Ingredion

Third Quarter 2019 Earnings Call

Jim Zallie
President and CEO

James Gray
Executive Vice President and CFO

Forward-looking Statements

This presentation contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends these forward-looking statements to be covered by the safe harbor provisions for such statements.

Forward-looking statements include, among other things, any statements regarding the Company's future financial condition, earnings, revenues, tax rates, capital expenditures, cash flows, expenses or other financial items, including the Company's expectations for 2019 adjusted EPS, operating income, adjusted effective tax rate, cash from operations and capital expenditures, any statements concerning the Company's prospects or future operations, including management's plans or strategies and objectives therefor, and any assumptions, expectations or beliefs underlying the foregoing.

These statements can sometimes be identified by the use of forward-looking words such as "may," "will," "should," "anticipate," "assume", "believe," "plan," "project," "estimate," "expect," "intend," "continue," "pro forma," "forecast," "outlook," "propels," "opportunities," "potential," “provisional” or other similar expressions or the negative thereof. All statements other than statements of historical facts in this release or referred to in this release are "forward-looking statements."

These statements are based on current circumstances or expectations, but are subject to certain inherent risks and uncertainties, many of which are difficult to predict and are beyond our control. Although we believe our expectations reflected in these forward-looking statements are based on reasonable assumptions, investors are cautioned that no assurance can be given that our expectations will prove correct.

Actual results and developments may differ materially from the expectations expressed in or implied by these statements, based on various factors, including changing consumption preferences including those relating to high fructose corn syrup; the effects of global economic conditions, including, particularly, economic, currency and political conditions in South America, trade relations between the United States and China and economic and political conditions in Europe, and their impact on our sales volumes and pricing of our products; our ability to collect our receivables from customers and our ability to raise funds at reasonable rates; future financial performance of major industries which we serve, including, without limitation, the food, beverage, paper and corrugated, and brewing industries; fluctuations in worldwide markets for corn and other commodities, and the associated risks of hedging against such fluctuations; genetic and biotechnology issues; our ability to develop or acquire new products and services at rates or of qualities sufficient to meet expectations; availability of raw materials, including corn, including the impact of recent excess precipitation in the U.S. corn-planting season, potato starch, tapioca, gum Arabic and also the specific varieties of corn upon which some of our products are based; fluctuations in the markets and prices for our co-products, particularly corn oil; fluctuations in aggregate industry supply and market demand; the behavior of financial markets, including foreign currency fluctuations and fluctuations in interest and exchange rates; volatility and turmoil in the capital markets; the commercial and consumer credit environment; general political, economic, business, market and weather conditions in the various geographic regions and countries in which we buy our raw materials or manufacture or sell our products; energy costs and availability; freight and shipping costs; and changes in regulatory controls regarding quotas; tariffs, duties, taxes and income tax rates, particularly United States tax reform enacted in 2017; operating difficulties; energy issues in Pakistan; boiler reliability; our ability to effectively integrate and operate acquired businesses; our ability to achieve budgets and to realize expected synergies; our ability to achieve expected savings under our Cost Smart program; our ability to complete planned maintenance and investment projects successfully and on budget; labor disputes; ; increased competitive and/or customer pressure in the corn-refining industry; and the outbreak or continuation of serious communicable disease or hostilities, including acts of terrorism.

Our forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of the statement as a result of new information or future events or developments. If we do update or correct one or more of these statements, investors and others should not conclude that we will make additional updates or corrections. For a further description of these and other risks, see "Risk Factors" and other information included in our Annual Report on Form 10-K for the year ended December 31, 2018 and subsequent reports on Forms 10-Q and 8-K.

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Agenda

- **Perspective on third quarter**
- 2019 Profit Growth Outlook
- Questions and answers

Perspective on Third Quarter 2019

- Net Sales modest growth; absent FX impacts +4%
  - Aggressive pricing actions; $50MM captured during the quarter
- Adjusted Operating Income up +2%, absent FX impacts +7%
  - North America returned to profit growth of 5%
- **DRIVINGROWTH** through value creation:
  - *Sugar reduction and specialty sweeteners*
  - *Starch-based texturizers*
  - *Plant-based proteins*
- Cost Smart savings program continues to drive operational efficiencies

Strategic Initiatives to Forge Growth

SPECIALTIES

COST SMART

COMMERCIAL EXCELLENCE

PURPOSE, CULTURE, VALUES AND TALENT

North America & South America: 3Q19 Highlights

North America

Net Sales

- Up due to specialty volume increases and Western Polymer
- Improved price/mix

Operating Income
$145MM, Up 5%

- Improved price/mix and benefits from Cost Smart savings
- Partially offset by higher net corn costs

South America

Net Sales

- Up due to strong pricing actions and volume
- Foreign currency impacts, primarily in Argentina and Colombia

Operating Income
$27MM, Up 23%

- Aggressive pricing actions, higher volume and Cost Smart savings
- Partially offset by foreign currency impacts

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Asia-Pacific & EMEA: 3Q19 Highlights

Asia-Pacific

Net Sales

- Down due to foreign exchange impacts and unfavorable price/mix across the region
- Specialty volume growth

Operating Income
$22MM, Down (12)%

- Weakness across northern Asian economies due to trade disputes
- Increased input costs and intensified competitive price pressures in Korea and China

EMEA

Net Sales

- Down due to currency weakness in Pakistan and Europe
- Partially offset by favorable price/mix and volume

Operating Income
$24MM, Down (8)%

- Higher corn costs and foreign exchange impacts
- Partially offset by strong pricing actions

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Q3 2019 Income Statement Highlights

$ in millions, unless noted	Q3 2018	Q3 2019	Change
Net Sales	$1,450	$1,457	$7
Gross Profit	$334	$344	$10
Gross Profit Margin	*23.1%*	*23.7%*	*60 bps*
Reported Operating Income	$155	$165	$10
Reported Diluted EPS	$1.32/share	$1.47/share	$0.15/share
Adjusted Operating Income*	$189	$193	$4
Adjusted Diluted EPS*	$1.70/share	$1.82/share	$0.12/share

Totals may not foot due to rounding
*See appendix for a reconciliation of these non-GAAP financial measures to U.S. GAAP measures.

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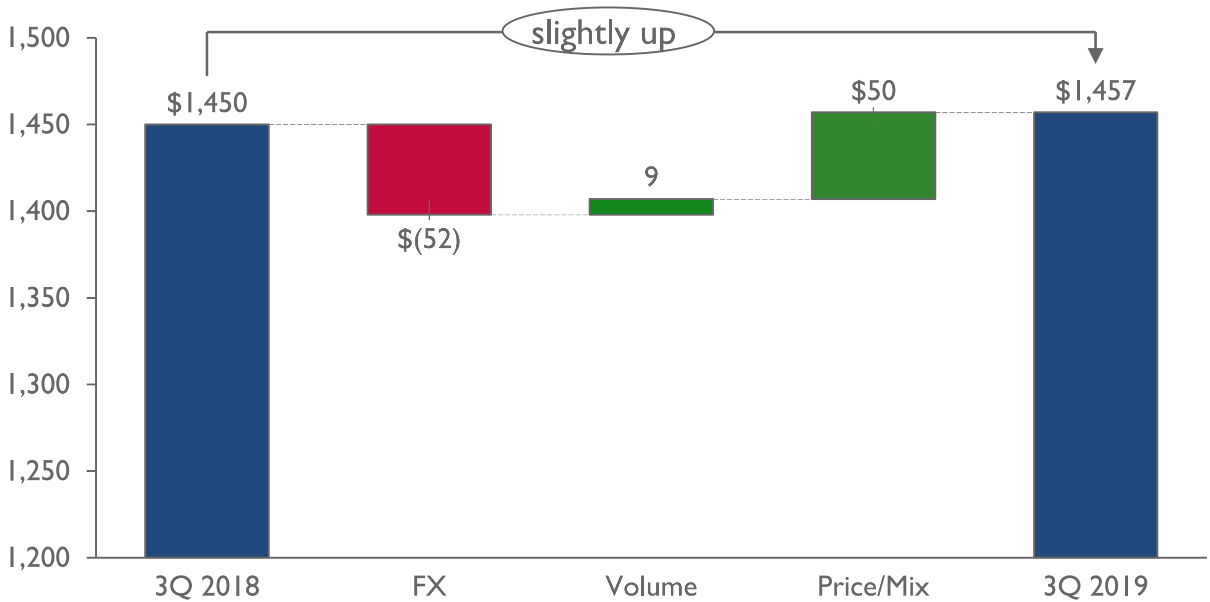
Q3 2019 Net Sales Bridge

$ in millions



Totals may not foot due to rounding

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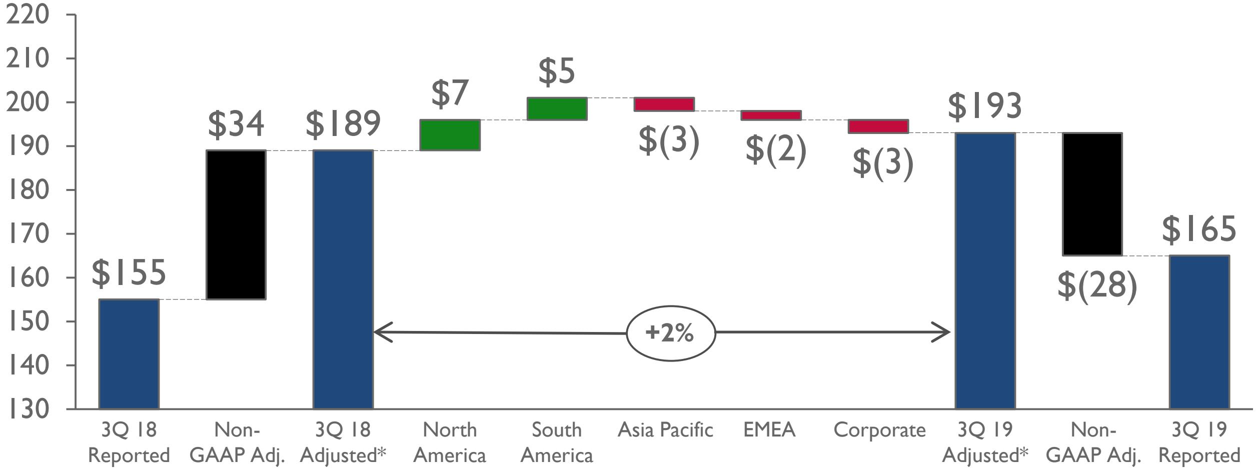
Q3 2019 Net Sales Variance by Region

	Foreign Exchange	Volume	Price/mix	Net Sales Change
North America	0%	-1%	1%	**0%**
South America	-15%	5%	13%	**3%**
Asia Pacific	-1%	2%	-2%	**-1%**
EMEA	-12%	2%	9%	**-1%**
Ingredion	-4%	1%	3%	**0%**

Totals may not foot due to rounding

Q3 2019 Operating Income Bridge

$ in millions



	North America	South America	Asia Pacific	EMEA	Corporate
2019 Q3 OI	$145	$27	$22	$24	$(25)

Totals may not foot due to rounding
*See appendix for a reconciliation of these non-GAAP financial measures to U.S. GAAP measures.

Q3 2019 EPS Bridge

Amounts are dollars/share	
Q3 2018 Reported Diluted EPS	**$ 1.32**
Impairment/Restructuring Costs	*0.38*
Income Tax Reform	*0.03*
U.S./Canada Tax Settlement	*(0.03)*
Q3 2018 Adjusted Diluted EPS	**$ 1.70**
Q3 2019 Adjusted Diluted EPS	**$ 1.82**
Impairment/Restructuring Costs	*(0.32)*
Other tax matters	*(0.03)*
Q3 2019 Reported Diluted EPS	**$ 1.47**

Margin	$	0.06
Volume		0.10
Foreign Exchange Rates		(0.11)
Other Income		(0.02)
Changes from Operations	$	0.03

Other Non-Operating Income	$	(0.02)
Financing Costs		0.01
Non-controlling Interests		-
Tax Rate		(0.02)
Shares Outstanding		0.12
Non-Operational Changes	$	0.09

Totals may not foot due to rounding

*See appendix for a reconciliation of these non-GAAP financial measures to U.S. GAAP measures.

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Cash Provided by Operations and Cash Deployment

Amounts are in millions	
Net Income	$ 311
Depreciation and Amorization	$ 158
Working Capital	$ (51)
Other	$ 72
Cash Provided by Operations	**$ 490**

Cash Deployment	
Capital Expenditures, net*	**$ (231)**
Payments for Acquisitions Investments**	$ (52)
Dividend Payments***	**$ (131)**
Share Repurchase, net	$ 63

Totals may not foot due to rounding
* Net of proceeds on disposals
** Net of cash acquired
*** Including to non-controlling interest

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2019 Income Statement Outlook

- Anticipated 2019 adjusted EPS* $6.45 - $6.65 per share; excluding acquisition-related, integration, and restructuring costs, as well as any potential impairment costs
  - Net sales and Adjusted Operating Income expected to be down versus last year
  - FX impact expected to be negative $(0.45) to $(0.55)
  - Corporate expenses expected to be moderately higher year-over-year with investments in global business process optimization, digital capabilities and innovation
  - 2019 Financing costs expected to be in the range of $85MM to $90MM
  - Adjusted Effective Tax Rate estimated to be approximately 27.0% to 28.0%
  - Diluted weighted average shares outstanding expected to be in range of 67.0MM to 68.0MM
  - Expect to deliver $30MM to $40MM in 2019 year-end cumulative run-rate savings from the Cost Smart Savings program




*See appendix for a reconciliation of these non-GAAP financial measures to the most directly comparable U.S. GAAP measures.

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2019 Profit Growth Outlook

North America

Net Sales

- Expected to be slightly down
- Volumes expected to be down in part due to customer volume shed from Stockton

Operating Income

- Expected to be down
- Higher net corn costs due to late crop plantings, an expected later harvest and greater cost to move corn across the U.S.

South America

Net Sales

- Expected to be down
- Volumes expected to be up modestly

Operating Income

- Expected to be down
- Macroeconomic uncertainty

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2019 Profit Growth Outlook

Asia-Pacific

Net Sales

- Expected to be down
- Specialty growth is expected to continue

Operating Income

- Expected to be down
- Impact of trade disputes and foreign currency weakness

EMEA

Net Sales

- Expected to be flat to down
- Continued specialty and core volume growth

Operating Income

- Expected to be down
- Foreign currency impacts and higher raw material costs
- Brexit postponement

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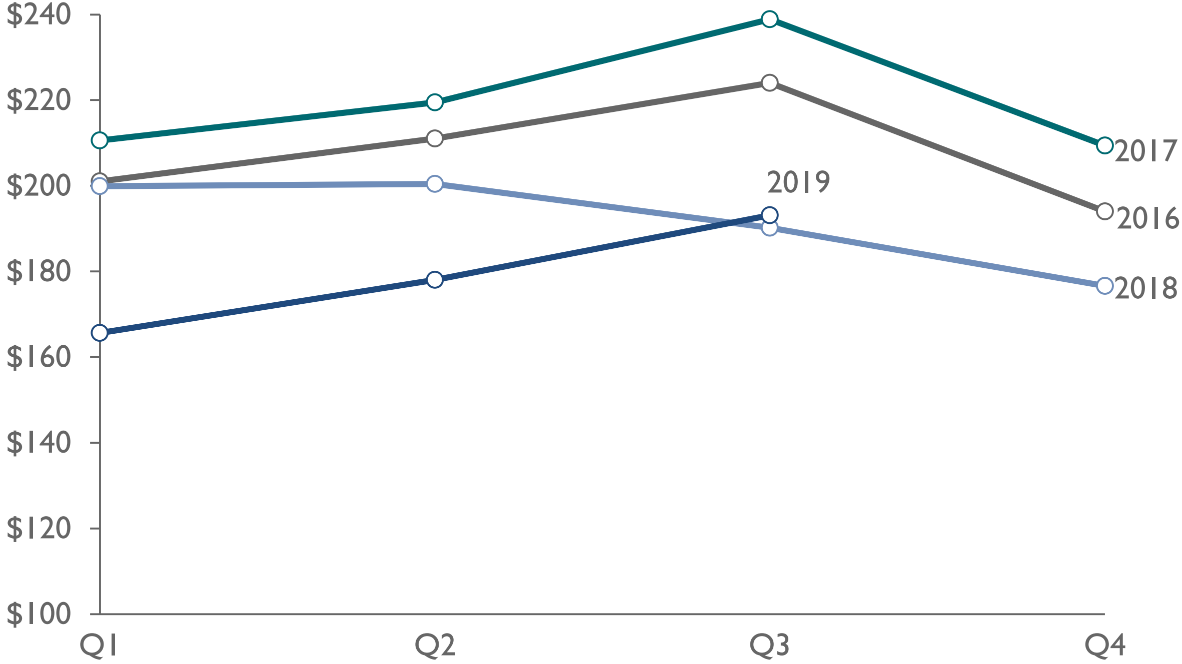
Adjusted Operating Income Seasonality

$ in millions



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2019 Cash Flow Outlook

- Expect strong generation of cash flow from operations in the range of $600MM to $640MM
- Anticipated capital expenditures of approximately $335MM to $355MM
- Continued focus on delivering shareholder value

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Purpose and Values-Driven Organization

DRIVINGROWTH

Customer Co-Creation and Consumer Preferred

VALUE CREATION

Specialty Growth Platforms

- STARCH-BASED TEXTURIZERS
- CLEAN AND SIMPLE INGREDIENTS
- PLANT-BASED PROTEINS
- SUGAR REDUCTION AND SPECIALTY SWEETENERS
- FOOD SYSTEMS

Core Food and Industrial Ingredients

Supply Chain and Operational Excellence

Sustainable and Trusted Sourcing

Purpose and Performance Driven Culture

VALUE CREATION

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Appendix

To supplement the consolidated financial results prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), the Company uses non-GAAP historical financial measures, which exclude certain GAAP items such as acquisition and integration costs, impairment and restructuring costs, and certain other special items. The Company generally uses the term "adjusted" when referring to these non-GAAP amounts.

Management uses non-GAAP financial measures internally for strategic decision making, forecasting future results and evaluating current performance. By disclosing non-GAAP financial measures, management intends to provide investors with a more meaningful, consistent comparison of the Company's operating results and trends for the periods presented. These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP and reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with generally accepted accounting principles.

Non-GAAP financial measures are not prepared in accordance with GAAP; therefore, the information is not necessarily comparable to other companies. A reconciliation of each non-GAAP historical financial measure to the most comparable GAAP measure is provided below.

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Reconciliation of GAAP net income and diluted earnings per share (EPS) to non-GAAP adjusted net income and adjusted diluted EPS

	Three Months Ended September 30, 2019		Three Months Ended September 30, 2018		Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2018	
	(in millions)	EPS	(in millions)	EPS	(in millions)	EPS	(in millions)	EPS
Net income attributable to Ingredion	$ 99	$ 1.47	$ 95	$ 1.32	$ 304	$ 4.51	$ 349	$ 4.80
Add back:								
Acquisition/integration costs, net of income tax benefit of $1 million for the nine months ended September 30, 2019 (i)	-	-	-	-	1	0.02	-	-
Restructuring/impairment charges, net of income tax benefit of $6 million and $9 million for the three and nine months ended September 30, 2019, respectively, and $7 million and $10 million for the three and nine months ended September 30, 2018 (ii)	22	0.32	27	0.38	32	0.47	35	0.48
Income tax settlement (iii)	-	-	(2)	(0.03)	-	-	-	-
Income tax reform (iv)	-	-	2	0.03	-	-	2	0.03
Other tax matters (v)	2	0.03	-	-	2	0.03	-	-
Non-GAAP adjusted net income attributable to Ingredion	$ 123	$ 1.82	$ 122	$ 1.70	$ 339	$ 5.03	$ 386	$ 5.31

Net income, EPS and tax rates may not foot or recalculate due to rounding.

Notes

(i) The 2019 period includes costs related to the acquisition and integration of the business acquired from Western Polymer, LLC.

(ii) During the three and nine months ended September 30, 2019, the Company recorded $28 million and $41 million of pre-tax restructuring charges, respectively. During the third quarter of 2019, we recorded $14 million of net restructuring related expenses as part of the Cost Smart cost of sales program, including $6 million of employee-related costs and accelerated depreciation as part of the closure of our Lane Cove, Australia facility. Additionally, we recorded $4 million of employee-related costs in South America and APAC, and $4 million of other costs, including professional services, within the Cost Smart cost of sales program. The Company also recorded $14 million of restructuring related costs as part of the Cost Smart SG&A program, including $7 million of employee-related severance and $7 million of other costs, including professional services, primarily in North America and South America. During the nine months ended September 30, 2019, the Company recorded $41 million of restructuring charges including $20 million of employee-related and other costs, including professional services, associated with its Cost Smart SG&A program, $18 million of other costs, including professional services, and employee-related costs associated with its Cost Smart cost of sales program, including the closure of the Lane Cove, Australia facility, and $3 million of other costs related to the Latin America finance transformation initiative.

During the three and nine months ended September 30, 2018, the Company recorded an $34 million and $45 million pre-tax restructuring charges, respectively. During the third quarter of 2018, the Company recorded $28 million of accelerated depreciation in relation to the cessation of wet-milling at the Stockton, California plant and $3 million of employee-related severance associated with its Cost Smart cost of sales program. During the nine months ended 2018, the company recorded $31 million related to the cessation of wet-milling at the Stockton, California plant, $9 million of restructuring charges as part of the Cost Smart SG&A program, and $5 million related to other projects.

(iii) The Company had been pursuing relief from double taxation under the U.S. and Canadian tax treaty for the years 2004 through 2013. During the fourth quarter of 2016, the Company recorded a net reserve of $24 million, including interest thereon, recorded as a $70 million liability and a $46 million benefit. In addition, as a result of the settlement, for the years 2014-2016, we established a net reserve of $7 million, recorded as a $21 million liability and $14 million benefit. During the third quarter of 2017, an agreement was reached between the two countries for the specific issues being contested. As a result of the agreement and related settlement, we are entitled to deduct a foreign exchange loss of $10 million on our 2017 U.S. federal income tax return, and the Company received a $40 million refund from the CRA and recorded $2 million of interest penalty through tax expense in 2018. During the third quarter of 2018, the Company reversed $2 million of the $7 million net reserve related to the settlement.

(iv) The enactment of the Tax Cuts and Jobs Act ("TCJA") in December 2017 resulted in a one-time provisional amount of $23 million for the three months and year ended December 31, 2017. During the third quarter of 2018, we adjusted our provisional amounts and recognized an incremental $2 million related to the TCJA.

(v) This relates to other tax settlements and the reversal of interest and penalties for tax reserves.

Totals may not foot due to rounding

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Reconciliation of GAAP operating income to non-GAAP adjusted operating income

(in millions, pre-tax)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Operating income	$ 165	$ 155	$ 494	$ 545
Add back:				
Acquisition/integration costs (i)	-	-	2	-
Restructuring/impairment charges (ii)	28	34	41	45
Non-GAAP adjusted operating income	$ 193	$ 189	$ 537	$ 590

For notes (i) through (ii) see notes (i) through (ii) included in the Reconciliation of GAAP Net Income attributable to Ingredion and Diluted EPS to Non-GAAP Adjusted Net Income attributable to Ingredion and Adjusted Diluted EPS.

Totals may not foot due to rounding

Reconciliation of GAAP effective income tax rate to non-GAAP adjusted effective income tax rate

	Three Months Ended September 30, 2019			Nine Months Ended September 30, 2019		
(in millions)	Income before Income Taxes (a)	Provision for Income Taxes (b)	Effective Income Tax Rate (b / a)	Income before Income Taxes (a)	Provision for Income Taxes (b)	Effective Income Tax Rate (b / a)
As Reported	$ 140	$ 38	27.1%	$ 431	$ 120	27.8%
Add back:						
Acquisition/integration costs (i)	-	-		2	1	
Restructuring/impairment charges (ii)	28	6		41	9	
Other tax matters (v)	-	(2)		-	(2)	
Adjusted Non-GAAP	$ 168	$ 42	25.0%	$ 474	$ 128	27.0%

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
(in millions)	Income before Income Taxes (a)	Provision for Income Taxes (b)	Effective Income Tax Rate (b / a)	Income before Income Taxes (a)	Provision for Income Taxes (b)	Effective Income Tax Rate (b / a)
As Reported	$ 132	$ 34	25.8%	$ 483	$ 126	26.1%
Add back:						
Restructuring/impairment charges (ii)	34	7		45	10	
Income tax settlement (iii)	-	2		-	-	
Income tax reform (iv)	-	(2)		-	(2)	
Adjusted Non-GAAP	$ 166	$ 41	24.7%	$ 528	$ 134	25.4%

For notes (i) through (v) see notes (i) through (v) included in the Reconciliation of GAAP Net Income attributable to Ingredion and Diluted EPS to Non-GAAP Adjusted Net Income attributable to Ingredion and Adjusted Diluted EPS.

Totals may not foot due to rounding

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Reconciliation of Anticipated GAAP Diluted Earnings per Share ("GAAP EPS") to Anticipated Adjusted Diluted Earnings per Share ("Adjusted EPS")

	Anticipated EPS Range for Full Year 2019	
	Low End	High End
GAAP EPS	$ 5.82	$ 6.04
Add:		
Acquisition/integration costs (iii)	0.02	0.02
Restructuring/impairment charges (iv)	0.58	0.56
Other tax matters (v)	0.03	0.03
Adjusted EPS	$ 6.45	$ 6.65

Above is a reconciliation of our anticipated full year 2019 diluted EPS to our anticipated full year 2019 adjusted diluted EPS. The amounts above may not reflect certain future charges, costs and/or gains that are inherently difficult to predict and estimate due to their unknown timing, effect and/or significance. These amounts include, but are not limited to, acquisition and integration costs, impairment and restructuring costs, and certain other special items. We generally exclude these items from our adjusted EPS guidance. For these reasons, we are more confident in our ability to predict adjusted EPS than we are in our ability to predict GAAP EPS.

(iii) Reflects expected costs related to the acquisition and integration of the business acquired from Western Polymer, LLC. and acquisitions to be determined.

(iv) Primarily reflects current estimates for 2019 restructuring charges related to the Cost Smart Cost of Sales & SG&A programs. As specific projects within these programs are approved, the estimates will be reviewed and may be subject to revision.

(v) This relates to other tax settlements and the reversal of interest and penalties for tax reserves.

Totals may not foot due to rounding

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