

## INNOPHOS 1Q15 RESULTS CONFERENCE CALL

### EDITED TRANSCRIPT

CALL HELD APRIL 28, 2015

#### CORPORATE PARTICIPANTS

**Mark Feuerbach** *Innophos Holdings, Inc. - VP of IR, Treasury, Financial Planning and Analysis*

**Randy Gress** *Innophos Holdings, Inc. - Chairman, CEO, President and Director*

**Robert Harrer** *Innophos Holdings, Inc. - VP and CFO*

#### CONFERENCE CALL PARTICIPANTS

**Larry Solow** *CJS Securities - Analyst*

**Mike Sison** *KeyBanc Capital Markets - Analyst*

**Elie Mishaan** *Corsair Capital - Analyst*

**Chris Shaw** *Monness, Crespi, Hardt & Co. - Analyst*

#### PRESENTATION

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##### Operator

Ladies and gentlemen, welcome to Innophos's first-quarter 2015 results conference call. My name is Mike, and I am your operator for today. (Operator Instructions) I would now like to turn the call -- turn the presentation over to your host for today's call, Mr. Mark Feuerbach, Vice President, Investor Relations. Sir, you may now begin.

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##### **Mark Feuerbach - *Innophos Holdings, Inc. - VP of IR, Treasury, Financial Planning and Analysis***

Good morning, and thank you for joining us today for Innophos's first-quarter 2015 results conference call. Joining me on the call today are Randy Gress, Chief Executive Officer, and Robert Harrer, Chief Financial Officer. Randy will start with comments on our first-quarter results and provide updates on our progress in executing our strategic initiatives. Robert will then provide details on our financial results and further comment on our outlook for the remainder of 2015. Randy will then conclude with some final remarks before we open the call up to your questions.

During the course of this call, management may make or reiterate forward-looking statements made in our April 27 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 report 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 number set forth in the press release and via webcast available on the Company website.

In addition, please note that the date of this conference call is April 28, 2015. 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?

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**Randy Gress - *Innophos Holdings, Inc. - Chairman, CEO, President and Director***

Thanks, Mark, and good morning, everyone. As expected, several headwinds that we encountered at the end of last year continued into the first quarter. Soft end-market demand, competitive pricing pressures, and a strong US dollar continue to challenge our business. While we saw improved performance for our products on a sequential basis, many of our comparative results were down on a year-over-year basis. Specialty phosphate margins, however, were in line with expectations despite the unfavorable revenue comparisons.

We returned \$44 million of cash to our shareholders, nearly four times our net income for the first quarter. Specifically, we paid \$10 million in dividends and repurchased over 580,000 shares for \$34 million, which is more than we've repurchased in any previous full year. This puts us on target to deliver on the \$125 million share buyback program announced for 2015.

We delivered total Company net sales of \$202 million in the first quarter, up 4% or \$7 million sequentially, but down 7% or \$15 million from the same period last year.

Diluted earnings per share of \$0.55 were down 14% compared to the \$0.64 recorded in the prior-year period. However, we incurred \$0.09 per share of unfavorable translation expense and exchange effects in taxes during the current quarter.

On the Specialty Phosphates side, year-over-year revenues were down 3%, or \$6 million, due primarily to 2% lower selling prices as the strong US dollar continued to foster increased competitive pricing pressures. Volumes were also down 1% for the quarter compared to last year on softer market conditions, particularly in the specialty horticulture and nutritional supplement markets.

Our total Specialty Phosphates operating income was down by \$3 million in the first quarter of 2015, and our Specialty Phosphates operating income margins were down by 110 basis points compared to the first quarter of 2014. Lower selling prices were somewhat offset by lower costs, which resulted in Specialty Phosphates margins of 12%, which was in line with expectations. US and Canada Specialty Phosphates margins were 11%, down 240 basis points year over year due to lower selling prices offset slightly by lower costs.

Mexico continues to perform well, providing greater efficiency and flexibility, supporting our North American network and strengthening our product mix in Latin America. Mexico PPA sales volumes were up 4% for the first quarter as we continue to build on our strong performance last year. Mexico's Specialty Phosphates operating income margins came in at 16%, which were quite good given the turnaround expenses incurred in the quarter. As we mentioned last quarter, Mexico undertakes a planned maintenance outage approximately every 18 months. The turnaround during the first quarter was completed on schedule and on budget. Furthermore, excluding the turnaround month of March, which negatively affected yields, the quarter marked the eighth consecutive period of improving yields, coming in 690 basis points higher than the lows seen in the first quarter of 2013.

Yields are running at the best rates in the last four years. We take great pride in the fact that we didn't just focus on a short-term fix, but rather took on a challenge and implemented improvements that have led to lasting advancements in our business.

Overall, considering the ongoing market challenges we are facing, we continue to focus on our execution by improving our operating performance and bottom-line results and generating strong cash flow.

Export sales overall were down 11% year over year primarily due to continued shipment delays to Asia caused by the dockworkers slowdown affecting the US West Coast ports and unfavorable market pricing conditions in Latin America.

As we stated last quarter, underlying demands throughout most of the markets we serve continue to be soft, a condition which we now believe will persist throughout 2015. Thus, the soft market conditions will likely offset any successes we will achieve on the new products and geographic expansion which we believe will result in a flat comparison for 2015 against 2014.

Due to the lower market selling price conditions we are facing, we are lowering our full-year operating income margin expectation by 100 basis points to a range of 12% to 13%.

Finally, let me take a minute to explain some of the reasons why our business is strong and continues to have longer-term growth potential. For one thing, our organic growth strategy is not entirely dependent upon domestic market growth. Yes, US markets appear to be experiencing headwinds this year, but the two other pillars of our organic growth strategy, innovation and geographic expansion, can neutralize some of the market headwinds and are key parts of our plans to position us well for 2016 and beyond.

Let me be specific. Export sales to Europe, Middle East, and Africa were up 15% year over year, and exports of US and Canada Specialty Ingredients to Latin America were up 6%. Even exports to Asia would have fared better had we not faced the West Coast dockworkers labor actions that hobbled shipping. I would also note that we have plenty of growth capacity at our Taicang, China, facility, and, while that business has not developed as quickly as planned, the first-quarter 2015 sales from that operation were nearly double the prior year.

We continue to see excellent results for our INNOVALT® product line, which again posted very strong sales. Volumes were up 123% year over year for the first quarter. We remain confident in the long-term market potential of our INNOVALT product line as US highway funding issues get resolved in favor of more infrastructure projects, and we continue to gain traction in receiving state DOT approvals for increased use of INNOVALT in the asphalt paving market.

Cal-Rise®, our low-sodium baking product, also showed excellent volume growth in the quarter, up 40% year over year. NutraTab™, our new excipient blend product which was launched last fall, is showing early promise, with many contacts made, two commercial trials underway, and a third pending. We continue to look for ways to expand our product portfolio with innovative technologies and offerings.

I will now turn it over to Robert for additional detail on financial results in the quarter and on our 2015 outlook. Robert?

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**Robert Harrer - Innophos Holdings, Inc. - VP and CFO**

Thanks, Randy. Net sales of \$202 million for the first quarter of 2015 consisted of \$189 million from Specialty Phosphates and \$13 million from GTSP and Other. This represents a 4% or \$7 million sequential improvement, but a 7% or \$15 million decrease compared to last year. Diluted earnings per share for the first quarter of 2015 were \$0.55, which included an unfavorable \$0.09 of translation expense and exchange effects in taxes, compared to \$0.64 for the first quarter 2014.

It is important to point out that the US dollar is the functional currency of our Canadian and Mexican businesses, so these losses are solely due to the re-measurement of foreign-denominated balance sheet accounts. I would also like to point out that almost all of our sales are dollar denominated, so there is very little currency effect on our revenues.

US and Canada Specialty Phosphates recorded first-quarter sales of \$147 million, up 6% sequentially, as PPA volumes returned to normal levels. However, sales were down 3% from the prior-year period due to 3% lower prices. Volumes were flat year over year as soft demand overshadowed another strong quarter for INNOVALT and Cal-Rise.

Mexico's Specialty Phosphates first-quarter sales of \$42 million were up 8% sequentially but down 5% year over year on 7% lower volumes due to unfavorable export market demand and pricing conditions in Latin America, primarily in the specialty horticulture and oral care markets. This mix shift in sales volumes led to 2% higher selling prices. Operations at our Coatzacoalcos plant continue to run well, as illustrated by improved yields and margin growth despite having the planned maintenance outage expenses in the current quarter.

Total Specialty Phosphates generated \$23 million of operating income for the first quarter, down \$3 million versus the prior year. Overall, operating income margin in Specialty Phosphates was 12% for the first quarter, down 110 basis points from the prior-year period and in line with expectations.

US and Canada operating income of \$16 million was flat sequentially but \$4 million below the prior-year period, with lower selling prices offset slightly by lower costs. Operating income margin was 11%, down 240 basis points compared to the same period in 2014. Operating income for Mexico Specialty Phosphates was \$7 million, up \$1 million from the same period last year and flat sequentially. Operating income margin was strong at 16% for the first quarter, up 320 basis points versus the prior-year period. As we stated last quarter, the planned maintenance outage in Coatzacoalcos that typically occurs every 12 to 18 months and usually costs between \$2 million and \$3 million took place during the first quarter and was completed on schedule and on budget. As expected, it reduced Mexico's Specialty Phosphates operating income margins by approximately 100 basis points sequentially for the first quarter 2015.

Turning to GTSP and other, we reported an operating loss for the quarter of \$2 million, at the low end of the expected range, and an improvement of \$2 million compared to the prior-year quarter. The current quarter's loss was magnified by a \$1 million lower of cost of markets reserve due to low quarter-end bid prices stemming from low market demand.

Our effective tax rate for the first quarter was 33%. While the first-quarter rate fell within our expected range, taxes did include unfavorable exchange rate effects of approximately \$350,000, which affected earnings per share by \$0.02. We expect an effective tax rate in the range of 33% to 34% for 2015.

Depreciation and amortization was \$10 million for the quarter, up \$1 million compared to the year-ago period. Capital expenditures were \$6 million in the first quarter, with approximately 75% spend on maintenance and the remaining 25% for strategic growth initiatives. The majority of the strategic growth investments were focused on improving capability, reliability, and capacity at our Coatzacoalcos, Mexico, facility. Our expectation for 2015 capital expenditures is in the range of \$30 million to \$35 million.

Net debt increased sequentially by \$48 million in the first quarter to \$148 million due to 582,000 shares being repurchased for \$34 million and increased working capital needs of \$21 million. With our solid balance sheet and our ability to generate free cash flow on a recurring basis, we remain committed to returning capital to shareholders and maximizing shareholder value.

We now expect Specialty Phosphates volume to be flat for full-year 2015, with soft market demand expected to offset successes on new products and geographic expansion. Full-year operating income margin expectation is now in the 12% to 13% range, 100 basis points below our previously targeted range, due to primarily lower selling prices than previously expected.

Fertilizer market prices showed a flat to slightly declining trend during the first quarter 2015. However, demand was extremely soft, with buyers delaying purchases, leading to bid prices below reported market prices. Market phosphate rock prices were fairly stable sequentially in the first quarter 2015 and are expected to remain stable for the second quarter. Sulfur market prices increased approximately 14% sequentially in the first quarter 2015 and are expected to decline approximately 10% for the second quarter.

GTSP and Other recorded a \$2 million operating loss for the first quarter 2015, \$1 million below the low end of the expected range due to a \$1 million lower of cost or market reserve posted in the quarter. Given the current market conditions, we expect an operating result close to break even for the second quarter 2015.

Now back to you, Randy.

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**Randy Gress - *Innophos Holdings, Inc. - Chairman, CEO, President and Director***

Thanks, Robert. It is now apparent that headwinds due to the softness in end markets and those caused by the strengthening of the US dollar will likely exist throughout the year. We are taking a number of actions designed to overcome these challenges which include:

- currently implementing a Specialty Phosphates price increase
- evaluating and implementing a rigorous review of our overall cost structure
- focusing on quality and maintaining superior service levels
- focusing on additional operating efficiencies
- building on successes of recent product launches
- and lastly, looking at a number of ways to reduce GTSP earnings volatility including structuring the GTSP production as a toll manufacturing operation for a phosphate rock supplier for our fertilizer customer, diversifying the co-product options to include other solid fertilizers as well as specific phosphoric acid grades, and distributing the product through additional channels besides our own marketing.

Despite the challenges we are facing in the business, our focus remains on maximizing value for our shareholders by actions that lead to direct returns to them, such as through our quarterly dividends and our expanded share repurchase program. In that regard, we are well on our way to delivering on our announced \$125 million in share repurchases during 2015.

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

## QUESTION AND ANSWER

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### Operator

(Operator Instructions) Larry Solow, CIS [sic: CJS] Securities.

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### Larry Solow - CJS Securities - Analyst

Randy, I wondered if you could just -- I missed a little bit of the call. Just in terms of the pricing pressure, it was 2% in the quarter. Do you see that sort of a rate continuing? And maybe you could just give us a little bit more color -- is the pricing pressure becoming more prevalent among product categories? Are you just seeing higher price cuts in some of the less differentiated areas?

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### Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director

Yes, for the pricing pressures, as I said in the script, it's really coming from, one, the strength of the US dollar and, I think, the attractiveness of the markets here in the US.

In addition to that, with the -- I think some of the pressure from the food customers and some of the challenges they are facing with their growth and looking for improvements there, some pushback on price.

So, yes, the amount of the impact on price for Specialty Phosphates was 2% in the first quarter. That carries on into the second quarter. As I said also, we've announced the price increase across Specialty Phosphates and expect to get some improvement in price throughout the second half of the year. And basically, that's putting us at a -- with flat volumes and overall flat revenue for the entire year.

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### Larry Solow - CJS Securities - Analyst

Okay. So you think it should recover for the full year to close to flat all-in, even including the first quarter?

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### Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director

Yes. That's right, Larry.

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### Larry Solow - CJS Securities - Analyst

Do you expect any pushback from customers, or is it sort of not necessarily?

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### Robert Harrer - Innophos Holdings, Inc. - VP and CFO

Sure. I think we will see some pushback from customers, but I think, again, we're going to have to be selling on the value we provide on a customer-by-customer basis. Go out there and sell on that value and the quality and reliability and also continue to push the value of our technical support here.

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### Larry Solow - CJS Securities - Analyst

And you mentioned VersaCAL® and Cal-Rise, your two newer products, highly differentiated projects. Do these products continue to see good growth, or are they too being just somewhat caught in the whole industry malaise and lackluster trends?

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

Actually, both products are seeing some good growth. You can see from the year-over-year comps. I think for the INNOVALT, there's a couple of areas supporting that growth. One is some recovery in the spending with the highways. But also our team's been effective in getting some new approvals with some of the states, the state DOTs and the acceptance or increase of INNOVALT's use. And it does a good job in the overall asphalt performance.

For Cal-Rise, that's the low-sodium alternative for the baking industry, and that continues to also see some good growth based on the year-over-year comps, with that being up 40%. So it is an attractive area.

In addition to that, I had mentioned about the NutraTab, which was the specialty excipient blend that we launched in the fourth quarter, as well as we've launched some other blends for the dairy business as well as some blends in the meat, seafood, and poultry, where we are getting some traction on. So we are going to continue to focus on those and expect some good results from those going forward.

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**Larry Solow - CJS Securities - Analyst**

Okay, great. Thank you.

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**Operator**

Mike Sison, KeyBanc.

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**Mike Sison - KeyBanc Capital Markets - Analyst**

So in terms of Specialty Phosphates Mexico, volumes were down, but that was largely due to the outage -- or the maintenance turnaround in March?

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

No, Larry -- I mean, Mike. The outage -- we continued to supply. The big reason for the decline in the volume was more for the exports from Mexico in the horticulture side, with some of the pricing pressure there that we had in the specialty horticulture business. And then also there was some impact on the oral care business, which goes into Venezuela and some of the country issues there. But expecting to have some of that recovered going forward.

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**Mike Sison - KeyBanc Capital Markets - Analyst**

Okay. And then to get the flat for Mexico, you would certainly need some volume growth given the start of the year. Why or when -- when do you start -- when do you think you start to see volume growth to offset that? And maybe give us a little bit more color on why volume should recover to get to flat for the full year?

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

Yes, I think for Mexico, we will begin seeing that within the second quarter here. And I think that's what's going to drive that together with their continued strong performance going forward for the rest of the year.

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**Mike Sison - KeyBanc Capital Markets - Analyst**

Okay. And then you talked about needing to get price increases -- or wanting to get price increases in the second half in your business. If you don't -- there may be two ways to think about it. If you don't get price increases, does your margin outlook for the year for Specialty Phosphates, is that impacted? And what's the downside if you don't get that?

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

Yes, Robert, can you answer that?

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**Robert Harrer - Innophos Holdings, Inc. - VP and CFO**

Mike, we, in the current guidance, have not included any impact of the announced price increase. So to answer your question, there is upside on the guidance if we implement the price increase and get successes in the course of 2015. So we have not baked in any number into the current guidance.

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**Mike Sison - KeyBanc Capital Markets - Analyst**

Okay, that's good. And then back to the pricing pressure, I think you talked about you have a stronger dollar and food customers. Are competitors more advantaged because of the strong dollar? Are they maybe not acting as rationally as maybe they could in terms of pricing? Is that somewhat of an issue as well?

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

For the -- I guess the competitiveness of some of the products from Europe, I think it's clear that the return that they would get with the dollar versus the euro, with some 25% to 30%, the strengthening of the dollar, that makes the market a bit more attractive. I think what some of our competitors are likely seeing is, I believe, they are getting some pressure with the raw materials priced in dollars. And that's generally a significant piece of the COGS for people within this business. So I think there's some pressure there, and had heard of some price increase pressure in Europe, actually.

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**Mike Sison - KeyBanc Capital Markets - Analyst**

Okay, great. Thank you.

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**Operator**

Elie Mishaan, Corsair Capital.

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**Elie Mishaan - Corsair Capital - Analyst**

Just wanted to ask about the buyback. I'm curious if you guys think -- what your thoughts on it. If you think that the use of capital -- given I think if I'm doing the correct math, it was at over \$58 a share, whatever the number is.

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**Robert Harrer - Innophos Holdings, Inc. - VP and CFO**

Yes, that's correct.

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

Sorry. What was the question?

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**Elie Mishaan - Corsair Capital - Analyst**

I just wanted to know if you guys think that was -- if that was a good use of capital given now the stock is at \$55.00 given the weakness in the end markets.

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**Robert Harrer - Innophos Holdings, Inc. - VP and CFO**

Well, as we have announced in December, the program is structured throughout 2015 with open market purchases. And depending on market conditions, we are active literally on a weekly, monthly basis, and we will continue to do so in the course of 2015. So I don't see any reason to deviate from the committed amount of \$125 million unless there is different opportunities in the M&A space, which we have always said would take priority over our share buyback program. But for now, we see ourselves on a good run to deliver on \$125 million for 2015.

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**Elie Mishaan - Corsair Capital - Analyst**

And should we -- are you guys going to be -- is your plan to be opportunistic with the buyback in terms of should we expect that? And if you did a certain amount, that \$58, you'd be potentially more aggressive at lower prices? How sensitive is the buyback program to the actual stock price?

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**Robert Harrer - Innophos Holdings, Inc. - VP and CFO**

We actually bake these sensitivities into the program. And your assumption is correct. If there is a lower price out there, the amounts which we're going to go after are going to be higher.

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**Elie Mishaan - Corsair Capital - Analyst**

Okay. Great. Thank you, guys.

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**Operator**

Chris Shaw, Monness Crespi.

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**Chris Shaw - Monness, Crespi, Hardt & Co. - Analyst**

I'm trying to understand the announced or the potential for the price increase in Specialty Phosphates relative to sort of the pricing pressure you are seeing from -- apart from imports because of the stronger US dollar. Are those two different -- I guess, what exactly -- what products are you seeing that pressure on from, I guess, the imports? And are they different than the ones you are looking to get price increases on? Because I would think the two would -- the pricing pressure would offset that -- obviously attempt to get higher prices. I maybe I'm just misunderstanding the products that are involved.

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

Chris, what we're doing is with the exchange impact, that pressure comes across all the products for the business. I think you're also seeing some additional pushback from the food customers, from some of the pressures they're having in the business. As we think about and look at the price increase, we're going to be looking across the entire product line. And getting what we can and offsetting what we can as far as some of those price pressures and try to get some recovery here going forward.

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**Chris Shaw - Monness, Crespi, Hardt & Co. - Analyst**

So for competing product that's maybe coming from being imported from Europe, is there a normal metric that we should think about in terms of it's cost them another 10% to send it to the US or a 20% -- what kind of cost is added for them. I guess you would have a somewhat similar cost if you were sending it to Europe or to other geographies.

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

Yes, Chris, clearly there is the additional cost of freight across -- to get it here as we run into the similar type of freight cost going forward -- to the other geographies. The actual percentage, I don't know --

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**Chris Shaw - Monness, Crespi, Hardt & Co. - Analyst**

Any sort of ballpark. I don't know if it's like 30% or 2%.

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

No, it's hard for me to gauge. I'm estimating probably that 5% to 10% range.

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**Chris Shaw - Monness, Crespi, Hardt & Co. - Analyst**

That's fine. And then on GTSP -- what was I going to say? I'm sorry. Oh, is the reason believe you are going to be break-even in the second quarter more a product of the fact that sulfur has gone back down, or do you see the demand coming back? And is the demand -- the delaying purchases, is that an extended winter problem, or farmers having gotten around to actually buying a product yet because the winter was so harsh?

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

Well, I think during the first quarter, we saw some people sitting on the sidelines waiting to see what happened in the market. I think with what we're seeing now for the market price and demand, that's where we are coming at close to breakeven here.

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**Chris Shaw - Monness, Crespi, Hardt & Co. - Analyst**

Is part of that the reduction in sulfur prices? Is that going to be a fairly decent impact?

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

It has some impact but not significant.

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**Chris Shaw - Monness, Crespi, Hardt & Co. - Analyst**

Okay. Great. Thanks, guys.

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**Operator**

Mike Sison.

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**Mike Sison - KeyBanc Capital Markets - Analyst**

In terms of -- thinking about longer-term here, it's been a couple of years that you talked about Specialty Phosphates. It should be growing in sort of this mid-single digits. And clearly with the dollar strengthening, that could -- I'm just curious what your thoughts about the industry and the markets longer-term is? What type of growth rate is really reasonable for this business? Given the last three to four, it's been pretty difficult.

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

I think some of the headwinds and challenges we've had in the domestic market have impacted us, Mike. I think where we have been successful has been in us capturing some of the growth. And we had put both 1% to 2% for the geographic expansion as well as the innovation. I think we need to accelerate some of that, I think, with some of the success -- more recent success in China with our operation there. I think with the increase in our spending in the R&D area and coming up with some new innovations there, I think we're going to get some more success there. So, still expecting to capture 1% to 2% from each of those.

I think some of the headwinds we saw from the domestic business, I would hope that we could see some of that recover. I think before, we had expected an overall 2% to 3% with the base growth within the phosphates. I think we've certainly gone to more flat to slight decline in the US, but would hope that that would recover in the coming years as well. And then I think for the other developing countries, we would expect to see a better growth rate out in the future that we would hope to capture more of that as well.

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**Mike Sison - KeyBanc Capital Markets - Analyst**

Okay. So I guess if you take a look at the down 1% in the first quarter for Specialty Phosphates, US and Canada, the market would have been down lower than that, I guess, if we had good data on that. And then when you take a look at 2Q, 3Q, 4Q for that segment, do you expect growth kind of in that similar vein as the first, and then assuming that the market will be down for the rest the year?

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

Yes, Mike, I think that's a pretty accurate picture of things. I think one thing also we'll be getting is some additional volume in the second half based on some of the problems we had with the acid acquired in the second half of last year.

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**Mike Sison - KeyBanc Capital Markets - Analyst**

Okay, okay. And then it's been a while since you've talked about the micronutrients business -- nutraceuticals ingredients that you had. How's that business doing? Do see any growth prospects this year for that business?

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

For the micronutrient business, actually, we -- if I step back a little bit, in the fourth quarter for that whole nutritional business, we saw a 16% improvement year over year. For the first quarter here, I think with the micronutrients, that was still stronger, but more than offset with some decline in the enzyme business of that -- on the nutritional side.

I think longer term, we expect that business to grow. We have that in the mid-single-digit type growth rates into the future. But I think that area on the nutrition side is certainly seeing some headwinds from some of the scrutiny that the nutritional markets are receiving out in the public here. One case being what's going on with the New York Attorney General's office and some pressure on the botanical side of things. But one area that I think we may try to capitalize on is us assuring from a quality standpoint what we're providing into the industry.

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**Mike Sison - KeyBanc Capital Markets - Analyst**

Okay. And then one last one. In terms of acquisitions, are you seeing anything that makes sense? What are you looking for? Anything in particular within your portfolio that would make sense for you to add?

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

Yes, Mike. For the acquisition side, still looking for opportunities. In the core, it's more for support of the geographic expansion. And then with the -- still looking at some of the adjacencies. I think we are continuing to look at things. And it's got to make sure -- if it fits us, our strategy, it's got to be a good strategic fit and then also have the right return. So we're still applying a lot of rigor in that area.

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**Mike Sison - KeyBanc Capital Markets - Analyst**

Okay, great. Thank you.

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**Operator**

And we have no further questions at this time. Mr. Gress, do you have any final comments?

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**Randy Gress - Innophos Holdings, Inc. - Chairman, CEO, President and Director**

Yes. I would like to thank everyone for their interest in Innophos and look forward to updating folks for our second-quarter results. Thank you very much. Have a good day.

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**Operator**

**THANK YOU, LADIES AND GENTLEMEN. THIS CONCLUDES TODAY'S CONFERENCE. THANK YOU FOR PARTICIPATING. YOU MAY NOW DISCONNECT. HAVE A GREAT DAY.**