

# Ingredion Incorporated Reports Second Quarter 2020 Results

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- Second quarter 2020 reported and adjusted EPS\* were \$0.98 and \$1.12, respectively, compared with \$1.56 and \$1.66 in the second quarter 2019, respectively
- Year-to-date 2020 reported and adjusted EPS were \$2.08 and \$2.72, respectively, compared with \$3.04 and \$3.19 in the year-ago period, respectively
- Completion of PureCircle acquisition on July 1 expands the Company's on-trend and sustainable solutions in sugar reduction with stevia sweeteners and natural flavors
- Continued strong progress on Cost Smart program enables Company to increase run-rate savings target by \$20 million to \$170 million by 2021

WESTCHESTER, Ill., Aug. 04, 2020 (GLOBE NEWSWIRE) -- **Ingredion Incorporated** (NYSE: INGR), a leading global provider of ingredient solutions to the food manufacturing industry, today reported results for the second quarter 2020. The results, reported in accordance with U.S. generally accepted accounting principles ("GAAP") for 2020 and 2019, include items that are excluded from the non-GAAP financial measures that the Company presents.

"As an essential business in the food supply chain, we quickly adapted to meet the changing needs of our customers due to fluctuations in consumer demand resulting from COVID-19 lockdowns and restrictions around the globe," stated **Jim Zallie**, Ingredion's president and chief executive officer. "During the quarter, we experienced the significant decline in away-from-home consumption that impacted global demand for ingredients, primarily in April and May. Since then, we have seen sequential improvement in June and July as the restrictions ease and consumer mobility increases."

"We remain focused on optimizing for the new reality, working virtually with customers to co-create, and taking advantage of opportunities to drive simplification and efficiencies in our business. As a result, we raised our **Cost Smart** savings target from \$150 million to \$170 million by 2021. We also strengthened our balance sheet and lowered our future financing costs through a **\$1 billion senior notes** offering," continued Zallie.

"With the completion of our acquisition of **PureCircle**, a global leader in the stevia natural sweetener space, we continued to advance our long-term strategies for driving specialties growth. In addition, we commenced an \$85 million expansion investment in China, one of the largest and fastest growing starch markets, to further grow our **starch-based texturizer** platform. We will continue to pursue M&A opportunities while remaining disciplined in our capital allocation approach."

"Despite the uncertainty that lies ahead, I am confident that with our talented and dedicated employees, the actions we are taking are the right ones to innovate for customers, deliver quality ingredients and solutions, and emerge from this **pandemic** better positioned for success," concluded Zallie.

\*Adjusted diluted earnings per share ("adjusted EPS"), adjusted operating income, adjusted effective income tax rate and adjusted cash flow from operations are non-GAAP financial measures. See section II of the Supplemental Financial Information entitled "Non-GAAP Information" following the Condensed Consolidated Financial Statements included in this press release for a reconciliation of these non-GAAP financial measures to the most directly comparable U.S. GAAP measures.

## Diluted Earnings Per Share (EPS)

	2Q19	2Q20	YTD19	YTD20
<b>Reported EPS</b>	<b>\$1.56</b>	<b>\$0.98</b>	<b>\$3.04</b>	<b>\$2.08</b>
Impairment/Restructuring Costs	\$0.10	\$0.12	\$0.15	\$0.28
Acquisition/Integration Costs	-	\$0.03	\$0.01	\$0.03
Discrete Tax Item	-	-	\$(0.01)	\$0.32
<b>Adjusted EPS**</b>	<b>\$1.66</b>	<b>\$1.12</b>	<b>\$3.19</b>	<b>\$2.72</b>

## Estimated factors affecting change in reported and adjusted EPS

	2Q20	YTD20
Margin	(0.09)	0.02
Volume	(0.35)	(0.38)
Foreign exchange	(0.08)	(0.13)
Other income	(0.03)	(0.04)
<b>Total operating items</b>	<b>(0.55)</b>	<b>(0.53)</b>
Other non-operating income	0.01	0.03
Financing costs	(0.03)	0.01
Shares outstanding	-	(0.01)
Tax rate	0.03	0.03
<b>Total non-operating items</b>	<b>0.01</b>	<b>0.06</b>
<b>Total items affecting EPS**</b>	<b>(0.54)</b>	<b>(0.47)</b>

\*\*Totals may not foot due to rounding

## Financial Highlights

- At June 30, 2020, total debt and cash and short-term investments were \$2.6 billion and \$1.0 billion, respectively, versus \$1.8 billion and \$268 million, respectively, at December 31, 2019. The increase in total debt and cash and short-term investments was primarily due to the Company's sale of \$1.0 billion of senior notes in the second quarter 2020. On July 9, 2020, the Company applied net proceeds of the new debt issuance to redeem in full \$400 million of the November 2020 senior notes.
- Net financing costs were \$19 million, or \$3 million higher in the second quarter from the year-ago period. This increase resulted from foreign exchange losses compared to the gains from the same year-ago period, partially offset by lower net interest expense due to lower interest rates.
- Reported and adjusted effective tax rates for the quarter were both 28.7 percent, compared to reported and adjusted effective tax rates of 29.6 percent each from the year-ago period. The decrease in reported and adjusted tax rates resulted from a reduction in the Company's U.S. global intangible low-taxed income.
- Year-to-date capital expenditures were \$175 million, up \$19 million from the year-ago period.
- On July 1, 2020, the Company closed its previously announced acquisition of PureCircle for a total cash payment of \$222 million.

## Business Review

### Total Ingredient

\$ in millions	2019 Net Sales	FX Impact	Volume	Price/mix	2020 Net Sales	% change	% change excl. FX
Second quarter	1,550	-59	-183	41	1,349	-13%	-9%

<b>Year-to-Date</b>	<b>3,086</b>	<b>-100</b>	<b>-178</b>	<b>84</b>	<b>2,892</b>	<b>-6%</b>	<b>-3%</b>
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### Reported Operating Income

<b>\$ in millions</b>	<b>2019 Net Sales</b>	<b>FX Impact</b>	<b>Business Drivers</b>	<b>Acquisition/ Integration</b>	<b>Restructuring /Impairment</b>	<b>2020 Net Sales</b>	<b>% change</b>	<b>% change excl. FX</b>
<b>Second quarter</b>	<b>168</b>	<b>-7</b>	<b>-44</b>	<b>-2</b>	<b>-2</b>	<b>113</b>	<b>-33%</b>	<b>-29%</b>
<b>Year-to-Date</b>	<b>329</b>	<b>-12</b>	<b>-38</b>	<b>-1</b>	<b>-12</b>	<b>266</b>	<b>-19%</b>	<b>-15%</b>

### Adjusted Operating Income

<b>\$ in millions</b>	<b>2019 Net Sales</b>	<b>FX Impact</b>	<b>Business Drivers</b>	<b>2020 Net Sales</b>	<b>% change</b>	<b>% change excl. FX</b>
<b>Second quarter</b>	<b>178</b>	<b>-7</b>	<b>-44</b>	<b>127</b>	<b>-29%</b>	<b>-25%</b>
<b>Year-to-Date</b>	<b>344</b>	<b>-12</b>	<b>-38</b>	<b>294</b>	<b>-15%</b>	<b>-11%</b>

### **Net Sales**

- Second quarter and year-to-date net sales were down from the year-ago period. The decrease was primarily driven by sales volume declines in North America and South America. Excluding foreign exchange impacts, net sales were down 9 percent and 3 percent for the quarter and year-to-date, respectively.

### **Operating income**

- Reported and adjusted operating income for the quarter were \$113 million and \$127 million, respectively, decreases of 33 percent and 29 percent, respectively, from the year-ago period. The decreases were largely attributable to North America and South America. Excluding foreign exchange impacts, reported and adjusted operating income were down 29 percent and 25 percent, respectively, from the same period last year.
- Year-to-date reported and adjusted operating income were \$266 million and \$294 million, respectively, decreases of 19 percent and 15 percent, respectively, from the year-ago period. The decreases were largely attributable to North America. Excluding foreign exchange impacts, reported and adjusted operating income were down 15 percent and 11 percent, respectively, from the same period last year.
- Second quarter and year-to-date reported operating income was lower than adjusted operating income by \$14 million and \$28 million, respectively, due to asset closures and restructuring costs related to Cost Smart.

### **North America**

#### Net Sales

<b>\$ in millions</b>	<b>2019 Net Sales</b>	<b>FX Impact</b>	<b>Volume</b>	<b>Price/mix</b>	<b>2020 Net Sales</b>	<b>% change</b>	<b>% change excl. FX</b>
<b>Second quarter</b>	<b>977</b>	<b>-4</b>	<b>-142</b>	<b>17</b>	<b>848</b>	<b>-13%</b>	<b>-13%</b>
<b>Year-to-Date</b>	<b>1,928</b>	<b>-5</b>	<b>-150</b>	<b>38</b>	<b>1,811</b>	<b>-6%</b>	<b>-6%</b>

### Segment Operating Income

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\$ in millions	2019 Net Sales	FX Impact	Business Drivers	2020 Net Sales	% change	% change excl. FX
Second quarter	139	-1	-37	101	-27%	-27%
Year-to-Date	264	-1	-37	226	-14%	-14%

### Operating income

- Second quarter operating income was \$101 million, a decrease of \$38 million from the year-ago period and year-to-date operating income was \$226 million, a decrease of \$38 million from the year-ago period. For both the quarter and year-to-date, the decrease was driven by significantly lower away-from-home consumption in the U.S. and Canada and the shutdown of brewery customers in Mexico.

### South America Net Sales

\$ in millions	2019 Net Sales	FX Impact	Volume	Price/mix	2020 Net Sales	% change	% change excl. FX
Second quarter	226	-41	-26	23	182	-19%	-1%
Year-to-Date	454	-66	-13	44	419	-8%	7%

### Segment Operating Income

\$ in millions	2019 Net Sales	FX Impact	Business Drivers	2020 Net Sales	% change	% change excl. FX
Second quarter	16	-4	1	13	-19%	6%
Year-to-Date	34	-7	12	39	15%	35%

### Operating income

- Second quarter operating income was \$13 million, a decrease of \$3 million from the year-ago period. The decrease was largely attributable to unfavorable foreign currency impacts and stay-at-home orders negatively impacting sales volume, partially offset by favorable price/mix. Excluding foreign exchange impacts, segment operating income was up 6 percent.
- Year-to-date operating income was \$39 million, an increase of \$5 million from the year-ago period due to favorable price/mix, partially offset by unfavorable foreign currency impacts. Excluding foreign exchange impacts, segment operating income was up 35 percent. Results for Argentina are accounted for in U.S. dollars under hyper-inflationary accounting.

### Asia-Pacific Net Sales

\$ in millions	2019 Net Sales	FX Impact	Volume	Price/mix	2020 Net Sales	% change	% change excl. FX
Second quarter	203	-6	-8	-2	187	-8%	-5%
Year-to-Date	406	-12	-13	-5	376	-7%	-4%

### Segment Operating Income

\$ in millions	2019 Net Sales	FX Impact	Business Drivers	2020 Net Sales	% change	% change excl. FX
Second quarter	23	-1	-	22	-4%	-
Year-to-Date	43	-1	-	42	-2%	-

### Operating income

- Second quarter operating income was \$22 million, down \$1 million from the year-ago period and year-to-date operating income was \$42 million, a decrease of \$1 million from the year-ago period. For both the quarter and year-to-date, the decrease was largely attributable to the impact of stay-at-home orders on sales volume, partially offset by improved tapioca margins and lower operating expenses. Excluding foreign currency impacts, segment operating income was flat for both the quarter and year-to-date.

### Europe, Middle East, and Africa (EMEA)

#### Net Sales

\$ in millions	2019 Net Sales	FX Impact	Volume	Price/mix	2020 Net Sales	% change	% change excl. FX
Second quarter	144	-9	-7	4	132	-8%	-2%
Year-to-Date	298	-18	-2	8	286	-4%	2%

#### Segment Operating Income

\$ in millions	2019 Net Sales	FX Impact	Business Drivers	2020 Net Sales	% change	% change excl. FX
Second quarter	23	-1	-1	21	-9%	-
Year-to-Date	47	-3	4	48	2%	9%

### Operating income

- Second quarter operating income was \$21 million, down \$2 million from the year-ago period. The decrease was largely attributable to stay-at-home orders impacting production and sales in Pakistan, partially offset by strong pricing actions and strong EMEA specialty sales volume. Excluding foreign currency impacts, segment operating income was flat.
- Year-to-date operating income was \$48 million, an increase of \$1 million from a year ago. The increase was largely attributable to Pakistan pricing actions and strong EMEA specialty sales volume, partially offset by the impacts of stay-at-home orders on Pakistan production and sales volume, and negative foreign currency impacts. Excluding foreign currency impacts, segment operating income was up 9 percent.

### Dividends

In May 2020, the Company maintained the quarterly dividend at \$0.63 per share and paid dividends of \$45 million in the second quarter and \$87 million year-to-date.

### 2020 Outlook

Due to continued uncertainty of COVID-19 impacts, the Company cannot reasonably estimate full-year results at this time and guidance remains withdrawn.

The Company anticipates continued adverse impacts from COVID-19 on net sales across our operating segments during the second half, with recovery in sales generally correlated with easing

of restrictions and increased consumer mobility. With prevailing pandemic case rates across many countries, we expect away-from-home consumption to continue to be suppressed, reducing volumes for ingredients that are formulated for food and beverages consumed away-from-home. We anticipate demand for food consumed in home to remain elevated, increasing volumes for ingredients that are part of the recipes for these meals.

For the full year, we expect a reported tax rate of 29 percent to 32.7 percent and an adjusted effective tax rate range of approximately 26 percent to 27 percent, excluding PureCircle.

Capital expenditures for the full year are anticipated to be between \$290 million to \$310 million, of which more than \$100 million is being invested to drive growth.