

INNOPHOS PRESENTATION JEFFERIES 2016 INDUSTRIAL CONFERENCE

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SPEAKER

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<<Daniel Rizzo, Analyst, Jefferies LLC>>

Good morning. I'm Dan Rizzo with the Jeffries chemical and emerging technologies team. Up next we have Innophos Holdings and with us today is CEO, Kim Ann Mink. So please, take it away.

<<Kim Ann Mink, Chief Executive Officer and President>>

Good morning, everyone, and thank you for joining us today. This is my first Jefferies conference since joining Innophos as the CEO some seven short months ago. And I'm very excited to be here today. Joining me today from Innophos is Han Kieftenbeld, sitting up front, our Senior Vice President and Chief Financial Officer; and Mark Feuerbach, Vice President of Investor Relations.

Over the next 20 minutes or so, I'd like to give you a brief overview of our company, the markets we serve and the mega trends that are driving growth in some of our markets. And I'd like to spend some time walking you through our strategic priorities and the actions we're taking to transform the company and then, obviously, we'll open it up to your questions. Before I start though I'd like you to note our Safe Harbor provisions, which pertain to forward-looking statements that we might make this afternoon in our presentation and I encourage you to read that in your hand out.

Okay, now let's begin. I'm going to begin just with a brief overview of some of Innophos' key facts and figures, as it says here Innophos offers technology and science driven specialty ingredient solutions to 900 customers in over 70 countries with 40% of our sales outside of the U.S. The business is supported by 1,400 very dedicated employees across our 11 manufacturing sites, two global R&D facilities and our corporate headquarters in Cranbury, New Jersey.

Now our current reporting segments are really based on a combination of product line and country of manufacture. And that said you can see that approximately three quarters of our sales were from specialty phosphate sourced in U.S. and Canada. What I'd like to point out is these current reporting segments are really more representative of where the company came from versus where we're trying to go. And that is to become a more market driven growth oriented company.

With that said then Innophos is serving resilient and attractive end market with over 50% of our sales into the food and health markets. And in fact the ingredients we supply to these markets really bring important functional and nutritional properties to the end products into which they're formulated and they typically provide those benefits at a low core cost relative to the customers' overall product cost. In addition the other market we serve is the industrial specialties market, which accounted for about 40% of our 2015 revenue. And then from a geographical perspective as you can see our sales are predominantly in North America, but we do have a focus on growing our international business in certain emerging markets in Asia-Pacific, Latin America and EMEA.

Okay. Innophos is a leading international producer of performance critical and nutritional functional ingredients with applications in the food, health and industrial specialties markets. Innophos combines more than a century of experience in specialty phosphate manufacturing combined with the capability in nutritional ingredients to supply a product range produced to stringent, regulatory manufacturing standards and of course the quality demanded by our customers worldwide.

Now as a Company we've really maintained this leadership throughout the years by evolving in response to market trends and customer needs. And in particular over the last few years, we have really begun to transform our market presence to one that is primarily oriented to higher value more differentiated food and beverage ingredients. We generated annual revenue of \$789 million and an adjusted EBITDA of \$118 million in 2015. And in spite of what has been a challenging industry environment, we have generated and consistently do so to generate significant cash flow and our balance sheet and liquidity remain strong.

So that now I've told you who we are. It's just as important for me to tell you who we're not. And we are not a commodity oriented vertically integrated mining and fertilizer end market company. Yes, our key raw materials are common to those serving the fertilizer market, but our products and solutions are oriented much further downstream. Our business is technology and science driven and our focus

is providing functional ingredients again for the food, health and industrial specialties market.

You know I joined Innophos again seven short months ago because I believed in the Company's future and the potential of what we can achieve. At its core, Innophos is a strong combination of assets and technologies where we have a leading position in our key markets, and we service top tier customers. My new leadership team, which I'll talk about in a little bit, are energized and they have a strong financial yet disciplined ambition. Our specialty phosphates, which accounts for greater than 90% of our total company sales has attractive EBITDA and also strong margins relative to the ingredient industry.

And most importantly, our business consistently provided steady cash flow and strong cash conversion. In fact, over the past five years, we have generated greater than \$300 million of free cash flow, and we have returned \$329 million to our shareholders via dividend and share buybacks. Now with phosphate – leading phosphate technology position, we are one of three main players in North American specialty phosphates, which is approximately a \$1.5 billion industry. You may not realize but you probably consume phosphate every day whether that's at breakfast, lunch or dinner or some snacks in between and that's because phosphate is a versatile ingredient in everyday food and beverage applications.

Our phosphate technology based solutions are commonly used for leavening of baked goods, binding and hydration in meat and poultry applications, fluidity and protein dispersion in dairy products and mineral fortification of flavor enhancers in beverages. In fact, our products and solutions already allow our customers to provide consumers tasteful and nutritious food and beverage ingredients.

So, for example, with our food ingredient products such as Cal-Rise® and Levair®, they not only serve as a critical component for the quality, the texture in the leavening of baked goods, but Cal-Rise also provides a healthy alternative to the food industry by reducing sodium and adding calcium. Further, our consumers are really thirsty if you will for enriched sport, fruit and dairy drinks. With our VersaCal product line that we bring to that area, we're really quenching that demand by providing a healthy range of nutritional and functional ingredients, what not – which not only bring a dual nutrient source of both calcium and phosphate fortification, but also optimizes their final beverage formulation.

And these are just a few of the technologies in our broad range of food and beverage specialty ingredients.

Now recently we have been navigating what has been a challenging industry environment with soft demand and increasing pricing pressures from our competitors. Despite these headwinds, though, we believe we are well positioned to respond to certain mega trends that are going to drive strong secular growth in many of our markets.

So for example, in our food, beverage and nutrition side, there are clear trends over the past few years with healthy living and energized aging, with particular focus on the ingredients in the food we eat and the health promoting supplements we take. And again many of our products already allow our customers to develop and market, healthy and appealing food products.

Now as we further look to develop our roadmap for strategic direction and look to expand into higher value, more differentiated adjacencies, we're really looking to focus on enhancing our ability to respond to these underlying mega trends, which are ever evolving.

Moving to the next slide, you can see our strategic pillars that support our transformation. Okay, these strategic pillars really service the framework today on how we're trying to make improvements to our company, really focused on constructing the roadmap for strategic growth as well as finding and identifying the levers to drive sustainable improvement in the financial performance of our company. Of course all built on the right organization founded on the right talent, structure and processes.

In the operational excellence side, it's really about getting the company fit, as we continue to invest in our supply chain and manufacturing processes to improve our overall operational efficiency. In the supply chain area our niches include improved sourcing strategies, transforming our inventory management and also better forecasting and planning processes. On the manufacturing side, we continue to look at our practices, so that we become more efficient and adaptable to the ever changing needs of our customers, through targeted investments, through implementing of the lean principles and manufacturing resource optimization.

And it's important to mention, and I'm pleased to say, that we have made significant headway in the area of purchasing and sourcing where we have already identified a procurement savings pipeline of between \$10 million and \$12 million based on both direct and indirect spend categories, a portion of which has already been recorded in the first two quarters of this year.

With our commercial excellence pillar, we are really striving to identify, understand and meet the complex and ever-changing needs of our customers. This includes looking at our customer base by segment, and that will allow us to better make, or better align and make, more meaningful alignment between our product and service offerings with customers' needs and preferences. This also has helped us to evaluate our sales channels where we're really looking at developing appropriate go to market strategy across our products and our sales professionals.

Further, we're also working to strengthen our pricing activities by establishing purposeful decision processes to ensure that we are in fact capturing the value we believe we're delivering to the market and really achieving a greater focus on managing our margins.

Of course we have to develop the right strategy for future growth. So, using over the last four or five months, using data driven analytics, we have made solid progress on a multifaceted review really focused on our core specialty phosphate business and the markets we serve today.

Based on the analysis that we've completed thus far, we believe that our core specialty phosphates business will only grow at best with GDP. And really we'll continue to demonstrate signs of a mature product line; increased pricing sensitivity and little opportunity for breakthrough technology. That said, though, there is still very good value in our current portfolio. We've had consistent earnings and very strong cash flow, and it also provides us with a very strong foothold in two attractive and resilient end markets, and that's in the area of food and health.

That said, targeted M&A will grow this company. And with that, we're really looking at aligning the inorganic growth efforts to complement our existing markets, including adjacencies. And we're really targeting that M&A to pivot us outside of just phosphates. Okay, and we're anticipating these opportunities to be bolt-on acquisitions, so that we can really focus on not only driving profitable growth, but also maintaining our discipline with capital allocation.

Finally, it goes without saying that underlying all of these three strategic pillars is a foundation. And that is the foundation based on a strong management team who will lead Innophos significantly down a transformational path by bringing in required new talent, skill set and external best practices. And I'm very pleased to say that we have made three excellent senior executive level hires in the last five months.

Han Kieftenbeld, who I introduced before, a Senior Vice President and Chief Financial Officer; he not only has a proven track record as a finance leader, but he really brings to the table the depth and breadth of experience and knowledge of the food ingredient industry. Amy Hartzell, a Vice President of Supply Chain and Purchasing, who is a seasoned professional in supply chain management most recently from the Dow Chemical Company and who has experience in developing and implementing global supply chain and operational improvement programs.

And then finally, Sherry Duff who has recently been brought in as Vice President and Chief Marketing Officer, with over 25 years of experience in the specialty chemical industry, who really has a great track record in driving performance and growth based on customer driven value proposition and strategic planning across new markets and new regions. Quite frankly, their knowledge base and skill set brings our collective management team to the next level.

So the approach we're taking at Innophos for the next level is really a two dimensional approach, namely perform and transform. For perform, we're really focused on continuous improvement and disciplined execution, really about getting the company fit with ongoing focus of course on our cash generation. We will be disciplined in our capital allocation and look to enhance our return on investment, all the while giving you greater visibility and transparency externally.

Transform, that really means strengthening our core and pursuing growth, really informed by mega trends and as I mentioned, we'll use differentiated focus and ambition by segments, all the while leveraging technology and science and optimizing the supply network. Of course, we will never lose sight of the fact that the ultimate outcome of delivering on these initiatives is about maximizing our shareholder value.

So in summary, Innophos is a market leader. We have strong underlying business fundamentals and our cash generation has been extremely strong. And that has allowed us to maintain our commitment to the dividends. Our focused approach to strong shareholder return is really balancing profitability, risk and growth while really applying a disciplined investment criteria and maintaining our capital structure flexibility.

Our capital allocation priorities will be targeted investments in our core businesses, value enhancing M&A opportunities in markets that are similar to the ones we already serve, including adjacencies, and returning excess cash to our shareholders,

which I might add and remind you again that we have done that in a significant way over the last five years with increasing payout ratios and enhanced share buybacks.

As the new CEO, I continue to be very excited about what the future holds as my colleagues and I pen our next chapter in this next phase of the company.

With that said, I'd be more than happy to answer your question.

Q&A

<Q – Daniel Rizzo>: Thank you. I was wondering you mentioned looking at outside the core phosphate business into adjacencies what would you consider like some easy adjacencies from that business, what you're looking towards to move towards.

<A – Kim Ann Mink>: Dan?

<Q – Daniel Rizzo>: Yeah.

<A – Kim Ann Mink>: This is Kim Ann.

<Q – Daniel Rizzo>: Yeah.

<A – Kim Ann Mink>: Yeah, it's a great question. And clearly again I just want to remind everyone we're looking to pivot outside of phosphates for those of you who don't know over the last five years up and through about 2013, we had made a number of acquisitions very small total together the four acquisitions, its only \$50 million in the nutritional area. So botanicals, other minerals, that will be an area we are interested in, but we are also in the process of looking at the various food ingredient and food beverage and nutritional ingredient technologies right now and also the properties that they bring to the table and looking at what those growths are. So we are in the process of going through very stringent criteria process and are developing a pipeline of acquisitions which meet some of that criteria.

<Q – Daniel Rizzo>: And then you mentioned looking at high value ingredients even within the specialty phosphates it's a particular end product or area within nutrition that seems to be the most attractive to you where you would be focusing.

<A – Kim Ann Mink>: Yeah. So from a phosphate standpoint?

<Q – Daniel Rizzo>: Yeah.

<A – Kim Ann Mink>: Yeah. From a phosphate standpoint, where we need to focus our efforts there because, again as I mentioned to you at best, it's going to be GDP type growth. I mentioned to you things like the Cal-Rise, I mentioned to you things like the VersaCAL. It's really focusing on new applications development, where we bring both functional and nutritional properties to the end products, and again megatrends. So remember reduction of sodium, health promoting supplements we're in dietary supplements making sure that we trigger that and we focus and reallocate our efforts looking at those types of applications rather than some of more of the commodity industrial applications.

<Q – Daniel Rizzo>: So you mentioned that you are looking to evaluate your sales channels which is part of this kind of this transition, but I would suggest then that you're potentially looking to get rid of some customers there I mean or...

<A – Kim Ann Mink>: Really, what we're really looking at is making sure we focus our sales organizations market facing. Right now the sales organization that I took on more generalist in nature and if we want to focus on the higher value, more differentiated applications they cannot be generalists, they must be more specialists. So right now we're really looking to reorganize our sales force from that perspective and not necessarily get rid of our customers, but focus on the right customers where we can get the most profit.

<Q – Daniel Rizzo>: Transitioning that sales force would probably I mean that the specialty that you're describing would probably suggest that have a multi-year process though as with...

<A – Kim Ann Mink>: Yes.

<Q – Daniel Rizzo>: Is there any questions from the audience.

<Q>: [Question Inaudible]

<A – Kim Ann Mink>: Yeah. There is a lot of questions there. We have had a consultant which we will not be identifying today. But we've had a consultant live with us for the last four months, four days a week. Came on about probably in my first quarter on the job. We're looking at – not just looking at acquisition targets, but we've done a complete segmentation of the markets within the food and

nutritional and beverage area to understand externally, not just where we play obviously, to understand the growth opportunities and the spaces to grow.

So then with that said then, we also developed with them a very what I would say robust and disciplined filtering process because we need to be very disciplined in obviously in what acquisitions we look at. We started sort of a funnel, Keith. We started with hundreds and hundreds of companies we're looking at. We've narrowed those down. We won't be talking about those today obviously and we won't be publicly yet announcing who will be working with me, but we've already made some of those decisions.

So we're pretty far along from that standpoint. The Company needs to be much proactive with this rather than waiting, timing is everything. So we're going to be much more proactive in taking a look at those acquisitions.

<A – Han Kieftenbeld>: And the way to think about it is really we're looking for revenue, synergies, right. So Kim I know already said in her talk, technology driven and also where we have overlap with our existing customer base because from a cross selling perspective, so adjacencies not all the way out there, things that actually have a level of overlap and therefore make sense from a revenue synergy perspective.

<Q>: [Question Inaudible]

<A – Kim Ann Mink>: Yeah. I know that's a great question. So I talked a little bit about the operational excellence pillar that we've identified and that has really been around looking at supply chain and manufacturing. I think I mentioned so a couple of different things. We really needed to be – have a much stronger purchasing and sourcing strategy. So now we have spend maps across all of our direct and indirect categories and that has really, the fruit of that benefit is the \$10 million to \$12 million that we found that I announced during my second quarter earnings that was up from the \$7 million that I found in the first quarter. So those initiatives continue.

We're really transforming our inventory management process. Quite frankly, we didn't have diligence in looking at some of our inventory and you've seen that we've created a much – we've had a much lower working capital that we talked about and that's coming from that from the efforts of what we've done over the last couple of quarters. The other areas also in applications of lean principles, so really

looking to reduce costs in manufacturing, increase utilization. For me, this is just about having the way you should run the company, quite frankly.

And again it's about getting fit and staying fit. So while there will be some step change in our cost, okay, and those are the areas predominately supply chain and manufacturing. What you should hear from us in the coming years then is that every year we'll set a productivity target, it's really about continuous improvement because you can't, even in good times, you need to make sure that the company is fit, remember we want to grow on top of what should be a healthy core business, okay.

So the core phosphate business is more mature and again at best will only grow at GDP. We need to be – that needs to be extremely fit. I don't know if that answers some of your questions and I guess one other thing I would add, in the area of commercial excellence where we've done a very thorough customer segmentation, did a lot of different cuts where we are now in the process of looking at service levels to our customers, right. So that's another area where we can become more efficient and really focus on managing our margin.

<A – Han Kieftenbeld>: And if you look at our earnings release last week I think you'll see quite some evidence of – in terms of our focus in the numbers to sort of year-on-year cost profile has improved quite a bit through a combination of things really, it's some of the restructuring efforts that obviously take foothold there. But then equally, the programs on the procurement and sourcing side, the numbers are coming through the system. And I think again the key is as Kim Ann said as we get some of the easier wins upfront. Then as we finish the year, we add into next year. Clearly we'll continue to look for an embedded kind of culture of continuous improvement and that should continue to pay us dividends.

<Q – Daniel Rizzo>: Any last questions, anything from the audience.

<Q>: [Question Inaudible]

<A – Han Kieftenbeld>: All right. So yes, so OpEx basically that's what you said right, OpEx, SG&A, yeah.

<Q>: [Question Inaudible]

<A – Han Kieftenbeld>: I'll take the OpEx first. So yeah, so it's around 9%. I think again just building on the comment I just made here a moment ago. It is looking

for continues improvement it is also about where do we invest our dollars and that obviously then speaks to the aspiration we have to probably put more into the market development side, hence the appointment that Kim Ann commented on in terms of the CMO that has both the marketing and technology responsibility to kind of two in the box type of approach. And be discerning around where we put our resources away from some of the general overheads if you will, so we're definitely looking at that.

But we're running currently around 9% of sales. Just to give you that number which is not too indifferent from where a lot of the folks are in the broader ingredients industry. As relates to R&D, you want to make a few comments.

<A – Kim Ann Mink>: Yeah. Our R&D spend is rather low. However, one thing that I discovered when I came in seven months ago, we have a very, very strong R&D and technology organization. These are not phosphate experts, rather they are Ph.D.'s in food science some come from the pharma industry. And for me it's really about reallocating those resources that I see and making sure they focus on the right things, right now they're spread a bit. They're looking at some more and in some cases some lower margin, industrial applications, if we really take that and really funnel the power that we already have in our R&D labs. We can look really look at new applications development with our phosphate. That doesn't even mention how we can use them and leverage them if we were to take on acquisitions, because of their general background.

<Q>: [Question Inaudible]

<A – Kim Ann Mink>: Now, yeah, for the core phosphates business, I know 1%. It's so small, I mean how could – most people will say how do you consider yourself of specialty ingredient manufacturer with 1%. I think initially while we are getting fit. It's really about a reallocation of that, but I would say as we take on acquisitions that number will go up a bit. If in fact we are true to what we're saying and that we want to grow in higher value more differentiate applications outside of phosphate.

<<Daniel Rizzo, Analyst, Jefferies LLC.>>

Okay. Thank you very much.