional in Mexico, which means that a strong peso increases our operating expense and increases some of our manufacturing expense. And so we're feeling that right now.

And so that will be the transactional cost headwind as we go into 2026.

Now there are opportunities. We're going to watch the value of the peso versus the dollar. But if that peso gets stronger, that's kind of really the downside estimate. And so the opposite is we have upside if we saw moments where the peso was weaker versus the dollar, then that's something that we can go in and kind of secure for the balance of the year.

I think within LatAm, what we're really, I think it's encouraging to see at least is that there is some of like the food and maybe the beverage category volume at retail. So the -- more the Nielsen data was showing volume up in Q4. And so there's been a bit of noise economically around Mexico in terms of its GDP growth, where might inflation wind up.

And so hopefully, what we'll see in 2026 is a slightly stronger consumer in Mexico once kind of wage impacts are felt. So that's a little bit of what we're watching probably mostly in LatAm is the volume pull that we see in Mexico.

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

Yeah, and I think it's noteworthy also, we got asked about this on one of the prior calls, that the sugar tax on sweetened beverages went into effect on January 1. And essentially, the amount is approximately 7% to 8% on single-serve full-calorie sodas and a new tax of 3% to 4% on lighter diet beverages. And in the past, what we have seen this type of tax has an early negative impact on volumes in the first few months, and then after implementation, then those impacts subside. So we're going to watch that.

Now also, it's noteworthy to point out, and we've seen this repeatedly every 4 years, is this is a World Cup year. And so we are expecting incremental volume from the World Cup, which should benefit volumes in Q2 and Q3. And that goes for beverages as well as brewing as well.

Heather Jones - *Heather Jones Research - Analyst*

Okay. That makes sense. And can you remind me, in Mexico specifically, what's the rough breakdown of your sales that are food versus bev so we could just -- because you're talking about like stronger volumes now in food, and just how -- as we think about the risk of that new tax? Just would help frame it in our minds if you could give us a rough breakdown of the food versus bev.

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

So I'm going to say -- I'm going to -- Noah maybe will update this, but I'm going to guess that between kind of brewing adjunct and beverages that, that volume is about 40%. And that the food as well as industrial and confectionery and all other would be the remainder.

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

But also, Jim, the breakdown of soft drinks vis-a-vis in Mexico vis-a-vis brewing is much smaller.

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

Much smaller proportion.

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

Much smaller. And so we're not a big exporter into Mexico of HFCS because we produce locally. And so we've talked about that in years past on how we strategically diminish that exposure. So it's more weighted towards brewing and less so towards soft drinks exposure.

Heather Jones - *Heather Jones Research - Analyst*

Okay. And then my follow-up, is -- and you mentioned that you expect to get some of the Argo effect back in the second half of this year. Just was wondering in like your base case for the US, CAN business, what is your assumptions of how much of that \$40 million you'll get back in the back half?

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

I -- I mean, I think it would be fair to say, look, look, I think in Q1, we're probably going to have another anywhere between \$10 million and \$15 million of impact. And so that won't lap, and so you might see \$20 million of Argo benefit come back in the second half.

Heather Jones - *Heather Jones Research - Analyst*

Thank you so much.

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

There's a range around that assumption, right?

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

It's just worth reminding everybody in relationship to quarterly phasing. That quarter one operating income last year was up 26% and versus 2024. And in particular, Argo was running quite well in 2025 first quarter. And also in first quarter last year, LatAm had a record quarter one. So that also is impacting the phasing for quarter one.

Heather Jones - *Heather Jones Research - Analyst*

Ok that makes sense. I appreciate it.

Operator

Benjamin Mayhew, BMO Capital Markets.

Benjamin Mayhew - *BMO Capital Markets - Analyst*

Alright, thanks for taking the questions and Jim Gray, congratulations on retirement. We're going to miss you a lot. So my -- you're welcome. So my first question has to do with the long-term algo that you put out at the Investor Day for operating income growth. And I'm just wondering, given all that's been said on the call so far, when would it be possible to kind of get back to that algo level, to reach that algo level?

Would it be in second half '26 where you're growing again at 5% to 7% operating income growth? Or -- how should we think about accelerating towards that run rate?

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

Yeah. Ben, let me set the stage a little bit because I mean, I think 2025 in the first part of the year had some surprises for all of us within the US marketplace. So our Investor Day in September was based upon 2024 full year actuals, and at that time, kind of our first half 2025 momentum. So 2025 introduced new challenges to the business environment, which had secondary effects on the rest of the world through tariffs had impacts on immigration in the US.

and changing dietary guidelines within the US. And these changes impacted our customers, our customers' costs, our customers' pricing actions, our customers' volume demand. And our long-term strategy and the direction of the three -year outlook that we laid out at Investor Day kind of remains intact. But given these factors, we're going to sass whether and how best to update the current 3-year outlook. And we're getting our heads around how we completely finish '25, making sure that all of our contracting information is in, our forecasting tools for '26.

And so we'll share our latest thinking with you at CAGNY.

I think the one perspective though, that I would share with you now with regard to Food and Industrial Ingredients US, Canada specifically, is that I would characterize our outlook as more kind of measured versus September. We will likely kind of reset to 2025 space results. And then I think that this segment can return to a 17% to 18% op income margin, probably more evident in 2027 and maybe 2028.

And again, our business targets are really delivering across cycles, right? So at any point in time, there may be like one time when you're kind of taking a little bit more of a flat year versus the chance and the opportunity where all of your growth bets are coming into place and you have at least favourable wins in terms of managing your cost inflation and pricing and customer and product mix is working in your Favor. And so that very much allows this business to kind of hit those mid-single digits and high single digit types of year-over-year op income. I hope that characterizes a little bit.

Benjamin Mayhew - *BMO Capital Markets - Analyst*

Yeah. No, that's great. My last question is more kind of broad-based here in terms of what we're seeing in the CPG industry in terms of like portfolio shift. And I'm just wondering, how do you guys view your positioning as we kind of absorb the secular shift in packaged food industry? Like how you view your capabilities in the true opportunities that you might have to help your customers reshape their portfolios?

And also, you mentioned earlier the advantage of both producing and selling locally, that stood out to me. So if you could just kind of tie that all into maybe your competitive advantage there moving forward as your customers look to really shift their offerings for the consumer?

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

Yeah. Thank you for the question, Ben. I think one of the things that we feel very good about -- and it's been enhanced by the work that we did with the regimentation is our work on customer segmentation and something that we call customer channels for growth and really understanding where the consumer is moving within those customer channels, along with who are the customers that are most well positioned to benefit from those channel shifts.

So what we are improving each and every day is the opportunity across what we call global key accounts, which we have a program and we have a leadership team that manages, multinational and multinational accounts regional leading accounts, companies that are in foodservice. And then most recently, we're doing an exhaustive amount of work to map the whole private label channel for growth. And the co-packing network, co-man network that produces for private label as well as reaching where the innovation starts for those companies, either the consultants, the advisers that are partnering with some or many of the large private label producers that have made significant investments to be not just producing themselves and vertically integrated, but to be thought leaders in this space.

Example, you saw Kroger most recently come out with data on the consumer that they're becoming a thought leader. So we're doing an awful lot of work to map that whole ecosystem. And we have hired specialists and resources to enable us to kind of skate to where the puck is going in relationship to the consumer across these categories. And we're looking at where the growth is coming. So for example, dairy category was one of the few categories that showed positive unit volume growth.

And of course, that's always been a strong suit of ours. So that's how we're approaching this. And the solutions selling approach marries very well to that.

The other thing also that we're looking at is how do we sequentially continue to strengthen our partnerships and relationships with our distributors. Because typically, our distributor margins are very attractive, very attractive. In fact, higher than our average margins. And so we're looking to be really smart in how do we maximize those partnerships as well.

So hopefully, that gives you a little bit of insight into customer channels for growth and customer segmentation that we think -- again, we've been doing this now for a number of years, but we've really intensified the focus across foodservice and private label just within the last two years and bolstered it with resources, and we're seeing the dividends paying off.

Benjamin Mayhew - *BMO Capital Markets - Analyst*

That's great. Thank you so much

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

Thank you

Operator

Pooran Sharma, Stephens.

Pooran Sharma - *Stephens Inc - Analyst*

Congrats on the retirement, Jim. It's been good working with you. Just wanted to maybe start off and understand how broader industrial starch demand trends have been faring? I think on the last call, you mentioned you're starting to see momentum there. Just wondering if you could give an update on that?

And then kind of on that, are you able to give us a little bit of clarity as to how much what kind of benefit you're going to expect here and maybe like a cadence or a pacing to that benefit for the Indianapolis starch modernization project?

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

Okay. Let me take a little bit of the industrial. And then it's distinct and different than the Indianapolis because the Indianapolis produces exclusively for food. But let me address your industrial starch demand question. First of all, it's a business that we don't really talk about a lot, but we probably should because it's done exceptionally well in recent years, not just from a standpoint of organic growth, but also in margin growth and overall operating income contribution.

I would say this past year in contracting, pricing was a little bit more intense than it had been in prior years. And typically, it's obviously an indicator of overall economic health for the industry, for the macro economy. And I would say that volumes in the second half were a little bit softer than we saw in the first half. But as you know, we announced, I think it was early last year, a \$50 million investment in Cedar Rapids to expand capacity and modernize some of our drying capacity. And it's because the business has done exceptionally well, and we needed to solidify our position as a reliable supplier to customers.

So when that is going to I think, complete in the second half of this year and position us well for 2027. So we feel very good about our position there.

The other thing that we're doing in industrial is working with customers capitalize on the trend and requirement for what we call advanced packaging materials. And these are materials that would have a value proposition around sustainability or biodegradability. And they could be corrugating adhesives, which we have a niche market that's growing nicely, or for binders for compostable bowls. And so this is different than just starch for potential strength or wet end strength or coding.

And so very well positioned, pursuing pockets of growth there, but the underlying base business is very solid, very strong customer relationships, exceptionally strong. I think, Jim, you may want to comment on the Indy modernization and the commissioning of that and where that's trending? And maybe you may want to make a comment on even our cogen investment there as well?

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

Yeah. So what we did analysis that we had an opportunity to really kind of debottleneck, to take out some awkward product handoffs that were occurring across the plant really with just continuous flow of product, and then also kind of really upgraded a lot of our drum drying

unit within Indy. And it's just when you come into this and these complicated investments in an older plant and you see once it's gone and the beauty of the engineering and the debottlenecking.

So first, it's a much safer and cleaner environment; two, it's lower costs; and three, it slightly expanded our capacity. And so glad to have that part of our modified starch, one of our modified starch units completed. And then separately, we have -- kind of because of the infrastructure investment tax opportunity, we jumped into becoming more sustainable, self-sustainable at Indy with regard to our cogen unit. And that is making very nice progress. And we will be commissioning that, I think, in the third quarter of this year, and it'll just allow us to then kind of really look at our own nat gas supply, allow us to hedge, allow us to reduce future profit volatility around energy costs and really drive some just continued savings with regard to energy at Indy and look forward to that really in Q4 of this year.

Pooran Sharma - *Stephens Inc - Analyst*

Great. Appreciate the color there. And then just -- my follow-up here would be around the -- you've given good commentary around contracting. You mentioned the pricing declines. You mentioned kind of the tariff impacts and then just consumer affordability/economics.

Just wanted to get a sense if GLPs came up in your discussions with consumers? Does that growth in kind of GLP-1s or just interest in that, has that been sending people more to spot? Would just love to hear your commentary on GLP-1s.

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

Well, I mean, I think everybody is waiting to see what the -- trying to get some quantification around what they think the impact will be. It's no doubt, having some sort of an impact. But what I can tell you on a positive note is in relationship to our protein fortification business, which we haven't talked about in a number of quarters, but we decided to obviously emphasize the full year performance of the double-digit increase in sales that we saw with revenue growing 40%. And it's also noteworthy that for that business, the reduction in operating income loss was greater than \$20 million in 2025. And we have active programs in place to increase the valorisation of pea starch, pea fibre, along with the growth of pea protein isolate.

And so we're fully contracted for 2026, which again shows the strength we think on the back of the GLP-1 effect for protein fortification and anticipate another year of notable revenue growth and operating income improvement for protein fortification. So we're, like everyone else, monitoring GLP-1, but I can tell you it's having an impact for our protein fortification business.

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

Positive impact.

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

Yes.

Pooran Sharma - *Stephens Inc - Analyst*

Alright appreciate the call. Thank you very much. Positive impact.

Operator

Thank you. And I would now like to hand the conference back over to Jim Zallie for closing remarks.

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

Thank you, operator, and thank you all for joining us this morning. We look forward to seeing many of you at our upcoming Investor events, with the next significant engagement being CAGNYon February 17. At this time, I want to thank everyone for your continued interest in Ingredion. Thanks very much.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect. Everyone, have a great day.

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