

2025 BMO Global Farm to Market Conference

Ingredient – Jim Gray EVP & CFO

Moderator – Andrew Strelzik, BMO

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Andrew Strelzik (BMO)

We're excited to have Ingredient here to kick off the second day of the conference again this year.

Ingredient continues to demonstrate the benefits of its strategy focused on an increasing A increasing specialty ingredients mix, operational improvements and strategic investments to drive profitable growth.

As a result of this strategy, over the last five years, Ingredient has delivered sales and operating profit growth at 4 and 8% annually and operating margins have expanded by nearly 300 basis points despite navigating a variety of operating environments over that time frame.

We're joined today by Ingredient CFO, Jim Gray to discuss the company's strategy and outlook.

Thanks for being here.

Jim Gray (Ingredient)

Thanks Andrew.

Andrew Strelzik (BMO)

Absolutely.

Maybe we start from with the quarter from last week, you had guided the first quarter operating income to be up high single digits.

It ended much, much stronger than that.

What came in so much stronger than you had been expecting.

Jim Gray (Ingredient)

Yeah.

You know, we had noted in the prior year that we had had a couple of different headwinds.

One was in our Argentina business, which is a joint venture.

We had some peso; Argentina peso devaluation impacts in 2024.

When we got to this year, not only has the peso stabilized more if I can say that right.

So, you know Argentina inflation's instead of being in the 70 / 80, a 100% a year is more like 30%.

And so that's actually provided a lot of stability to both the value of corn, the value of sugar and how our joint venture partner prices.

And so, we saw a pretty nice swing and that profitability which benefited LATAM.

Yeah.

And then second, generally we kind of plan on some impact from cold weather, whether it's just a week or two of just really sub, you know sub freezing temperatures, it may impact rail movement in our business.

You know, you know, switches freeze sometimes and that prevents corn from getting into a plant etcetera.

And while we had some cold weather in, in 2025, we just didn't see as much disruption from that.

And we've done some things from the prior, you know, polar vortexes where, you know, you almost had cold weather getting all the way down to like our plant in, in North Kansas City.

And we said, well, let's look at, you know, Argo and North Kansas City and some of our other plants and let's do some, some efforts where we just think about it and imagine, OK, it's now cold.

Where's air coming in and we're something where we have a pipe run that we just don't want to freeze or be subject to that.

And so we've done some of that and I think both of those contributed nicely.

I think to the this they just didn't repeat to the Q1 results.

Andrew Strelzik (BMO)

And so and I'm sure you've gotten this question a lot since the print you despite the much better first quarter you held the profit guidance for the year.

So, we're, has anything changed for the balance of the year in your thinking?

Are you baking in some cushion for, for anything?

I guess how was your thinking for the rest of the year evolving?

Jim Gray (Ingredion)

Well, I, I mean, I think the big one that's in front of, you know, all of us as, as business leaders is, you know, what was the suddenness of the tariffs?

Where was the US tariff focus on which country pairing and what was the degree, you know, the amounts of the tariff, right.

And so, you know, before our end of year earnings call in Feb 5, we had the US administration announce tariffs against both Canada and Mexico.

And you know, there was no talk of those being suspended in any way or kind of what those purpose was.

So that puts a little bit of a positive thought on you've had a 30 plus year free trade agreement between the US and Canada and the US and Mexico and now you have to go and rethink that and you have to look at every single customer where they source from how you get product to them, is it going through a break station?

What plant is it coming out of?

So, I think that one gave a little bit of pause to how we looked at Q1.

And then I think when you roll forward subsequently to, you know, Liberation Day, you know, Liberation Day had a pretty broad swath across a number of countries and not with insignificant tariff amounts.

And so while I think that's maybe a first salvo, I like, I'd like to hope that's a first salvo from, you know, the, the, the, the administration and that there will be something negotiated that'll be less.

And, and we've seen that a bit, but we don't know exactly how various, you know, the US ,UK, obviously the US and China has de escalated a little bit, but there's a number of other countries where a tariff, if in fact it's still in place come July 7th, 8th or 9th, then we know that there's going to be some disruption to some supply chains.

There's going to be some customer shifting.

And, and I think probably every company that you've listened to has played through this, right.

So, we're going to raise prices initially.

We'll see what the customer response is.

We're going to work with the customer on a more efficient or more effective supply chain, right, to try and mitigate or even eliminate, you know, that that supply chain cost shock that you've had.

So, I think that's probably more new overlay for how we think really about Q 2-3 and four for the balance of the year.

Andrew Strelzik (BMO)

And so you and I have discussed in the past kind of how you approach setting your guidance.

When I think about the set of outcomes that would kind of get you to the higher end, to the lower end, it sounds like tariffs maybe is at the midpoint, is at the lower end.

What gets you to the higher end?

How do I think about the variables?

Yeah, for that?

Jim Gray (Ingredion)

Well, right now we're, you know, I would probably say that the guidance and maybe the lower end is that we really don't get many agreements and that there actually needs to be some pain injected into the business environment and the business relationships between US and certain country pairs for a matter of time, right.

So, my case in point, 145% tariffs on China that lasted for, you know, count the days, right?

Not weeks nor months, but that still creates disruption, you know, so you, you still have inventory, you know, that's, that's either beginning to get on a boat and now it's going to have a tariff when it lands.

And, and then if you get a reversal of that tariff, the customers like, well, why am I, why am I paying for this, right?

There is no tariff or like, yeah, yeah.

But I shipped it 60 days ago when there was a tariff.

So, I think that uncertainty in, in assuming that, that some of that plays out, that's probably a little bit more towards the lower end of the guidance.

And that's, I think what we're just kind of cautious about, and there's a practicality to this too, is this that somehow the US administration is going to get through every negotiation with every country and somewhat of an efficient way and negotiating with some cultures and countries just doesn't happen that fast.

So, I think that that's probably more practical to lean towards the mid or the lower end.

Now does some of that gets resolved?

I think if there's a, a more a plan laid out for the review of USMCA, then I think that 2025 can be a bit better.

Andrew Strelzik (BMO)

OK, that's a, that's a helpful framework.

We listen to companies across a lot of your end markets and they don't sound great on volumes, just give them kind of the macro backdrop.

Jim Gray (Ingredion)

And in the US, the US?

Andrew Strelzik (BMO)

Yeah, sorry in the US and even globally, I guess you know in South America it sounds maybe somewhat a little bit choppier.

We've heard a little bit more softness.

You guys have been consistently outperforming that.

And so, you know, you did high single digit growth in texture and healthful solutions flat on a trailing 4 quarter basis in, in, in your F and I businesses.

So, what is it about your portfolio or your exposures that's allowed you to outperform kind of what we hear from some of the larger branded players?

Jim Gray (Ingredion)

Yeah, I think this comes from a little bit of those in the audience.

So, we re-segmented our business, we ran through all of 2024 with a segment called Global Texture and Healthful Solutions.

And this business is while it has a large portion of its sales, you know not quite half of its sales are grounded in the US and Canada.

There is a, the second largest portion is out of Asia Pacific.

And when we look to Asia Pacific, obviously far, far more people than the USAA better space in terms of where they're at on their economic development.

And so there's more demand for packaged foods and the solutions that we sell in Asia Pacific actually sell at a higher price point on average than what we're selling in in US, Canada.

So just by the fact that, you know, when I look at my texture and healthful sales volume, I just have some math geometry, which is if I have Asia Pacific and it's at a higher price point and it grows high single digits on volume, it's just going to change the weight of the sales volume growth.

And, and, and luckily that market as well as probably kind of the Middle East and, and, and Africa to a lesser extent, but still emerging have far more volume demand going into the future for our texture solutions than what we've been able to achieve in the US.

And so I mean, we have a nice market, very nice market share position in the US, we have a nice market share position in Europe.

But you know, really our focus is on where all the stomachs are, where all the people are and that's primarily Asia.

Andrew Strelzik (BMO)

It, it sounds like I guess a lot of variety of industries have seen some incremental consumer weakness through the course of the first quarter.

Is that something that you've seen in your business, you know, kind of where you seeing the most resiliency, maybe the most give and take on that?

Jim Gray (Ingredion)

Yeah, maybe just two examples.

And so clearly, you know, when cocoa prices go up, it's going to impact confectionery and not necessarily just some texture and healthful solutions.

But you know, we we'll sell glucose syrup and the confectionery and you know, price points have gone up.

And so I think that just hurts overall volume, unit volumes in that in that sector.

And so therefore, you know, that's the ingredients that we sell into, you know, I'd say the a different example is as well, maybe you look at the beer category and there's been some softness and necessarily in in beer that has alcohol, but it's the same brewing process for beer that doesn't have alcohol.

And that has been a really nice, we've seen a number of customers where we've had a lot of a lot of pull for either a kind of a liquid dextrose or a high maltose corn syrup as the adjunct that goes into the brewing process.

And so, like you would think like, oh, wait a minute, that's different, but it's actually not, it's going through the same, you know, brewing supply chain.

Andrew Strelzik (BMO)

With some of the relationships that you have with your customers, which and you know, the development process for some of these products can be kind of longer lead time, particularly in Texture Healthful Solutions.

How much visibility do you have on your volumes on a go forward basis?

And you know, maybe how does that compare to your F and I segments?

Jim Gray (Ingredion)

Yeah, yeah.

Well, if we're, if it's a, if it's a customer that has a brief out for a piece of inamation, you know, we might be looking at volume estimates and, and Ingredion demand.

That might be 18 months out, 24 months out, you know, and in particular, if there's a particular ramp up, we'll be we, we may have agreements that have mandatory inventory.

We may have to prebuild for launches because you know, if it's trying to stock shelves in the US, you know, maybe a large beverage company is buying a, I don't know, upstart probiotic and they want to take it national and they're going to take the ACV from 25 or 30 to 70 or 80.

Like that's a lot of product to put on shelves.

And so that'll have demand for us.

I think probably more typically we generally have annual volume contracts and so we know the pace of the customer's demand.

This is like, you know, in some ways we get characterized a little bit by consumer trends.

Our business is really low risk.

Like we run you know, AI models on demand.

We know which ship to's it just by just the sheer number of ship to's and the frequency of those shipments.

We have a pretty good sense of where customers demand is, although order book is probably six months out.

So from the furthest view into an annual basis how we run the models and then really the book we can look at probably four to six weeks out.

Andrew Strelzik (BMO)

Got it.

OK.

And one of the topics that's gotten a lot of attention, especially under the new administration has been, you know, the discussion in recent months around changing food

ingredients, food ingredients, supply chains and some of those things we've seen some action on on dyes.

How do you kind of view your portfolio's positioning relative to those efforts?

Is there does that does that create opportunities with some of your specialty ingredients?

Does it create risk around other areas of the portfolio?

How do you think about that dynamic for you?

Jim Gray (Ingredion)

Yeah.

Well, you know in our maybe the take the broader view because you know there's an administration and there's a, you know, various cabinet members and secretaries who have used and can add influence in our business because we invest capital in capacity, we invest in the technology for the downstream processing.

We have to look out more like 8 to 10 years.

And so, you know, we're going to look at Wellness and we're going to look at consumers response to various ingredients and, and that, that attractiveness from the consumer or maybe that little bit of I don't know or dislike.

And that really guides us in the conversations that we have with our, our brand package companies.

It really guides us with like the private label manufacturers because they're not doing the same type of research, consumer research and like, and one of the trends that we've always seen is just what we'll call we call clean label.

To you and me, it means that there's just less actual words on the ingredient panel and less words that have actual only consonants, you know, so, and what we find is that that's been something that I think is really guided some of the longer term sourcing and development we've done.

It just so happens that we're now we're a little bit trendy, right, because of maybe more of a, a focus on, well, what are things that are good for you or bad for you?

Obviously, like the elephant in the room for us, I think would be it.

Well, you know, sugar and, and obviously one form of sugar is high fructose corn syrup.

You know, we'll, we'll look at that.

I mean, I think clinically, if you look at the, you know, there's quite a bit of research that the body metabolizes it exactly the same as sucrose or, or you know, in the five major sugars.

And so, to the extent that I think that there is some, you know, potential nudging or it's going to have a longer time span in which to address that.

But you know, on the opposite end, we do a lot of stuff in sugar reduction.

So high, high intensity natural sweeteners that always can be a blend.

So, we can always work on reducing the caloric, but I think if we think in the US or in some other markets that were ever going to go away from sweetness, that's not going to happen in my view.

Andrew Strelzik (BMO)

Yeah, on the HFCS topic and maybe going away from sweetness, you know, there's been a discussion around SNAP benefits and not making carbonated soft drinks applicable or qualify.

How do you think about the demand impacts from that perspective?

And yeah, just how you frame that that risk?

Jim Gray (Ingredion)

Yeah, well, I think most importantly, it's probably that we remember that the first word in SNAP is supplemental.

So it's not your, it's not your whole grocery basket.

The government is not buying your entire grocery basket for some of those families and that there's always dollars that do come out of pocket that complete.

Whatever the grocery trip might be.

And so you know, I, you know, dare say that you know, if carbonated soft drinks, which I think are only like 5% of total SNAP spending, if that was pushed or restricted, I do think that

other money coming out of the pocket for the grocery for the to complete the grocery basket would probably still probably still be there.

It may be muted, I don't know, but generally I don't, I, I see that as kind of a probably more likely than not that it's just a trade off from one source to the next.

Andrew Strelzik (BMO)

Where are US, you know, what milling utilization rates are we at a nice, you know, kind of supply demand balance?

Are we above or below average?

Can we absorb a little bit of weakness should have materialized.

Jim Gray (Ingredion)

You know, right now I would say that the, the industry is in a spot where it's not utilization rates are not challenged.

I think that it's, it's there is a little bit of room headroom for, for, for some growth.

I think what I would watch would be kind of where corn values are.

And you know, I've, I saw like a 420 print, which is, which is good, you know, sub 4 is even that, or maybe I shouldn't say that, I guess for farmers always want it higher.

But if you want to look at just demand for corn going through wet mills in the US and in the offtake, demand is always going to be sensitive, whether it's in, you know, ethanol or if it's in, in what we do in our business.

And corn is, is in my view, it's the absolute best, best texture solution that's available worldwide, right.

And so, to the extent that prices come down, it always introduces affordability into our customers ingredient costs and, and generally procurement folks really enjoy that when we're lowering the cost.

So, we're passing that through.

So, I, I think that lower corn might be good for a little bit more utilization in the industry.

Andrew Strelzik (BMO)

Got it.

OK.

I wanted to focus a little bit more on the Texture and Healthful Solutions segment.

I know it's a, you know, a big piece of kind of the growth algorithm and maybe, you know, maybe the crown jewel of the portfolio.

How do you think about ingredients competitive advantages in that space that that, you know, kind of facilitate your growth outlook?

Jim Gray (Ingredient)

Yeah, the, you know, it's, it's, it's interesting when you think about what you're actually trying to do is get to either a starch or some type of solution that's a starch and a hydrocolloid or a starch, a hydrocolloid in a fiber.

But you're, you're providing form and shape and composition to a food ingredient, a food experience.

When you start backwards from that, it's really like, well, OK, what's the grain that you're sourcing?

Is it a specialty grain?

You know, we've done, we, we do work in agronomy to pull out the, the type of molecule that we want evident in the grain or in the bean or the ancient grain.

It's, it's what you do in terms of the conversion, not just the wet milling, but what you do downstream.

And it's the yields and the efficiency that come out of that process.

Because what we have to do is produce with high quality consistently 24/7, 365, right?

And we have to do it all in a food safe environment that gets audited by our customers and audited by our regulators.

So that's not easy to do.

And then you have to bring it forward into, you have to have food scientists who actually understand the chemistry and the conversion and our customers make process that says, yeah, this molecule's going to perform this way.

When you shear it, bake it, mold it, freeze it, thaw it, shake it so that it still comes out the way the marketer and the innovation person want to see it show up in the actual food products and beverage products that you and I all, you know, taste and enjoy.

And we have to do that with consistency.

So, when I look through what texture and healthful solutions does, you know that there's probably four or five key competencies that all come together that create a competitive Moat around the business, which is why there's not many competitors globally in the business.

You know, there's, there's less than a handful.

Andrew Strelzik (BMO)

When I you recently did you know, investor day focused on the, the innovation day, I guess on the, on the Texture and Healthful Solution segment.

And we did this taste test of the French fries, right?

And you said, hey, here's French fry, here's what it tastes like delivered.

And here's, if you use our ingredients, look how much crispier it is.

And just to kind of bring it into real life and you say, wow, that's, that's pretty amazing.

So, when I think about something like that as an example, but more broadly across the portfolio, what is driving kind of the demand?

Is it the customer saying, hey, we have a problem, we need a solution?

Is it you guys saying, here's something that we can do for you, you should really think about.

And then they realize the benefits of that.

How, how do you think about that demand generation process?

Jim Gray (Ingredion)

Yeah.

You know, I, I, I would say that like, look, everything's fine in a brand company or a food service restaurant outlet until the actual eating experience starts to fail and then it's a wake up because someone else is doing it differently, someone else has tried something differently.

You know, food service is a wonderfully competitive business.

There's tons of innovation in in food service each and every year and it's quick to copy, but the copy has to be provided by the ingredient suppliers and some of the equipment suppliers who service, you know, what we know is the food service business today.

I think what happens on the on the American grocery shelf is a little bit more preserved because you have category management.

So you get to go like I get to put my innovation on the shelf and somehow I get the privilege of it being there for 12 months.

OK, Well, that doesn't happen in Europe because you know, 45 to 50% of the shelf is, is store brands and they see something and they like it, they're going to be able to copy it and they get to arrange the category management within a month to 60 days.

And also now what you thought was your very cool and unique SKU is being replicated, right.

So, competition from our customers is something that absolutely drives demand backwards for our innovation.

But I would say for this, for this audience, the shape of the AG supply, the shape of the ingredient supply technology is changing and it has to globally, it has to, we have to be able to take what grows in mother nature off of a field and we have to be able to convert that into ingredients that are actually more nutritious, right?

That, that balance Wellness that also then look at just the sheer volume of what's needed for food security.

And so I would say that some of what we do in our ecosystem of, of partners and suppliers and maybe even M&A is, is always looking at can we bring novel ideas into this, this landscape that we call.

And it's, it's kind of interesting because you say, well, is it, is it the US consumer eating habits?

And you know, like we're wonderful at adopting acculturation and trying different things.

You know, there's a certain generation out here that loves hot sauce, right?

And they, and they put that Sriracha on everything.

So if you just go back 15 years, it's like Sriracha what?

Right.

I mean, there's a generational divide right here in this room, right, between those who love Sriracha and those who are asking me like, what is a Sriracha, right.

And like, I'm like, yeah, I mean, it's, but it isn't that interesting, right?

Because what we do is, is we do things like you have a very hot chili pepper, but you need to suspend it in, in a sauce and you want it to be in a certain application, right?

That's our that's what our technology is all about.

And so we watch that.

I think that it you know, it's, it's a wonderful question.

It's amazingly robust question.

But I would say that what will surprise us was is going to be the evolution of particularly proteins, I think and certainly plant based proteins, they're going to we'll see those more and more into our diets.

Andrew Strelzik (BMO)

So, OK, so, so if I think about the long term growth targets you've put out there for sales growth in particular for this segment, yeah, I think it's 5 to 6%.

Is that what the market is growing?

Are you assuming share gains in in the market?

How do you kind of frame the building blocks to get to that number?

Jim Gray (Ingredion)

Yeah.

I would probably say overall the global market is probably more like 2 ½ on a straight up volume basis year over year, like country for like country.

But the ability and this broad total addressable market that we call let's just we'll take starch, right, which we think is about a 7 – 7 ½ billion dollar market globally.

Most of the volume and most of the value, maybe half the value is all native starch, just a basic performing starch that actually doesn't really show up well and recipes doesn't hold its composition, doesn't kind of go through different ambient temperatures.

And so as brands within countries evolve and they want better performance on shelf, they want better performance in home, they almost always look to a modified starch in in some way.

And so then that's our market and that's where we play.

So we see that upgrading, probably adding 2 to 2 1/2 points as well.

Andrew Strelzik (BMO)

Interesting.

Jim Gray (Ingredion)

Just big difference in price point and a big difference in functionality.

Andrew Strelzik (BMO)

Got it.

OK, that makes sense.

You also outlined for 24 operating margin expectations were 13 to 15%.

You came in kind of right at the top end you're expecting to build over 4 years to 16 to 18.

So how do I think about kind of the, the, the pathway to, to achieve that margin expansion

and how do I think about what is the difference between a 16% margin business and an 18% margin business in the composition there?

Jim Gray (Ingredion)

Yeah, yeah.

So again, this is Texture and Healthful Solution segment.

And so in some ways it's rather straightforward and that you know, 2.4 – 2.5 billion dollar business, if you look at its volume and its and its mix as that goes forward in the market, you're going to just clearly see one both a revenue I think upgrade on the mix that I described, which is much higher price points per ton.

Those actually carry higher gross margins.

OK.

So that's accretive to the to the to the OI margin.

And then the fact that in our COGS for that business probably path is fixed in some way or at least semi fixed.

So volume helps us, right.

And so our OPS team is very much focused on, you know, how do we work through, we call it OEE, but how do we work through expanding the capacity and the efficiency of the existing assets that we have.

And so we're going to get leverage out of our fixed cost structure as we go forward.

And both of those elements we think are margin expansive to that bottom line.

And so I do think that that, you know, as I look forward and we've been able to demonstrate that for the last 3-4 years.

But even more so, I think maybe post COVID building up our global supply chain team, we just have a much, much stronger capability at looking at each of these plants across the globe and recognizing that what we can do out of we probably have no, I'm probably thinking 24 plants and texture and healthful solutions, something like that.

We have 20 plus plants in that segment.

So there were some of them are medium size and some are small.

And so we're going to get even greater efficiency, I think as we go through that, that network.

And so that's a that's a pendulum.

You know, that's already, I guess a ball rolling forward that I think is really supportive of margin expansion and texts are helpful.

And it's where most of our investment is still also going.

Our, our, our organic growth is because you know, if you look at Asia, you know, we got to invest two years to three years ahead.

And so you know, the incremental investment that we can put into organic growth is also the lowest risk and probably usually the highest return because we're usually adding something to our plant.

Andrew Strelzik (BMO)

If I shift gears to the food and industrial businesses starting with LATAM that that has been really strong performance has been really strong, 25% profit growth, most recently almost 600 basis points of margin expansion.

What's really been the biggest driver of that and how do you think about the sustainability of the margin structure there and, and, and some of the gains that you've had over the last several years?

Jim Gray (Ingredion)

Yeah, there's, there's, I think there's three things that that really drive, you know, the US or sorry, the, the LATAM F and I business.

So, so one is it's just as we've, so you always have volatility, you know, whether it's Brazil or Colombia or even sometimes the Mexican peso, you have volatility in the currencies.

Yet these are all generally these are markets that at least Brazil grows corn, Argentina grows corn and exports it.

So you have to manage the price to the raw material relationship with customers and have that competent competency, you got to manage that tight.

We've put in pricing centers of excellence.

We have our teams have learned how to do that really well and set expectations.

So I don't think you see as much of a lag in some of the FX changes that we used to, to speak to

Second, we have really strong market positions.

And so again, scale matters in these markets.

And so when you have the argest asset and it's well utilized, that's, that's going to help just being what we call operational excellence.

So get the pricing right, run the asset well, recognizing that you have the largest market share in the largest market share in Brazil, only Wet Miller and in largest market share in Colombia, 3 facilities in Mexico, largest market share in Mexico.

And then on top of that, let's understand that our Texture and Healthful Solutions segment, the solutions that we have in LATAM are excluded from the sales, right?

So those are embedded in that LATAM.

And so we have a very resourceful leadership team.

They are looking at very things like blending for sugar reduction.

So while I sell a syrup, if I can blend it with a stevia or I can blend it with an allulose and I can take the total caloric down, I may fall just below a threshold for government tax.

I may help a brand company hit a certain caloric target that they're trying to deliver to the consumer.

And so like the rules are like we think of guidelines and rules here.

We think of full calorie soda and diet like the rest of the world doesn't always think of with the way that we've been trained and how we think about brands and categories within the US.

And so you get some mash ups and some mix ups that are a lot of fun.

And then all of a sudden you realize that like, wow, that really works on shelf.

Andrew Strelzik (BMO)

So I guess I just we, we get this question a lot.

So I just want to get your perspective on it.

If I look at the F and I margins in both LATAM and the US can business, they're right now above texture and healthful solutions.

They're well ahead of where they were kind of several years ago.

I guess I would also say one of your peers pointed to kind of lower margins in their base sweetener and starch business here recently.

So all of that is kind of to ask, how do you feel generally about the margin durability of, of the food industrial segment?

Are we in some ways over earning because corn prices are low or something other like that?

Or, or, or is, is this the right rate and we're going to improve the textual healthful solutions margins and that'll kind of get into a better I, I guess, how do we just generally kind of conceptualize that?

Jim Gray (Ingredion)

Well, you know, it's, it's funny because I mean, it starts with the view of, of like, well, does, does the, does the ingredients margins go up and down with the value of corn in the corn cycle within the US?

And so you say, Oh, well, it's a cyclical company, but it's not.

And, and there's a couple of reasons why.

One, we've, we've expanded a lot of hedge policies.

And so it's really comes down to what's the value we offer customers relative to the costs that we have going forward for the next, next 12 months.

And most importantly, we have, we invest in assets, right.

So you know, I, my, my wet mills are not getting younger.

No one's building a new wet mill in the US And we, I would say that for that type of audience, it's not just about the profit and the profit margin.

And I think the wonderful job we've done in growing adjusted EPS.

We've talked about capital allocation in a minute, but I have to earn the free cash flow so that I can invest in the reliability of my assets.

And so I very, very much think about ROIC because I'm the, I'm using your capital, you know, thank you very much as shareholders, you're providing that to us.

And so we have to think about how we actually earn a return on that.

And so you'll, you know, if you look at our ROIC, our ROIC is actually done better as well, which is I think that's probably a, you know, if you had a criticism of ingredient in structure, you'd say, well, look, it's not a whole bunch of intangible assets and it doesn't have an ROIC that's 18, 19, 20%.

And so, yeah, we actually have to earn our profit because we have to invest in reliability capital.

And we're very much conscious of how we think about that ROIC and going forward.

There's not many CFOs that talk about ROIC and maybe we can figure out how there's maybe different ways to calculate it.

But at least at some point you got to have some type of measure, profit measure based upon your return of the assets that you're, you know, employing in your business.

Andrew Strelzik (BMO)

So maybe to expand on kind of the capital allocation priorities now as you roll forward, you have a lot of cash on the balance sheet, obviously.

How are you balancing internal growth projects?

You've talked about M&A in the past.

I don't know what the environment's like.

There's that starting to get a little bit better returning cash to shareholders.

I threw it all together because we don't have as much time as I'd hoped.

But no, no.

Jim Gray (Ingredion)

So obviously focusing on growing, growing the, the operating income.

Managing the investment and working capital.

So as net sales grow, generally we're investing in working capital.

And so what that leaves us then is, is we're pretty, we're very focused on organic capital growth and right now we spend about \$100 million a year above our reliability capital invested in expanding our capacity years 2, 3, 4, 5 right.

So most of our management team, our focus right now is, is what's '28, what's '29?

That's the discussions we're having.

Beneath that, we're going to be committed to the dividend and dividend growth.

We've grown the dividend 10 years in a row now.

And then that still leaves enough cash either both in what we'll generate in 25, but also what's on the balance sheet right now for both share repurchase as well as M&A.

And right now, I think we have enough of both given where our raw material cost cycle is, is that we're not having to invest a whole bunch in working capital.

So we are, we do have a share repurchase target out there of \$100 million this year.

And I would say the M&A landscape is more interesting with uncertainty in the world.

Andrew Strelzik (BMO)

Got it.

OK, that's perfect.

We're right on time.

Thank you very much.

Jim Gray (Ingredion)

Thank you.

Appreciate it.