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EDITED TRANSCRIPT

INGR.N - Q3 2026 Ingredion Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Thank you for standing by. Welcome to the third-quarter 2026 Ingredion Incorporated earnings conference call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, Noah Weiss, Vice President, Investor Relations and Corporate Communications. Please go ahead.

Noah Weiss - *Ingredion Inc - Investor Relations*

Good morning, and welcome to Ingredion's third-quarter 2026 earnings call. I'm Noah Weiss, Vice President of Investor Relations. Joining me on today's call are Jim Zallie, our Chairman, President, and CEO; and Diego Reynoso, our Executive Vice President and CFO.

The press release issued this morning, along with the presentation we will reference during today's call, is available on ingredion.com in the Investors section. As a reminder, our comments within the presentation may contain forward-looking statements. These statements are subject to various risks and uncertainties, and include expectations and assumptions regarding the company's future operations and financial performance.

Actual results could differ materially from those estimated in the forward-looking statements, and Ingredion assumes no obligation to update them in the future as or if circumstances change. Additional information concerning factors that could cause actual results to differ materially from these discussed during today's conference call or in this morning's press release can be found in the company's most recently filed annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K.

During this call, we also refer to certain non-GAAP financial measures, including adjusted earnings per share, adjusted operating income, and adjusted effective tax rate, which are reconciled to US GAAP measures in Note 2 non-GAAP information, included in our press release and in today's presentation appendix.

As part of our prepared remarks, we will touch on the announced acquisition of Tate & Lyle and the progress we have made since announcing the transaction. That said, given where we are in the process, we are limited in what we can disclose and cannot speculate on potential outcomes, timing, integration matters, or other transaction-related topics beyond information already in the public domain. We appreciate your understanding and ask that questions today be focused on our operating results and outlook.

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With that, I will turn the call over to Jim.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you, Noah, and good morning, everyone. Before I discuss the quarter, I'd like to officially welcome our new CFO, Diego Reynoso, who joined us on October 1 after a long career in the food and beverage industry, most recently as CFO of Boston Beer, and previously Tyson Foods and Constellation Brands. His integration and transformation experience will be a great asset as we prepare for the Tate & Lyle combination. So, welcome, Diego.

Our third-quarter results fell short of our expectations. Excluding the sale of our Pakistan business, net sales grew 2%, but profitability came under pressure, driven mainly by higher manufacturing costs at Argo, along with higher net input costs and the impact of a stronger Mexican peso. In Texture & Healthful Solutions and Food & Industrial Ingredients LATAM, demand remained positive, with volume growth more than offsetting softer volumes in US/Canada.

Given the slower-than-expected profit recovery at Argo and a more cautious view on consumer demand, we are lowering our full-year outlook. As we review the quarter, I will highlight the actions we are taking to improve profitability and continue to position Ingredion for long-term growth, including our progress toward closing on the Tate & Lyle acquisition.

Turning to the next slide, I will walk through the net sales volume by segment. Texture & Healthful Solutions delivered its 10th consecutive quarter of net sales volume growth, up 2%. Clean label solutions continues to be one of our strongest growth drivers, with sales up 8% year to date, with growth in every region. Asia Pacific grew more than 30%, and US/Canada delivered its highest revenue quarter in the last two years.

With a pipeline equal to more than a third of last year's clean label sales and new capacity coming on stream, we see momentum continuing as customers reformulate towards simpler and cleaner labels. Top and bottom line growth was, however, impacted by lower price mix and by record-high tapioca costs. It is worth pointing out, however, that for Texture & Healthful Solutions, we lapped 2025's record quarter three for sales and operating income.

In Food & Industrial Ingredients LATAM, volumes grew 4%, led by brewing and beverage customers in Mexico and Brazil. In Mexico, volumes are recovering from last year's softer levels, helped by more favorable weather and stronger consumer spending. In Brazil, we secured a new multi-year brewing agreement and completed the closure of our Cabo facility on schedule, more efficiently consolidating production into one plant.

Our regional supply network is also proving to be an advantage, as our locally produced ingredients are more competitive than imports during periods of elevated transportation costs. Along with these actions, we continue to shift our mix toward higher value products that have a better margin structure than the product lines they are replacing.

As you know, there was a major earthquake in Colombia during the quarter, which impacted our operations. We are pleased to say that none of our employees were seriously injured, but many families were impacted. While our Cali plant was offline for approximately a week, many of our customers in the region were unable to take deliveries, which weighed on our volumes.

In Food & Industrial Ingredients US/Canada, volumes declined 3%. Production at Argo has stabilized, and most of our inventories are largely rebuilt. However, demand across food and beverage categories remains soft. Excluding Pakistan, net sales volume across our three reporting segments grew approximately 1%.

Turning now to Argo. Operationally, the plant is in a much better place than it was earlier this year. Production has been stable for a second consecutive quarter, and inventories of our key sweetener and starch products have largely been rebuilt. However, that progress has not yet flowed through to earnings. Roughly two-thirds of the profit shortfall this quarter was due to higher-than-expected input and operational costs, notably maintenance spend, to improve reliability and yields.

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The remaining shortfall reflects slower-than-expected recovery of customer volumes amid softer food and beverage demand. Our focus is now on increasing customer volumes and normalizing operational spend to improve profitability. Earlier this year, we said it was too early to tell how higher energy prices would affect input costs and consumer demand. In the third quarter, these effects became clearer as diesel prices reached record levels.

In our operations, energy-related inflation raised our costs for utilities, freight, and logistics. Non-corn raw materials such as tapioca and potato added further cost pressures, while net corn costs held relatively stable, supported by strong co-product values. We are offsetting the majority of these higher input costs through targeted pricing and enterprise productivity actions. But depending on the geography, there is variability on the time to recover and offset these pressures.

The secondary effects are also now showing up more clearly in consumer behavior. Many of our customers have raised or are planning to raise prices to offset their own higher raw materials, packaging, and logistics costs. Consumers, particularly middle- and lower-income households in the US and Canada, have responded by purchasing fewer units or are trading down to smaller package sizes. This has weighed on volumes in categories such as soft drinks, confectionery, and packaged foods, which affects demand for our sweeteners and starches.

Additionally, currency continues to be a challenge. The Mexican peso remains strong against the US dollar, which creates a transactional headwind for our Food & Industrial Ingredients business in LATAM. We are also monitoring recent volatility in other Latin American currencies, like the Brazilian real, following the election last month. One bright spot seems to be the Argentinian peso, which has stabilized, especially when compared to last year's volatility.

Affordability pressures are contributing to reformulation activity across the industry, creating pockets of growth opportunity in categories where Ingredion leads. As customers look to protect margins and deliver affordability, they're turning to us for solutions that reduce costs without compromising taste, texture, or nutrition. That's a key reason Texture & Healthful Solutions volumes continue to grow and why we remain confident in our solutions-led strategy.

Turning to Tate & Lyle, the acquisition continues to progress according to plan. Since Tate & Lyle shareholders approved the transaction in July, we have been working through the regulatory and antitrust reviews in the relevant jurisdictions, and we continue to target the transaction to close in the second half of 2027. In the meantime, our integration planning is underway, enabling us to move quickly once the deal closes.

Turning to the next slide, I want to illustrate why we are so excited about the potential of this combination and what it will mean for our customers. Reformulation is becoming more complex. Health-conscious consumers, affordability pressures, and evolving food regulations mean customers must balance taste, texture, nutrition, and cost all at once, and increasingly, they want one partner who can help them do that.

Take, for example, the imperative to formulate a high-protein shake. The customer wants balanced sweetness, a creamy mouthfeel, consistent taste and texture, and higher protein content, all at an affordable cost and with speed to market. Today, Ingredion can deliver that through our protein fortification, sugar reduction, affordable formulating, and preferred texture offerings.

Following regulatory clearance, once the transaction closes, Tate & Lyle's capabilities in mouthfeel and fiber fortification, together with our protein fortification solutions, will allow us to solve the full brief more comprehensively and more quickly as one partner. This is the opportunity in front of us: more integrated, higher-value solutions, and the opportunity to partner more closely and co-create with customers.

With that, I'll turn the call over to Diego for the financial review. Diego?

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Diego Reynoso - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Thank you, Jim, and good morning, everyone. I'm incredibly excited to be here. Having previously been an Ingredion customer, I've experienced firsthand the value we create for our customers, and I'm thrilled to now be a part of the team delivering that value.

In my first weeks, I spent time with our teams and seen the value that they bring to our customers. What stands out is the depth of our customer relationships and the passion and strength of our people. I see significant opportunity to build on these strengths, improve performance, and unlock additional value for our shareholders.

With that, let's turn to the income statement. Net sales for the third quarter were $1.8 billion, down 1% versus the prior year, or up 2% excluding the divestiture of our Pakistan business. Reported and adjusted operating income were $201 million and $206 million, respectively. Adjusted operating income declined 19%, primarily driven by higher manufacturing costs and lower volumes in Food & Industrial Ingredients, US/Canada, as well as higher tapioca costs and continued transactional impacts from a stronger Mexican peso.

Turning to our third quarter net sales bridge, excluding our Pakistan divestiture, our net sales were up 2% versus the prior year. Looking at the underlying drivers, higher volume added $21 million as growth and Texture & Healthful Solutions and Food & Industrial Ingredients LATAM, more than offset lower volumes in Food & Industrial Ingredients US/Canada.

Foreign exchange added a $26 million benefit, primarily from stronger currencies in Latin America. Price mix was a modest $6 million headwind, as pricing in Food & Industrial Ingredients, US/Canada, was offset by lower price mix in LATAM and Texture & Healthful Solutions.

Moving to the next slide, we highlight net sales drivers by segment for the third quarter. Texture and Healthful Solutions net sales were up 1%, driven by sales volume growth of 2%, partially offset by lower price mix. Food & Industrial Ingredients LATAM net sales were up 7%, driven by favorable foreign exchange and higher volumes, partially offset by weaker price mix. Food & Industrial Ingredients US/Canada net sales declined 1%, driven by weaker consumer demand.

Now, let's turn to a summary of our results by segment. Texture & Healthful Solutions net sales were up 1% in the third quarter. Operating income was $95 million, down 10%, driven mostly by higher tapioca and manufacturing costs, along with unfavorable price mix, partially offset by volume growth and lower operating expenses. Tapioca cost pressures stem from an industry-wide root shortage in Thailand, primarily from adverse weather, which has reduced the tapioca crop to record low output.

The limited root availability drove tapioca starch prices to record highs, up roughly 45% since January, impacting our volumes in APAC. As a result, our tapioca costs were up approximately 65% versus last year. While we continue to recover these costs through pricing, there is an approximate one-quarter lag.

In Food & Industrial Ingredients, LATAM, net sales were up 7%. Operating income decreased 6% to $109 million, driven primarily by Mexico's transactional currency impact and the earthquake in Colombia, which reduced operating income as customers in the Andean region were slow to resume operations. These were partially offset by increased volumes, as well as initial savings from the consolidation of our Brazil production network in June.

Moving to Food & Industrial Ingredients US/Canada, third-quarter net sales were down 1%. Operating income was down $52 million. The operating income was $52 million, or down 36%, impacted by higher manufacturing expenses at our Argo facility, as well as volume declines partially offset by better co-product recovery at Argo. All Other net sales were $54 million, flat excluding Pakistan. The operating loss increased $7 million, primarily reflecting the impact of the sale of our Pakistan business.

Turning to our third-quarter earnings bridge, the top half of the slide reconciles reported to adjusted diluted EPS, and the bottom half walks through the drivers of the year-over-year change. Adjusted diluted EPS declined $0.47 compared to the prior year, primarily driven by $0.72 of margin impacts and higher financing costs of $0.03. These headwinds were partially offset by higher volumes of $0.05 per share, favorable foreign exchange impacts of $0.04 per share, other income benefits of $0.09 per share, and $0.07 per share of non-operating benefits, including $0.06 from share repurchases.

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Shifting to our year-end income statement highlights. Net sales for the first nine months were approximately $5.4 billion, a decline of 1% versus the prior year. Reported and adjusted operating income were $592 million and $676 million, a decrease of 26% and 16%, respectively.

Turning to our year-to-date earnings bridge, the result is a decrease of $1.15 per share. Operationally, we saw a decrease of $1.39 per share for the first nine months, driven by a margin decrease of $1.76 per share, partially offset by foreign exchange and other income of $0.17 and $0.26 per share, respectively. Moving to the change in non-operational items. We had an increase of $0.24 per share, primarily driven by fewer shares outstanding of $0.19 per share.

Turning to cash flow and capital allocation, year-to-date cash from operations was $389 million, down from the last year, primarily due to lower net income. Capital expenditures were $313 million, partially offset by $36 million of proceeds from the sale of certain properties in the year. During the first nine months, we continued to return cash to shareholders.

In the third quarter, we increased our quarterly dividend to $0.83 per share, which marks the 12th consecutive year of dividend increases. Year to date, we have paid $158 million in dividends and repurchased $85 million of shares. This underscores our commitment to balanced capital allocation and long-term shareholder value creation.

Now, let me turn to our 2026 outlook. We are updating our full-year 2026 outlook as follows. For the full-year 2026, we anticipate net sales to be flat, adjusted operating income to be down mid-teens, reflecting the operational challenges in Food & Industrial Ingredients US/Canada. We expect full-year adjusted EPS to be in the range of $9.25 to $9.70. This guidance assumes diluted shares outstanding of 63.5 million to 64 million, which includes completion of our planned $100 million of share repurchases this year.

We anticipate that our 2026 cash from operations will now be in the range of $650 million to $750 million, with the decrease stemming from the slow recovery in Food & Industrial Ingredients US/Canada. Capital expenditures for the full year are still anticipated to be between $450 million to $490 million. Please note that our guidance reflects current tariff levels in effect at the end of October 2026. In addition, this guidance excludes any acquisition-related integration and restructuring costs, as well as any potential impairment costs.

Turning to our updated full-year outlook by segment. For Texture & Healthful Solutions, we now expect net sales to be up low-single digits and operating income to now be flat to up low-single digits, driven by higher volumes offset by inflationary pressures. For Food & Industrial Ingredients LATAM, net sales are now estimated to be up low- to mid-single digits, and operating income is now expected to be down mid- to high-single digits, reflecting transactional foreign currency, lower-than-expected consumer demand in Mexico, and the impact of the earthquake in Colombia.

As a reminder, our Mexico business is US dollar denominated, but most of our operating expenses are in pesos. For Food & Industrial Ingredients US/Canada, we expect net sales to now be down mid-single digits and operating income to now be down 35% to 40%, driven by Argo's operational headwinds. All Other net sales is expected to be down 20% to 25%, and its operating loss is still anticipated to be approximately $15 million after the sale of our majority stake in the Pakistan business.

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

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you, Diego. As we conclude today's call, I want to emphasize the priorities that will guide us through the remainder of this year and into next. First and foremost, we are focused on lowering costs at Argo and rebuilding customer volumes in Food & Industrial Ingredients US/Canada. We will continue to build on a solid foundation in Texture & Healthful Solutions, which continues to grow volume.

We are also taking action to offset inflation through pricing and multiple enterprise productivity initiatives. We remain committed to optimizing our capital allocation, and we expect to complete our $100 million of share repurchases by year end.

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Lastly, while our teams remain laser-focused on operational execution and growth, our integration team will continue to advance planning and preparation for day one readiness of our acquisition of Tate & Lyle. We are building the foundation for an even stronger company with greater opportunities for growth, innovation, and shareholder value creation in 2027 and beyond.

With that, let's open the call now for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ben Theurer, Barclays.

Benjamin Theurer - *Barclays Services Corp - Analyst*

Hey, good morning, Jim. Good morning, Diego. Also welcome, Diego. Thanks for taking my question. The very first one, I really wanted to dig a little bit deeper into the cost things and the issues that you just continue to face at Argo. You had some detail already in the presentation, but maybe just digging a little bit deeper as to where we are in terms of stabilization of production lines and what are kind of like the cost pressure.

So what would you say is just temporary still you need to work through? What would be more structural issues that you're facing? Just that we understand a little bit what the impact is maybe beyond 2026 as it relates to Argo in specific, and then I have a quick follow up.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. Thank you, Ben. So I think first of all, the important distinction that we want to make around Argo is, and it's going to seem somewhat counterintuitive, but production recovery and financial recovery are at different stages. And we thought that would be more aligned by now. Production was stable for the second consecutive quarter, and inventories, again, of our starches and sweeteners are largely rebuilt.

There are really three areas that are impacting us. First is operating efficiency. So given the fact that the plant has struggled for certainly about four quarters, yields remain below where we would like them to be. So, the yields from the corn extraction. So, we are below historical rates, and I would say industry rates. And with that, once we get that incrementally improved, and we did see a couple percent increase thus far in October month, for example.

And when you grind as much corn as we do at a large factory like that, a lot of that can drop to the bottom line, obviously, because you have incremental waste when your yield is lower. So that's taking us longer to get back to, say, a normalized rate on yields. That's one thing. The other thing is, the plant, with the best of intentions to increase maintenance spend to get ahead of issues where we were behind on issues, say, with mechanical stores, and much of that which is expensed, our maintenance spend has gotten a little bit ahead of where we had budgeted.

So those two issues, primarily, it's a spend issue and a yield issue related to those two factors. I can tell you one of the first things that Diego has done is work very closely with his ops finance team, with the plant leadership team, and I was just out there this week, and I can assure you that is as tight as it's ever been, and the KPIs are all in place to make incremental improvements. But it's just taking longer.

From a standpoint of the availability of product to service customers, that is all there, and the team has done a great job through this process of maintaining relationships with customers. As we've talked about before, the other thing that we've done is we've leveraged the rest of our US network to supply customers, but that came and has come at an incremental cost, which puts a priority on servicing customers, but an incremental cost.

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And our Net Promoter Scores and perfect order scores didn't drop meaningfully during this period. So it's not a loss of share, but at the same time, starting in August, what we saw post the August earnings call, starting in the month of August, volumes have softened. And we did see that, and that continues. And I guess the concerning part is for the month of September, we saw industry data, and it appears that softness is continuing in the early part of quarter four, and that's the reason why we've tempered the outlook on quarter four and how it all kind of relates back to Argo.

Hopefully, that's helpful.

Benjamin Theurer - *Barclays Services Corp - Analyst*

Yeah, that's helpful. And then just actually picking up on that, I mean, obviously, there's a lot of moving pieces as we think about the fourth quarter, and you still have, like, for that quarter, a relatively wide range. So as it relates to some of these issues you've just talked through on Argo, but then others that you've highlighted, such as the transactional impact of the Mexican peso that might be a little bit less, how about the tapioca cost pressure?

So how to think about these other factors, and then help us maybe frame a little bit what are the opportunities to maybe get to the higher end of the implied 4Q guidance versus the risks towards the lower end of the 4Q implied guidance?

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, I think I'll make some comments, and then I'll ask Diego to complement what I'm going to say. I think that with what we have really better visibility on now in relationship to US/Canada Food & Industrial Ingredients, and the Argo path towards its recovery, we feel that we've put through prudent guidance, especially related to the market softness, especially in sweeteners predominantly. The tapioca cost pressure will continue.

We had hoped that typically in September, October, when the crop comes in, tapioca prices typically, when they're at these record levels or very high levels, they typically drop. And what we've talked about is we then benefit from the sticky down on prices, whereas on the rapid rise, we get squeezed from a margin standpoint. The tapioca prices are forecasted to come down modestly. They are coming down very slightly, but they're staying very elevated.

So we don't see that providing much of a benefit. We hedge, for the most part, the Mexican peso, so that continues. We won't have, obviously, the repeat. The Andean facility is running better, and it's overcoming the Colombia earthquake. Diego, do you want to add anything else just in relationship to, say, Q4 guidance and the outlook for Q4?

Diego Reynoso - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Of course, Jim. Thank you. I think, as you say, the biggest piece to your question on the range of the guidance is we're being a lot more cautious, especially towards the volumes in the current market conditions. I mean, as you know, even this week with the elections, and the inflation you've seen up and down over the last -- especially on energy over the last few months, there's a lot of volatility out there. So we're being a little bit more cautious with our forecast from that point of view.

As we mentioned before in our costs, we pass our costs to our customers, but there's usually about a quarter lag for some of the costs, especially the tapioca costs. And that piece, we continue to see a challenge in Q4, so we're making that adjustment as well.

And then the third piece, to build on the comment that Jim made about maintenance spend ahead of where it should be, for example, in the quarter or next year, is we're assuming that we will continue that spend into Q4 to ensure reliability, not just for this year, but for the years coming forward. If you put those three things together, we think we're being cautious but correct in our guidance range for Q4.

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Benjamin Theurer - *Barclays Services Corp - Analyst*

Okay. Thank you very much, Diego. Thanks, Jim.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Thanks, Ben.

Operator

Kristen Owen, Oppenheimer.

Kristen Owen - *Oppenheimer & Co Inc - Analyst*

Hi, good morning. Thank you for the question. I wanted to start just maybe as a follow up to the fourth-quarter guidance, just how we should think about price cost in US/CAN F&II here in the fourth quarter and then heading into 2027. I'm just thinking about all the crosswinds between pricing concessions to recover Argo volume against pretty volatile corn backdrop, higher energy transportation costs.

And then maybe the same question for T&HS, just understanding you can't hedge that tapioca exposure, but I guess I'm just a bit surprised at the lag in price response. So let's call it a general price cost question.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

I would say that for -- let me take tapioca first. Tapioca, what we have said is typically, there is a lag of a quarter to a quarter and a half to be able to pass through the price increases, and it's been a moving target as tapioca accelerated towards quarter two, quarter three, and it's now remaining high. We are getting the price increases through, and that will converge, and then tapioca prices right now are softening.

So we're kind of reaching an equilibrium point as we enter quarter four, and we hope that tapioca prices stay stable and moderate. So on tapioca, I think that's the way I would describe it. Corn really was, I would say, volatile in quarter two, quarter three, where we saw the run-up to $5.50, and now though, with yields forecasted, it's been in a little bit more benign outlook.

And year on year, '27 projections versus the '26 corn crop, we're up only 5%, 10%. So it's not up that significantly. And remember, as it relates to our North America contracts and our European contracts, everything resets, and the strength of the business model has the pass-throughs associated with all the variable elements related to energy, freight, and other impacts.

The other thing too, though, is we had talked about previously in relationship to the run-up in oil prices initially, before diesel ran up to record heights, we talked about the direct and indirect effects of that flowing through, and we had put together a Middle East response team just related to oil, and we talked about that impact being manageable at, say, $5 million for the full year. With the run-up in diesel, there's additional flow-through. We're passing those price increases through in-year. This is all post-contracting, certainly for 2026.

The incremental impact is modest. It's not anything that's that significant. So I think we're getting the price increases through there. Typically, 70% to 80% of the price increases we get through in about a quarter related to those logistics, freight, energy-related input costs. And I would say that relates to texture and healthful as well. I think, though, the incremental effects of oil prices, diesel prices flowing through to consumers is what we're seeing, and it started in August, is volume weakness.

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And I think that's what we couldn't anticipate back in August, but we are absolutely seeing a weaker consumer-related, customer-related volume environment that we believe is manifesting itself because, again, we saw industry data for September, and that trend continues. So that hopefully puts it in perspective. The pricing centers of excellence are working as they should.

There is the lag, but I think there's two issues that have happened this year that are somewhat extraordinary. The rapid increase in prices that Diego quoted the numbers on tapioca, and of course, we are all living through the run-up from whatever it was, 350 to 650 on diesel. And these impacts in-year are quite extraordinary and somewhat unprecedented.

Kristen Owen - *Oppenheimer & Co Inc - Analyst*

Okay. But anything specific on Argo pricing as you try to move those volumes?

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

We're not -- A lot of the volume is contracted, so it's really about -- Really, the issue, what we call our spread, which is the pricing versus raw material, is holding very well. So we're not seeing a spread issue or contribution margin-type issue. We're not seeing anything there. A lot of that business is contracted. The issue as it relates to Argo and Food & Industrial Ingredients is, again, operational costs, the yield, the maintenance spend to get the plant to operate as it normally had after having such a rough patch that we've experienced, and the softer volume outlook.

But again, we feel we have maintained share, and our spread contribution margin has held, and most of the business is contracted. So we're not having to lower price to win back volume. That's not happening.

Kristen Owen - *Oppenheimer & Co Inc - Analyst*

Okay. That is very clear. Thank you. And if I may, my follow up is just on the Andean earthquake, just how much of your customers' capacity may be back online? Just any sort of update there. I think you talked about your own production facilities, but just how your customers are faring as well. Thank you.

Diego Reynoso - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Yeah. The biggest challenge, actually, as we mentioned, was that our customers took a while to ramp back up. They're all back up, but you have to understand there was damage to their facilities, but also to streets and transports and those pieces. So what we're seeing is they are back online, but there was a period of about two to three weeks where we could produce, but they could not pick up the product, and that's why you are seeing such an impact in the quarter.

I will say we had another earthquake last week. Thankfully, that did not have any impact, but we continue to monitor the area.

Operator

Ben Klieve, StoneX.

Benjamin Klieve - *Benchmark Company LLC - Analyst*

All right. Thanks for taking my questions. First one is around the tapioca dynamic in APAC. I'm wondering if you can talk a bit about the degree to which you are able, if at all, to identify alternative products that could displace tapioca in this undersupply environment, or if it is

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just such a unique ingredient that there is not really a viable solution to provide beyond that. And also the degree to which you can give any insights into the outlook for this into next year. I know you said prices are moderating, but any early read-throughs for 2027 on this variable would be great.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, thanks. So first of all, Ingredion's tapioca franchise in Thailand is a very significant franchise and a very good business with solid margins and a great market position. We are a leader in modified tapioca starches, specialty tapioca starches. The historic run-up that we've seen, there has been run-ups in the past, not to this order of magnitude, and part of it does relate to the El Niño impact on the hot, dry climate in Thailand.

There's also something that the industry battles every now and then, which is something called cassava mosaic disease. So those two issues, and the industry is very developed and sophisticated on how it responds to these matters. So it will moderate. It's just taking a little bit longer, and our pricing is going through.

And what we're not seeing, and this is to address your question, we do not believe we're seeing any material substitutions for tapioca for other raw materials, and that is because the texture of tapioca is very unique, and the mouthfeel that it provides in products and a very clean taste is unmatched. And so we're not seeing switch-outs. We're seeing margin compression along this run-up.

So customers will look back to what happened during the pandemic when freight rates went to extraordinary heights, and they did try to reformulate tapioca, but they went back to tapioca. This time, we're not seeing any material substitutions because actually, even though these price increases have went up, it is actually less of an impact on a delivered basis outside of Thailand to Europe or to the US in comparison to when the pandemic had raised freight rates to such extraordinary levels that it was way more than this increase that we're seeing.

So it's just a moment in time, and I would say that as we look into 2027, related to this specific dynamic, we're not going to see the same degree of headwind or margin compression. If anything, we should be stabilized, and hopefully, we'll see some of the benefits of a sticky down, not to the degree we had hoped probably, based on where this harvest has come in, which will be with us through September of '27, but it certainly should not have the margin impact that it had year-on-year '26 to '25.

Benjamin Klieve - *Benchmark Company LLC - Analyst*

Very helpful answer, Jim. Thank you. Follow up, in the prepared remarks, you talked about the increasing complexity of the reformulation process now, given the increasing number of variables CPG companies are navigating. I'm wondering if you can talk about the evolution of your pipeline for these customers and kind of how the increasing complexity has extended the sales cycle, especially within Texture & Healthful Solutions, and any kind of thoughts there would be interesting.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, I think one of the things that we've done is invested in capability building in relationship to how to engage with customers on these more comprehensive reformulations, investing in things like consumer insights so that we can meet them halfway in relationship to the creation of the brief for the reformulation and the comprehensive nature of it, with different targets related to the nutritional content as well as what the texture profile is that they want to hit, and training our sales force in that.

What that has done is it has led to a significant increase in our new project pipelines with customers. And again, the dynamics that are driving a lot of this is the fact that, out of necessity, consumers are looking for more nutritious products. Everybody's hearing about more nutrition in every bite, caloric density, as well as obviously the affordability.

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So that, along with the dynamic of the increased aggressiveness of private label manufacturers to build out their own offerings, as well as branded manufacturers to innovate to compete, again, it's putting suppliers like ourselves at the center of all of that activity. And so, we've invested in the capabilities, and our pipeline has absolutely increased, and that's why we feel confident in the outlook for Texture & Healthful.

We just need to be able to have a machine developed from a go-to-market standpoint, a customer engagement standpoint, that can meet those customers and accelerate the time from concept to launch. And that's what we're focused on, and that's what we believe also the Tate & Lyle acquisition will certainly help us with expanded offerings in that regard.

Diego, do you have any comments? Because you come from the CPG side as well, and you've seen it up close also with some of this dynamic.

Diego Reynoso - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Yeah. The way I look at it is, we've moved into a situation where CPG companies are dealing with two major things. The first one is a consumer that now wants change to the products at a speed that was not required in the past, right? People get sick of new flavors or offerings a lot quicker, and the cycle is a lot quicker. And therefore, it requires partners that can quickly come up with new deliveries of feel, product, to the example of the shake, like how do you provide a more nutritious shake, or where things are moving, for example, now that we're moving to protein through some of the GLP-1 piece.

And then the second piece right now is affordability. I think every company is looking for formulation that makes the product better, but yet at the same time allows it to be less expensive so that the pricing to the consumer doesn't have to be as high as it has been for the last couple of years. And I think we are uniquely positioned, especially with the potential acquisition, to help our customers deal with both of those challenges.

Benjamin Klieve - *Benchmark Company LLC - Analyst*

Very good. I appreciate the thoughts from both of you. Thanks for taking my questions. Best of luck in the fourth quarter, and I'll get back with you.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you.

Operator

Pooran Sharma, Stephens.

Pooran Sharma - *Stephens Inc - Analyst*

Good morning, and thanks for the question. I think I've gotten a little bit of a sense to potential contracting season. You mentioned you're maintaining contractual spreads, haven't needed to make pricing concessions to retain customers. But just given the softness in sweetener demand since August, as you noted, just wanted to see if there's any changes in customer behavior during the current contracting season. And as we look into 2027, does that -- should we expect a more challenging pricing environment, or are you still seeing opportunities to maintain spreads despite this weaker demand environment?

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James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. I would say for the Food & Industrial Ingredients US/Canada business, I'll distinguish that from the Texture & Healthful Solutions businesses in the US and Europe, and certainly in Asia Pacific. Again, US/Canada F&II business, the majority of that business is multi-year contract with some very large customers, for example. And yes, there are some annualized contracts, and we are through contracting season, and everything is going according to what is normal.

Now, what's also happening is, at the same time, you have input costs which are rising for everyone. So, you have the run-up in energy-related prices. Those flow through to packaging and chemicals, for example. So everybody is absorbing that, and we are passing those price increases through, and I think that that's all pretty well understood in relationship to the necessity to do that.

But again, in that business, we have spreads that are holding, and we are looking to pass through inflationary increases. And it's early yet still in contracting, but that's how I would characterize that business. Similarly, we're passing through inflationary increases on the Texture & Healthful Solutions side. Contracting there is progressing as per normal, because corn has really settled into not being a big swing item in a very volatile way. That volatility kind of settled out after quarter three and kind of where we're at right now, and the year-on-year increase right now is not that significant.

So I would say that contracting is progressing as per normal. What I do think is helpful to mention, though, is really it's too early to quantify anything about 2027, and of course, we'll give more detail with the full-year outlook in February. But I do think it's really worth taking a step back and reflecting on the fact that this particular year, 2026, there were notable tens of millions of dollars of notable one-time headwinds that we've absorbed. And amongst those, one of the largest was the Mexican peso.

And since then, the Mexican peso has weakened, and again, we have a hedging policy where we do hedge at these times of years for the forward year. So that's one thing that impacted us significantly. The Mexican peso alone was tens of millions of dollars alone. Argo reliability challenges, which you all know about, and has been painful, and we are absolutely seeing early signs of the improvements in yields, and we will get control of the maintenance spend. The other is the rapidly unprecedented rapid acceleration in tapioca costs, and I think I've addressed that as to the year-on-year outlook there.

The other, of course, a handful of millions of dollars with the Colombian earthquake. And then, of course, you have the in-year run-up in diesel prices, which again, has been at such a level. And the other thing too, again, we didn't talk about it, that we're thinking maybe having some sort of an impact on the volume outlook that we started to see in mainly sweeteners, mainly starting in August, are the SNAP benefit cuts. And perhaps with the election, there may be some elements there that give some relief in 2027.

So I think it's just helpful to put some of the magnitude of the tens of millions of dollars we've absorbed in 2026, and why it's really early to judge what '27 is going to look like, because we're in the middle of contracting, we are passing through price increases, a lot of the F&II business is multi-year contracted, and hopefully that gives a good picture of how we're thinking about not trying to prejudge '27 in any way related to some of the anomalies we've experienced, we believe, and some of the things that are within our own control that we're determined to improve upon for '27 versus '26.

Pooran Sharma - *Stephens Inc - Analyst*

I appreciate the detail there, Jim, and thanks for framing that up. I'm sorry to press on 2027, but I'm just thinking about T&HS now, and you have previously highlighted longer-term growth algorithm of high single digit, below double digit in T&HS texture EBIT. And just thinking of the near-term headwinds, and maybe we are seeing some relief in tapioca pricing, I was just wondering if you think we can get back to algo growth maybe by the second half of next year?

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Diego Reynoso - *Ingredion Inc - Chief Financial Officer, Executive Vice President*

Again, I think to your point, we do have an algorithm that will get us there, and we believe that is very achievable. Even this quarter, I mean, we could have been better had it not been for some of the tapioca challenges, because that also held back a little bit of our volume. So -- And we were lapping a record quarter last year, and we still grew, right? So I think all the elements are still there, that the growth is there, clean label is doing really well, the solutions piece is doing really well.

So I think the algorithm doesn't change. And to 2027 -- so for 2027, I mean, we're working on it right now, and we are going to be coming back in the next quarter to give you insights.

Pooran Sharma - *Stephens Inc - Analyst*

Okay. Appreciate the details.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you.

Operator

Andrew Strelzik, BMO.

Andrew Strelzik - *Bank of Montreal - Analyst*

Hey, thanks for taking the question. You mentioned the plant consolidation in Brazil, and I was curious if there's other opportunities, whether it's across your plant network or other internal. I mean, you guys have done a great job on cost savings over time. Is there anything else that you're looking at within your network or within your operations where you see the opportunity to move the needle from a cost perspective outside of what you've already discussed at Argo?

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, thank you for acknowledging. I mean, as you know, we have, over the time, reduced our plant footprint through consolidations. Last year, it was Alcântara, this year, Brazil, and this year, Cabo facility, and we're getting benefits of that. We have identified a couple of other locations that we have targeted for consolidation.

However, we are wanting to wait until we understand the benefits of the Tate & Lyle network, and as we look at how we can best optimize our networks and product flows to both service customers as well as supply product cost efficiently. But yes, we have other opportunities, but we also are excited about the prospects once the two networks come together.

Andrew Strelzik - *Bank of Montreal - Analyst*

Okay, that makes sense. And then on the demand side, I was hoping you could just give a little more texture across your end markets. I know you said that it was mostly on the sweetener side, but maybe if you could just talk about where you've seen the biggest step-down, maybe areas where you've seen a little bit more resiliency, that would be helpful as well. Thank you.

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James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

The biggest challenge right now is in US/Canada, I would say, and that, we believe, is related to all the factors that we talked about previously, and that's where we see the biggest impact. Europe, believe it or not, has held up reasonably well, and Asia-Pac is holding up reasonably well. Emerging markets are holding up well. And honestly, we were very encouraged in LATAM with the beverage and brewing volumes.

LATAM grew volume 4% in the quarter, so we're very pleased with that. And if it wasn't for the Colombia earthquake, again, which has normalized, and by the way, order patterns are come back very strong to fill pipelines, obviously, when the industry went down as much as it is. So it's really US/Canada is how I would circle the globe on this, where the softness is.

Andrew Strelzik - *Bank of Montreal - Analyst*

Okay, great. Thank you very much.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you.

Operator

Thank you. This concludes the question-and-answer session. I would now like to turn it back to Jim Zallie for closing remarks.

James Zallie - *Ingredion Inc - Chairman of the Board, President, Chief Executive Officer*

Okay. Well, I want to thank everyone for joining us this morning. We look forward to seeing many of you at our upcoming investor events, with the next significant engagement being the Stephens Conference on November 17 in Nashville. And at this time, I want to thank you all for your continued interest in Ingredion.

Operator

Thank you for your participation in today's conference. This concludes the program. You may now disconnect.

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