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INGR.N - Ingredion Inc at Consumer Analyst Group of New York (CAGNY) Virtual Conference

EVENT DATE/TIME: FEBRUARY 21, 2024 / 9:00PM GMT

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## PRESENTATION

**Unidentified Analyst**

Welcome back, everyone, and find our seats. It is my pleasure now to welcome Ingredion back to the conference and introduce President and CEO, Jim Zallie.

As many of you know, Ingredion is a leader in the global ingredient solutions industry, and Jim is building on nearly 40 years in the food industry experience and nearly 15 years with the company. Over his time with the company, Jim has been instrumental in Ingredion's growth through customer focus as well as productivity initiatives, people development, innovation and expanding into new markets. Jim has served as Ingredion's CEO since January of 2018, where under his leadership, he has led the successful integration of many strategic acquisitions, which has strengthened Ingredion's presence in sugar reduction, clean label ingredients and texturing solutions. The results have been exceptional, delivering over 20% operating income growth last year. Jim has brought along several other members of his leadership team that he will introduce. But for now, please join me in welcoming Jim back to CAGNY.

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**James P. Zallie** - *Ingredion Incorporated - President, CEO & Director*

Okay, thanks for the introduction, Tim, and greetings, everyone. It is a pleasure to be back at CAGNY to share with you the progress Ingredion is making, advancing a transformation that began more than 5 years ago as we have broadened, diversified and sharpened our ingredients and business portfolio, enabling resilient growth despite the challenges the last few years has presented. And we believe going forward, will allow us to continue to adapt to changes and in the markets and consumer buying behaviors to create opportunities for long-term growth.

So before starting, I do need to mention that our comments today may contain forward-looking statements that will be covered by safe harbor provisions. And I am pleased to say that I am joined today by Rob Ritchie, Senior Vice President, Food and Industrial Ingredients, U.S., Canada and LATAM. This is Rob's first time presenting at CAGNY and he's been with Ingredion for 26 years. And over that time, he's run our U.S. Canada sweeteners and industrial businesses. He's also lived in Mexico, operating in the role of President of our large Mexican business, and he now oversees an expanded portfolio across the Americas. And also joining me once again is Jim Gray, our Executive Vice President and Chief Financial Officer.

For those of you not familiar with Ingredion, we're a global leader in the food ingredient space that takes plant-based raw materials and turns them into highly functionalized, specialized and increasingly customized ingredient solutions for food manufacturers around the world. We have a diversified customer base with more than 18,000 customers in more than 120 countries around the world and approximately 70% of new product launches in the food industry in 2023, contain the types of ingredients that Ingredion produces.

We co-create with our customers, leveraging the talents of more than 500 food technologists and scientists that are actively formulating and developing new ingredients every day. In 2023, net sales reached $8.2 billion with approximately 70% of our ingredients being sold into food and beverages. A little more than 20% being sold into high-value pharma ingredients, such as pharmaceutical grade dextrose for IV fluids, for example, and pharmaceutical excipients for tableting and texturizing ingredients for skin and hair care, personal care products. And also strength additives and coding ingredients for paper and box making for industrial applications. And also approximately 10% of our revenue comes from us monetizing the sales of our co-products for animal nutrition.

Last year, we were able to navigate a challenging market environment and deliver record revenues. Record adjusted operating income up 23%, record earnings per share, up 26% and generating 15% return for shareholders. We also exited the year with a very strong cash position. Generating record cash from operations of more than $1 billion and a very strong balance sheet that provides financial flexibility and optionality going forward.

Also noteworthy is the fact that our specialties net sales that we have been tracking for the last 12 years as one of our strategic pillars, once again grew mid-single digits despite volume headwinds, industry destocking throughout most of the year, and now specialties comprise 34% of Ingredion's total net sales and a notably higher percentage of our gross profit by the end of last year.

And our performance last year was the result of a lot of great work done across both our functions and business units, not just last year, but over the last number of years. More than 5 years ago, we stood up Global Business Services comprised of IT, finance, elements of HR, marketing excellence. And then 3 years ago, expanded that to include global operations and global procurement to drive efficiencies and we're only in the middle innings of seeing the benefits operationally and from a cost saving standpoint, from these moves.

Our results were also the result of the benefits and contributions we're obtaining from more than $800 million of significant strategic investments and decisions we've made to expand and sharpen the focus of our ingredients portfolio, whether it be expanding the leading position in specialty potato starches in the U.S. or acquiring a market-leading position in high-intensity natural sweeteners, investing in a greenfield plant to extend the lead that we have in modified starches in China, the world's largest market for modified food starches, but also has one of the lowest per capita consumptions of modified starches or by reducing our exposure to high fructose corn syrup and country risk in Argentina or investing in pharma-based ingredients in a rapidly growing Indian market or most recently announcing the divestment of a predominantly sweeteners business in Korea.

These have all been part of a purposeful transformation that have contributed to our success in recent years and that transformation will continue. With our recent announcement that we will reorganize our business operations, which will result in a change to our reporting segments. Texture and healthful solutions will have a global mandate, leveraging our market-leading position in higher-value specialty starches and clean label texturizers in pursuit of above-market growth opportunities while our food and industrial ingredients businesses will have a regional and local focus due to the higher volume shipments of those ingredients and the focus will be on solid and steady profit margins and strong cash generation.

Two of our higher growth opportunity operating units, sugar reduction and protein fortification, will benefit from singular, dedicated focus by being positioned in a separate other category that will be a reporting unit. The new structure, we believe will create greater transparency into other -- into our product capabilities and provide greater insight to shareholders and align our commercial teams to serve customers better. And if you compare and contrast the profiles of the ingredients segments, with the strategic direction we're headed into texture and healthful solutions, you see a clear ingredients focus and a shift towards a more solutions focus.

So for example, in the better ingredients category that we intend to offer in the area that Rob is responsible for, more native starches and high-quality sweeteners, differentiated on service, more solutions being higher-value texturizers and specialty starches and healthful solutions. The market opportunity in ingredients is large, but it's relatively mature.

In solutions, it's large, but growing, and we have leading market positions. With -- from a revenue growth standpoint, in the ingredients businesses, the revenue growth is lower and the revenue can be influenced by raw material prices or commodity prices. Whereas with solutions, the revenue opportunity is higher and the opportunity for growth is more consistent. And from a margin expansion standpoint, in the ingredients category, steady margins and again, cash generative, higher-margin opportunities, more value-added opportunities for the solutions segment that we're pivoting to. And from a capital allocation standpoint, the capital will be deployed, focused on more reliability and cost savings in the ingredients category, but when it comes to texture and healthful solutions, we're looking at organic investments to drive growth, but also deploying capital for value-accretive M&A.

And our winning aspiration, after a year's worth of work that we've done this past year, looking at our strategy is to be recognized as the go-to provider for texture and healthful solutions that make healthy taste better. And what do we mean by that? Ingredion, strives to make foods healthier, and healthful. We strive to make healthy, healthier and healthful foods taste better through textures impact on overall liking, and I'll discuss that a little bit more.

And we strive to be recognized as that go-to provider. And what does that mean? We want to be uniquely recognized. We certainly want to be respected and credible with what we're saying we can do. We want to be viewed as an idea generator and a concept developer. We invest in consumer insights on behalf of our customers. So we need to be an opportunity spotter on their behalf. At the end of the day, we have to be a problem solver, a solutions provider and something that we've been saying as part of our driving growth road map for the last 7 years to be a co-creator and an innovation partner. So that's our winning aspiration.

From consumer research work that we have done, we see an opportunity to create more value from texture as we believe that texture plays an underappreciated but critical role in how consumers like or don't like the food they eat or say the skin care cream that they apply. Texture isn't just felt in the mouth, as mouth feel. It can be perceived or visualized by the appearance of the food before you put it in your mouth. It certainly can impact the release of flavor and thus, overall taste. It can also impact the sound food makes when food is chewed. And all of these factors combined impact consumers' overall liking.

And we believe there is an opportunity to understand in more depth the intersection between the role flavors and texturizers play especially when formulating healthful foods. And some of our consumer research and third-party research has shown that prominently featured texture attributes can drive up to 70% of why a consumer prefers a particular product. And the market for texturizing ingredients is a large addressable market that is growing steadily, comprised of starches where Ingredion is a leader, in hydrocolloids and fibers where Ingredion is a notable player.

And Ingredion's Market Insights group is finding superior texture for taste is foundational for consumer preference. For example, 70% of consumers agreed texture gave food and beverages a more interesting eating experience. Think for a moment about boba tea, which has gained popularity and contains tapioca pearls, which is basically tapioca starch and some hydrocolloids to keep the product to have its integrity in a beverage. And 84% of consumers associated a lighter texture with healthier options. Think rice cakes or rice crisps, for example.

Now moving to our healthful solutions opportunities. These are being shaped by trends for consuming less sugar in the diet and for concerns around metabolic health. Protein fortification and plant-based diets and fiber fortification and overall digestive health. And there's growing demand in the largest target markets for our healthful ingredients. Beverages, for example, is a very large dynamic market that experiences a lot of innovation and is valued at close to $400 billion and is growing 3% to 4%. The dairy category, along with plant-based dairy and alternative dairy is a couple of hundred billion dollar market. And snacking is a very large growing market, growing mid-single digits and is also experiencing a lot of innovation and is moving toward healthier offerings and options for consumers.

And Ingredion has a growing portfolio of ingredients that are complementary to these areas and the formulating process to offer more healthful solutions along all 3 categories. For example, a range of high-intensity natural stevia offerings made by different technologies or the rare sugar allulose or texturizing ingredients that build back the texture when you replace or reduce sugar to provide back to mouth feel.

We offer a complete range of protein isolates or pulse-based concentrates and flavors to fortify with protein, but also that impact the texture. And fiber fortification with a line of resistant starches that offer digestive benefits of fiber, but without a gritty or fibrous texture in the mouth and also the prebiotic fructooligosaccharides.

And our target markets for healthful solutions equally offer large total addressable opportunities and are growing. Sugar reduction is a significant opportunity for us. We've been saying that for the last number of years. That total addressable market for sugar reduction is currently estimated at $5 billion, growing to nearly $7 billion by 2026. The market for fiber fortification is equally large and growing and has the potential to play an increasingly important role in maintaining metabolic health given its satiating properties.

And the plant-based protein fortification market, despite the headwinds it has faced the last couple of years related to the overhype of the alternative meats category is already very large, and it's well established, and that will continue to grow related to health and social drivers, but also the increasing importance for high-quality proteins, nutritionally dense proteins in the diet for muscle maintenance.

Many of you may have seen this product advertised in a commercial during the Super Bowl. It's an example of a novel trending innovation in the soda space that leverages the interest in digestive health and sugar reduction and has become popular with millennials and Gen Zs. This is an example of how Ingredion partners and cocreates to offer one of our great-tasting stevia solutions, which is enhancing the value proposition of this product for consumers.

So with a sharp focus on where to play and how to win, and with a well-diversified product portfolio and customer base and leading market positions where we are playing and intend to play our intent is to follow the trends and be that go-to provider for ingredients and solutions that will make healthy taste better for all eating occasions. So now let me hand the presentation over to Rob Ritchie to talk about food and industrial ingredients. Rob?

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**Rob Ritchie** - *Ingredion Incorporated - Senior VP of Food & Industrial Ingredients of America*

Thank you, Jim. Good afternoon, everyone. As Jim mentioned, he spent some time talking about our Texture and Healthful Solutions business. I'm going to talk to you today about our 2 new food and industrial ingredients reporting segments where we have leading market positions and strong cash generation. We've got a long, successful history in both of these operating segments as well.

I'll start with our U.S. Canada, food and industrial ingredients business. It's approximately $2.3 billion to $2.4 billion in revenue with OI margins of 12% to 14% for 2023. We've got a long history in Canada. We've been -- our U.S. Canada, we've been operating there for over 115 years. And historically, it was part of our North American reporting segment. Our main product categories from these assets are focused on liquid and dry sweeteners and industrial starches.

For LATAM, our food and industrial ingredients, we have revenues of 2023 of $2.5 billion to $2.6 billion and healthy OI margins at 16% to 18%. We've been in Mexico for over 99 years. Next year, we celebrate our 100th anniversary, and we've been in South America for over 95 years. We've got a proven track record in the LATAM region aligning with our changing customer demands and external market conditions, which can change rapidly.

LATAM is a combination of our Mexican business and our legacy South American business, which includes the Andean region where we have operations in Colombia, Peru and sales in Ecuador, our Brazilian business, and we have a JV in Argentina, as Jim had referenced to, with our partner, Arcor. And we supply a wide range of ingredients and solutions to a very diverse customer base within the region.

So we can talk a little bit about what are some of the benefits of organizing our food and industrial businesses on this regional basis. In LATAM, we have a #1 position across the region in which we have operations. Our plants are optimized and located to meet the needs of each region and to serve our growing customers which provides us with long-term competitive advantage for Ingredion. Our elevated service and supply as a result of those locations helps our customers continue to grow and prosper in the marketplace.

In U.S./Canada, we are the regional leaders with sweetness solutions and industrial ingredients. Our plants are located very close to our markets, which supports a focus on regional customers and a responsive supply chain. We are actually the market leader for industrial starches in packaging, linerboard and paper manufacturing. And our reputation in this segment is very strong. We have great expertise, and this really provides strong customer loyalty. And we're starting to see a good recovery in the packaging industry, where growth is expected to continue over the next several years.

I'm going to go into a few more details here on LATAM. As I mentioned, we are the #1 position for corn milling assets in the region. We actually have 10 plants across LATAM and 5 innovation centers to customize locally with our customers on innovation, co-creation and new product development to drive growth. Our plants are strategically located in each country to provide differentiated supply chain which allows for great customer intimacy and responsiveness. There's only 4 competitive plants in the LATAM segment. And each one of those competitors has only one plant. So we have a very strong position in this marketplace and a very strong right to win.

There's strong growth around the confectioner segment, and we see opportunities for growth with both exports in that market and outside of that market as well. We talked about the brewery segment, where Mexico is the largest brewer in the world. So that's very strong and robust demand for Latin beers. With industrial business, there's near sourcing. So the opportunity for sustainable packaging ingredients and growth into the U.S. market is very strong.

And we also have a lot of innovation and sustainable packaging ingredients as well that is driving growth. And as Jim has mentioned a few years ago, we did do a JV in Argentina with our partner, Arcor, which has reduced some of our exposure and volatility to that very volatile economy. Although there is very stable food demand as we go forward.

A little bit on the trends in LATAM. This is our reason to believe in this market and why we think it will continue to grow. Long term, the demand prospects for food ingredients and packaged food growth is very strong. I'll start with the population, 670 million people. The average age in that region is 31 years and GDP growth spurs CPG consumption rates. A large portion of that population, as referenced, is younger versus developed markets, say, in Western Europe and the United States. And the long-term demand growth as the population moves into the heavy consumption periods of their lives getting married, having children will drive food consumption.

GDP will also fuel consumers to trade up from the informal economy, think of going to the market every day as they move up that ladder to the formal economy where they will go to grocery stores, which should drive further packaged food growth in the region. We are well positioned to capture that growth as that economy continues to grow and things transition to a more formal economy.

Also around nearshoring in the region. We talked about this. This should bring new jobs and increased salaries as well as many companies leave perhaps Chinese production and move into the LATAM region for exports into U.S., Canada. This, again, will support the consumption of packaged food growth in the area.

Just a little bit on beer. It's a very large segment for us in the LATAM region. As mentioned, Latin beers are very popular. Mexico is the #1 exporter of beer in the world. And there's a very strong correlation between GDP growth and beer consumption. And based on our estimates, demand for beer in LATAM and specifically Mexico, will not peak until 2035. So there's long-term sustainable growth, which should continue to drive the consumption of our ingredients in that space.

I'll pivot here a little bit now to our food and industrial ingredients business in U.S., Canada, where we have very broad customer reach and strong relationship. Many people think of this segment as just large bulk tankers of sweeteners. We actually make over 130 unique different products from these assets in U.S., Canada. We have 6 production plants, one innovation center where we co-create and collaborate with our Idea Labs with our customers. We're the only corn refiner in Canada with 2 plants, one in London, one in Cardinal, Ontario. This allows us to have great response and supply chain advantage in that marketplace. We have broad customer reach and strong relationships. As mentioned, we've been in this market for over 115 years, so we understand the market dynamics and the customers.

We're enhancing our service, logistics and responsiveness versus competitive threats through our regional plant model. We can respond quickly. We can ship to customers within 100 miles of our plants. So it gives us an advantage in the marketplace. As Jim has mentioned, a lot of innovation and new product ideas coming from our texture and healthful solutions business. And in this business, we leverage those relationships and those partnerships we have with shared customers to protect and stabilize and actually grow our margins within this particular business segment.

And finally, we have leading positions in the marketplace as well. Dextrose is a very versatile ingredient. It's used in pharma applications, beverage applications, baking and confection applications, and we are the leader in that in North America. And we also are the leader, as I mentioned, in industrial starches, where we've got a strong position and great customer relationships in that area.

One of the opportunities for this segment is to continue to trade up our product mix based on changing and growing consumer demand and profitability. I talked about industrial. We have very strong relationships with our customers. As they continue to grow with the growth of online shipments, we'll be able to participate that as well. But we're also finding new applications in the packaging world to align with the growing trend around sustainability. Our customers are looking for sustainable ingredients that go into their products, and we're very positioned well to innovate with them and capture that growth. Also, as Jim had mentioned, we have opportunities to switch up from products like high fructose corn syrup into biosolutions opportunities where we use starch and liquid dextrose as the feedstock.

Home and Beauty, as Jim had touched on, where consumers shift towards a more nature-based ingredients for skin and hair applications. We have an idea lab in that area. We've got some really unique products and innovation coming out of that business.

And focused on growth opportunities in pharma. We have a long history here of performance with products like anhydrous dextrose which Jim had mentioned, is used in IV solutions in hospitals and medical facilities around the world. So some really good opportunities to trade up, maintain that margin in this particular business.

So in summary, I just wanted to say that we have a very strong market position in food and industrial ingredients. We have wide competitive moats built on century of experience in these particular markets. As you can imagine, we have long-term sustainable competitive advantages, and we have a track record of operating in these regions that has served us very well and will position us for growth in the future. As we look at the supply base for the raw material, it's very diverse. So there's minimal raw material risk across the region. We have very strong relationships in that area.

The industry itself has stable market dynamics with very high barriers to entry which is a good thing and a diverse customer base across many different market segments. So we're spread out across many different areas. Operational excellence and cash flow, strong focus on lowest delivered cost, supply chain excellence and customer intimacy. Segments also have very, very strong cash flow where we take that money and we reinvest it in other areas of our business such as texture and healthful solutions where we'll create new solutions or potentially buy new companies that drive differentiated innovation and solutions for our customers.

And finally, there are some opportunities for select innovation to trade up. We've mentioned that in U.S. Canada for sustainable packaging ingredients. And the nice part about the LATAM market is as it starts its maturity towards packaged food growth, we have that playbook. We developed it in Western Europe. We developed it in U.S., Canada. And as that part of the operating segment continues to grow, we can assist our customers to formulate and make those products that will be in demand for years to come in LATAM.

So as you can tell, I'm very excited about this segment. With that, I'm going to turn it over to Jim Gray, our Chief Financial Officer.

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**James Derek Gray** - *Ingredion Incorporated - Executive VP & CFO*

Thanks, Rob. Happy to be back here. Just before I begin my comments, I just say it's always fun working with very experienced operators like Rob, because you can hear their passion, and they always drive CFOs a bit nuts in terms of their investment demands and the opportunities they want to pursue in a market. So -- it's really -- it's exciting to have Rob here today to share with you some of the opportunities that we see in both U.S., Canada, as well as LATAM.

So for those of you in the audience that may be unfamiliar with Ingredion. So I'll make a few remarks with regard to our 4-year growth outlook and the journey that we've been on at least financially. I'm also going to walk through a forward outlook for 2024 of our anticipated new reporting segments. And although we won't be restating previous years in total, we will keep shareholders apprised as we roll through each quarter with our outlook for 2024 and for each new segment. And then finally, I'll comment on our commitment to shareholder value.

One of the things we'd like to talk about is what is the Ingredion investment opportunity. And that really begins with the large and growing markets that both Jim and Rob have already highlighted. Then it's incumbent upon us to look at how can we achieve steadier revenue growth over time, really driven by underlying volume demand for the ingredients and the solutions. That's our long-term objective. The value of corn and other agri products can fluctuate and will have an impact on our top line from 1 year to the next.

Therefore, as we move forward, you can expect us to really hear more about the revenue growth that's generated from our customer mix and our product and our innovation mix. Our approach to profit growth really includes managing revenue opportunities, managing raw material fluctuations through pricing and hedging practices, continuous improvements to our manufacturing cost position as well as really being prudent in optimizing SG&A as we pursue growth.

At this midpoint in our 4-year growth outlook, we've exceeded our net sales, our operating income and our cash flow from operation growth goals. We've been investing kind of just at or below our anticipated capital investment levels which has been, in part, driven by a global supply chain view taken by our operations team. And with new tools and capabilities, primarily built during COVID, our operations team is focused on the most critical production points in our network and is working with the help of machine learning to currently expand capacities. And so this has helped us to better manage plan assets and lower the capital investment required to maintain and expand these assets over time.

As Jim highlighted, we've changed our reporting segments or will change our reporting segments in 2024. So let me walk through each just to provide a bit of context and background. So first up is texture and healthful solutions, which is a new global segment that encompasses our highly functional starch solutions as well as hydrocolloids in a few markets. Texture and healthful solutions spans from Asia-Pacific to Africa, to Europe and to the U.S. Our 2023 net sales are approximately $2.4 billion to $2.5 billion. And our estimated operating income margin for this segment for last year was between 14% and 17%. This business is characterized by higher sales prices per metric ton, higher gross margins as well as higher SG&A people costs, which deliver more bespoke solutions to our customers with texture needs and healthful solutions needs.

For 2024, we anticipate full year net sales to be flat. So as volume growth returns, it will be offset by a decrease in price mix due to lower corn values being shared with customers. And we expect the operating margin of this business to be a little bit towards the lower end of the 2023 range. And that's really dependent upon how much volume we have carried through and how much of the cost in this asset base that we can absorb.

Food and industrial ingredients, LATAM is $2.5 million to $2.6 million net sales. Rob has already highlighted the attractiveness of this business, so I'll focus on 2024 outlook. We expect 2024 net sales to be flat to up low single digits as we lap much lower corn values beginning in March. And that was the kind of the March, April time frame when the Brazil crop came in, and we expect volumes to be up.

Our segment op income margin will be similar to 2023, albeit this recognizes approximately $15 million devaluation impact from the change in the Argentina peso and this impact will be evident in quarter 1. Food and industrial ingredients, U.S./Canada is a $2.3 billion to $2.4 billion segment and the pass-through of lower corn costs will impact our outlook for 2024 net sales, although we still expect volumes to be robust. We anticipate significant op income growth for this segment due to the rollover of some multiyear sweetener contracts as well as lower input costs as we move through the year. So we'll see this operating income margin range go higher as we move through the year.

And then finally, in the other segments, we will include emerging businesses in sugar reduction and protein fortification. We will also place our Pakistan business into the other segment as we are the majority shareholder in Rafhan Maize, which has its own public company governance structure. In 2024, we anticipate net sales growth in the low double digits for these businesses. And as we have commented in the past, our protein fortification business experienced operating losses in 2023. We anticipate reducing operating losses for the Other segment by 1/3 or more in 2024.

In our narrative over the last 5 years, Jim and I have often referred to our specialty ingredients portfolio, which Jim highlighted reached 34% of net sales in 2023. I wanted to provide an approximate reconciliation of where you'll find our growth engines going forward in our reportable segments. So mostly texture and Health Solutions is the business that represents our highly functional and value-added food starches and solutions.

There remains in food and industrial ingredients LATAM, some functional texture and specialty sweetener sales which will continue to provide growth to this segment. However, for purposes of reporting, these ingredients are predominantly manufactured locally and sold locally, so we are keeping these sales as part of the food and industrial ingredients segment.

And then finally, approximately $200 million of net sales of emerging healthful solutions are represented here with our sugar reduction and our protein fortification. To this point, the 3 of us have spent the majority of time really speaking to the growth and innovation opportunities in front of the company. However, we are also very mindful of costs and cost reduction.

Our approach addresses cost reduction head on through our strategic pillar of cost competitiveness as well as more unique to our business is the need to mitigate earnings volatility over time created by corn and raw material fluctuations. Our focus across the company is on 3 key levers: reducing the impact of raw material cost volatility through expanded hedging practices, driving continuous cost reductions and greater efficiencies and improving asset efficiency. These efforts continue to contribute to a multifaceted approach to consistent profit growth.

For our full year 2024 outlook, which we provided in our year-end 2023 earnings call. We anticipate total company net sales to be flat to up low single digits. This will be driven by a return to real volume growth and offset by some negative price mix as lower corn costs globally pass through our top line. We expect adjusted operating income to be up mid-single digits and we expect to generate between $750 million to $900 million in cash from operations.

Following our strong generation of cash, we have consistently followed a capital allocation strategy of first, targeting organic growth investments, which provides the best reward risk trade-off for shareholders and further strengthens our competitive positions. Second, we are committed to a dividend and have increased our dividend 9 years in a row. Third, as Jim highlighted, we seek out acquisition opportunities where we believe that the synergy value and a future competitive position will offer greater returns. We tend to target greater than 10% ROIC within the first couple of years of an acquisition.

And finally, to the extent that we have cash to deploy, we are disciplined in repurchasing shares when we believe the stock price is trading below the intrinsic value of the company. We've demonstrated our commitment to shareholder value creation through our cumulative actions over the last few years. We have deployed cash toward growth investments, including some M&A and repurchased nearly $300 million worth of shares outstanding. And we have continued to increase the dividend in line with the growth in adjusted EPS.

With that, I'll wrap up my comments, and I'll hand it back to Jim Zallie.

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**James P. Zallie** - *Ingredion Incorporated - President, CEO & Director*

Okay. Thank you, Jim. So we'll move to Q&A. But before closing, I just wanted to say that as Ingredion, we are guided by our purpose, which is to bring together the potential of people, nature and technology to make life better. And we've introduced to you today our winning aspiration which is to be recognized as the go-to provider for texture and healthful solutions that make healthy taste better. So we have about 7.5 minutes for Q&A that Noah will facilitate. So Noah over to you, and I'll stand up and we can direct -- I'll direct the questions to any one of us.

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## QUESTIONS AND ANSWERS

**Unidentified Analyst**

Thank you very much for the presentation. Just wanted to follow up as you look forward with the new reporting structure and the new business model in the different regions. Where do you see like low-hanging fruits to potentially just drive margin expansion further? And where do you think the challenges are on the other side as you go from previous model that was really more of a regional approach to now more like a functional approach as you've laid it out.

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**James P. Zallie** - *Ingredion Incorporated - President, CEO & Director*

Yes. I think the wisdom behind the new business segments, is to bring even more focus on customers and leveraging the global business services model that I talked about, which are in the middle innings of delivering on the efficiencies, which what we've talked about is making sure folks like Rob truly embrace all the opportunities inherent with spending more time with customers, to make sure they're aware of all of the capabilities that we offer, to understand their brands and understand all the opportunities to grow with them as opposed to being distracted with supply chain issues that can be managed through the global operations segment, for example.

And we believe those muscles that we've developed are going to drive enhanced execution. From a standpoint of opportunities for margin growth, on the solution side example, our legacy specialties business, 30% to 35% gross margins. Some of the more systems or solutions ingredients that we have sold in the past upwards of 40% to 45%. So the more that we can shift, we believe there's an opportunity to drive higher margins. And equally, we think there's an opportunity for some of the small insurgent brands that continue to grow, that depend on suppliers like us to get remunerated from a new business model and fee-for-service, and we're actually testing that out and proving that out.

So we think the solutions opportunity provides a tremendous opportunity to grow there. In addition, Jim talked jokingly about Rob wanting to advocate for capital in his area where we may be #1 in a market like Colombia, where we're growing, the market is growing. And by having that dedicated focus, we're really looking smartly and saying, you know what, we don't want to paint everything with one brush. We can actually make very healthy returns by investing to expand with the market, whether it be in Mexico, whether it be in Colombia. So it cuts across both the solutions and the ingredient side where we see opportunities because of its focus. And we're seeing that already being borne out now.

So this is just a natural extension for us of what just makes good sense that we've already kind of been leaning into. But now we think it's actually going to get better transparency also to all of you to see the quality of the earnings inherent in these businesses. And I think what Jim said on the U.S. Canada business, if you listen carefully about what to expect this calendar year '24 second half, on the margin structures there. I'm sure that's maybe been a pleasant surprise for some of you. So those are some of the things that we're excited about going forward with the new segmentation.

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**Adam Samuelson** - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Adam Samuelson, Goldman Sachs. Maybe following up on that last point. But on the other side of the business, you gave the disclosure on the taste and healthful Solutions segment, where the profits look like they're going to be about flat year-on-year. And that's the more value-added part of the company, the business that should be the one driving volume growth. Help us understand what was in there last year that you're comping against that you wouldn't be growing profit dollars on the value-added side and how we should think about the profit growth opportunity for that beyond '24.

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**James P. Zallie** - *Ingredion Incorporated - President, CEO & Director*

I'll make some quick comments, and I'm going to let Jim also complement those comments. So I think it's fair to say if you looked at our success in Europe, which is predominantly a specialties business, highly texturizing, and you look at our U.S. Canada specialty starch business, we delivered very significantly in '22 and '23 from a pricing standpoint.

And it was only logical that we were going to have to be smart in relationship to contracting this past year to target to maintain share, taking a long-term view for the texturizing solutions business that we would be growing there. So pricing got a little bit competitive in some of those areas towards the end of the contracting cycle for this year.

However, the other thing is, truly, if we want to be legitimately incredible, like I said, solutions provider for texturizing solutions, we are going to have to make some investments in capabilities that are going to separate us and differentiate us. And we intend to do that. We intend to invest texture measurement science, consumer insights. So that is some of the things that we're doing and why the near term may be a little bit muted in relationship to the margins. But long term, we're very, very confident, given our market position, being so strong. Jim, do you want to make some additional comments on that?

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**James Derek Gray** - *Ingredion Incorporated - Executive VP & CFO*

Maybe, Adam, the one thing that we haven't -- that we're still working through is how the OpEx will be allocated. So obviously, the texture and healthful solutions business it's going to carry an SG&A to sales as an example, kind of a 15% range. Whereas the food and industrial ingredients are much, much leaner in terms of kind of OpEx.

And so while you -- while we talk about an op income margin range, we have an opportunity, not just with our go-to-market, with our innovation, with our marketing team as we think globally about texture solutions and healthful solutions. But we also have an operations and a supply chain team now that is thinking about, wait a minute, I make similar types of pretty highly functional molecules in different places across the world. Now where can I actually start to really optimize that demand signal with where we want to make.

So I think we have really 2 big drivers within texture and healthful solutions globally. One is going to be making sure that we get the team right on the revenue opportunities. And then I think our operations team along with supply chain is really thinking about where can we get more efficient on these downstream production assets.

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**Unidentified Analyst**

Yes. Great. Well, I think at this point, we're going to move over to the breakout room next door, where management will be available to answer additional questions. But as we do so, please join me in thanking Jim, Rob and Jim for a great presentation. Thank you.