Ingredion Incorporated Reports First Quarter 2020 Results

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- First quarter 2020 reported and adjusted EPS* were $1.11 and $1.59, respectively, compared with $1.48 and $1.53, respectively, in the first quarter 2019
- Due to the uncertainty of the effects of COVID-19, the Company has determined that its previous guidance for full year 2020 EPS, cash flow from operations and net sales outlook is no longer applicable

WESTCHESTER, Ill., May 05, 2020 (GLOBE NEWSWIRE) -- **Ingredion Incorporated** (NYSE: INGR), a leading global provider of ingredient solutions to the food manufacturing industry, today reported results for the first 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.

“During these challenging times, Ingredion’s operations are considered ‘essential’ to maintaining the food supply in the countries in which we operate,” said **Jim Zallie**, Ingredion’s president and chief executive officer. “I’m extremely proud of our frontline employees for their commitment to ensuring we continue to deliver quality ingredients and solutions to our customers around the world. I would also like to express my deep appreciation to all of our global employees for the incredible energy and dedication they have displayed since the beginning of this crisis. In the weeks and months ahead, we will continue to focus on keeping our employees safe, serving our customers and the communities in which we operate and maintaining business continuity.”

*Adjusted diluted earnings per share (“adjusted EPS”), adjusted operating income, and adjusted effective income tax rate 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.

“We are pleased with the operational and financial results for the first quarter. Amid macroeconomic disruptions, we experienced solid demand for our products and continued to grow our specialties portfolio. We further streamlined our organization to maximize operational efficiencies as part of our **Cost Smart** savings program, which is on track to achieve our 2020 savings target. Following the close of the quarter, we advanced our **Driving Growth Roadmap**, announcing the pending acquisition of PureCircle, a global leader in the high-intensity natural stevia sweetener space that expands our capabilities in sugar reduction," continued Zallie.

"In the second quarter, we expect strong demand for ingredients found in traditional packaged food products predominantly sold in retail grocery. However, the pandemic has significantly impacted food service traffic and we expect reduced volumes for ingredients that are formulated into food service meals and beverages consumed away-from-home," stated Zallie.

"While we face unprecedented unknowns, I am confident in the agility of our teams to confront the unique challenges ahead and adapt quickly to best position our business for long-term growth and value creation for all stakeholders," concluded Zallie.

Diluted Earnings Per Share (EPS)

	1Q19	**1Q20**
Reported EPS	***$1.48***	***$1.11***
Acquisition/Integration Costs	$0.01	—
Restructuring/Impairment Costs	$0.05	$0.16
Discrete Tax Items	$(0.01)	$0.32
Adjusted EPS*	***$1.53***	***$1.59***

Estimated factors affecting change in reported and adjusted EPS

	1Q20
Margin	0.11
Volume	(0.02)
Foreign exchange	(0.05)
Other income	(0.01)
Total operating items	***0.03***
Other non-operating income	-
Financing costs	0.04
Shares outstanding	(0.01)
Tax rate	-
Non-controlling interest	-
Total non-operating items	***0.03***

Total items affecting EPS**	***$0.06***

**Totals may not foot due to rounding

Financial Highlights

- At March 31, 2020, total debt and cash and short-term investments were $1.9 billion and $280 million, respectively, versus $1.8 billion and $268 million, respectively, at December 31, 2019. The increase in total debt was primarily driven by timing of borrowings.
- Cash from operations at March 31, 2020 was $65 million, up $47 million from the year-ago period, driven primarily by improved change in working capital.
- Net financing costs were $18 million or $4 million lower in the first quarter than the year-ago period, driven by lower interest expense.
- Reported and adjusted effective tax rates for the quarter were 42.6 percent and 26.0 percent, respectively, compared to 26.6 percent and 27.1 percent, respectively, in the year-ago period. The increase in the reported rate was due to a $22 million discrete tax provision driven by the 24 percent decrease in the value of the Mexican peso against the U.S. dollar during the first quarter.
- First quarter capital expenditures were $98 million, up $18 million from the year-ago period due to timing of cash payments made to support our investment in plant-based proteins and other growth projects.
- On April 9, 2020, the Company announced an agreement to acquire PureCircle, a Bermuda company traded on the London Stock Exchange. The transaction is expected to close during the third quarter of 2020 subject to regulatory, shareholder approvals and other closing conditions.

Business Review

Total Ingredion
Net Sales

$ in millions	2019	FX Impact	Volume	Price mix	2020	% change	% change excl. FX
First quarter	1,536	-40	4	43	1,543	—	3%

Reported Operating Income

$ in millions	2019	FX Impact	Business Drivers	Acquisition / Integration	Restructuring / Impairment	2020	% change	% change excl. FX
First quarter	161	-5	6	1	-10	153	(5)%	(2)%

Adjusted Operating Income

$ in millions	2019	FX Impact	Business Drivers	2020	% change	% change excl. FX
First quarter	**166**	**-5**	**6**	**167**	**1%**	**4%**

Net Sales

- First quarter net sales were flat compared to the year-ago period as favorable price mix was offset by foreign exchange impact. Excluding foreign exchange impacts, net sales were up 3 percent.

Operating income

- Reported and adjusted operating incomes for the quarter were $153 million and $167 million, respectively, a decrease of 5 percent and an increase of 1 percent, respectively, from the same period last year. The decrease in reported operating income was primarily due to asset closures and restructuring costs related to Cost Smart that were partially offset by improved price mix. The increase in adjusted operating income was driven by improved price mix. Excluding foreign exchange impacts, adjusted operating income was up 4 percent from the same period last year.
- First quarter reported operating income was lower than adjusted operating income by $14 million, driven by asset closures and restructuring costs related to Cost Smart.

North America
Net Sales

$ in millions	2019	FX Impact	Volume	Price mix	2020	% change	% change excl. FX
First quarter	**951**	**-1**	**-8**	**21**	**963**	**1%**	**1%**

Segment Operating Income

$ in millions	2019	FX Impact	Business Drivers	2020	% change	% change excl. FX
First quarter	**125**	**—**	**—**	**125**	**—**	**—**

Operating income

- First quarter operating income was $125 million, flat compared to a year ago. Improved price mix and higher specialty volumes were offset by higher corn costs due to timing of hedge mark-to-market.

South America
Net Sales

$ in millions	2019	FX Impact	Volume	Price mix	2020	% change	% change excl. FX
First quarter	228	-25	13	21	237	4%	15%

Segment Operating Income

$ in millions	2019	FX Impact	Business Drivers	2020	% change	% change excl. FX
First quarter	18	-3	11	26	44%	61%

Operating income

- First quarter operating income was $26 million, an increase of $8 million from a year ago. Favorable price mix and volume more than offset higher raw material costs and foreign currency impacts. Excluding foreign currency impacts, segment operating income was up 61 percent from the same period last year. NOTE: Argentina accounted for in USD under hyper-inflationary accounting.

Asia-Pacific
Net Sales

$ in millions	2019	FX Impact	Volume	Price mix	2020	% change	% change excl. FX
First quarter	203	-5	-6	-3	189	-7%	-4%

Segment Operating Income

$ in millions	2019	FX Impact	Business Drivers	2020	% change	% change excl. FX
First quarter	20	—	—	20	—	—

Operating income

- First quarter operating income was $20 million, flat compared to a year ago. The negative impact of COVID-19 disruptions on volume were offset by lower operating costs.

Europe, Middle East, and Africa (EMEA)

Net Sales

$ in millions	2019	FX Impact	Volume	Price mix	2020	% change	% change excl. FX

First quarter	154	-9	5	4	154	—	6%

Segment Operating Income

$ in millions	2019	FX Impact	Business Drivers	2020	% change	% change excl. FX
First quarter	24	-2	5	27	13%	21%

Operating income

- First quarter operating income was $27 million, up $3 million from a year ago as favorable price mix more than offset foreign currency impacts. Excluding foreign currency impacts, segment operating income was up 21 percent from the same period last year.

Dividends

- In March 2020, the Company maintained the quarterly dividend at $0.63 per share and paid dividends of $42 million in the first quarter.

2020 Outlook

Due to the uncertainty of the effects of COVID-19, the Company has determined that its previous guidance for full year 2020 EPS, cash flow from operations and net sales outlook is no longer applicable. The impact of COVID-19 in the first quarter was relatively modest. We saw higher volumes in more traditional channels as consumers stocked their pantries in anticipation of stay-at-home restrictions, and we expect these channels to continue to perform well. However, significant uncertainty exists in the food service sector as to when and at what pace consumer traffic begins to return.

In South America, the pandemic is at an earlier stage and we anticipate significant negative impacts to the food service, brewery and confectionary sectors. In North America, we expect reduced demand in food service volumes, and specifically in Mexico, depressed brewery volumes due to government imposed COVID-19 mandates.

In EMEA, we anticipate strong specialty sales in Europe, but weaker volumes in Pakistan. In Asia-Pacific, as restrictions are being lifted, we are seeing relatively strong demand recovery. However, it is too early to determine if that recovery will be sustained.

For the full year, we expect a reported tax rate of 28.5 percent to 32 percent and an adjusted effective tax rate range of approximately 26 percent to 27 percent.

Committed capital investments are anticipated to be between $285 million to $305 million, assuming that equipment orders, access to our sites, and contractor safety can be maintained.