

Q3 2017 EARNINGS CALL

October 31, 2017 – 9:00 am ET

**REVITALIZED
FOR GROWTH**



Forward-Looking Statements

- This presentation contains or may contain forward-looking statements within the meaning of Section 27a of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The company intends these forward-looking statements to be covered by the safe harbor provisions for such statements.
- Statements made in this presentation that relate to our future performance or future financial results or other future events (which may be identified by such terms as “expect”, “estimate”, “anticipate”, “assume”, “believe”, “plan”, “intend”, “may”, “will”, “should”, “outlook”, “guidance”, “target”, “opportunity”, “potential” or similar terms and variations or the negative thereof) are forward-looking statements, including the Company’s expectations regarding the business environment and the Company’s overall guidance regarding future performance and growth. These statements are based on our current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may materially differ from the expectations expressed in or implied by these forward-looking statements.
- Factors that could cause the Company’s actual results to differ materially include, but are not limited to: (1) global macroeconomic conditions and trends; (2) the behavior of financial markets, including fluctuations in foreign currencies, interest rates and turmoil in capital markets; (3) changes in regulatory controls regarding tariffs, duties, taxes and income tax rates; (4) the Company’s ability to implement and refine its Vision 2022; (5) the Company’s ability to successfully identify and complete acquisitions in line with its Vision 2022 and effectively operate and integrate acquired businesses to realize the anticipated benefits of those acquisitions; (6) the Company’s ability to realize expected cost savings and efficiencies from its performance improvement and other optimization initiatives; (7) the Company’s ability to effectively compete in its markets, and to successfully develop new and competitive products that appeal to its customers; (8) changes in consumer preferences and demand for the Company’s products or a decline in consumer confidence and spending; (9) the Company’s ability to benefit from its investments in assets and human capital and the ability to complete projects successfully and on budget; (10) economic, regulatory and political risks associated with the Company’s international operations, most notably Mexico and China; (11) volatility and increases in the price of raw materials, energy and transportation, and fluctuations in the quality and availability of raw materials and process aids; (12) the impact of a disruption in the Company’s supply chain or its relationship with its suppliers; (13) the Company’s ability to comply with, and the costs associated with compliance with, U.S. and foreign environmental protection laws and (14) the Company’s ability to meet quality and regulatory standards in different jurisdictions in which it has operations or conducts business.
- We caution you to consider the important risks and other factors as set forth in the forward-looking statements section and in Item 1A Risk Factors in our most recent Annual Report on Form 10-K, as amended by subsequent reports on Forms 10-Q and 8-K.
- We do not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements.

Regulation G: Adjusted Results

- The information presented herein regarding certain unaudited adjusted results does not conform to generally accepted accounting principles in the U.S. (U.S. GAAP). Innophos has included this non-GAAP information to assist in understanding the operating performance of the company and its reporting segments. Please see reconciliations to the most directly comparable financial measure prescribed by U.S. GAAP in the appendix.

Totals in this presentation may not foot due to rounding.

Agenda

1. Executive Overview
2. Financial Review
3. Outlook
4. Q&A



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



Han Kieftenbeld
SVP and Chief Financial Officer

Strong Q3 Performance

Q3 2017 Earnings performance **exceeded expectations; strongest adjusted EPS** performance in past twelve quarters

- Closed expediently on **acquisition of Novel Ingredients**. \$10m of sales and accretive to EPS
- Novel Ingredients **integration** progressing as planned
- **FHN segment up** as Novel's revenue more than offset natural disasters-related demand impacts, as well as pricing decline
- Continued **cost savings** from Operational Excellence initiatives
- Full year revenue guidance raised; earnings guidance maintained. **Both expected to be in line with prior year**

Enhancing Our Growth And Earnings Profile

Strategic pillars provide strategic focus and drive performance



Operational Excellence

- Phase 2 implementation involves process, systems and organizational changes to optimize MRO, packaging and logistics costs
- Delivered \$1m savings in Q3. Committed to achieve \$13m total Phase 2 savings
- Starting Q4, setting out a broad plant maintenance and supply chain optimization program that will be phased throughout 2018

Commercial Excellence

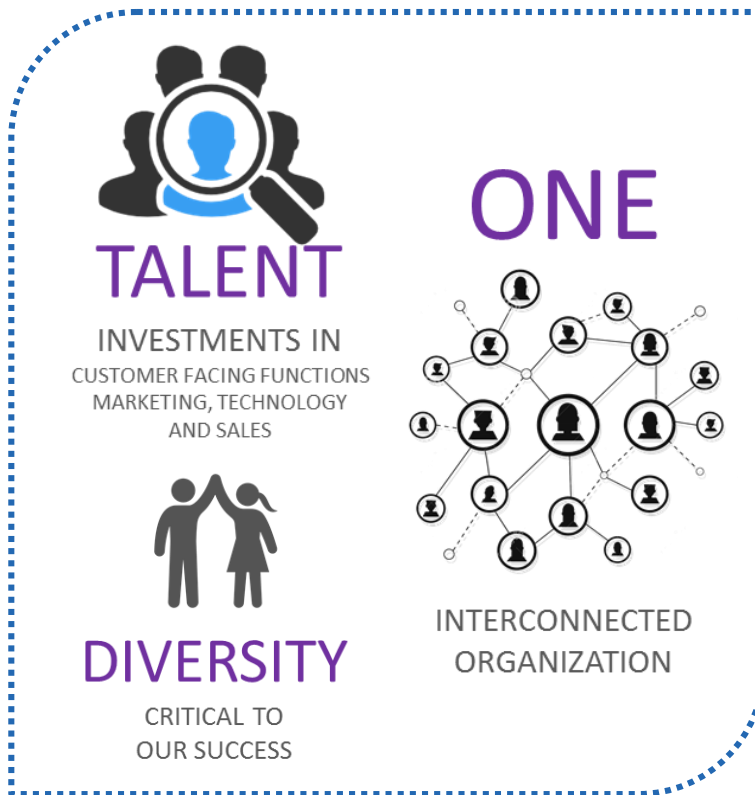
- Successful integration of heritage Innophos Nutrition and Novel Ingredients sales organizations

Strategic Growth

- Actively evaluating robust pipeline of opportunities that build upon FHN platform and align Innophos with consumer mega-trends

Building Bench Strength, Diversity and Alignment

Organizational and cultural transformation foundation to strategic pillars



- Continued building **bench strength** across all levels of the organization
- Recognized for our **commitment to diversity**
 - 2017 Corporate Board Gender Diversity Award by the Executive Women of New Jersey (EWNJ)
 - 2017 Top 25 Most Influential Women of the Mid-Market by CEO Connection
- **Unified** Innophos Nutrition and Novel Ingredients customer facing organizations

Novel Ingredients Integration Progressing As Planned

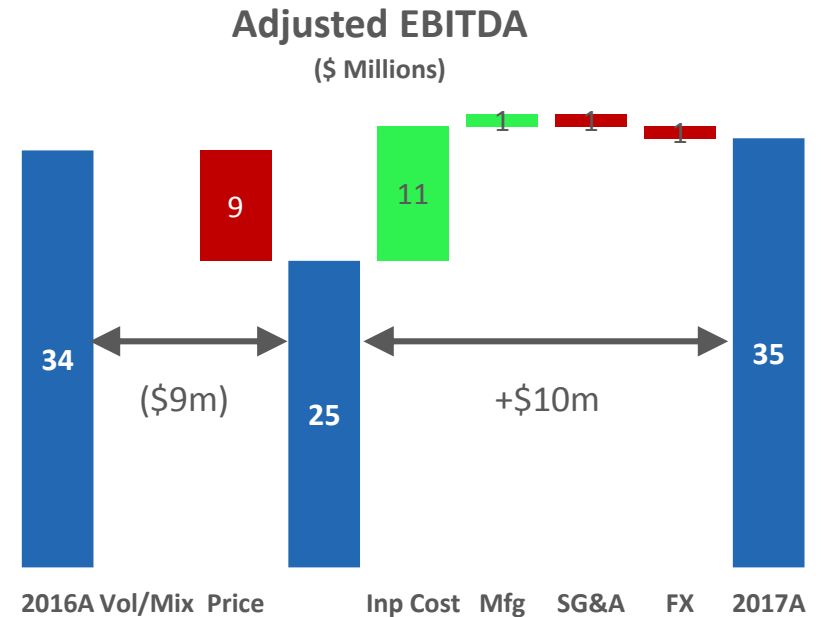
Fast close delivering sales and accretion in Q3

- Dedicated Integration Management Office (IMO) established along with Executive Steering Committee oversight
- Process reviews to take advantage of best of both, combined with external best practices
- Unified Nutrition sales team presented during annual SupplySide West trade show. Promoting our combined marketing, technology and commercial capabilities
- Working toward \$15 million of identified cost and tax synergies



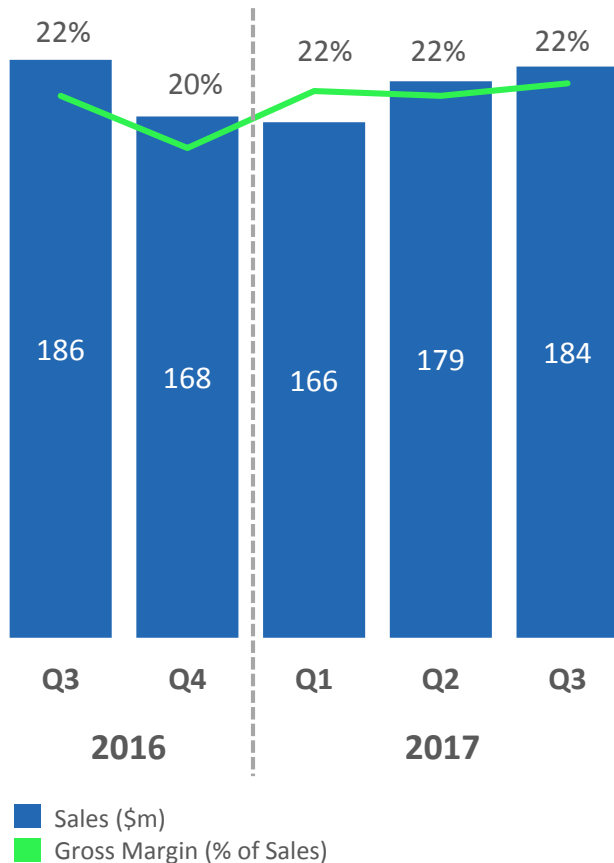
Q3 2017 Performance Highlights

	Q3		
	\$m	Variance	
Sales	184	(2)	-1%
Gross Profit	41	---	1%
Gross Margin	22%	+49 bps	
Net Income	12	(2)	-15%
Adj. Net Income	15	1	5%
Adj. EBITDA	35	1	3%
Adj. EBITDA%	19%	+79 bps	
Diluted EPS	0.58	(0.10)	-15%
Adj. Diluted EPS	0.78	0.03	5%
OCF	27	(13)	-32%
FCF	19	(14)	-43%



- Adjusted EBITDA of \$35m up \$1m YOY and margin of 19% showing a 79 bps YOY improvement
 - Sales shortfall resulting in -\$9m margin impact from price erosion
 - Offset by +\$11m from lower input costs
 - Manufacturing recognized \$1m of savings from Operational Excellence Phase 2
- FX unfavorable \$1m YOY due to weakened USD vs. the Mexican peso
- Good OCF/FCF for the current quarter but comps down YOY due to significant working capital reductions in the prior year

Q3 2017 Sales Revenue And Gross Margin

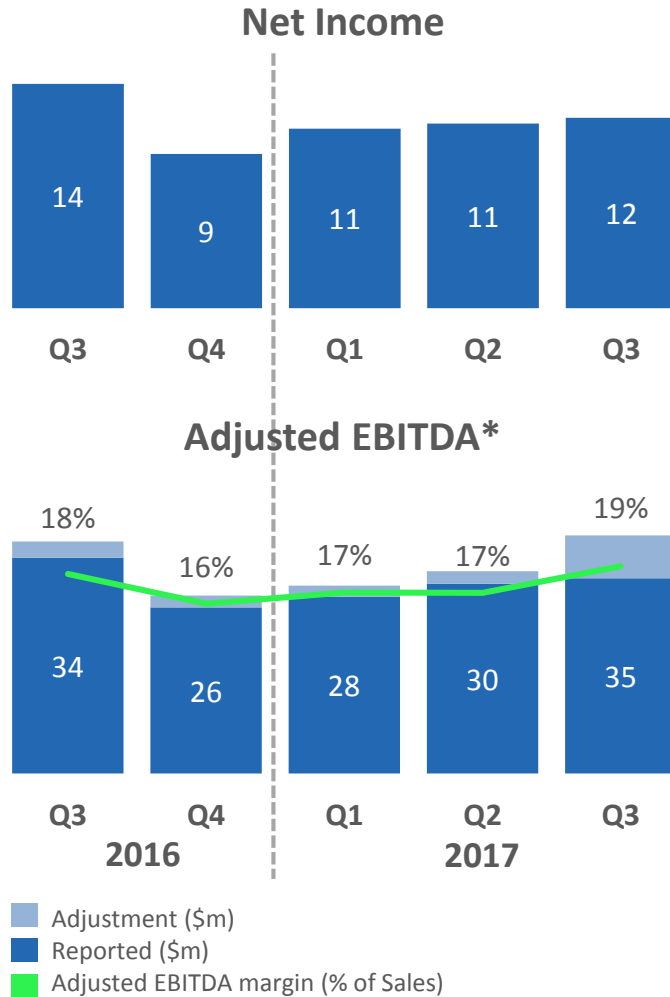


Sales Revenue Bridge	Q3		YTD	
	\$m	%	\$m	%
2016	186		558	
Volume/Mix	6	3%	(1)	---
Price	(9)	-4%	(28)	-5%
2017	184		529	
YOY Variance	(2)	-1%	(29)	-5%

Quarterly Comments

- Sales Revenue down 1% YOY primarily due to lower selling prices. Favorable volume comps seen in FHN due to Novel acquisition and IS despite \$2m of shipping delay impacts from Caribbean hurricanes and Mexican earthquake.
- Food, Health and Nutrition: up 5% YOY due to addition of Novel which exceeded 3% decline in average selling prices
- Industrial Specialties: -4% due primarily to strong price competition in technical grade products
- Other sales down 20% primarily due to strong commodity fertilizer sales in the prior year period

Q3 2017 Earnings



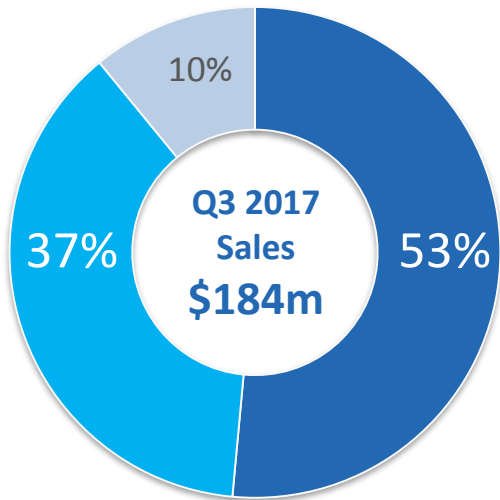
*Excl. \$2.4m in Q3 2016, \$1.8m in Q4 2016, \$1.7m in Q1 2017, \$1.8m in Q2 2017 and \$6.5m in Q3 2017

Adj. EBITDA Bridge	Q3 YOY		YTD YOY	
	\$m	%	\$m	%
2016	34		95	
Volume/Mix	0	---	(5)	-5%
Price	(9)	-27%	(28)	-30%
Input costs	11	32%	34	36%
Manufacturing	1	3%	2	2%
SG&A	(1)	-3%	(5)	-5%
FX	(1)	-3%	---	---
2017	35		93	
YOY Variance	1	-3%	(2)	-2%

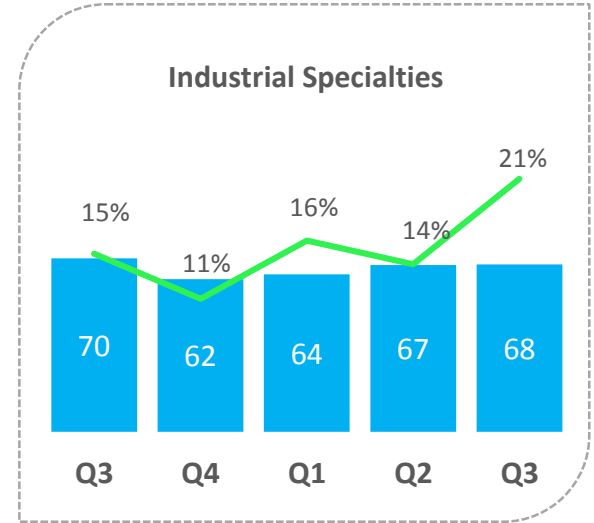
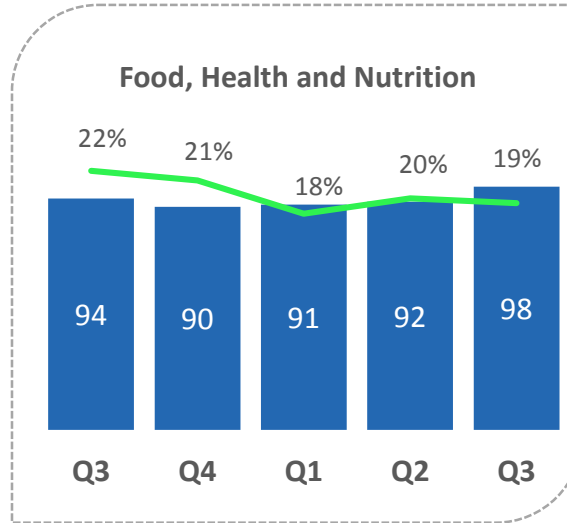
Quarterly Comments

- Net income down \$2m or -15% versus prior year due to purchase accounting and M&A related expenses. Adjusted Net Income up \$1m and margin of 8% up 46 bps
- Adjusted EBITDA up \$1m YOY with a margin of 19%, up 79 bps compared with prior year
- YOY average selling price erosion offset by lower input costs
- FX down \$1m YOY due to stronger Mexican Peso

Q3 2017 Performance By Segment



- Food, Health and Nutrition
- Industrial Specialties
- Other



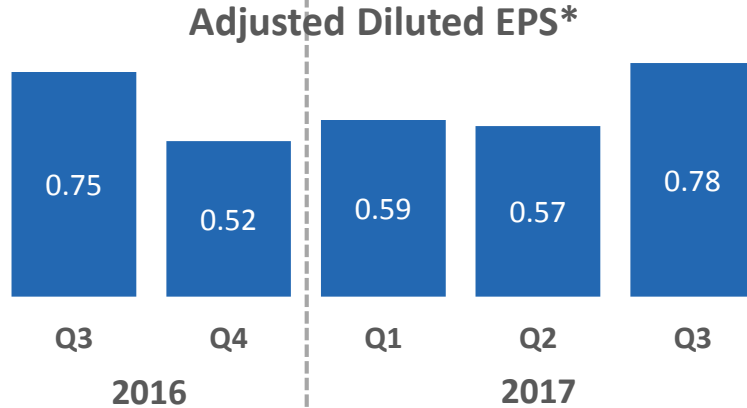
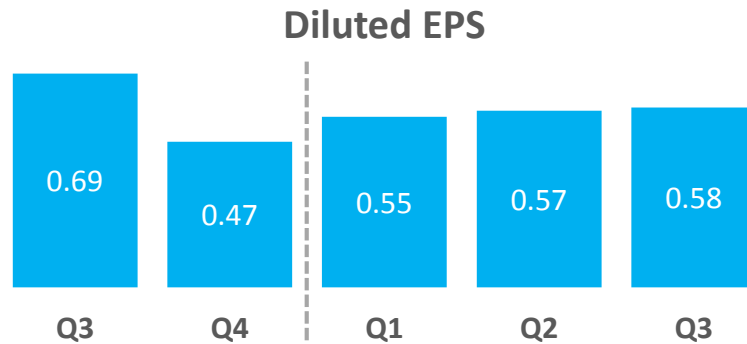
■ Sales Revenue (\$m)
■ Adj. EBITDA % of Sales

Sales Bridge	FHN		IS		Other		Total	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
2016	94	100%	70	100%	22	100%	186	100%
Volume/Mix	8	8%	1	1%	(3)	-12%	6	3%
Price	(3)	-3%	(3)	-5%	(2)	-8%	(9)	-4%
2017	98	105%	68	96%	18	80%	184	99%
YOY Variance	4	5%	(2)	-4%	(4)	-20%	(2)	-1%

Q3 2017 Other Items

Item	Q3 2017	Q3 2016	Comment
Net interest expense	\$2m	\$2m	Flat due to higher debt levels and leverage offset by lower applicable margins
Effective tax rate	33%	31%	In line with expectations; up YOY due to Q316 benefit from prior year tax return true-ups
Capital expenditure	\$9m	\$7m	Increase due to Geismar deep well investment which remains on track for completion in 2017
Dividends	\$9m	\$9m	\$1.92/sh. annual dividend is 55% of LTM free cash flow
Share repurchase	-	-	No activity
Net Debt	\$262m	\$166m	Increase primarily due to \$125m Novel acquisition
Net Debt / LTM Adjusted EBITDA	2.1x	1.4x	Increase due to Novel acquisition completed in August 2017

Q3 2017 Earnings Per Share



■ Diluted EPS (\$ per share)
■ Adjusted Diluted EPS (\$ per share)

Earnings per share	Q3	YTD
2016 Diluted	0.69	1.96
Adjustments	0.06	0.07
2016 Adj. Diluted	0.75	2.03
YOY Variance	0.03	(0.09)
2017 Adj. Diluted	0.78	1.94
Adjustments	0.20	0.24
2017 Diluted	0.58	1.70

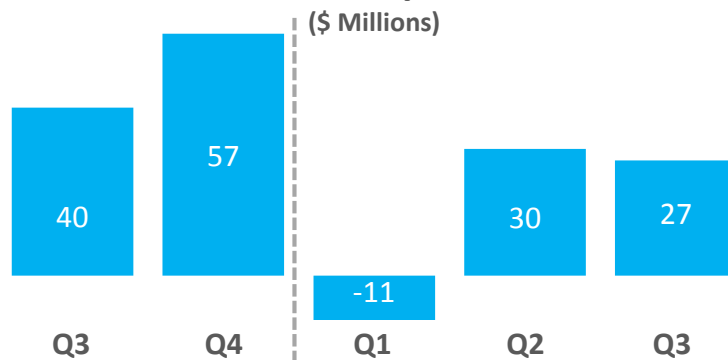
Volume/mix	---	(0.27)
Price	(0.43)	(1.40)
Costs	0.54	1.53
FX	(0.06)	(0.02)
Operational items	0.05	(0.16)

Financing	0.01	0.06
Tax	(0.04)	0.05
Shares outstanding	---	(0.01)
Other	0.01	(0.03)
Other items	(0.02)	0.07

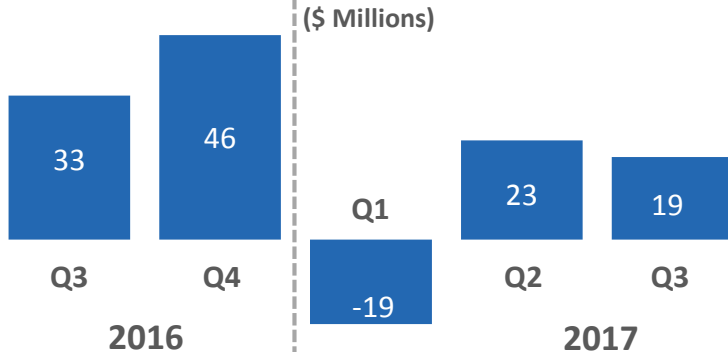
*Excl. pre-tax costs of \$1.6m in Q3 2016, \$1.3m in Q4 2016, \$0.9m in Q1 2017, \$0.2m in Q2 2017 and \$5.7m in Q3 2017

Q3 2017 Cash Delivery

Cash from Operations



Free Cash Flow



2016

2017

Opening	39	33	53	30	34
FCF	33	46	(19)	23	19
Financing	(39)	(26)	(4)	(19)	(20)
Closing	33	53	30	34	33

Cash Flow Bridge	Q3			YTD		
	\$m	Variance		\$m	Variance	
Adj. EBITDA	35	1	3%	93	(2)	-3%
Working Cap	(4)	(21)	BIG	(26)	(56)	BIG
Tax	(3)	6	68%	(14)	21	60%
Interest	(2)	---	11%	(4)	1	19%
Other	---	1	103%	(2)	2	54%
OCF	27	(13)	-32%	47	(35)	-43%
Capex	(9)	(1)	-19%	(25)	1	4%
FCF	19	(14)	-43%	22	(34)	-61%

Quarterly Comments

- Good cash from operations at \$27m, but lower YOY due to large working capital improvement in prior year
- Free cash flow of \$19m used for dividends and debt reduction
- Capital expenditure of \$9m in the quarter, 15% of which was related to the Geismar deep well investment, which remains below budget

2017 Full Year Outlook

Increased full year 2017 sales guidance, and maintained adjusted EBITDA. **Both forecasted to be broadly in line with prior year**

- 2017 guidance reflects **contributions from Novel Ingredients** with sales of ~\$35m
- Q4 is expected to reflect **typical seasonality**. Demand impact from **recent natural disasters** carries into Q4 and forecasted at \$3m adverse on sales
- \$3m **Phase 2 Operational Excellence savings** in 2017 of which \$2m in Q4
- Planned Q4 manufacturing stoppage; first step in **broad plant maintenance and supply chain optimization program** to be phased throughout 2018, demonstrating continued commitment to phosphates portfolio. Q4 stoppage impacts earnings adversely by ~\$4m
- Q4 to show **double digit** sales and adjusted EBITDA growth versus prior year

Delivering On Our Transformation

Strategic pillars provide strategic focus and drive performance



- Continued progress on **strategic pillars**
 - **Operational Excellence**
 - **Commercial Excellence**
 - **Strategic Growth**
- Further **strengthening** our business
- Pursuing **Vision 2022** strategy

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Non-GAAP Reconciliations

Long Term Targets

Innophos is not able to provide a reconciliation of its 2022 expectation for Adjusted EBITDA margin to GAAP net income due to the number of variables in the projected EBITDA margin for 2022 and because we are currently unable to quantify accurately certain amounts that would be required to be included in GAAP net income or the individual adjustments for such reconciliation. In addition, we believe such reconciliation would imply a degree of precision that would be confusing or misleading to investors.

Additional Information

Free cash flow is a supplemental financial measure that is not required by, or presented in accordance with, US GAAP. The Company believes free cash flow is helpful in analyzing the cash flow generating capability of the business and as a performance measure for purposes of presentation in this investor presentation. The Company defines free cash flow as net cash provided from operating activities plus net cash used for investing purposes.

EBITDA, adjusted EBITDA, adjusted net income and adjusted diluted EPS are supplemental financial measures that are not required by, or presented in accordance with, US GAAP. The Company believes EBITDA and adjusted EBITDA are helpful in analyzing the cash flow generating capability of the business and as performance measures for purposes of presentation in this investor presentation.

Net Working Capital and Operating Working Capital are supplemental financial measures that are not required by, or presented in accordance with, US GAAP. The Company believes net working capital and operating working capital are helpful in analyzing the effects on the cash flow generating capability of the business and as a performance measure for purposes of presentation in this release. The Company defines net working capital as total current assets less cash less total current liabilities, and defines operating working capital as net working capital less taxes less interest.

Non-GAAP Reconciliations

Adjusted EBITDA Reconciliation to Net Income

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Income	\$11,582	\$13,643	\$33,728	\$38,589
Interest expense, net	1,630	1,915	4,435	5,627
Provision for income taxes	5,698	6,227	15,678	18,135
Depreciation & amortization	9,878	10,043	29,009	28,607
EBITDA	28,788	31,828	82,850	90,958
<u>Adjustments</u>				
Non-cash stock compensation	711	758	2,997	2,584
Foreign exchange loss (gain)	100	110	(35)	426
Severance/Restructuring expense (income)	1,298	1,508	2,624	1,465
Inventory fair value adjustment	1,395	-	1,395	-
M&A related costs	2,954	-	2,954	-
Adjusted EBITDA	\$35,246	\$34,204	\$92,785	\$95,433
<i>Percent of Sales</i>	<i>19.2%</i>	<i>18.4%</i>	<i>17.5%</i>	<i>17.1%</i>

Adjusted Net Income Reconciliation to Net Income

(Dollars in thousands, except EPS)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Income (loss)	\$11,582	\$13,643	\$33,728	\$38,589
<u>Pre-tax Adjustments</u>				
Foreign exchange loss (gain)	100	110	(35)	426
Severance/Restructuring expense (income)	1,298	1,508	2,624	1,465
Inventory fair value adjustment	1,395	-	1,395	-
M&A related costs	2,954	-	2,954	-
Total Pre-tax Adjustments	5,747	1,618	6,938	1,891
Income tax effects on Adjustments	1,895	507	2,241	582
Adjusted Net Income	\$15,434	\$14,754	\$38,425	\$39,898
Adjusted Diluted Earnings Per Participating Share	\$0.78	\$0.75	\$1.94	\$2.03

Non-GAAP Reconciliations

Segment Adjusted EBITDA Reconciliation to EBITDA

(Dollars in thousands)

	<u>Three Months Ended September 30, 2017</u>				<u>Three Months Ended September 30, 2016</u>			
	<u>FHN</u>	<u>IS</u>	<u>Other</u>	<u>Total</u>	<u>FHN</u>	<u>IS</u>	<u>Other</u>	<u>Total</u>
EBITDA	\$16,442	\$13,491	(\$1,145)	\$28,788	\$19,649	\$10,237	\$1,942	\$31,828
Non-cash stock compensation	402	282	27	711	440	318	0	758
Foreign exchange loss (gain)	(71)	0	171	100	0	0	110	110
Severance/Restructuring exp.(inc.)	631	667	0	1,298	195	0	1,313	1,508
Inventory fair value adjustment	1,395	0	0	1,395	0	0	0	0
M&A related costs	0	0	2,954	2,954	0	0	0	0
Adjusted EBITDA	\$18,799	\$14,440	\$2,007	\$35,246	\$20,284	\$10,555	\$3,365	\$34,204
	<u>Nine Months Ended September 30, 2017</u>				<u>Nine Months Ended September 30, 2016</u>			
	<u>FHN</u>	<u>IS</u>	<u>Other</u>	<u>Total</u>	<u>FHN</u>	<u>IS</u>	<u>Other</u>	<u>Total</u>
EBITDA	\$49,098	\$31,666	\$2,086	\$82,850	\$59,326	\$29,934	\$1,698	\$90,958
Non-cash stock compensation	1,696	1,187	114	2,997	1,479	1,033	72	2,584
Foreign exchange loss (gain)	(101)	0	66	(35)	0	0	426	426
Severance/Restructuring exp.(inc.)	1,296	1,302	26	2,624	340	0	1,125	1,465
Inventory fair value adjustment	1,395	0	0	1,395	0	0	0	0
M&A related costs	0	0	2,954	2,954	0	0	0	0
Adjusted EBITDA	\$53,384	\$34,155	\$5,246	\$92,785	\$61,145	\$30,967	\$3,321	\$95,433

Non-GAAP Reconciliations

Cash From Operations Reconciliation to EBITDA

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
EBITDA	\$28,788	\$31,828	\$82,850	\$90,958
Operating Working Capital	2,026	18,662	(19,032)	32,387
Taxes paid	(2,659)	(8,394)	(14,024)	(34,837)
Interest paid	(1,606)	(1,800)	(4,291)	(5,298)
All other including non-cash stock compensation and changes in other long-term assets and liabilities	752	(531)	1,154	(1,406)
Net cash provided from operations	\$27,301	\$39,765	\$46,657	\$81,804

Cash From Operations Reconciliation to Adjusted EBITDA

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Adjusted EBITDA	\$35,246	\$34,204	\$92,785	\$95,433
Operating Working Capital	(3,721)	17,044	(25,970)	30,496
Taxes paid	(2,659)	(8,394)	(14,024)	(34,837)
Interest paid	(1,606)	(1,800)	(4,291)	(5,298)
All other including changes in other long-term assets and liabilities	41	(1,289)	(1,843)	(3,990)
Net cash provided from operations	\$27,301	\$39,765	\$46,657	\$81,804

Free Cash Flow Reconciliation to Cash From Operations

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cash From Operations	\$27,301	\$39,765	\$46,657	\$81,804
Capital Expenditures	(8,573)	(7,137)	(24,650)	(25,675)
Free Cash Flow	\$18,728	\$32,628	\$22,007	\$56,129



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

CONTACT

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