



# Innophos Holdings, Inc.

Gabelli's Annual Specialty Chemicals Conference



March 23, 2016

# Safe Harbor

- During the course of this presentation, management may make forward-looking statements regarding financial performance and future events.
- We will attempt to identify these statements by use of words such as expect, believe, anticipate, intend, and other words that denote future events. You should understand that, even though our forward looking statements are based on assumptions we believe are reasonable when made, they are still subject to uncertainties that could cause actual results to differ materially from those in the forward-looking statements.
- We caution you to consider the important risk and other factors as set forth in the forward-looking statements section and in Item 1A risk factors in our Annual Reports on Form 10-K as filed with the U.S. Securities and Exchange Commission that could cause actual results to differ from those in the forward-looking statements as contained in this presentation.
- Forward looking statements made herein are summaries of previous public disclosures, do not represent revised guidance, and we do not undertake to revise or update them from the date or dates of previous disclosure.

# Overview of Innophos

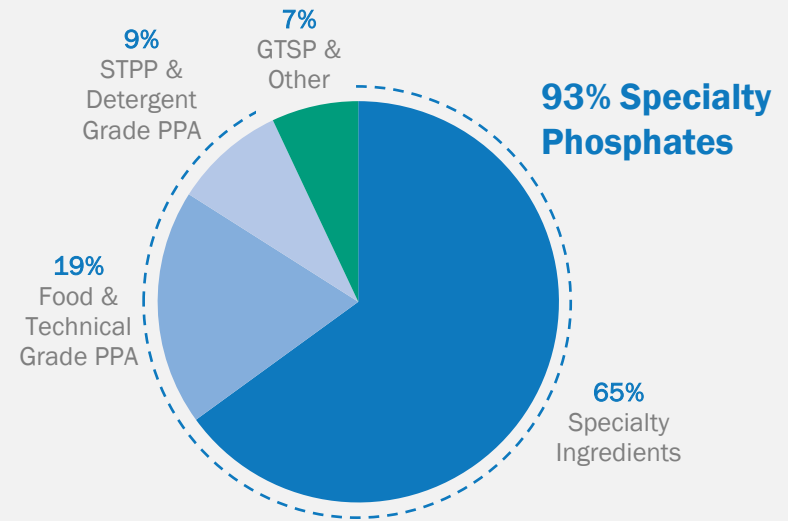
## Company Description

- Leading international producer of performance-critical and nutritional specialty ingredients with applications in the Food, Pharmaceutical and Industrial markets
- Over a century of phosphates experience with a growing capability in other nutritional ingredients
- Core focus on Specialty Phosphates, which accounted for 93% of 2015 revenue

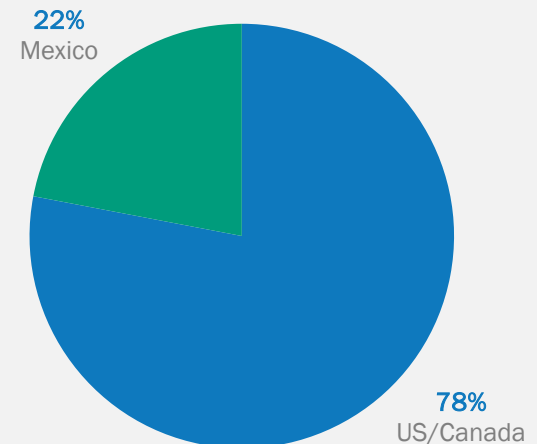
## Company Facts

- Annual revenues \$789 million (FY 2015)
- Free cash flow of \$67 million (FY 2015)
- Total cash returned to shareholders of \$164 million in 2015, >6x full year net income

## 2015 Revenue Breakdown



## 2015 Specialty Phosphates Revenue by Segment



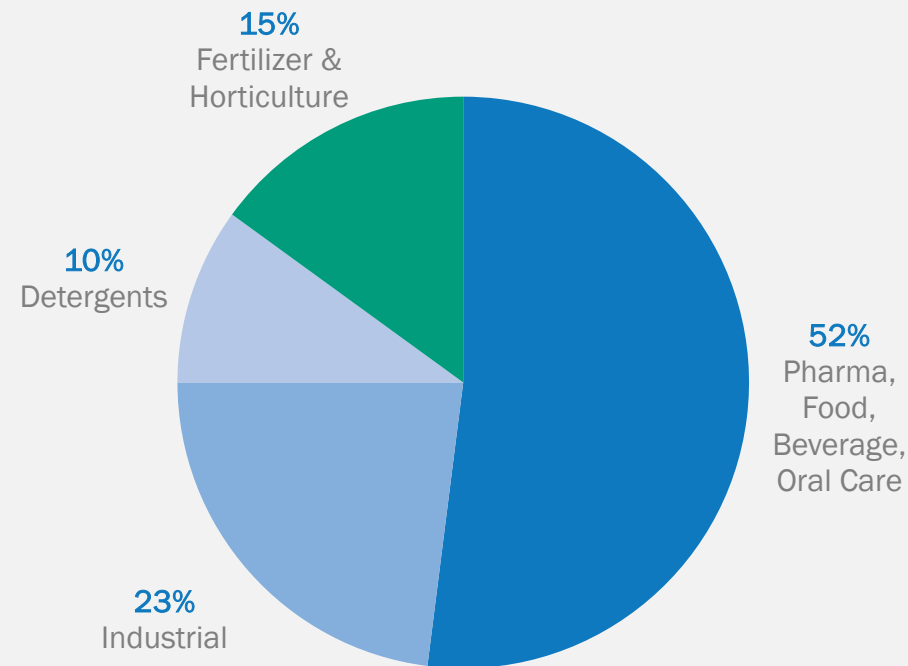
# Investment Highlights

- Strong combination of assets with leading positions in key markets and a top-tier customer base
- New executive leadership and Board members as of December 2015
- Strategic transformation underway focused on operational excellence, commercial excellence and strategic growth
- Proven ability to generate free cash flow through any economic cycle
- Commitment to dividend at current levels while maintaining disciplined capital allocation strategy









# Specialty Phosphates Overview

- Market leading position in specialty phosphates, with approximately one-third market share in a \$1.5 billion North American market
- Mega trends supporting long-term growth in key end markets and applications
- However, weak demand across certain end markets tempering near-term growth

**2015 Revenue by End Market**



# Specialty Ingredients Applications

	Market Applications	Value Proposition	Key Brand Names	2016 Market Outlook
	Bakery Leavening	Critical component for quality, texture, and leavening	Cal-Rise®, Levair® and V-90®	Flat to down 5%
	Meat, Seafood, & Poultry	Yield optimization and enhanced eating experience	Textur-Bind	1 – 2 % growth
	Toothpaste Abrasives	Provides tartar control and abrasive properties to enable cleaning without damage to enamel	Di-Tab®	Flat
	Pharmaceutical Tablet Excipients	Allows for proper dosing of active ingredients	A-Tab®, Di-Tab®, NutraTab™	2 – 3% growth
	Mineral Fortification	Delivers required minerals such as Calcium	-	2 – 4% growth (excluding soda)
	Water Treatment	Critical component for water purification	-	Flat
	Asphalt Modifiers	Designed to enhance the performance of asphalt for safer, longer lasting roads	INNOVALT®	3% growth
	Fire Suppressant	Critical functional ingredient for oxygen deprivation	-	Flat to down 5%

# Manufacturing Footprint

No duplication of product lines across phosphate sites with the exception of PPA, which is necessary due to demand levels



# Strategic Pillars

Strategic pillars supported by strong organization and cultural transformation



## Operational Excellence

- Corporate scorecard
- Revitalized executive S&OP
- End-to-end supply chain visibility
- Lean manufacturing



## Commercial Excellence

- Customer segmentation
- Sales channel
- Pricing discipline
- Margin management



## Strategic Growth

- Portfolio management
- Growth adjacencies
- New products & Innovation
- Robust Marketing/R&D





# Operational Excellence

## CORPORATE SCORECARD

- Volume

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- EBITDA

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- Working Capital

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- Expense

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- CapEx

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- ROIC

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- Get the business “fit”
- Drive better alignment across functions and processes
- Establish a routine and robust integrated business management process
- Increase supply chain visibility to drive faster response to changing market conditions
- Implement lean manufacturing to drive efficiency, reduce costs and increase utilization



# Commercial Excellence

Manage input costs and pricing while evolving mix to higher value products and services.

Margin Management

Align product and service offerings with customer needs and preferences.

Customer Segmentation

Pricing Discipline

Establish purposeful decision processes to ensure that we are capturing the value we deliver to the market.

Sales Channel Management

Deliver the right products through the right channels to the right customers.

# Strategic Growth



M&A in adjacent markets



Investments in new products  
and innovation



Portfolio Management

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MARKETING + R&D

# Capital Allocation Policy

Priority	Details
Capital Expenditures	<ul style="list-style-type: none"><li>• \$32 million in 2015; ~ 75% maintenance and 25% growth</li><li>• Expect \$40 million in 2016</li></ul>
M&A	<ul style="list-style-type: none"><li>• Evaluating adjacent markets for growth opportunities</li><li>• Strategic fit and valuation key to any future acquisitions</li></ul>
Dividends	<ul style="list-style-type: none"><li>• Committed to a dividend of \$0.48 per share</li><li>• Current dividend yield is ~7%</li></ul>
Share Repurchases	<ul style="list-style-type: none"><li>• Bought back 11% of the Company's outstanding shares in 2015</li><li>• Will continue to evaluate future share repurchase programs</li></ul>

# Immediate Transformation Priorities

Strengthen the Foundation

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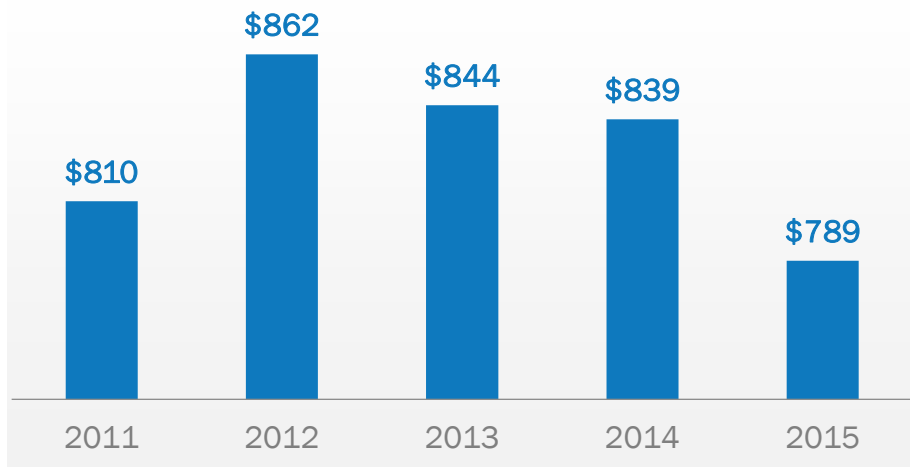
- 1 Implementation of Operational and Commercial Excellence initiatives
- 2 Complete restructuring efforts
- 3 Find solution for GTSP business
- 4 Maintain dividend
- 5 Identify longer-term strategic priorities and key business goals



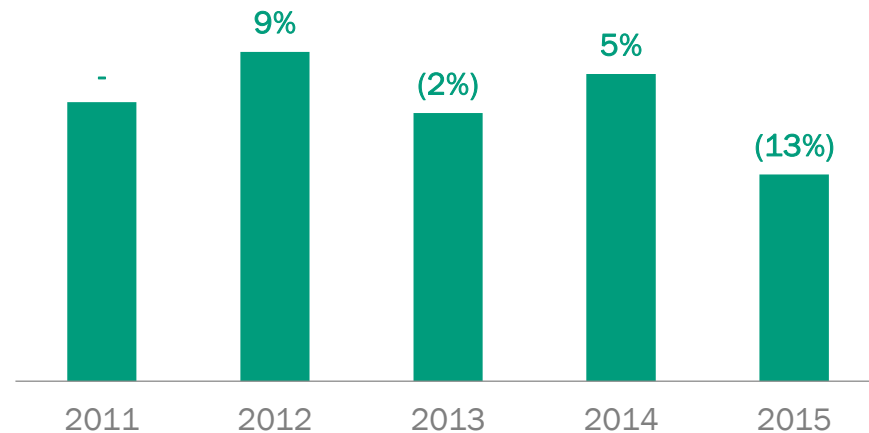
# Financial Highlights

# Financial Performance

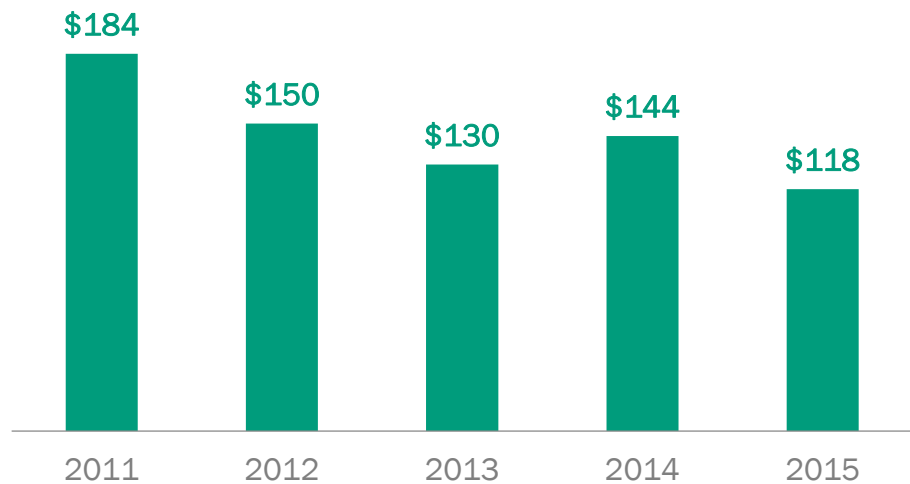
Net Sales (USD, mm)



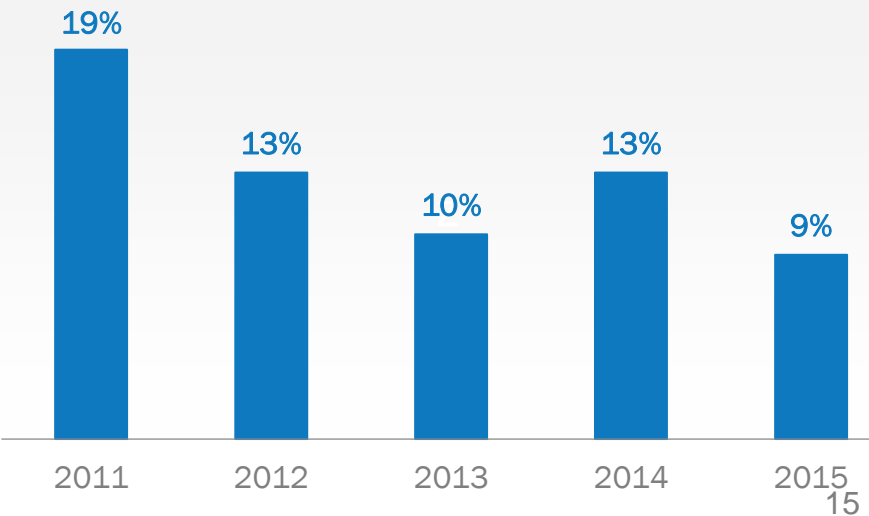
Volume\*



Adjusted EBITDA (USD, mm)



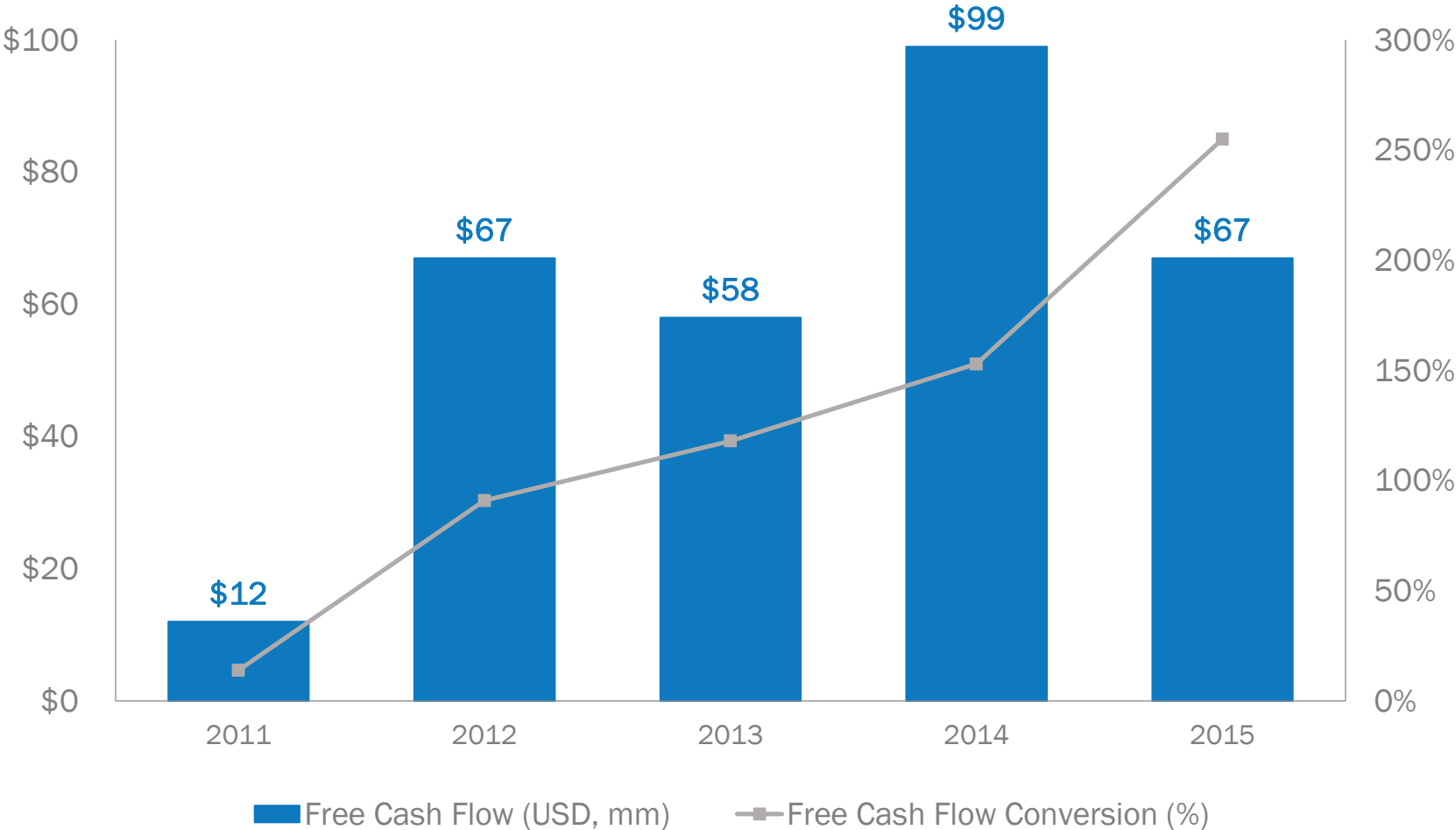
ROIC



\*Volume growth indexed to 2011 levels

# Strong Free Cash Flow Generation

Strong cash flow generation provides Innophos with the ability to return value to shareholders through a disciplined capital allocation strategy





# Balance Sheet Highlights

(USD, mm)	2011	2012	2013	2014	2015
Gross Debt	\$152	\$176	\$163	\$136	\$213
Net Debt	\$117	\$149	\$130	\$100	\$195
Stockholders' Equity	\$393	\$444	\$463	\$463	\$333
Working Capital	\$245	\$275	\$279	\$247	\$176

- Cash repatriation program in 2015 created to optimize foreign tax credits and enable \$266 million of future cash returns to the United States
- Bank credit facility amended and restated in 4Q12 to reduce interest rates by 75 basis points, increase capacity by \$100 million and extend term an additional 2 years to 2017; \$100 million of LIBOR exposure swapped for 5 years at 0.9475%

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# Appendix

# Regulation G Reconciliation

## Adjusted EBITDA Reconciliation to Net Income

(USD, mm)	2011	2012	2013	2014	2015
Net Income	87	74	50	64	26
Interest	6	6	4	4	8
Taxes	44	32	27	33	14
Depreciation & Amortization	44	42	35	35	39
<b>EBITDA</b>	<b>180</b>	<b>154</b>	<b>116</b>	<b>137</b>	<b>86</b>
<b>ADJUSTMENTS</b>					
Non-cash stock compensation (ordinary)	6	2	2	3	2
Translation (income) expense	1	(2)	3	5	4
Restructuring charges	-	-	-	-	9
Management transition expenses	-	-	-	-	12
Specialty Phosphates inventory reserves	-	-	-	-	3
Revision of 2014 supplier costs	-	-	-	(2)	2
Mexico CNA water duties income	(3)	(7)	(7)	-	-
US one-off items in 1Q13	-	-	5	-	-
Mexico manufacturing issues in 1H13	-	-	10	-	-
Mexico out of period	-	2	-	-	-
<b>Adjusted EBITDA</b>	<b>184</b>	<b>150</b>	<b>130</b>	<b>144</b>	<b>118</b>

Note: Schedule may not foot due to rounding

# Our Supply Chain

