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INGR.N - Q1 2025 Ingredion Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to Ingredion's first-quarter 2025 earnings conference call. (Operator Instructions). As a reminder, this conference call is being recorded.

At this time, I would like to turn the conference over to Mr. Noah Weiss, Vice President of Investor Relations. Sir, please go ahead.

Noah Weiss - *Ingredion Inc - Vice President of Investor Relations*

Good morning, and welcome to Ingredion's first quarter 2025 earnings call. I'm Noah Weiss, Vice President of Investor Relations. Joining me on today's call are Jim Zallie, our President and CEO; and Jim Gray, our Executive Vice President and CFO.

The press release we issued today as well as the presentation we will reference for our first quarter results can be found on our website, ingredion.com, in the investor section. As a reminder, our comments within this presentation may contain forward-looking statements. These statements are subject to various risks and uncertainties and include expectations and assumptions regarding the company's future operations and financial performance.

Actual results could differ materially from those estimated in the forward-looking statements and Ingredion assumes no obligation to update them in the future as or if circumstances change.

Additionally, 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 Form 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 non-GAAP information 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. In the first quarter, Ingredion achieved significant double-digit adjusted EPS and operating income growth, driven by continued strong sales volume growth in Texture and Healthful Solutions, as well as excellent operational execution.

Our Texture and Healthful Solutions segment delivered a robust 34% increase in operating income, driven by strong sales volume across all geographies and as well as solutions for clean label and affordable formulations. For our Food and Industrial Ingredient businesses, both the LATAM and US, Canada segments delivered impressive results. Food and Industrial Ingredients LATAM's double-digit operating income growth was driven by the stability of the Argentine peso, favorable market mix and lower costs, with Mexico delivering another record quarter.

In addition, the Food and Industrial Ingredients US, Canada segment, a business that has delivered very strong profit and margin growth over the last three years, demonstrated its resilience and exceeded expectations due to favorable product mix, efficient cost management and excellent market execution. These factors, among others, contributed to a 26% year-over-year increase in operating income and a 29% year-over-year increase excluding the impact of foreign exchange.

Turning to a summary of our net sales volume growth for the quarter. Ingredion continued to drive organic growth with a 3% increase compared to last year when adjusted for the sale of our South Korea business.

Starting with Texture and Healthful Solutions. Sales volume increased by 7% with growth observed across all geographies. Food and beverage categories that experienced growth in the quarter included savory, dairy and beverages, with soups and yogurts specifically contributing to the respective increases in volume. Batters and breadings continue to be a significant contributor to our sales into the US quick service restaurant market.

Additionally, demand for our clean label and affordable formulating solutions also increased significantly during the quarter, showing double-digit growth. As we highlighted last quarter, across our Texture and Healthful Solutions product offerings, we are continuing to see greater adoption of our most differentiated products and solutions, which sell for a higher price per ton and generate higher margins.

In the Food and Industrial Ingredients LATAM segment, net sales volumes were down 2% in the quarter, mainly due to soft volumes into brewing. Partially offsetting this weakness was a recovery in the confectionery and bakery markets with notable strength in the Andean region.

Lastly, in Food and Industrial US, Canada, strong volumes, especially ingredients for brewing were offset by soft sales of specialty starches for papermaking and packaging.

Turning to the next slide showing our gross margin performance. It is important to highlight that coming off of a record year in 2024, especially in our Food and Industrial Ingredients businesses, we navigated contracting successfully once again and are maintaining a new level of higher profitability, as evidenced by the steady expansion in our gross margins over the last three years.

Over this period, our US, Canada Food and Industrial Ingredients business demonstrated remarkable gross margin expansion delivering almost $200 million in gross profit growth as we recaptured inflation cost impacts. The work done to strengthen our business model reflects a commitment to reduce earnings volatility through expanded hedging practices and operational excellence to adapt to changing market conditions.

It is also important to remember that the Texture and Healthful Solutions carry a higher price per ton and a higher gross profit margin profile, which also provides momentum for gross profit dollar and margin growth, as net sales for this segment grow mid-single digits into the future.

Now let me update you on progress against our three strategic pillars. Beginning with business growth. In the quarter, our Texture and Healthful Solutions segment demonstrated robust performance with strong sales volume growth and expanding operating income margins across all geographies. Within these results, our clean label solutions stood out, as they continue to appeal to customers seeking simpler and cleaner ingredients.

In our Food and Industrial Ingredients US, Canada segment, we announced a $50 million investment in our Cedar Rapids, Iowa facility to expand our specialty industrial starch capacity and strengthen our preferred supplier position across the papermaking and packaging industry and to support our future innovation focus on developing new bio-based solutions for more sustainable food packaging.

Finally, with respect to enabling growth, our Food and Industrial Ingredients LATAM segment has been debottlenecking and optimizing our assets to create capacity for new product lines. These efforts will continue to support our grind and product diversification towards higher-value, higher-margin products.

Turning to our second pillar, cost competitiveness through operational excellence. We are on track to meet or exceed our cost to compete program target of $50 million in run rate savings by the end of 2025, and we will provide a more detailed update on the program's progress later this year. Value-creating network optimization and simplification projects are actively continuing.

In the quarter, we ceased operations at two smaller plants and are continuing our engineering and construction upgrades at two of our largest and most important plants to pursue a more profitable mix of demand from our customers.

Moving to our last pillar, our people-centric performance-based growth culture. I'm proud to share several significant recognitions our company received throughout quarter one. For the 15th time, we were named to Fortune's World's Most Admired Companies list. This prestigious recognition underscores our unwavering commitment to excellence and the respect we have earned from peers and stakeholders.

Additionally, Ethisphere named us as one of the world's most ethical companies for the 11 year, reflecting our global team's deep commitment to leading with integrity and prioritizing ethics across our organization. Furthermore, Barron's recognized us for the second time on its 100 most sustainable companies in the US list, highlighting our ongoing dedication to sustainability and our efforts to create a positive impact on the environment.

These achievements are a direct result of the hard work and dedication of our global teams who continuously strive to live our values and advance our purpose.

The current tariffs announced and effective as of the end of April had little impact in the first quarter and are expected to have minimal impact on our business for the balance of the year. We are reassured by the fact that the vast majority of our products are made locally and sold locally. Our teams are actively monitoring all aspects of the evolving US and global trade environment, and we will continue to provide updates during future earnings calls.

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

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

Thank you, Jim, and good morning, everyone. Moving to our income statement. Net sales for the first quarter were $1.8 billion, down 4% versus prior year. Gross profit dollars grew 12% with corresponding margins up 350 basis points to 25.7%.

Reported and adjusted operating income were $276 million and $273 million, respectively, with adjusted operating income up 26% versus the prior year driven by lower raw material costs, greater sales volume with corresponding fixed cost absorption, only partially offset by price mix.

Turning to our Q1 net sales bridge. The 4% decrease was driven by $48 million in lower price mix and $40 million of foreign exchange impact, partially offset by positive sales volume growth of $43 million. Furthermore, the exit from South Korea had a $24 million impact on sales volume.

Turning to the next slide, we highlight net sales drivers for the first quarter. For the total company, net sales were down 4%. Excluding South Korea's impact to reported sales, net sales would have been down 2%. Texture and Healthful Solutions net sales were up 1%, driven by sales volume growth of up 7%. Food and Industrial Ingredients LATAM net sales were down 7%; and Food and Industrial Ingredients US, Canada net sales were down 4%. Both results impacted primarily from the pass-through of lower corn costs.

Now let's turn to a summary of first quarter results by segment. For Q1 2025, Texture and Healthful Solutions net sales were up 1% compared to the prior year with operating income up 34% with a margin of 16.4%, up 400 basis points from the prior year's quarter. This result was driven primarily by lower input costs, lower carry-in of inventory value and greater volumes, partially offset by unfavorable price mix.

In Food and Industrial Ingredients LATAM, net sales were down 7% versus last year and down 2% on a constant currency basis. Operating income improved to $127 million, resulting in 26% year-over-year growth for the quarter. Op income margin increase benefited from the lapping of our Argentina JV's results, which were negatively impacted by the devaluation of the Argentine peso last year. Apart from the JV's results, segment operating income increased driven by lower raw material costs, partially offset by lower volumes.

Moving to Food and Industrial Ingredients US, Can. First quarter net sales were down 4%. Operating income was $92 million, up 6% and operating income margin improved to 17.7%, driven mainly by lower raw material costs and improved mix. For All Other, net sales decrease was driven by the overlap of South Korea's net sales included in the prior year. Adjusting for the South Korea's portion, All Other net sales increased 13% in the first quarter due to growth across all three businesses in this group.

Turning to our earnings bridge. On the top half, you can see the reconciliation from reported to adjusted earnings per share. Operationally, we saw an increase of $0.89 per share for the quarter. The increase was driven primarily by an operating margin increase of $0.60 and other income of $0.17, partially offset by volume of minus $0.11 per share.

Moving to the change in non-operational items. We had an increase of $0.28 per share, primarily driven by lower financing costs of $0.10 per share and a lower tax rate equivalent of $0.13 per share. Moving to cash flow. Cash generated from operations was $77 million, driven by investment in working capital due to an increase in accounts receivable.

First quarter capital expenditures, net of disposals, came in at $92 million. We will continue to invest in organic growth initiatives and have several significant cost saving and reliability projects underway, which will largely be completed in 2026. Finally, so far this year, we have repurchased $55 million of outstanding common shares and have paid out $52 million in dividends.

Now let me turn to our updated outlook for 2025. For the full year 2025, we continue to anticipate sales volume growth and operating income improvement. The majority of guidance for this year remains in place. However, we take into consideration the minimal impacts of tariffs currently enacted by the end of April 2025.

For brevity, I will just touch quickly on the items we have adjusted. We anticipate financing costs to be $40 million to $60 million for the year, aligning with our first quarter run rate and more favorable than our initial estimate. Additionally, we have adjusted the diluted weighted average shares outstanding to be in the range of 65 million to 66 million shares. Our share repurchase objective is $100 million by year-end.

Cash from operations for 2025 is now expected to be in the range of $825 million to $950 million, which reflects an update to expected investment in working capital balances.

The incremental outperformance of our first quarter results, combined with lower financing costs and share count, improves our new adjusted EPS range to be $10.90 to $11.60. Please note that this guidance reflects only current tariff levels in effect at the end of April 2025. Unknown future changes in tariffs and their impacts are not considered. 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 for each segment. We are holding to our guidance for each segment. For the second quarter of 2025, we expect net sales to be flat to up low single digits for the company. We anticipate operating income to be flat to down low single digits, as we are lapping a particularly strong quarter from last year where some of the delayed cold weather sales volume in Q1 of last year was made up for in the second quarter of 2024.

Turning to tariffs. As a company with a strong global supply chain and flexible production sourcing footprint, based on the tariffs currently in place, we do not anticipate significant financial impact for the year. The vast majority of our sales are products made locally and sold locally. For the small portion of our volumes that may be exposed to cross-border shipments, much are US MCA compliant and therefore not exposed to tariffs at this time.

While we anticipate current tariffs in place to have minimal impact, we have set up a tariff response hub to actively monitor our fluid business environment so that we can work with customers to navigate this complexity in the most effective and least disruptive manner.

We are collaborating with customers on reformulation efforts to support them in their country if impacted by higher tariffs. By focusing on our customers and continuing to leverage our agile manufacturing network, we believe we are well positioned to remain a preferred resilient supplier in these uncertain times.

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

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

Thank you, Jim. Following our strong start to the year, we remain cautiously optimistic about the remainder of 2025. Customer collaborations are driving volume growth in Texture and Healthful Solutions, improving product mix, as we help customers reformulate recipes and optimize costs. We are actively monitoring the evolving trade landscape and have implemented a comprehensive plan, as Jim just described.

I'm reassured by the fact that our team has extensive experience responding to external forces and successfully managing through macroeconomic uncertainty. We are heartened by the fact that we supply a diversified ingredient portfolio that addresses the needs of different customers, such as private label manufacturers, food service providers and quick service restaurants as well as large multinationals and leading local national customers.

We will closely monitor indications of broad economic weakening, but we feel that low unemployment and moderating food inflation will be key positive indicators for the value we bring to customers through our ingredients and solutions. As we navigate this complex business environment with agility, we remain committed to sustainable growth and disciplined cost management. This, combined with our strong balance sheet, provides opportunities and optionality to create future value for shareholders.

Now let's open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Pooran Sharma, Stephens Inc.

Pooran Sharma - *Stephens Inc. - Analyst*

Thanks for the question. Just wanted to get on and ask about kind of the updated guidance. I think you gave us a little bit on your prepared comments with the share count, with the interest cost. But I wanted to kind of hone in on 2Q as well and see if you could provide any sort of color as to the segments, the puts and takes as to which ones are going to be driving strength and which ones you expect to see kind of year-over-year weakness in?

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

Yeah. Pooran, this is Jim Gray. I'll take this question. Yeah, I think one, as a reminder, so our Q2 guidance is against a record year last year for the company, which really included strong Q2 2024 performance in our F&I US-Can business. So maybe let me start there. So that F&I US-Can segment last year, it was strong because what we had was we had a cold weather impact in Q1 that probably impacted us about $10 million and as we were grabbing that volume and moving that into Q2, that kind of created a little bit of an extraordinary performance in Q2 for F&I US-Can segment.

And so we're lapping that but still feel quite confident about that business. If I think if I move to LATAM, LATAM will be will be fine. It's just not a really strong quarter of Q2 because it's generally seasonally a little bit weaker with weather kind of being their fall winter. And then for Texture and Healthful, we really think that's still in line with our full year guidance run rate. So looking for solid volume performance, and that helps us with cost leverage. And so we think Texture and Healthful is going to be kind of in line with our Q2 -- or with our full year guidance.

Pooran Sharma - *Stephens Inc. - Analyst*

Great. I appreciate that color. Just as a follow-up, on your unhedged kind of foreign cost, I just want to get your thoughts on the recent prospective plannings. We got 95 million acres. I think that was ahead of some people's expectations. And with kind of the weather we've been hearing of lately seems to bode favorably for your unhedged net corn costs. So just wanted to get your thoughts on that dynamic. Thanks.

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

Yeah. I mean, obviously, if there's some portion in US-Can that's unhedged and that will be a lower raw material cost for the corn, but it also probably means that some of the co-products will be a little bit less valuable. Generally, I wouldn't say that that's -- we try and really hedge out probably at this point maybe greater than 80% to 85% of all of our need.

So if there is going to be a little upside, it might be in Q4 for that. And we probably look at our phasing where Q2, we got a strong lap. Q3, we have relatively strong lap from last year. Q4 is probably where we'll make it up a little bit more as we see the second half.

But generally, we're feeling relatively positive about the hedging. I think that by selling futures and buying the corn, we've really taken a lot of volatility out of any particular year relative to our firm prices, which actually lets us be kind of much more predictable in our pricing to customers.

Pooran Sharma - *Stephens Inc. - Analyst*

Great. Appreciate the color and congrats on the quarter.

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

Thank you, Pooran.

Operator

Andrew Strelzik, BMO Capital Markets.

Andrew Strelzik - *BMO Capital Markets - Analyst*

Hey, good morning. Thanks for taking the questions. My first one is just also on the guidance. I'm trying to reconcile the stronger-than-expected first quarter and then not passing that through fully to the balance of the year. So it doesn't sound like the tariff impacts are that material in terms of the outlook. So was there a pull forward into 1Q? Or how do I bridge kind of the rest of not passing that through?

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

No, no. There was -- I don't think we saw much pull forward into Q1. I think what we're trying to be is just cautiously thinking about the world in terms of how it's going to potentially change. Like if we think about what's in our guidance now, right, there's definitely going to be some supply chain disruptions. There's going to be incremental costs related to trade dislocations.

We're kind of thinking like, well, we still have liberation day tariffs that have a 90-day suspension that comes off in kind of July 7th, 8th, 9th, 10th. And so while we anticipate there will be some negotiations, I think the uncertainty is adding costs necessarily to some supply chains. And so we're trying to take that into account, whether that be in Q2, Q3 or the balance of the year.

Andrew Strelzik - *BMO Capital Markets - Analyst*

Got it. Okay. That makes sense. And then maybe relatedly, I'm just curious how you're thinking about volumes for the rest of the year, especially with some of the kind of consumer uncertainty that's out there in the market? Your volumes were up 3% in the quarter. The comparisons get tougher across the segments for the rest of the year. So just trying to think about what's embedded in your outlook from a volume perspective and kind of the cadence of that.

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

And maybe I'll just comment high level on Texture and Healthful outlook. I mean we still are still seeing that in the mid-single digits from a sales volume perspective, actually consistently throughout the year. We'll have some pluses or minuses. And when we look at either the LAT -- US-Can, F&I or LATAM segments. But necessarily, we're generally still looking and holding to our full year sales outlook guidance.

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

Yeah. I would just complement what Jim said and say that quarter one of 2025 represented a fourth consecutive quarter of net sales volume growth for Texture and Healthful Solutions. And again, in quarter one, sales volume increased by 7%, with growth across all geographies and a number of food and beverage categories were growing.

And again, a lot of this is driven by the ingredients we supply assist with affordable formulating, which is a high priority for customers right now to get products on the shelf for consumers that are economizing. And when households start to economize, they typically eat at home more often and that benefits both branded consumer products as well as private label and our products obviously benefit from that.

So we anticipate a benefit from a positive share trend in the current year. And then also, we felt that we fared well through contracting with customers that have products that consumers need. So from that vantage point, we're feeling good about the volume outlook. However, we're monitoring a couple of key economic indicators.

One would be unemployment and the other would be moderating food inflation. And we think if those two indicators stay benign or favorable that will also help support things. On the flip side, the longer the uncertainty goes on, in our guidance, we feel we're being appropriately cautious with what we don't know in relationship to the macroeconomic backdrop.

So hopefully, that provides a little bit more context as it relates to the guidance.

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

Yeah. Andrew, I'll just add one other color point because I don't know if we've talked about it, but we are actually seeing some very nice double-digit growth in both in our sugar reduction and our protein fortification businesses.

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

Yeah, those two operating segments were very strong in --

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

While we group them into all other, we are seeing some really nice sales growth there and see that continuing through the year.

Andrew Strelzik - *BMO Capital Markets - Analyst*

Great. Yeah, that's super helpful color. I appreciate it.

Operator

Ryan Lavin, Barclays Bank.

Ryan Lavin - *Barclays - ;Analyst*

Hey, this is Ryan filling in for Ben today, guys. Congrats on the strong profits in the quarter. So two quick ones. We just talked about volumes in regards to consumer uncertainty. But the follow-up question there on my end is, what does sales mix look like from there in the event of more consumer uncertainty and potential trade downs? And how would that potentially affect margins?

And then also, you're a little more than halfway towards your $100 million objective in share buybacks. Do you see yourselves going over that now this year or are you still sticking to that $100 million? Thanks.

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

Well, let me tell Jim -- ask Jim, I should say, to take the second question, and then I'll come back to the first question.

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

Yeah, Ryan. So right now, I think we're -- we're comfortable in targeting $100 million of share repurchase. And obviously, I think what we really step back and look at is where is the price of the company trading and to what extent we look at that versus our future view? And are always taking into consideration shareholder return. And share repurchases are part of how we deliver total shareholder return. So maybe on the --

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

And Ryan, if you could just clarify again that first part of the question?

Ryan Lavin - *Barclays - ;Analyst*

Yeah, so we just talked a little bit about volumes in the event of consumer uncertainty. But how does it look on a sales-mix perspective? Do you see trade downs? Because we've seen a little bit of discussion and trade down at the consumer level? Or do your customers really buy the same goods no matter what?

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

Yeah. For us, it really doesn't matter from a standpoint of the ingredients that we supply going into private label, which we have seen growth in private label and because we supply to those customers, those co-packers that produce the private label products as well as the multinational customers, there isn't a trade down that would impact, say, our product mix and our margin structure for the products that we produce.

And one thing that's actually notable, which we did highlight is our clean label solutions, which sell for a higher average selling price as well as have higher margins were very strong. So I think you have customers that are trying to formulate simpler and healthier ingredient labels because people are equally concerned about a healthier diet.

And then our products are going into those products as well. And the quality of private label has also increased significantly, appealing to just the overall taste of the product, but also the healthier profile and our ingredients at both ends of an affordability spectrum are actually -- we're seeing benefiting from consumers trading between branded goods as well as private label and then across, of course, foodservice as well.

Ryan Lavin - *Barclays - ;Analyst*

That's perfect. Thanks for the color and congrats again.

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

Thank you.

Operator

Kristen Owen, Oppenheimer.

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

Great, thank you for taking the question. So Jim, Jim, I wanted to ask you about your performance in LATAM. I think that was surprising to the positive for many of us on the call, particularly on the operating income side. I think in your prepared remarks, you noted some lower volumes in beverage. Can you remind us some of the intentional portfolio shifts that you're going through there and how we should think about that portfolio shift impacting your operating income in this segment going forward?

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

Yeah. Okay. Jim, do you want to take --

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

So Kristen, just to remind everybody on the call, right, that last Q1 2024 in LATAM, we had a pretty significant hit from the way that hyperinflation impacted the results of our Arcor JV. And so that now has -- we move forward a whole year, and actually, the Argentina peso is actually much stabler, if I can make that statement, and inflation has come down to more reasonable standards based upon Argentina's history.

And so we're actually getting solid performance in Q1 2025 out of the JV. So the swing and that op income contribution to our LATAM segment was the strongest. Apart from that, though, the rest of the business actually still had positive op income growth.

And what we were trying to comment on there is that, when you look at some of the mix of the business in Brazil as an example, Andean and Mexico, we do sell quite a bit of volume into as an adjunct into brewing. And there's just ways where we can take our grind and our downstream production and move incrementally some of that volume into higher uses and so that's really what you see in the team effect.

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

Right. That was the piece I was trying to get after is that margin uplift.

So then I wanted to follow up as well. You did not mention in your prepared remarks the Pakistan affiliate. Can you just help put some guardrails around the size of that business? Is that -- should we be thinking about that as similar in size to like the SK business? And with any potential sale that could occur there, how you would think about the use of those proceeds? Thank you.

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

Yeah. I think that's a fair comparator. It is similar in size to the South Korea business. And right now, we're just very early in the process on that. Part of our disclosure was just because our Rafhan Maize business in Pakistan had to make a disclosure to their SEC, and so we're just noting that. So I'll hold on any comments in terms of the use of proceeds because I just want to get to a next stage of the transaction that's a bit more firmer.

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

Okay. And just if I could just ask one clarifying question. Your outlook does not assume any impact of that sales being completed?

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

No.

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

That is -- Yeah, it does not. Yeah. Assumes that the Rafhan Maize business is with us through the year, yes.

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

Perfect. Thank you.

Operator

Josh Spector, UBS.

James Cannon - *UBS - Analyst*

Hey guys, this is James Cannon on for Josh. I just wanted to ask on the price-mix you guys are printing in THS. It seems like that's been negative basically since you started reporting that way. As I think about the 1% one quarter sales growth and getting the mid-single-digit guidance, like what are you guys assuming for price-mix there?

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

Yeah. So we should see price-mix start to dampen. If you looked at price mix all through 2024 and you kind of look at it by quarter, it was probably in the high single digits. And that's literally just the year-over-year some of the lower corn values are passing through some of those firm contracts, and we have a few contracts that adjust on rate.

And so there now, if you look at Q1 print and probably the balance of the year, the price-mix impact will be very de minimis. And what you'll see shining through will be a great volume growth in that segment.

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

Yeah. And I think it's obviously helpful to say that in 2022 and 2023, there was very strong price-mix growth in that business. And then as we entered, obviously, 2024, we strategically assessed the customer landscape, segmenting customers and looking towards a balance of price and share, and we feel we navigated that well. So you're right, from a standpoint of when we first reported the new segments, it was at a point in time coming off of two years of very robust price-mix growth.

But then the destocking was taking place, the need to balance, the need to balance share as well as pricing. But I think what Jim is saying is, we're now seeing robust volume growth and price stability. And at the same time, we are investing heavily in our solutions capability, which we believe for that business, the Texture and Healthful Solutions business, will provide opportunity for margin uplift because they sell at higher average selling prices and have higher inherent margins.

James Cannon - *UBS - Analyst*

Okay. And then just -- it sounds like you had pretty strong -- well, you had strong volumes there, but just what you're seeing so far in the second quarter from a reformulation perspective? Like are those conversations continuing to reflect strong demand pull?

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

Yeah. So I mean I don't think we can comment on the second quarter while we're in it. I think in our remarks, what we highlighted was just that customers will reach out to us whatever country that they may be in. And whether or not it specifically they're looking at a recipe, design where they're trying to get more affordable, we can help on reformulations, but we can also look on where we source from, like, so which plant in what country.

Sometimes customers may just be qualifying a different plant of ours to change the shipping source. And so we're just -- I think more broadly, we're working with customers right now. As they may encounter supply chain shocks and their costs, we want to be able to be very flexible with them in terms of how we think about reconfiguring whatever sourcing of ingredients or solutions they may need.

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

Yeah. The thing that I would say is that as part of our winning aspiration, it's to provide Texture Solutions that make healthy taste great. And there's an overarching need in the food industry right now for companies to innovate, winning products that are going to drive volume growth, profitable volume growth and that we're partnering with those customers getting briefs that are designed to help introduce products with novel textures, products with healthier profiles and also products that are going to help those products be more affordable.

So we've been commenting on the last number of earnings calls about the number of customer engagements, and those continue. I just think right now, it's just too early to comment or have any visibility on Q2 right now. But from the fact we've delivered now the fourth consecutive quarter of sales volume growth, driven by some of those trends towards clean label and affordability, we're hopeful and expecting those to continue.

But at the same time, we're monitoring those two KPIs, again around unemployment and moderating food inflation because we think those are two key things that can provide support for continued sales volume growth.

James Cannon - *UBS - Analyst*

Great. Thank you.

Operator

Heather Jones, Heather Jones Research.

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

Good morning. Thanks for the question. I wanted to start really quickly on the LATAM side, Argentina. Am I remembering correctly that you guys book price in Q1 of '24 to offset the FX hit? And so are we going to have fully -- have we now fully lapped that? Or is there going to be some additional benefit into Q2 of this year?

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

Well, Heather, so just to remind everybody that we are a minority interest in the joint venture. Our joint venture partner at the end of '23 was anticipating continued pretty high inflation and had been pricing appropriately, what you had when you had the new government come in was a different approach to stabilizing the Argentine peso that impacted us a little bit favorably right at the end of '23, but then we had to take more of the valuation -- devaluation impact in January of 2024.

So -- but generally, what you see is because the inflation rate in Argentina is still high double digits, our partner is always going to be pricing ahead of that inflation understanding that they're going to have to pay underlying wages and wage increases as well as they're always kind of balancing the value of corn within the country and the value of corn relative to sugar.

But yeah, they were pricing. And so that was positive for, honestly, the first half of 2024, but you're still taking pricing in 2025 just given the really high rate of inflation within the country.

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

Okay. Okay. And then I'm assuming my math is right. But just I just quick back of envelope math of your full year guidance based on the really strong Q1 results implies a Q2 through Q4 cumulative EPS of up 1% to down 7%. Just -- and I know you say you guys are baking in some caution given the global macroeconomic backdrop and the uncertainty of tariffs and all. But just wondering if you could give us some specifics of what would drive to the upside of that and even potential upside beyond that? And what would put you at the lower end of that range?

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

Yeah. Let me take the upside, and I'll hand it over to Jim for the lower end of the guidance possibilities. I'd say for the upper end of the guidance, obviously, a quicker resolution to tariff uncertainty and corresponding improvements in consumer sentiment, stronger than assumed volumes that may result from that. A lack of necessity to reroute supply chains that would avoid incremental costs that are factored into our guidance.

A pickup in economic activity related to, again, more trade certainty that would improve packaging shipments, driving our industrial starch demand. A robust corn crop in both South America and the US as per one of the questions. And then lastly, a continuing weakening of the US dollar would help lift. Now at the same time, we are being appropriately cautious and I'm going to let Jim take the lower end items.

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

Yeah. And maybe what we -- we've stepped back and we've looked at three relatively significant and broad tariff announcements from the current administration. Part of those are enacted, part of those are suspended. Nonetheless, what we see is that business leaders need to react and anticipate and so this is creating movement.

Obviously, one is creating really productive conversations with customers, but it is creating movement and sourcing. And so we do anticipate that we'll probably be holding some inventories more that will be reconfiguring or moving around some supply chain routes.

And whenever you rebid those, you're going to have incremental costs. And so we just are anticipating that, that activity is going to be impacting us Q2, Q3, Q4, maybe less so in Q4, but we just really need some clarity as hopefully, we get through some country-specific negotiations, and we get evidence of what that model might look like.

And hopefully, we're not going towards something where the Liberation Day tariffs that there's really kind of no renegotiation of all of those go into effect, that would be really at the low end of our guidance. I think we would be absorbing kind of various tariffs imposed on Southeast nations, Europe, et cetera, come in the middle of July.

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

Yeah. So -- and I think also, Jim, what we would cautiously or appropriately cautious about would be a shallow US recession. So we're thinking that. I did want to just kind of make a comment just in relationship to the lower end of the guidance as it relates to how we're viewing the tariff situation.

The vast majority of what we make is produced and sold locally across each of our segments. With our international footprint, more than 80% of our manufactured goods remain local. And of the portion that is shipped out of country, nearly half is cross-border between US, Canada and Mexico, and that's shielded by USMCA compliance.

A very small percentage of our total sales are shipped out of or into the US for sales to customers. And the view we're taking is that we don't believe the tariffs as proposed on April 2 across all countries will be implemented at levels that were proposed. In fact, we're listening to the administration and they've indicated that, that was a starting point for negotiations. So assuming that is the case, we believe that the incremental impact will be manageable within the guidance that we have provided. So hopefully, that helps provide some additional context.

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

It's very helpful. Thank you so much.

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

Thank you.

Operator

Thank you. (Operator Instructions)

I'm showing no additional questions in the queue at this time. I'd like to turn the conference back over to Mr. Jim Zallie for any closing remarks.

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

Well, I just wanted to thank everyone for joining us this morning. We look forward to seeing many of you at our upcoming investor events with the next engagement being the BMO Global Farm to Market conference in mid-May.

At this time, I want to thank everyone for your continued interest Ingredion.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may now disconnect. Everyone, have a wonderful day.
