

INNOPHOS 4Q13 AND 2013 RESULTS CONFERENCE CALL

EDITED TRANSCRIPT

CALL HELD FEBRUARY 19, 2014

PARTICIPANTS

Corporate Participants

Mark Feuerbach – Vice President – Investor Relations and Chief Financial Officer, Innophos Holdings, Inc.
Randolph E. Gress – Chairman, Chief Executive Officer, President & Director, Innophos Holdings, Inc.

Other Participants

Larry S. Solow – Analyst, CJS Securities, Inc.
Christopher W. Butler – Analyst, Sidoti & Co. LLC
Edward H. Yang – Analyst, Oppenheimer & Co., Inc. (Broker)
Chris L. Shaw – Analyst, Monness, Crespi, Hardt & Co., Inc.
Summit Roshan – Analyst, KeyBanc Capital Markets, Inc.
Tytti Kaasinen – Senior Engagement Manager, GES Investment Services AB
Richard O'Reilly – Analyst, Revere and Associates
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MANAGEMENT DISCUSSION SECTION

Operator: Good morning ladies and gentlemen, and welcome to the Innophos Fourth Quarter and Full Year 2013 Results Conference Call. My name is Dawn. I'll be the operator for today's call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Please note that this conference is being recorded.

I will now turn the call over to Mark Feuerbach, Vice President of Investor Relations and currently serving as CFO. Mr. Feuerbach, you may begin. Sir, you may begin.

Mark Feuerbach, VP - Investor Relations and Chief Financial Officer

Good morning. And thank you for joining us today for Innophos' Fourth Quarter and Full Year 2013 Results. Joining me on the call today is Randy Gress, Chief Executive Officer. Randy will start with comments on our fourth quarter performance and progress in executing our strategic initiatives. I will then provide detail on our financial results and a look ahead to the first quarter and full year 2014. Randy will then conclude with some final remarks before we open the call up for your questions.

During the course of this call, management may make or reiterate forward-looking statements made in our February 18 press release regarding financial performance and future events. We will attempt to identify these statements by use of words such as expects, believes, anticipates, intends, and other words that denote future events. These forward-looking statements are subject to material risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements.

We caution you to consider the important risks and other factors as set forth in the forward-looking statement section and in Item 1A, Risk Factors in our Annual Reports on Form 10-K as filed with the SEC that could cause actual results to differ from those in the forward-looking statements made in this conference call.

We will make a replay of this conference call available for a limited time over the telephone at the numbers set forth in our press release and via webcast available on the company website. In addition, please note that the date of this conference call is February 19, 2014. Any forward-looking statements we may make today are

based on assumptions that we believe to be reasonable as of this date, and we undertake no obligation to update these statements.

Now, I would like to turn the call over to Randy Gress, CEO of Innophos. Randy?

Randolph E. Gress, Chairman, President & Chief Executive Officer

Thanks, Mark, and good morning, everyone. Overall, we are pleased with our performance for the final quarter of 2013, as we generated our strongest net income of the year driven by our highest level of operating income and margin for Specialty Phosphates in six quarters.

Our improved income and margin was supported by the strength of our Specialty Ingredients product line, where volumes grew 4% organically, compared to the prior year period, as well as improved costs and higher overall average selling prices for the U.S. and Canada business. We also achieved a number of important accomplishments in 2013, positioning us well to deliver above market growth rates, while strengthening our product portfolio and market position.

In Mexico, our Coatzacoalcos facility has improved its performance each quarter since the challenges we faced in the first half of the year. Our actions to improve the future reliability and capability of this facility have enabled significantly improved operating performance. I'm pleased to report that we have just achieved the best yield of any quarter this year at Coatzacoalcos, up roughly 500 basis points from our first quarter 2013 low, and we also set new monthly and annual production records at our Specialty Ingredients plants.

As we continue to improve our operating performance in Mexico, we are now focusing on the facility upgrades that will enable us to drive even higher growth and profitability. More on that in just a moment.

In China, we started up our food ingredients manufacturing facility and lab to support growth in the Asia-Pacific region. These efforts helped grow exports from the U.S. and Canada to Asia by 10% in 2013. Overall for 2013, export sales from U.S. and Canada remained strong, up 9% year-over-year, driven primarily from growth in the Asia-Pacific and Europe. We view the export regions as strong growth areas for Innophos, especially for the food and beverage markets.

Turning to product development, our sodium reduction product, Cal-Rise®, continues to perform very well, recording over 60% volume growth for 2013 compared to 2012. We continue to invest in product development and applications to support above market growth rates.

Additionally, in the fourth quarter we completed our fourth acquisition in the high growth nutritional ingredient space with the purchase of Chelated Minerals International. This acquisition will integrate well with our other recently acquired minerals businesses, AMT and Kelatron, which are also based in the Salt Lake City area. These businesses provide high quality custom ingredients and the mineral fortification industry and are expected to grow in excess of the 6% to 8% projected market growth rates for 2014.

Overall, growth from acquisitions contributed 3% to our Specialty Phosphates revenue for the fourth quarter and will remain an important part of our strategic growth initiatives. We remain focused on opportunity to expand our position in the high growth, micronutrient ingredient sector, which provides us with an enhanced long-term platform for growth that complements our strong position in Specialty Phosphates.

Turning to our performance for the quarter, our U.S. and Canada segment recorded stronger year-over-year revenue and profitability, driven by benefits from our recently acquired nutrition businesses, stronger volumes from our Specialty Ingredients products, higher selling prices, and reduced cost. This was partially offset by unfavorable mix within the Specialty Ingredients and year-end inventory adjustments by some acid customers, resulting in the lowest purified phosphoric acid or PPA volume sold in the last eight quarters.

Although, 2013 growth rates were negatively affected by lower asphalt market demand from reduced government spending, we remain optimistic regarding the long-term growth prospects of our INNOVALT® product line, as deferred projects come back online and local governments resume investing in repairing and updating their aging infrastructure.

We've just completed a successful paving trial in one state likely to approve our product, and are making near-term progress in five of the remaining nine unapproved states. We are also encouraged by growth prospects in export markets, with trials planned or recently completed in two South American countries, as well as growing market opportunities in various countries of Europe, the Middle East, and Africa.

In Mexico, sales were lower from the year-ago period due to weaker volumes resulting from increased intercompany sales to replenish U.S. inventories. However, we generated significantly improved profitability levels in Mexico from better sales mix and greater levels of efficiency and improved operations.

As I mentioned earlier, we achieved the best yield quarter of the year and established new monthly and annual production records set at our Specialty Ingredients plant in Coatzacoalcos. As we move forward, our focus will be on supporting growth and profitability by further enhancing the capability, reliability and efficiency of our Coatzacoalcos facility. To this end, we recently commissioned a newer higher grade PPA operation in Mexico that will provide greater efficiency and flexibility in that region, support our U.S. and Canada network and strengthen our product mix in Latin America.

Turning to GTSP, weak market demand that drove selling prices to full year lows resulted in the 59% decline in fourth quarter sales compared to the prior year period and a \$4 million operating loss which was in line with our expectations. We expect a smaller operating loss between \$2 million and \$3 million in the first quarter 2014 based on business that is already transacted. We expect profitability to return to breakeven in the second quarter 2014 based on February price indications and the expectation that market prices will continue to increase for the remainder of the first quarter.

As I have said before, GTSP is roughly 10% of our business by revenue and is not a core focus of the business. But it is a necessary piece of our economic model as it represents a saleable co-product that arises in our Mexico acid purification process. Overall, we delivered total net sales \$197 million in the fourth quarter, down 6% from the same period last year. We recorded diluted earnings per share of \$0.65 compared to the \$0.62 recorded in the prior year period after giving effect to the disclosed adjustments for the prior year quarter.

In summary, we have made significant strides against our strategic objectives. Our initiatives to improve Coatzacoalcos and its future reliability were reflected in significantly improved operating performance during the quarter. We are now focused on enhancing our overall growth and profitability in Coatzacoalcos through the recently commissioned higher grade food and beverage PPA operation and further investments in 2014 to enhance the reliability, capability, and efficiency of that operation.

In the last two years, we've made four acquisitions in the nutrition ingredients space which are performing well overall. Collectively, they provide us with an expanding position in the high-growth micronutrients ingredient sector and an enhanced long-term platform for growth that complements our strong position in Specialty Phosphates ingredients.

Finally, our capital allocation policy remains focused on investing in our growth and returning cash to shareholders. Our quarterly dividend is now \$0.40 per share, up 48% from a year-and-half ago. Additionally, we continue to execute on our share repurchase program, buying back 150,000 shares for \$7.1 million in the fourth quarter 2013 when share prices became attractive for the program.

I'll now turn it back over to Mark for additional detail on the financial results in the quarter. Mark?

Mark Feuerbach, VP - Investor Relations and Chief Financial Officer

Thanks, Randy. Net sales of \$197 million for the fourth quarter of 2013 consisted of \$187 million from Specialty Phosphates and \$10 million from GTSP & Other. This represents a \$12 million decline compared to last year with higher Specialty Phosphates sales more than offset by lower GTSP & Other sales.

Diluted earnings per share for the fourth quarter of 2013 were \$0.65 compared to \$0.60 for the fourth quarter of 2012. Adjusting for a \$0.02 per share expense for accelerated deferred financing and interest rate premiums related to the senior credit facility refinanced in December 2012, diluted EPS in the year-ago period was \$0.62.

Earnings growth was driven primarily by contributions from acquisitions, higher selling prices and improved costs in U.S. and Canada and improved sales mix in Mexico. This was partially offset by unfavorable sales mix in the core business of U.S. and Canada, lower volumes in Mexico and GTSP performance.

Specialty Phosphates revenue was 1% higher compared to the prior-year period on higher prices. Our recent acquisitions contributed 3% to growth, but this was offset by a 3% decline in core business volumes, primarily due to the lower export sales from Mexico at the expense of increased intercompany sales to replenish U.S. inventories.

Specialty Ingredients volumes were up 4%, but declines in lower-margin STPP and PPA sales led to the overall decline in core business volumes. U.S. & Canada Specialty Phosphates recorded sales of \$144 million, up 5% from the prior-year period with acquisition benefits being the primary contributor along with higher average selling prices.

Core business volumes shipped were up 1%. However, this growth was primarily generated from lower-margin products resulting in an overall volume and mix decline of 1%. Mexico Specialty Phosphates sales of \$43 million were down 10% compared to the last year, primarily on lower volumes, which were affected by a decrease of trade sales in the Latin American region due to higher intercompany sales to replenish U.S. inventories. As Randy noted, the Coatzacoalcos plant is now running well and achieved its best yield quarter of the year, up nearly 500 basis points from the first quarter of 2013 and also set new monthly and annual production records on the Specialty Ingredients unit. This has positioned us well from an operational standpoint for 2014 and beyond.

Additionally, our fourth quarter 2013 export sales out of the U.S. were up 12% year-over-year with strong growth recorded in Asia Pacific and Latin America. Total Specialty Phosphates generated \$28 million of operating income, up \$7 million from the prior year and up \$3 million on a sequential basis. The increase against the prior year was primarily due to higher selling prices and lower cost for U.S. and Canada, along with improved sales mix in Mexico.

Operating income margin in Specialty Phosphates overall was 15%, up 360 basis points compared to the prior-year period and up 240 basis points sequentially.

Operating income in the fourth quarter 2013 for U.S. and Canada Specialty Phosphates of \$21 million was up \$5 million versus the year-ago period, but down \$1 million sequentially due to normal seasonal effects. Operating income margin was 14% for the quarter, up 290 basis points from a year-ago period and up 40 basis points sequentially, reflecting higher prices and better cost compared to the year-ago period.

Operating income for Mexico's Specialty Phosphates of \$7 million was up \$2 million compared to the same period last year and up \$4 million sequentially, reflecting the significantly-improved operating performance, driven by our actions to increase the efficiency and reliability of Coatzacoalcos. Operating income margin was 16% for the fourth quarter, up 570 basis points from a year ago and up 910 basis points sequentially.

Turning to GTSP & Other, we reported a \$4 million loss for the quarter. This is \$5 million unfavorable to the prior-year quarter and \$1 million unfavorable to the previous quarter. Our effective tax rate for the fourth quarter was 37%, which was above our expectation, due primarily to a higher percentage of earnings in the U.S. We expect an effective tax rate between 33% and 35% for 2014.

Depreciation and amortization was \$8 million for the quarter, \$3 million lower than a year ago. For the full year, we recorded depreciation and amortization of \$35 million, \$7 million less than in 2012 with approximately 60% of the benefit recorded in Specialty Phosphates and 40% in GTSP & Other. This decrease in depreciation and amortization resulted from the asset values created at the formation of the company in 2004, reaching the end of their depreciation lives, partly offset by the amortization of intangibles associated with the recent acquisitions.

Capital expenditures were \$3 million in the fourth quarter and \$33 million for the full year, slightly below our expected range for 2013. Looking ahead to 2014, we expect capital expenditures to be in the \$45 million to \$50 million range as we continue to focus on further enhancing our Coatzacoalcos facility to process multiple grades of rock, consistent with the company's supply chain diversification strategy, along with continued capacity enhancements to our U.S., Canada, and Mexico Specialty Ingredients facilities.

Net debt increased sequentially by \$4 million in the fourth quarter of 2013 to \$130 million as we repurchased 150,000 shares for \$7.1 million. Mexico income tax refunds received early in the fourth quarter, along with \$1 million of interest income, were essentially offset by increased inventories in Mexico for the quarter.

Our balance sheet remains strong and we are committed to maximizing value for our shareholders by investing in growth and returning cash to shareholders. During the fourth quarter, our board of directors approved a 14% increase in our quarterly dividend rate, raising it to \$0.40 per share. We will be making another dividend payout of \$0.40 per share at the end of February 2014.

Looking ahead to 2014, we continue to expect market growth rates of approximately 1% to 2%. We believe the progress we have made in executing our growth strategy has positioned us to achieve an overall 3% to 5% growth rate in Specialty Phosphates in 2014, driven by improved operations at our Coatzacoalcos facility, low double-digit growth expectations for our nutrition business and expected asphalt market demand recovery as well as continued success in our geographic expansion and product development and application success.

We still expect to deliver 14% to 15% in Specialty Phosphates operating income margins for 2014. The first quarter is expected to be the lowest margin quarter of the year at approximately 100 basis points below the full-year average, due to some high cost PPA in inventory and some unexpected fourth quarter purchase price variances from our merchant grade acid supplier for phosphate rock consumption variances at their facility, which have since been rectified.

Market prices for the key raw materials of phosphate rock and sulfur, both declined approximately 20% in the fourth quarter compared to the third quarter 2013, consistent with a drop in market fertilizer prices during that period. Fertilizer prices have since rebounded by approximately 20% when comparing the end of January 2014 prices to mid-December 2013.

Raw material prices have therefore rebounded as well in the first quarter 2014, with market sulfur prices increasing by nearly 50%, putting them somewhere between second quarter and third quarter 2013 levels, and market phosphate rock prices recently reported up about 15% from fourth quarter 2013 levels. Although we have seen some resistance on selling prices in the recent quarters, we have been able to maintain fairly stable pricing overall and are prepared to respond with selling price increases to offset rising raw material costs.

On GTSP, we expect an operating loss between \$2 million to \$3 million for the first quarter 2014, based on business that has already transacted. We expect break-even operating income for the second quarter of 2014, based on February market price indications and the expectation that market prices will continue to increase for the remainder of the first quarter.

Now, back to you, Randy.

Randolph E. Gress, Chairman, Chief Executive Officer, President & Director

Thanks Mark. As I look back on 2013, we had a very challenging year. We had to deal with sluggish market demand, lowest fertilizer prices in the last four years and acute headwinds, like reduced government spending, which significantly affected sales in certain product lines.

Of course, our first half of the year had certain operating issues with our Mexico facility and the planned maintenance outage in the third quarter presented us with a different set of issues. And yet, in spite of all of this, we continued to invest to improve operations and to grow the business and exited the year in a slightly better position than when we entered – a significantly better position.

We are excited about the improved operations at Coatzacoalcos facility, which will play an integral part of our growth strategy and improved profitability across our business. We remain focused on building on our position in the high-growth micronutrient ingredients space, which remains an important part of our growth strategy and serves to enhance a long-term platform for growth that complements our strong position in Specialty Phosphates.

In 2014, we expect low double-digit growth from our nutrition businesses. We are also poised to see what we expect to be a recovery in asphalt market demand for our INNOVALT product line. These factors, along with our

focus on geographic expansion and innovation, give us confidence in our outlook of 3% to 5% volume growth for Specialty Phosphates in 2014, which is more than double the market growth rate of 1% to 2%. Even though market conditions are expected to remain challenging, we're confident in our growth strategy and look forward to executing and achieving our goals for 2014 and beyond.

Thank you for listening and we will now take your questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Larry Solow from CJS Securities. Please go ahead.

<Q – Larry Solow – CJS Securities, Inc.>: Hi. Good morning. Thanks. You mentioned the food and Specialty Ingredients was up 4% for the quarter. Do you have the number for the year for 2013? And what would you expect that to do in 2014? So, [ph] whether that's (24:39) baked in into your assumptions?

<A – Randy Gress – Innophos Holdings, Inc.>: Yeah. Larry, if I could break it out, I think for the Specialty Ingredients, for the year, we did see roughly a 3% year-on-year.

<Q – Larry Solow – CJS Securities, Inc.>: Okay.

<A – Randy Gress – Innophos Holdings, Inc.>: Overall, I believe.

<Q – Larry Solow – CJS Securities, Inc.>: And [ph] 2014 (25:06) --

<A – Randy Gress – Innophos Holdings, Inc.>: And then that's roughly, I think, plus 4% from the acquisition.

<Q – Larry Solow – CJS Securities, Inc.>: Right.

<A – Randy Gress – Innophos Holdings, Inc.>: 1% on the volume down on the core there.

<Q – Larry Solow – CJS Securities, Inc.>: Would you expect sort of similar numbers next year and then the other things you mentioned, I guess, not being negative, so that's sort of staying in that 3% to 5% range, is that sort of a good way to look at it?

<A – Randy Gress – Innophos Holdings, Inc.>: What we're looking for and targeting for next year is to see roughly the 1% to 2% growth in the base business.

<Q – Larry Solow – CJS Securities, Inc.>: Okay.

<A – Randy Gress – Innophos Holdings, Inc.>: And continued success in the 2% to 3% range, contribution from our strategic initiatives in the geographic growth as well as some of the core growth in the applications and development.

<Q – Larry Solow – CJS Securities, Inc.>: Okay. The 15% – almost 16% operating margin in Mexico, clearly, very good numbers and, obviously, driven by Coatzacoalcos. Is some of that – was there some benefit in that number [ph] not (26:17) having intercompany sales in the margin, so you – in other words, so you sort of skewed a little higher? Clearly, that number does sound like it's sustainable. So, I'm just trying to figure out is there sort of some one-time or is some timing of expenses in there that made that number even better?

<A – Randy Gress – Innophos Holdings, Inc.>: I'm going to ask Mark to address that. Mark?

<A – Mark Feuerbach – Innophos Holdings, Inc.>: Okay. Yeah. Larry, it was more around our product mix for the quarter. It was better than a normal average quarter for a year, so skewed towards our higher-end products.

<Q – Larry Solow – CJS Securities, Inc.>: Okay. And then just last question, the drop in STPP and PPA, I guess, mostly driven by inventory adjustments in some of the intercompany sales, which took away from those sales. How do you see those markets going forward? And P&G's announcement to remove phosphates from detergents, I guess, in developing countries, where it hasn't been removed. Do you expect that to have any impact on you guys?

<A – Randy Gress – Innophos Holdings, Inc.>: Larry, for the STPP in the quarter, most of it was due to the adjustment there in the inventory and build for inventory and backing off in both the PPA as well as the STPP in the export markets.

<Q – Larry Solow – CJS Securities, Inc.>: Okay.

<A – Randy Gress – Innophos Holdings, Inc.>: We do see some headwinds in the STPP going forward with the announcement that you addressed there on the reformulations. I think important for that – it doesn't look like it's going to impact us at all in the 2014 timeframe. But I think, going forward, we always expect those kind of headwinds. I think there is a possibility that that could even turn into an opportunity for us as we don't have a heavy concentration in that area.

<Q – Larry Solow – CJS Securities, Inc.>: Right.

<A – Randy Gress – Innophos Holdings, Inc.>: Our overall STPP is down to roughly 9% of our revenues overall --

<Q – Larry Solow – CJS Securities, Inc.>: Right.

<A – Randy Gress – Innophos Holdings, Inc.>: ...with probably about three quarters of that in Latin America. And I think may provide some opportunities as some other suppliers are more greatly impacted maybe with some heavier concentration there. I think also I'd like to comment that, on a positive side, we have certainly addressed any decline in the STPP and detergent grade acid area, which was in the mid-30% quite a few years back to now, like I said, less than 10%.

<Q – Larry Solow – CJS Securities, Inc.>: Right.

<A – Randy Gress – Innophos Holdings, Inc.>: And converted lot of our capability to higher margin, better products and increased the overall food grade capacity there.

<Q – Larry Solow – CJS Securities, Inc.>: Got you. Okay. Great. Thanks.

<A – Randy Gress – Innophos Holdings, Inc.>: Thanks, Larry.

Operator: Thank you. Our next question comes from Christopher Butler, Sidoti & Company. Please go ahead.

<Q – Christopher Butler – Sidoti & Co. LLC>: Hi. Good morning, everyone.

<A – Randy Gress – Innophos Holdings, Inc.>: Good morning, Chris.

<A – Mark Feuerbach – Innophos Holdings, Inc.>: Hi, Chris.

<Q – Christopher Butler – Sidoti & Co. LLC>: Just dovetailing off of that last question, inventories to end the year were higher than, I think, I've seen them before. How much of that had to do with some of the soft demand out of PPA, STPP? How much maybe fortunate timing of purchases on phosphate rock that may help going forward?

<A – Randy Gress – Innophos Holdings, Inc.>: Let me say a few comments there and then I'll turn over to Mark for some additional comments. I think we did have some higher inventories there on the raw material side. I think on the finished goods side, we did see some softness in the PPA as some year-end adjustments in inventory took place. And then also with the improvement in rebuilding the inventories for the U.S. being sourced for Mexico, all contributed there. Mark, do you want to add anything?

<A – Mark Feuerbach – Innophos Holdings, Inc.>: Yeah. The only thing I would add is I think the biggest factor was the first that you mentioned, which was the raw materials and timely purchases on some of those and what looks like maybe was the bottom of the cost cycle here over the last couple of quarters.

<Q – Christopher Butler – Sidoti & Co. LLC>: And looking at your top-line guidance on the specialty side, 3% to 5% growth on volumes. 2013, you were just over 3% and you had the headwinds of [ph] core asphalt sales (31:04) and some intercompany sales to end the year. It would seem that you don't need much underlying improvement in order to reach that goal. How conservative are you as far as what you need to see underlying happen to reach those numbers or achieve those numbers?

<A – Randy Gress – Innophos Holdings, Inc.>: Chris, I think important, as you state, is some recovery within the market. But I think it's going to still take us executing well in our growth strategy there with the exports and

with the new applications for products. And I think also, it's also delivering on the nutritional businesses where we're expecting to do better than what we have seen for markets expectations in that area and hitting the low double-digit growth in that area from the acquisitions.

<Q – Christopher Butler – Sidoti & Co. LLC>: And just finally, as far as uses of cash, you'd mentioned share repurchases, I know you've done a great job of returning cash to shareholders through the dividend. But if you found the share price attractive, why didn't we see greater repurchases during the quarter?

<A – Randy Gress – Innophos Holdings, Inc.>: Well, I think, for where we are really putting our priorities on the cash allocation, that continues to be to invest in the growth of the business as well as, as you said, improve the dividends in line with our growth in earnings. And the share repurchases have really been more opportunistic, where we've been targeting roughly to recover the purchases from preventing any dilution from our incentive programs.

<Q – Christopher Butler – Sidoti & Co. LLC>: I appreciate your time.

<A – Randy Gress – Innophos Holdings, Inc.>: Thanks a lot, Chris.

Operator: Thank you. Our next question comes from Edward Yang from Oppenheimer. Please go ahead.

<Q – Ed Yang – Oppenheimer & Co., Inc. (Broker)>: Hi. Good morning.

<A – Randy Gress – Innophos Holdings, Inc.>: Hi, Ed.

<Q – Ed Yang – Oppenheimer & Co., Inc. (Broker)>: Just a follow-up on the PPA and it sounds like you might have seen some destocking, customer destocking in the fourth quarter that might have impacted volumes. I know that affected you at the end to 2012 as well, but back then I think you saw a restock following that. So, is that – are you expecting that for 2014?

<A – Randy Gress – Innophos Holdings, Inc.>: That's hard to say. And I think we did see some destocking in the supply chain there. And what goes on through this year is tough to call from the overall supply chain there. I think, we did see also a little bit of weather impacting us in the Midwest with the temperatures, both at the end of the year as well as going into this year as most people are certainly familiar with. And that's impacting both us and some of our customers and their demand.

<Q – Ed Yang – Oppenheimer & Co., Inc. (Broker)>: That makes sense. Randy, now that – I mean, it seems like, knock on wood, the operational issues in Mexico, they're resolved, now that the situation has been fixed, I mean, are there any processes in place or lessons learned in terms of what caused these issues in the first place or to ensure that basically you don't have these types of problems reoccur?

<A – Randy Gress – Innophos Holdings, Inc.>: We've made a lot of improvements there. Some of the focus has been on certainly the maintenance side and some of the practices, and I think I reported before that we've brought in some outside expertise to help us improve there on some of the preventive and predictive side of maintenance. And we've also added some additional technical resources to support the operations and some additional management personnel. So, I think in the overall practices, in addition to what we've done in the investments, it's certainly improved things. And quite honestly, I think we have more potential for improvement there. We're going to continue to invest to improve the reliability and capability of the site, and I think with that some overall performance continue to improve there.

<Q – Ed Yang – Oppenheimer & Co., Inc. (Broker)>: And I suppose it's understandable to have expected some growing pains there given that essentially you've changed your inputs on the raw materials' side and you've reconfigured that plant on the products [ph] slate (36:11) side in terms of moving away from more detergent industrial-grade products to food-grade products.

<A – Randy Gress – Innophos Holdings, Inc.>: That's a good point, but I really never expect to have problems like that. And I know we can do better and we did do better. And sure, there's a lot of change coming at this site, but I think the team has done a good job addressing it. And again, I think some more potential going forward here.

<Q – Ed Yang – Oppenheimer & Co., Inc. (Broker)>: Okay. And on GTSP, I mean, that was the other area that caused some of the earnings hiccups in the past year or so. You're looking forward to get back to breakeven. And certainly, minus 40%, 45% margin isn't the norm, which you saw in the fourth quarter. What's your long-term view on GTSP margins? I know, in the past, it was somewhere in the low double-digits positive.

<A – Randy Gress – Innophos Holdings, Inc.>: Yeah, Mark, can you address that?

<A – Mark Feuerbach – Innophos Holdings, Inc.>: Sure. Yeah. So, yeah, we used to – if you went back to the Investor Day, we were talking about around 10% – 8% to 10% type of range, I think, on GTSP & Other margins. Over the last couple of years, of course, we haven't seen that. We've been operating at breakeven in sort of a gradually-declining raw material environment. And then when that accelerated further, we've had more substantial losses. But certainly, we would expect to be able to make a positive margin over the long haul on this business. Given that, there has been a bit of a squeeze on non-integrated producers recently, we would expect it maybe not to be quite at the 8% to 10% level that it had been in the past. But certainly, we would think we should be able to get at mid-single digit type of operating income over the longer term.

<Q – Ed Yang – Oppenheimer & Co., Inc. (Broker)>: And what are the incremental margins? I would assume that because of the depressed volumes, putting aside even the depressed prices, that there are a lot of – are there a lot of unabsorbed fixed costs associated with GTSP right now?

<A – Mark Feuerbach – Innophos Holdings, Inc.>: Not substantial unabsorbed costs. As you know, that's a co-product of our acid production. So, as long as we continue to operate the Specialty Phosphates portion of the business, we're going to generate volumes. We may have some choppiness on when the sales are recorded. But we're going to run the GTSP volumes at a fairly stable year-over-year basis.

<Q – Ed Yang – Oppenheimer & Co., Inc. (Broker)>: Got you. Okay. Thank you very much.

<A – Mark Feuerbach – Innophos Holdings, Inc.>: Thanks, Ed.

Operator: Thank you. Our next question comes from Chris Shaw from Monness, Crespi, Hardt. Please go ahead.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.>: Hey. Good morning, guys. How are you doing?

<A – Randy Gress – Innophos Holdings, Inc.>: Hey, Chris.

<A – Mark Feuerbach – Innophos Holdings, Inc.>: Hi, Chris.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.>: Could you talk a little more about some of the movements in the raw materials and I guess corresponding pricing? I guess, I knew [ph] looks like rock and sulfur (39:35) down near the end of the year and, I guess, they've come back a bit. One question, I guess, to start with, did you have to move down – I think you hinted a little bit in a press release, did you have to move – have Specialty Ingredients prices really moved much [ph] from where raws have moved in (39:49) either direction over the past six months?

<A – Randy Gress – Innophos Holdings, Inc.>: No, the Specialty Ingredient prices are --

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.>: I mean Specialty Phosphates price.

<A – Randy Gress – Innophos Holdings, Inc.>: ...relatively flat; Specialty Phosphates, the same.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.>: So, then as you see the increase now coming in rock and sulfur, you're going to be trying to get ahead of those increases and then pursue some pricing, if possible, where applicable.

<A – Randy Gress – Innophos Holdings, Inc.>: I think when you look at the raw materials, we saw roughly in the market about a 15%, I think, increase in the rock prices going from the fourth quarter into the first quarter. I think as we're seeing some of the fertilizer prices still continuing to rise and we're getting into the second quarter, I think you will see some continued demand. I think as we look further out, it's a little tougher to predict just what's going to happen with the fertilizer prices, especially in light of where grain prices are, still at the low

level, and where subsidies, I guess, are reported for India. And I think some of the near-term blips here are some increases in short term or at least near-term supply-demand tightness, both with the sulfur as well as with the fertilizer side of the things. So, as we look going forward, we will look to increase prices if we see increases in the raw materials. I think we've been successful in the past. Certainly, a challenging thing to do. And I think it's not a preferred subject to talk with customers. The preferred is certainly in the growth side of things. But we would look to maintain our margins there.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.: Do you have any raw material contracts that may have reset at Jan 1 or the pricing reset on Jan 1, whether they were on a quarterly or monthly that could be just beneficial over the near term in Q1?

<A – Randy Gress – Innophos Holdings, Inc.: Mark, can you address that?

<A – Mark Feuerbach – Innophos Holdings, Inc.: So, most of our raw materials today are resetting on a more frequent basis than they had years gone by; typically, on a monthly or quarterly basis. We do still have one key raw material contract that resets on an annual basis. So, it would have reset on the 1st of the year and that will be resetting down from where it was in 2013. But we won't really see any benefits from that until we get into the second quarter just due to inventory lags.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.: Okay. Great. And then, I have a couple of product questions. INNOVALT®, is that – that's more for new asphalt, it's not – you wouldn't benefit from the terrible winter and all the pothole repairing that's going to have to happen, or would you?

<A – Randy Gress – Innophos Holdings, Inc.: It's really for the modified asphalt. So, I think for the most part you're looking at new pavings where that's going to come into play.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.: Right. And then, do you see in baked goods and stuff any – with all the switch to gluten-free, has that up for any – has that required any changes in your product formulations or do you see any opportunities there? I know it's growing pretty rapidly.

<A – Randy Gress – Innophos Holdings, Inc.: The gluten-free doesn't seem to have a real impact on our business. It's more of the effort in reducing the sodium where we have a product, Cal-Rise®, that supports a reduction in sodium in the baking area. And as I reported earlier, certainly have seen some good growth from 2012 to 2013 of 60%.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.: Okay. One last quick one. I think you said before at point that you're going to take another planned maintenance turnaround in Mexico, is that in the second quarter of this year?

<A – Randy Gress – Innophos Holdings, Inc.: Yes. We're planning second quarter for an easier or a lighter turnaround in Coatzacoalcos, which we're estimating roughly \$2 million to \$3 million less in expense.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.: Okay. Great. Thanks.

<A – Randy Gress – Innophos Holdings, Inc.: Thanks, Chris.

Operator: Thank you. Our next question comes from Summit Roshan from KeyBanc. Please go ahead.

<Q – Summit Roshan – KeyBanc Capital Markets, Inc.: Good morning, guys. Thanks for taking the question.

<A – Randy Gress – Innophos Holdings, Inc.: Good morning.

<Q – Summit Roshan – KeyBanc Capital Markets, Inc.: Just a quick update on CFO search, anything that you can share with us to this point and maybe if you could comment on how much longer you expect before you make a decision there?

<A – Randy Gress – Innophos Holdings, Inc.: I would hope that that's settled before the end of the quarter. But I've certainly been very happy and thrilled with what Mark has contributed and continues to contribute to the position there.

<Q – Summit Roshan – KeyBanc Capital Markets, Inc.>: Okay. Great. And then, just stepping back a little bit, as you look at the long-term picture here, you've certainly got a good balance sheet, you've done a few smaller acquisitions over the past year or so. Do you see acquisitions playing a bigger part in terms of building out the platform? And then, digging into that a little bit, do you see opportunities for something a little bit larger or largely sort of tuck-in types that you can invest in organically?

<A – Randy Gress – Innophos Holdings, Inc.>: We continue to have an active pipeline of potential acquisitions and it's been primarily in the nutrition space. And certainly, some of them have been of similar size of what we've already done, which was typically less than the \$50 million mark there as far as the bolt-on. I guess, now with some of the good success we've had with the four acquisitions, we're certainly now more open to a larger acquisition if it is the right opportunity. And it's got to make sure that it brings similar type values as the past acquisitions and [ph] would also add (46:24) a good strategic fit for us.

<Q – Summit Roshan – KeyBanc Capital Markets, Inc.>: Great. Thanks for your time.

<A – Randy Gress – Innophos Holdings, Inc.>: Thanks.

Operator: Thank you. Our next question comes from Tytti Kaasinen from GES. Please go ahead.

<Q – Tytti Kaasinen – GES Investment Services AB>: Thank you. I have a question regarding your sourcing of phosphate rock. As I understand Innophos was long reliant on a sole supplier [indiscernible] (46:51) OCP, which of course is a risky position to be in. And I know that you acknowledge that as well. So, I wanted to ask to what extent have you now diversified your supplier base and is OCP still one of them?

<A – Randy Gress – Innophos Holdings, Inc.>: Yeah, we don't specifically communicate who are the suppliers of rock. But what I can say is in 2103 for our Coatzacoalcos operation, we've had sources of P2O5 from three different countries. So, that combined with our other two sources of P2O5, both our Geismar operation, where we're buying the MGA; and the purchases from PCS for purified acid, I think, provides a pretty good diversified base here for us.

<Q – Tytti Kaasinen – GES Investment Services AB>: Okay. In terms of OCP, there is of course the added risk with the location of the mine where there could be some political instability. So, I wonder if this is the risk you have considered and if that may be one of the reasons for the diversification.

<A – Randy Gress – Innophos Holdings, Inc.>: Yes, that's included in our published risk factors there.

<Q – Tytti Kaasinen – GES Investment Services AB>: Okay. Thank you.

<A – Randy Gress – Innophos Holdings, Inc.>: Thank you.

Operator: Thank you. Our next question comes from Rich O'Reilly from Revere and Associates. Please go ahead.

<Q – Rich O'Reilly – Revere and Associates>: Good morning. Thank you for taking my question.

<A – Randy Gress – Innophos Holdings, Inc.>: Good morning, Richard.

<Q – Rich O'Reilly – Revere and Associates>: The Mexican plant improved reliability, does that increase the amount of fertilizer co-product or is that just referring to downstream products, improved yields and operational improvements?

<A – Randy Gress – Innophos Holdings, Inc.>: It certainly involves the improved yields and overall performance and cost position. But because of the co-product nature of the fertilizer with the increased production of purified acid, we would likely also still have some increased availability of co-product fertilizer.

<Q – Rich O'Reilly – Revere and Associates>: Okay. Fine. Okay. So, your forecast for the first quarter and second quarter for the fertilizer business also reflect the increased output from the plant?

<A – Randy Gress – Innophos Holdings, Inc.>: It reflects what we would expect to sell and where we expect, at what prices and the cost positions out there.

<Q – Rich O’Reilly – Revere and Associates>: Okay. Fine. Okay. So, okay. Yeah. I now remember. Basically, I remember asking this question last year, the fertilizer business is just some noise that we have to live with on these ups and downs and not get distracted from the core business. Is that basically what we should be taking away from everything?

<A – Randy Gress – Innophos Holdings, Inc.>: We certainly want folks to focus on the core business, we certainly do. But with what we have in the fertilizer side of things, we do or are trying to investigate ways to reduce some of the variability in this area over time, probably too soon to report anything on that. And some other improvements in that area, we certainly expanded the market acceptance of that product in more countries across Latin America as well as improved quality performance in that area.

<Q – Rich O’Reilly – Revere and Associates>: Okay. Fine. Okay. Thank you. Thank you.

<A – Randy Gress – Innophos Holdings, Inc.>: Thank you, Richard.

Operator: Thank you. Our next question come from Elie Mishaan from Corsair Capital Management. Please go ahead.

<Q – Elie Mishaan – Corsair Capital Management LLC>: Hey, guys. Thanks for taking my question.

<A – Randy Gress – Innophos Holdings, Inc.>: Hey Elie.

<Q – Elie Mishaan – Corsair Capital Management LLC>: Hey. How’re you doing? I wanted to know what you guys think the ideal capital structure for this company is. Right now we’re at one times net debt-to-EBITDA on an LTM basis and that’s on a weak LTM, sort of uncharacteristically weak for you guys. So, looking forward, it’s going to be less than one times net debt-to-EBITDA, maybe it’s three quarters of [ph] a turn (51:39). I’m curious what you guys think the right amount of debt is for this quality of a business?

<A – Randy Gress – Innophos Holdings, Inc.>: Mark, can you address Elie’s question?

<A – Mark Feuerbach – Innophos Holdings, Inc.>: Sure. Yeah. I mean, we don’t have a predefined figure that we think we should work towards. We’ve always said that at one times we’re very comfortable with that level. We’d certainly not be uncomfortable if we went up to a two times level. Certainly, if we were going to add substantially more debt to the balance sheet, it would likely be in conjunction with growth opportunities that we see in likely an M&A transaction. Randy had touched earlier that, given that we’ve been pretty pleased with the four that we’ve done to date that we’d certainly consider if it made sense and was a good strategic fit, something larger than the typical bolt-ons that we’ve looked at in the past. And so, that would likely be – if there was an increase in the debt load, it would be because we’re focused on the growth aspect of growing – the growth strategy.

<Q – Elie Mishaan – Corsair Capital Management LLC>: And have you guys considered just strong numbers out there. If you were to double the debt you have right now and be two times sort of low EBITDA on an LTM basis, or two times that number, double the debt and you [ph] could – to (53:16) buyback more than 10% of the company and probably have your stock valued a little bit closer to fair value. And if you ever wanted to grow, you could actually use your stock as a currency, because that – if you can borrow money as cheap as it is today as opposed to let’s say – you never know when an M&A possibility could happen, it could be two years from now, taking advantage today of where the prices are and doing that, which will be very accretive, obviously, you can use your stock to grow. I think everyone will be very happy if you issued your own stock at \$75 to buy someone, I think we’d all be clapping, I think, for good growth opportunities. Have you guys thought about that?

<A – Randy Gress – Innophos Holdings, Inc.>: We discuss frequently at the Board meetings the best uses of our cash. And I think with what we prioritize there with our investment in the business, certainly, next year we’re looking at capital expenditures in that \$45 million to \$50 million range, dividends paying out roughly in the \$35 million range. And then, we’ve recently done this buyback of \$7 million, that [ph] gets (54:33) us up close to that \$90 million total use of cash as I – the discussions at the board level are certainly what are the best uses for our cash and what’s the best way to bring shareholder value. I think our plan is to continue to look at acquisition

opportunities. As I said, there is a pipeline there; and more of debt to support acquisitions would make sense right now.

<Q – Elie Mishaan – Corsair Capital Management LLC>: Right. Okay. I just – it seems like the free cash flow you'll hopefully generate next year will cover CapEx and the dividend. And, like I said, if there are great M&A opportunities, I think that'll be great, assuming they're accretive to – as opposed to just keeping a balance seemingly inefficient in a very low interest rate environment might make more sense to increase the debt load, shrink the equity. And when you have that great M&A opportunity come across, hopefully, your stock is fairly valued, because today it doesn't seem to be, hopefully, create whether it's a mix of cash and stock or issuing stock, issuing \$50 million worth of stock to buy someone, when your stock's in the right ZIP code is fine. Just something worth going over, I mean, because right now you're not getting credit for how good the business is. That's our view. But thank you for taking the question. And hope you guys think about that in upcoming Board meetings.

<A – Randy Gress – Innophos Holdings, Inc.>: Yeah, Elie, thanks a lot. Thanks for your input. Appreciate that.

Operator: Thank you. We've a follow-up question from Christopher Butler, Sidoti & Company. Please go ahead.

<Q – Christopher Butler – Sidoti & Co. LLC>: Hi. Thanks for taking the follow up. Could you give us some detail on the interest income and break out what the expense was, the Mexican gain refund and interest income?

<A – Mark Feuerbach – Innophos Holdings, Inc.>: Yeah, we had a couple of income tax refunds that we received in the quarter. And the interest income that we received, which was about \$1 million, was related to the 2009 tax return that finally got settled down at [ph] our figure (57:12). So, that was where the interest income came from and basically offset our interest expense for the quarter.

<Q – Christopher Butler – Sidoti & Co. LLC>: And where do you stand on the mine in Mexico and how much more or less expense do we expect in 2014 from that?

<A – Randy Gress – Innophos Holdings, Inc.>: For 2013, we spent just under \$1 million. For 2014, we're projecting roughly \$1 million to \$2 million of the expense. Based on the work we've done in 2013, we believe it's worthwhile to continue to pursue things in evaluating the value potential of those concessions.

<Q – Christopher Butler – Sidoti & Co. LLC>: I appreciate your time.

Operator: Thank you. We have a follow-up from Larry Solow from CJS Securities. Please go ahead.

<Q – Larry Solow – CJS Securities, Inc.>: Hi. Thanks. Most of my questions have been answered. Just a real quickie. The acceleration in CapEx from \$33 million in this year or in 2013 to \$45 million to \$50 million, can you cite any specifics? I mean I know you talked about in your press release and you talked about in the call about ongoing enhancements in the U.S. and Mexico, but anything specific, is it more Mexico this year or what sort of – is it just an acceleration of these costs that's driving the higher investment in 2014? I mean, more color on that will be great. Thanks.

<A – Randy Gress – Innophos Holdings, Inc.>: Yeah. For 2014, in that \$45 million to \$50 million estimate in capital expenditure, roughly half of that will be in Mexico.

<Q – Larry Solow – CJS Securities, Inc.>: Okay.

<A – Randy Gress – Innophos Holdings, Inc.>: And maybe to add a little more color to that, roughly 60% would be applied to maintenance-type capital with the rest to improvements. And certainly, continuing to debottleneck and support our Specialty Ingredients business and growth.

<Q – Larry Solow – CJS Securities, Inc.>: And is this a number – I mean, do you see it falling back towards the maintenance level in 2015 or do you think it still has a lot of growth capital in 2015?

<A – Randy Gress – Innophos Holdings, Inc.>: I think, as we look at the long term, really looking at roughly \$20 million to \$25 million in that maintenance capital spend area.

<Q – Larry Solow – CJS Securities, Inc.>: Okay. Great. Thanks. Thank you.

<A – Randy Gress – Innophos Holdings, Inc.>: Thanks, Larry.

Operator: Thank you. I'll now turn the call back to Randy Gress for closing remarks.

Randolph E. Gress, Chairman, Chief Executive Officer, President & Director

I'd like to thank everyone for joining us today. And we certainly appreciate your interest in Innophos. We also look forward to speaking to you next quarter when we report our first quarter 2014 results. Thank you.

Operator: Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.