



Earnings Conference Call

Fourth Quarter 2016

February 22, 2017 – 9:00 am ET

Today's Speakers



Kim Ann Mink, Ph.D.
*President, Chief Executive Officer and
Chairman of the Board*



Han Kieftenbeld
SVP and Chief Financial Officer



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.

2016: A Meaningful and Transformative Year

Strong results through a focus on cost reductions, productivity improvements and working capital reduction

2016 Strategic Highlights

- Strengthened the foundation
- Delivered significant bottom line improvements
- Laid groundwork for growth

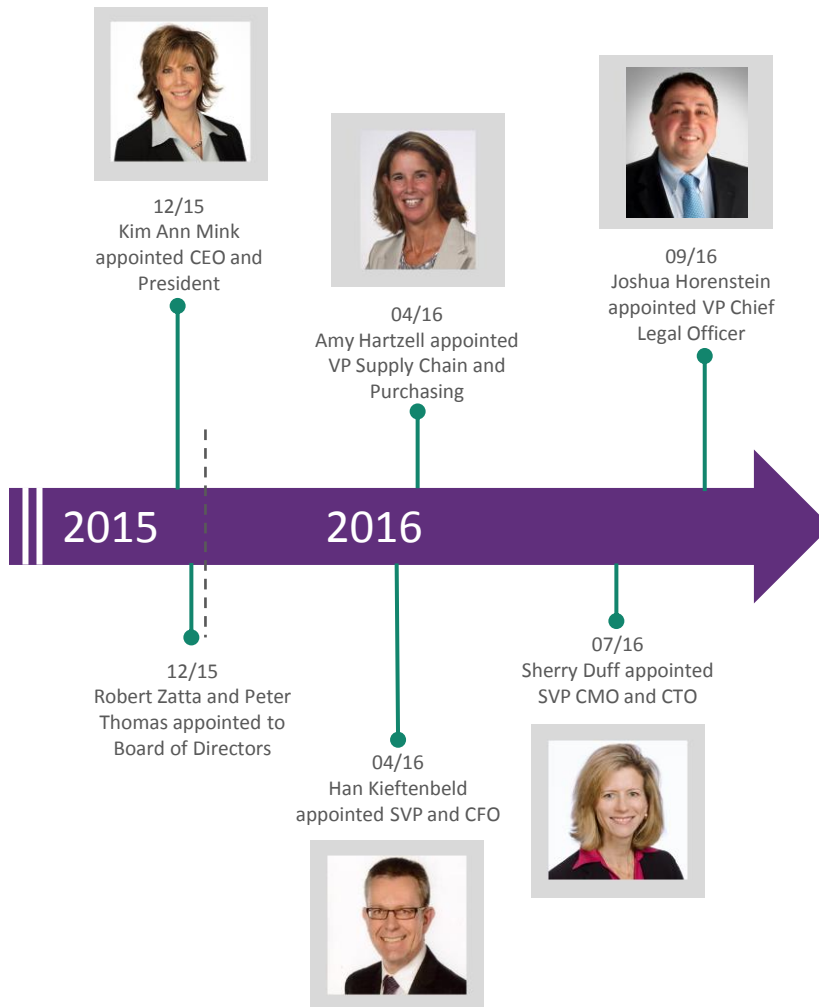
Strong Q4 and Full Year Performance

- EBITDA growth
- Solid earnings
- Very strong cash generation

Cultural Shift

- Relentless focus on what we can control
- Embracing transformation
- Delivering results
- Commitment to excellence, transparency and accountability

Strengthening Our Leadership to Drive Change




Energized new leadership team with depth of expertise and discipline

- Market and customer driven
- Deep industry knowledge
- Strategically driven
- Functionally adept
- Continuous improvement oriented
- Globally experienced
- Experience in all stages of M&A

Strengthening The Foundation for Our Transformation

Meaningful organizational changes built on the right talent, structure and processes

Integration of the Nutrition Business

- 
- Supply Chain, Purchasing, and Customer Service integrated into a single Corporate Supply Chain and Purchasing organization
 - Sales, Marketing and Technology reporting to Sherry Duff, SVP, CMO & CTO

- ✓ Better aligns Nutrition business with strategic processes and goals
- ✓ Drives growth via market leadership, innovation and customer responsiveness

Streamlining the Specialty Phosphates Sales Organization



- Delaying the reporting structure for global sales organization
- Head of Global Sales now reports directly to CEO Kim Ann Mink

- ✓ Provides better visibility into markets and customer needs
- ✓ Positions Innophos to better serve customer needs through challenging market conditions



Operational Excellence

Continuous improvement and best-in-class excellence to drive bottom line savings

- **Hired Amy Hartzell, VP of Supply Chain and Purchasing**
- **Supply chain processes to improve operational efficiency and customer service**
 - ✓ Implemented raw material optimization and inventory reduction initiatives
 - ✓ Analyzed product demand/variability to facilitate improved forecasting/planning
- **Procurement and sourcing to improve cost profile**
 - ✓ Developed company-wide spend map linked to financials
- **Phase 2 initiative under way**
 - ✓ Strategic purchasing process focused on logistics, packaging and MRO parts and labor

- **\$44m reduction in inventory for 2016 (\$11m in Q4)**
- **\$15m to \$18m procurement savings pipeline (75% hit 2016 P&L)**



Commercial Excellence

Aligning sales, marketing and technology to drive customer engagement and value creation

- **Customer segmentation to identify, understand, and meet the needs of our customer base**
 - ✓ Differentiate service and customer offerings while managing margins
 - ✓ Tailor go-to-market strategy across our products and sales organization
 - ✓ Product technical solutions to meet consumer trends and customer needs
- **Sales force re-orientation strategy with emphasis on value capture**
 - ✓ Align with strategic target markets to drive top and bottom line growth
 - ✓ Differentiate between sales channels
 - ✓ Bringing in new talent with relevant industry experience



Strategic Growth

Strengthening core and accelerating growth through organic and inorganic initiatives

- ✓ Completed fact-based diagnostic of Innophos markets and strategies
- ✓ Defined strategic growth roadmap

Key Approach

Strengthening the Core

- Core Specialty Phosphate business is a proven cash generator with further earnings potential
- Mature product lines are expected to grow at best with GDP

Growth via M&A

- Acquisitions, profitable growth, disciplined investment criteria
- Diversify portfolio beyond Phosphates
- Align with food, health and nutrition markets

Strategy Roll Out

March 15, 2017 Investor Day

Q4 and Full Year 2016 Performance

Cost actions offset soft sales. YOY improved margin profile. Strong cash generation

	Q4			Full Year		
	\$m	Variance		\$m	Variance	
Sales	168	(3)	-2%	725	(64)	-8%
Gross Profit	33	8	34%	150	7	5%
Gross Margin	20%	+519 bps		21%	+257 bps	
Net Income	9	14	303%	48	22	82%
Adj. Net Income	10	4	70%	50	4	9%
Adj. EBITDA	26	4	17%	122	4	3%
Adj. EBITDA%	16%	+249 bps		17%	+180 bps	
Diluted EPS	0.47	0.71	294%	2.44	1.15	89%
Adj. Diluted EPS	0.52	0.20	62%	2.55	0.28	12%
OCF	57	34	150%	139	40	41%
FCF	46	33	255%	103	35	53%

Specialty Phosphates

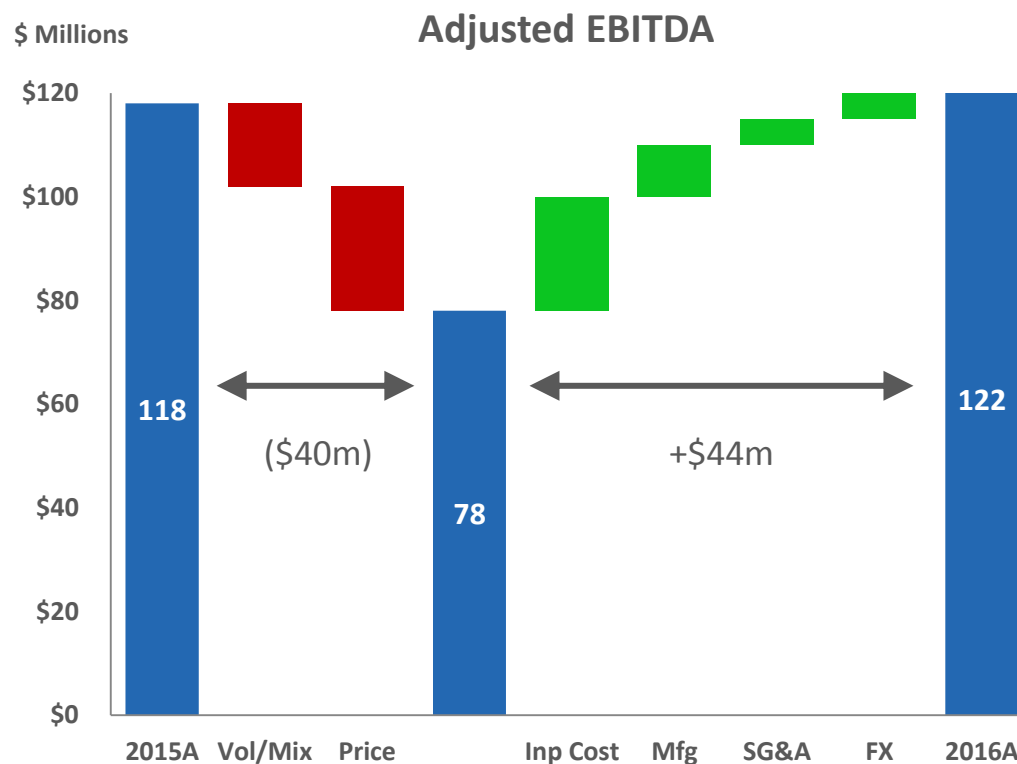
Adj. EBITDA%	17%	+365 bps	18%	+251 bps
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Quarterly Comments

- YOY gross profit improvement of 34% and YOY gross margin improvement of 519 bps as cost reductions offset lower selling prices
- 303% increase in net income and 70% increase in adjusted net income despite 2% sales decline due to effects of cost actions
- Adjusted EBITDA of \$26 million up 17% YOY; margin of 16% was 249 bps better than 4Q15
- Specialty phosphate adjusted EBITDA of 17%, up 365 bps versus same quarter last year
- Strong cash generation with \$57 million operating cash flow, \$46 million free cash flow

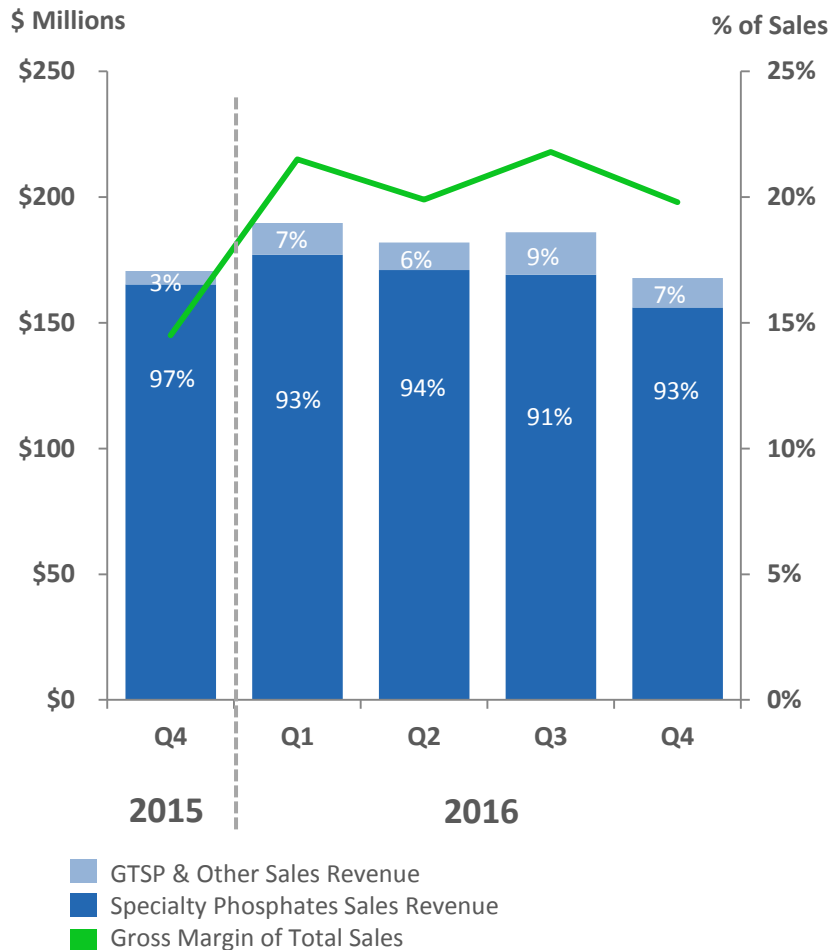
Full Year 2016 EBITDA Bridge

Adj. EBITDA Bridge	Full Year	
	\$m	%
2015	118	
Volume/Mix	(16)	-14%
Price	(24)	-20%
Input costs	22	19%
Manufacturing	10	8%
SG&A	5	4%
FX	7	6%
2016	122	
YOY Variance	4	3%



- Net income of \$48 million, up 82% year-over-year on a GAAP basis and 9% on an adjusted basis
- Adjusted EBITDA of \$122m and margin of 17% showing a YOY margin improvement of 180 bps
- Sales shortfall resulting in -\$40m margin impact from lower volume and price erosion
- Offset by +\$44m from continued focus on cost actions which have been instrumental to protect earnings

Q4 2016 Sales Revenue and Gross Margin



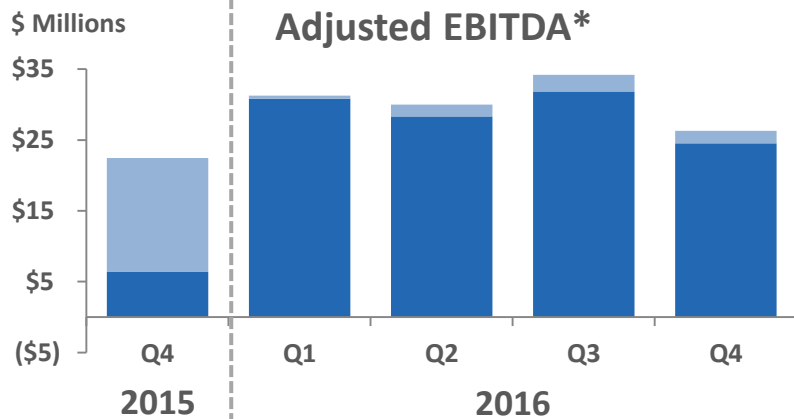
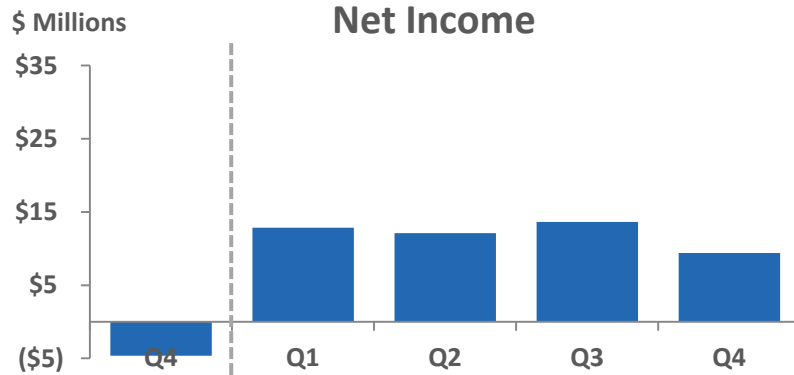
Spec Phos	165	177	171	169	156

Sales Revenue Bridge	Q4		Full Year	
	\$m	%	\$m	%
2015	171		789	
Volume/Mix	5	3%	(40)	-5%
Price	(8)	-5%	(24)	-3%
2016	168		725	
YOY Variance	(3)	-2%	(64)	-8%

Quarterly Comments

- Sales Revenue down 2% versus prior year due to lower selling prices, mostly offset by higher volumes in GTSP/Other
- Specialty Phosphates, 93% of total sales, down 6% versus prior year mostly driven by reduced volume/mix at minus 4%, in lower margin, less differentiated applications
- GTSP/Other, 7% of total sales, more than double the prior year. Volume/mix was up 216%, partially offset by 97% lower price due to lowest market price levels seen in seven years
- Gross margin of 20% improved 519 bps versus prior year due to favorable input costs and continued good cost controls

Q4 2016 Earnings



■ Adjustment
■ Reported

*Excludes charges of \$16.1m in Q4 2015, \$0.4m in Q1 2016, \$1.6m in Q2 2016, \$2.4m in Q3 2016 and \$1.8m in Q4 2016.

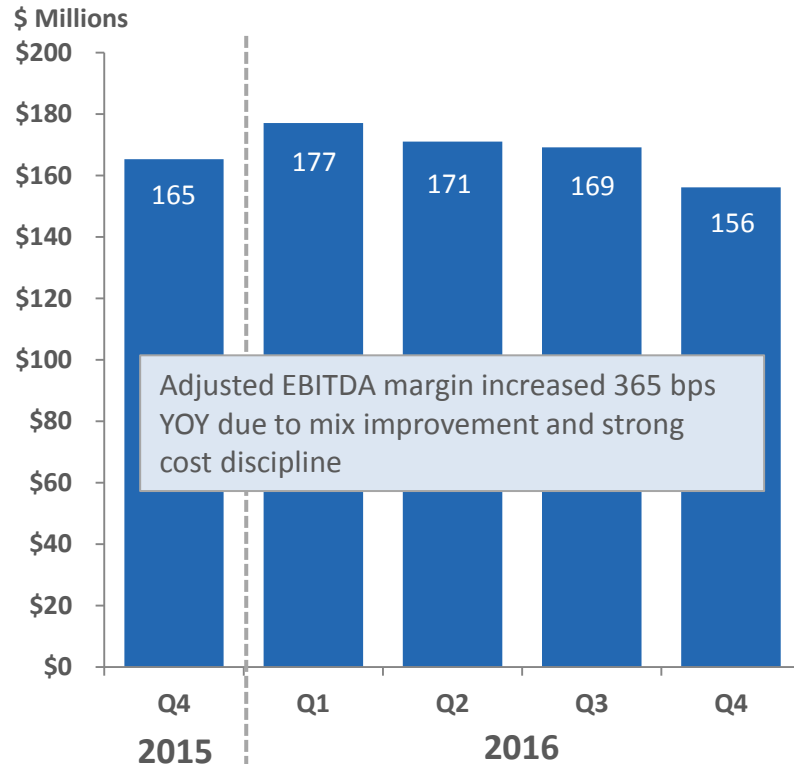
Adj. EBITDA Bridge	Q4		Full Year	
	\$m	%	\$m	%
2015	22		118	
Volume/Mix	(1)	-4%	(16)	-14%
Price	(8)	-35%	(24)	-20%
Input costs	7	30%	22	19%
Manufacturing	3	13%	10	8%
SG&A	1	4%	5	4%
FX	2	9%	7	6%
2016	26		122	
YOY Variance	4	17%	4	3%

Quarterly Comments

- Net income up \$14m or 303% YOY, yielded a margin of 6%, up 831 basis points compared with the prior year quarter
- Adjusted EBITDA up \$4m or 17% YOY, yielded a margin of 16%, up 249 basis points compared with the prior year quarter
- Volume/mix and average selling prices below last year were mostly offset by cost actions in manufacturing and lower input costs from procurement initiatives
- Foreign exchange benefits due to weakened Mexican peso

Q4 2016 Performance by Segment

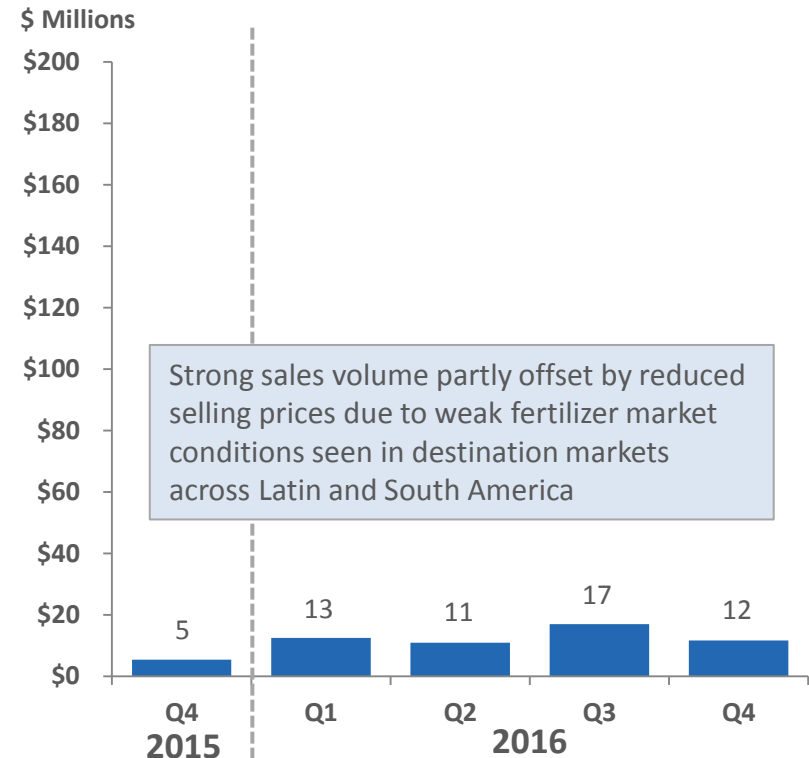
Specialty Phosphates Sales Revenue



Adjusted EBITDA*

22	31	32	32	27
14%	18%	19%	19%	17%

GTSP & Other Sales Revenue



Adjusted EBITDA*

0	0	(2)	2	0
4%	---	-22%	12%	-4%

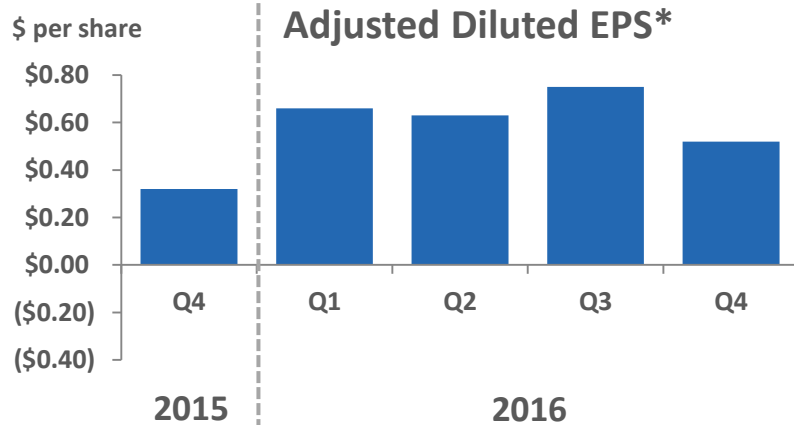
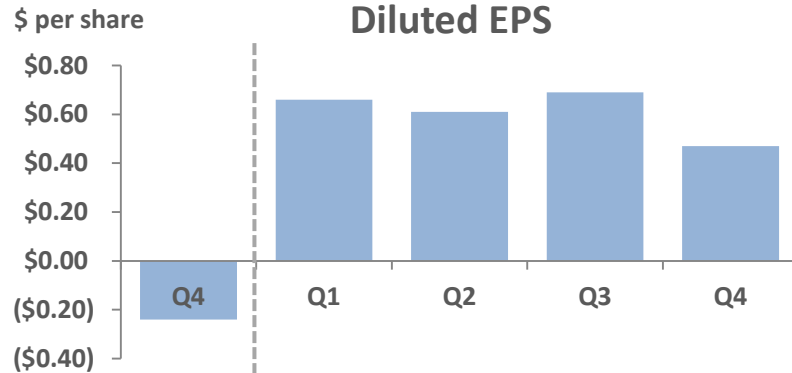
*Excludes charges of \$16.1m in Q4 2015, \$0.4m in Q1 2016, \$1.6m in Q2 2016, \$2.4m in Q3 2016 and \$1.8m in Q4 2016.

Q4 2016 Other Items

Item	Q4	Full Year	Comment
Net interest expense	\$2m	\$8m	In line with expectations
Effective tax rate	31%	32%	At low end of expectations
Capital expenditure	\$11m	\$37m	At high end of expectations
Dividends	\$9m	\$37m	79% pay-out ratio in 2016
Share repurchase	-	-	No activity

Net Debt	\$132m	Decreased sequentially by \$35m
Net Debt / Adj. EBITDA	1.1x	Down 35% YOY from 1.7x

Q4 2016 Earnings Per Share



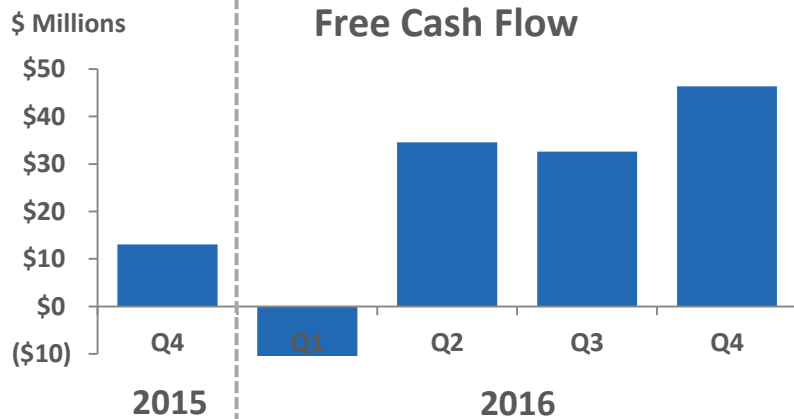
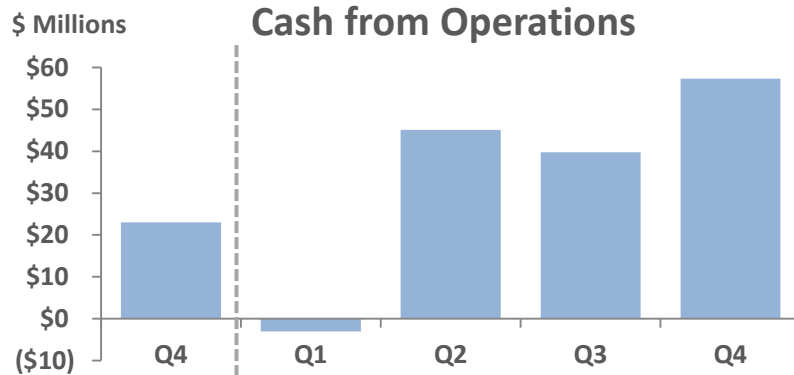
Earnings per share	Q4	Full Year
2015 Diluted	(0.24)	1.29
Adjustments	0.56	0.98
2015 Adj. Diluted	0.32	2.27
YOY Variance	0.20	0.28
2016 Adj. Diluted	0.52	2.55
Adjustments	0.05	0.11
2016 Diluted	0.47	2.44

Variance \$ Per Share

Volume/mix	(0.08)	(0.82)
Price	(0.44)	(1.23)
Costs	0.56	1.87
FX	0.13	0.37
Operational items	0.17	0.19
Financing	0.05	(0.02)
Tax	(0.01)	0.02
Shares outstanding	(0.03)	0.08
Other	0.02	0.01
Other items	0.03	0.09

*Excludes charges of \$0.56/sh in Q4 2015, \$0.00/sh in Q1 2016, \$0.02/sh in Q2 2016, \$0.06/sh in Q3 2016 and \$0.05/sh in Q4 2016

Q4 2016 Cash Delivery



Opening	86	18	15	39	33
FCF	13	(11)	35	33	46
Financing	(81)	8	(11)	(39)	(26)
Closing	18	15	39	33	53

	Q4			Full Year		
	\$m	Variance		\$m	Variance	
Adj. EBITDA	26	4	17%	122	4	3%
Working Cap	25	22	BIG	58	59	BIG
Tax	7	14	200%	(28)	(11)	-65%
Interest	(2)	(1)	-100%	(8)	(2)	-33%
Other	1	(5)	BIG	(5)	(10)	BIG
OCF	57	34	149%	139	40	41%
Capex	(11)	(1)	-9%	(37)	(5)	-16%
FCF	46	33	255%	103	35	53%

Quarterly Comments

- Cash from operations of \$57m was 2.5x Q4 2015
- Free Cash Flow of \$46m, highest quarter of the year, was driven by working capital reductions that enabled net debt to decrease \$35m sequentially
- Cash flow for YTD 2016 included \$28m tax payments; \$19m of which related to the cash repatriation program paid in Q1 2016
- Principal uses of OCF were capital expenditures of \$11m, dividends of \$9m and \$15m debt repayment

Outlook for 2017

- 2017 is another transition year building on our strategic pillars and executing on our strategic growth plan
- Overall market conditions and competitive landscape for 2017 expected to be similar to 2016
- 2017 sales expected to be down 2% to 4% due to:
 - continued pruning of lower margin, less differentiated products
 - 1H 2017 comparable impacts from the 2016 product portfolio pruning
 - soft customer demand in packaged foods and price competition from imports
- Cumulative impact of cost savings actions expected to largely offset ongoing pricing pressures
- 2017 earnings as a percent of sales expected to be consistent with 2016

2017 Priorities: Executing on Our Vision

Underpinned by company-wide commitment to excellence, transparency and accountability



Value Creation



Operational
Excellence



Commercial
Excellence



Strategic
Growth



Strong Organization and Cultural
Transformation



- Execute Operational Excellence Phase 2
- Execute Commercial Excellence Blueprint
- Execute Strategic Growth Roadmap
- Continued focus on cash generation
- Balanced capital allocation strategy

Innophos Investor Day

March 15th 2017

New York City

RSVP: IPHS@investorrelations.com



ABOUT THE COMPANY

Innophos (NASDAQ: IPHS) is a leading international producer of specialty ingredient solutions that deliver far-reaching, versatile benefits for the food, health, nutrition and industrial markets. We leverage our expertise in the science and technology of blending and formulating phosphate, mineral and botanical based ingredients to help our customers offer products that are tasty, healthy, nutritious and economical. Headquartered in Cranbury, New Jersey, Innophos has manufacturing operations across the United States, in Canada, Mexico and China.

For more information please visit www.innophos.com

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Non-GAAP Reconciliations

Adjusted EBITDA Reconciliation to Net Income

(Dollars in thousands)

	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net Income (loss)	\$9,382	(\$4,633)	\$47,971	\$26,346
Interest expense, net	2,042	3,095	7,669	7,518
Provision for income taxes	4,212	(946)	22,347	13,777
Depreciation & amortization	8,872	8,855	37,479	38,535
EBITDA	24,508	6,371	115,466	86,176
<u>Adjustments</u>				
Non-cash stock compensation *	493	180	3,077	2,423
Translation expense (income)	684	(1,179)	1,111	3,882
Restructuring expense	-	-	1,465	8,621
Operating expenses related to refinancing	585	-	585	-
Management transition expense	-	11,789	-	11,789
Specialty Phosphates inventory reserves	-	3,312	-	3,312
Revision of 2014 supplier costs	-	2,000	-	2,000
Adjusted EBITDA	\$26,270	\$22,473	\$121,704	\$118,203
<i>Percent of Sales</i>	<i>15.7%</i>	<i>13.2%</i>	<i>16.8%</i>	<i>15.0%</i>

* Not adjusted when calculating Adjusted EPS

Non-GAAP Reconciliations

Adjusted Net Income Reconciliation to Net Income

(Dollars in thousands, except EPS)

	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net Income (loss)	\$9,382	(\$4,633)	\$47,971	\$26,346
<u>Pre-tax Adjustments</u>				
Translation expense (income)	684	(1,180)	1,110	3,881
Restructuring expense	-	-	1,465	8,621
Operating expense related to refinancing	585	-	585	-
Management transition expense	-	11,789	-	11,789
Specialty Phosphates inventory reserves	-	3,312	-	3,312
Revision of 2014 supplier costs	-	2,000	-	2,000
Total Pre-tax Adjustments	1,269	15,921	3,160	29,603
Income tax effects on Adjustments	394	5,254	976	9,729
Adjusted Net Income	\$10,257	\$6,034	\$50,155	\$46,220
Adjusted Diluted Earnings Per Participating Share	\$0.52	\$0.32	\$2.55	\$2.27

Cash From Operations to Free Cash Flow Reconciliation

	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
\$ in thousands				
Cash From Operations	57,305	22,989	139,109	98,926
Net Cash Used For Investing Activities	(10,924)	(9,929)	(36,599)	(31,699)
Free Cash Flow	\$46,381	\$13,060	\$102,510	\$67,227