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IPHS - Q1 2018 Innophos Holdings Inc Earnings Call

EVENT DATE/TIME: MAY 01, 2018 / 1:00PM GMT

CORPORATE PARTICIPANTS

Han Kieftenbeld *Innophos Holdings, Inc. - Senior VP & CFO*

Kim Ann Mink *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Mark Feuerbach *Innophos, Inc. - VP -- Investor Relations, Treasury, Financial Planning & Analysis*

CONFERENCE CALL PARTICIPANTS

Brett Hundley *The Vertical Trading Group, LLC, Research Division - Research Analyst*

Curtis Siegmeyer *KeyBanc Capital Markets Inc., Research Division - Associate*

Francesco Pellegrino *Sidoti & Company, LLC - Research Analyst*

Lawrence Solow *CJS Securities, Inc. - MD*

PRESENTATION

Operator

Greetings, and welcome to the Innophos First Quarter 2018 Earnings Conference Call. My name is Michelle, and I will be your operator for today's call. (Operator Instructions) Please note that this conference is being recorded.

I would now like to turn the call over to your host, Mark Feuerbach. Mr. Feuerbach, you may begin.

Mark Feuerbach - *Innophos, Inc. - VP -- Investor Relations, Treasury, Financial Planning & Analysis*

Good morning, and thank you for joining us today for Innophos's First Quarter 2018 Results Conference Call. Joining me on the call today are Kim Ann Mink, Chairman, President and Chief Executive Officer; and Han Kieftenbeld, Chief Financial Officer.

Please turn to Slide 2. During the course of this call, management may make or reiterate forward-looking statements made in this morning's 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, estimates 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 statements 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.

Also, I would like to remind you that during the course of this conference call, management will discuss non-GAAP measures in talking about the company's performance. Our adjusted EBITDA financial measure excludes stock-based compensation, currency translation, severance, fair value inventory adjustments and M&A-related costs. Please refer to our press release, the appendix of today's presentation and our SEC filings for the GAAP to non-GAAP reconciliations.

We will make a replay of this conference call available for a limited time over the telephone at the numbers 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 May 1, 2018 and the presentation for this call can be found on our website at www.innophos.com in the Investor Relations Events section.

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.

Please turn to Slide 3. During the call today, management will be reviewing our first quarter 2018 financial performance and 2018 outlook, after which we will open the call up for questions.

With that, please turn to Slide 4 as I turn the call over to Dr. Kim Ann Mink.

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Thanks, Mark, and good morning everyone and thank you for joining us today as we share an update on our 2018 first quarter performance as well as expectations for full year 2018.

We began the year with a solid first quarter as we achieved growth across all key financial metrics and made excellent progress executing against our Vision 2022 strategic road map to transform Innophos into a leading specialty ingredient solution provider, serving attractive food, health and nutrition markets as well as some select industrial markets. We delivered top and bottom line growth that was driven by a combination of organic volume growth in both our legacy and acquired businesses, strong contributions from our acquisitions and notable progress with proactive pricing actions in our legacy business.

Our Food, Health and Nutrition, or FHN, segment grew 39% in Q1, with FHN segment sales now representing 61% of our total company's sales, up from 55% for full year 2017. We are generating bottom line benefits through Operational Excellence initiatives, proactively improving pricing through Commercial Excellence efforts and making outstanding progress with the integration of our recent acquisitions. We're also implementing a new organic growth initiative that I'll discuss in just a minute. And we further advanced our strategic value chain repositioning and manufacturing optimization initiative that I referenced on last quarter's call. Actions planned for 2018 are well underway, with an estimated adjusted diluted EPS improvement of 10% by the end of 2019.

Now, before Han reviews our first quarter performance, let me expand on some of the strategic accomplishments. Turning to Slide 5. Our three strategic pillars continue to serve as a framework that is woven into the fabric of everything we do at Innophos. Our Phase 2 Operational Excellence program continues to deliver benefits, having recorded $3 million of savings in Q1. We're on schedule to deliver the total $13 million run rate savings by the end of 2018. These programs have proven critical in the current inflationary operating environment as it relates to freight, raw materials and intermediate products.

Now, in the area of Commercial Excellence, we continue to advance our efforts to be viewed as a partner of choice. By leveraging our 3-in-the-box model that aligns sales, technology and marketing, we are driving customer intimacy through deeper, more meaningful discussions and providing specialty solutions that are relevant to market trends, all of which helps strengthen Innophos' value proposition and lays the foundation for sustainable growth. Further, our commercial organization has been successful in Q1 with our proactive price increase efforts.

Now with regard to our third pillar of strategic growth, executing on our plan to deliver organic and inorganic growth remains a top priority. We are on track to achieve $4 million of acquisition cost synergies this fiscal year and are confident in our ability to capitalize on cross-selling opportunities, both of which will meaningfully improve the margin profile of the acquired businesses. Delivering further inorganic growth in attractive FHN markets is a top priority and we have an active pipeline of M&A targets that meet our disciplined strategic and financial criteria. With our strong balance sheet and Integration Management Office, or IMO, we are confident in our ability to deliver enhanced shareholder value from additional acquisitions.

To accelerate organic growth, we've introduced an enterprise-wide new product development or NPD process that we call SPARC, which stands for Stage-Gate Process: Assess, Research, Capture.

Turning to Slide 6. SPARC is a disciplined, market-driven process that is designed to efficiently deliver innovative and differentiated solutions to our customers and the markets we serve. It promotes a strong focus on attractive opportunities in growing end markets, while encouraging prioritization of resources and cross-functional engagement. With SPARC, we're positioning Innophos to deliver on our organic growth and cross-selling objectives by generating a robust, well-vetted new product development pipeline that is focused on growing consumer trends, aligns with specialty high-growth food, health and nutrition markets and leverages our expanded science and technology capabilities.

For example, by using customer needs and consumer megatrends to inform our new product development, we recently launched a customized B-vitamin product for a leading producer of dietary supplement gummy products. This new product promotes healthy, energized living claims, a clean label and a convenient form of consumption.

Further, our recent acquisition strengthen our organic growth prospects in a meaningful way by positioning Innophos to leverage our diverse and growing portfolio, know-how and capabilities such as strategic sourcing, formulation and process technology. For example, we used these competencies in the development of a formulated dietary supplement for a cognitive health product that incorporates one of our higher-margin branded ingredients with other products from our broad specialty ingredient portfolio.

We are extremely encouraged by the early successes that the SPARC process has generated and we are confident that it will serve as an important foundation for future organic growth.

Turning to Slide 7. We have continued to make important progress with our strategic value chain repositioning and manufacturing optimization program. This demonstrates our continued commitment to further strengthen the competitive position of our cash-generative core phosphates product portfolio. We are focused on actions that will diversify our supply base and deliver an improved, sustainable cost structure. Following targeted 2018 capital investments to support these efforts, we estimate that this multifaceted program will effect an EPS improvement by 10% -- of 10% by the end of 2019.

With that, I will now turn the call over to Han to review our Q1 financials as well as our outlook for 2018. Han?

Han Kieftenbeld - *Innophos Holdings, Inc. - Senior VP & CFO*

Thank you, Kim Ann, and good morning, everyone.

Please turn to Slide 8, starting with highlights from Q1 as compared to the same quarter last year. We achieved revenue growth of $39 million or 24% as we benefited from organic volume growth, strong contributions from acquisitions, and notable progress with proactive pricing actions in the legacy business. On a GAAP basis, Q1 net income and EPS were flat, impacted by higher interest cost and amortization due to acquisitions and a higher effective tax rate influenced by geographical earnings mix. Adjusted EBITDA increased 17% year-over-year and adjusted diluted EPS of $0.61 was up 3%. The operating cash and free cash outflows were in line with typical seasonality for the first quarter, while year-over-year comps for both were significantly favorable. And finally, our working capital maintained its historically low level of 21% of sales, with further improvements seen in the cash conversion cycle.

Now, let's turn to Slide 9 to take a closer look at some of the quarter details. Sales of $205 million in the quarter were up 24% versus the prior year with acquisitions contributing to 20% of the growth and the legacy business contributing to 4% of growth, split evenly between improvements in price and volume. On a pro forma basis, the acquisitions demonstrated 20% in organic growth. Q1 gross margin was 21%, down 147 basis points from the prior year quarter due largely to the increased weighting of newly acquired businesses.

Moving on to earnings on Slide 10. Net income for the quarter was flat versus the prior year. Adjusted EBITDA of $32 million was up 17% year-over-year and yielded a margin of 16%, down 92 basis points due to product mix. Year-over-year growth was particularly driven by improvements in volume due to acquisitions and favorable pricing impact in the legacy business. The increase in manufacturing and SG&A cost was primarily due to the inclusion of acquisitions. The effects from FX was flat year-over-year.

Moving on to Slide 11. Food, Health and Nutrition Q1 sales of $126 million represented 61% of total company sales and were up 39% overall with 37% due to contributions from acquisitions and an additional 2% in legacy business on stronger sales. FHN's Q1 adjusted EBITDA margin of 17% was influenced by the weighting from the acquired portfolio and in line with expectations.

Industrial Specialties Q1 sales of $63 million were flat, with 3% higher selling prices offsetting 3% lower volume. Q1 adjusted EBITDA margin of 17% was better than expected, helped by favorable pricing actions. The Industrial Specialties segment sales have been stable for the past several quarters as can be seen from the sequential trend chart.

Other Q1 sales of $16 million were up 41% with 37% from higher fertilizer market volume and 3% from higher selling prices, generating 5% in adjusted EBITDA margin.

Now turning to Slide 12. Net interest expense of $3 million in the first quarter was up $2 million due to higher debt levels as well as leverage related to the 2017 acquisitions, along with higher interest rates.

Our effective tax rate of 30% was up year-over-year due to the geographical earnings mix in 2018, while the Q1 2017 rate benefited from new accounting standards for share-based compensation. Cash tax remains favorable for the company, taking advantage of accumulated net operating losses.

Capital expenditure of $9 million in the quarter was in line with the same quarter last year, with the majority of spending directed at the strategic value chain investments.

We paid $9 million in dividends during the quarter and our annual dividend rate of $1.92 per share was maintained.

Finally, in the first quarter, net debt of $304 million increased due to the $151 million spent on the 2017 acquisitions. Our net debt-to-adjusted EBITDA ratio was 2.4x. The current credit facility leaves us with sufficient room to execute on our near-term strategic priorities.

Now turning to Slide 13. Q1 adjusted diluted EPS was $0.61, up 3% from the same period last year, with the benefit from operational items, most notably volume mix effects mostly being offset by aforementioned higher financing and tax charges. Other items of $0.08 represents increased amortization related to acquisitions.

Now on Slide 14. Q1 cash outflow from operations was $4 million and free cash outflow was $14 million. The use of cash in the quarter was in line with seasonal Q1 spending trends, yet significantly better than the prior year due to strong adjusted EBITDA. Lower tax payments offset higher interest payments.

Now, turning to our outlook on Slide 15. Our full year guidance remains unchanged from what we provided on our Q4 call. Let me highlight that the proactive selling price increase program that was implemented in Q4 2017 has been effective in offsetting input cost increases in the first quarter. In response to the operating environment continuing to show cost inflation, the company has taken further price increase actions in its Specialty Phosphates portfolio to take effect on June 1.

Moving on to our guidance. We continue to expect full year 2018 revenues to grow 12% to 14% due to the annualized contributions from acquisitions, favorable growth in the nutrition end markets served and stabilization in the legacy business.

Full year GAAP EPS is expected to more than double in 2018. Adjusted EPS and adjusted EBITDA is expected to grow by 10% to 14% and 15% to 17%, respectively. This includes an improvement in 2018 full year EPS of approximately $0.16 per diluted share due to the lower effective tax rate, which is expected to operate in the 27% to 29% range. Adjusted EBITDA margin is expected to be approximately 17% of sales.

The company expects free cash flow to be similar to prior year with capital cash outflow of approximately $45 million to principally support the strategic value chain repositioning and manufacturing optimization programs. We are on track to realize the $4 million of planned acquisition cost synergies in 2018 that we have discussed in prior quarters. Additionally, we remain on schedule with the delivery of Phase 2 Operational Excellence savings for a total of $13 million run rate by the time we exit the year.

With that, I'll turn the call back over to Kim Ann.

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Thanks, Han.

Before we open the call up for questions, please turn to Slide 16 as I highlight a few key points. Our performance this quarter was defined by solid financial results and strong momentum as we advanced along our Vision 2022 strategic road map to establish Innophos as a leading specialty ingredients provider.

Looking ahead, we are focused on leveraging this momentum as we continue to put our transformation into action. With a clear strategic vision, a track record of delivering on our plans and the financial strength to achieve our goals, we are confident that Innophos is positioned to deliver double-digit revenue and adjusted earnings growth in 2018 and long-term sustainable growth for our shareholders.

With that, we'll now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Brett Hundley with The Vertical Group.

Brett Hundley - *The Vertical Trading Group, LLC, Research Division - Research Analyst*

My first question. Your sales contribution during the quarter from M&A was about $4 million better than I expected. And I think you alluded to some incremental growth in those assets since you've owned them. But I just wanted to revisit that with you and just to make sure that it wasn't poor modeling on my part and get to an answer on how those businesses are performing as you've owned them.

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Yes. Sure. I could start, Brett. We're on track to achieve the annualized contribution plus market growth that we expected. And remember, Brett, when -- over the last year, we talked about the markets that we're targeting and the markets we serve now with our acquisitions are typically growing at 6% to 8% on average. So the strong Q1 performance really reflected a combination of market growth as well as some sales synergies and new product development. And we expect the contribution from the acquired businesses to be relatively steady throughout the year, so it's not -- there's no -- from a seasonality perspective.

Brett Hundley - *The Vertical Trading Group, LLC, Research Division - Research Analyst*

Okay. That's helpful. And I wanted to tie in SPARC a little bit and just -- you guys gave some good color, but I wanted to understand kind of the lift to this point and then how that gets marketed and sold through going forward. So can you give us a little bit more color on the lift to this point and how you're marketing this new endeavor early on here or in early days? Is this a situation where you're going to be trying to lead the market with technology and solutions and then have to sell them? Or are you going to your customers and explaining this new endeavor and then working hand-in-hand with them from a production, sales and marketing aspect?

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Good question. What we have been doing is really about looking at the megatrends in the market and tying that with customer needs, so really being proactive to understand the markets as -- hopefully, as well as our customers, and then working directly with customers in many cases to ensure that we're answering those needs. So some of them are customized, some of them are more broadly launched to address a number of different customer needs, typically tied back to megatrends.

And the 2 examples that I gave to you are just that, really where we tie it back to the megatrends, as shown on the slide, and then really talking -- taking the solution, if you will, to the customer, coming with a form -- a fully formulated product that they would ultimately make, but with our understanding of the various ingredients that go into it and knowing the needs that they need to address - the consumer needs that they're needing to address. So it really has been, at least this initial launch, has been quite successful. And I think those 2 examples that I gave during my script, I think those represent the success as well.

Brett Hundley - *The Vertical Trading Group, LLC, Research Division - Research Analyst*

Perfect. And then, just over to your manufacturing optimization initiative, so I just have a number of questions about that, if I can ask them all at once here.

So from an absolute savings standpoint, I'm backing into something in the mid to high single digits as far as potential savings go by the end of 2019. I just wanted to make sure that I was in the right ballpark there.

And then, can you talk about how these benefits might fall? I think earlier you told us a small amount in Q4 '18, bulk in '19. I just wanted to revisit that with you.

And then, lastly, can you just take us through the actions required to achieve this or associated CapEx? Are we going to see the bulk of that CapEx in '18? Should we expect CapEx to move higher in '19?

So am I in the right ballpark on these savings? How did these benefits fall? And then, just talk about associated CapEx.

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Han, can you address that?

Han Kieftenbeld - *Innophos Holdings, Inc. - Senior VP & CFO*

Yes. So good morning, Brett. I'll take this. So let's just take them one at a time here. So your first question around kind of dollar (amount) and range, mid to high single digits, that's the right ballpark number. So that's the range in which you need to think from a dollars and cents perspective.

As it relates -- I think your second question was around timing and how it impacts. Now, we've always said that most of this rollover can materialize in 2019 and that's really how you should think about it. There might be some small numbers towards the back end of '18, but really this is a 29 -- 2019, sorry, delivery. And that's the way we've positioned for it and that's what we're repeating. So that's kind of the timing aspect of it.

And I think your third part of the question was related to the CapEx and particularly as we look ahead next year. Most of those investments, the lion's share, and we've -- I think we've kind of explained it that way and also some of the comments I made at the back end of my remarks are indeed that. They are directed to those -- to that manufacturing optimization program and that's mostly in 2018. Again, we'll obviously continue to look at opportunities as we head into '19, but the lion's share of the capital investments is an '18 event.

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Yes. And Brett, I would just answer. As we have typically done in the past with all our major initiatives, each quarter we'll keep you posted and updated as we continue to sharpen our pencils on those savings.

Brett Hundley - *The Vertical Trading Group, LLC, Research Division - Research Analyst*

And then, just last for me. Kim Ann, I wanted to ask you a question on the M&A environment because as you guys have communicated, your strategy there dating back to last year, I had always kind of assumed, correctly or incorrectly, that your effort might be more of a "string of pearls" strategy. And I think that you're evaluating a number of large and small opportunities, but that had been more of my expectation. And more recently, we've seen a larger F&F player make a bid for a naturals-based ingredient provider at a 22 EBITDA multiple or higher. And I'm just -- I'm curious if that pushes companies like yourself that are trying to affect portfolio change, does that push you into more of a string of pearls strategy going forward? Or do you feel that you can evaluate and move on larger deals in this environment?

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Yes. Yes, I know. I've recently read something you put out about the string of pearls. I think we look at both. I -- our pipeline really remains active as we look at target acquisitions. And I want you to think about it as building on the acquisitions and further strengthening our FHN platform. We're really looking to strengthen our capabilities, our product portfolio, our presence in those. And I do think that we are looking at, right now, probably more like the string of pearls, if you will. And as you know, the market is extremely fragmented and we believe that there are many opportunities. Notwithstanding if there is something that we believe fit our diligent and disciplined strategic and financial criteria and it brings value to our shareholders, we are willing to look at something bigger and we feel confident we'd be able to take that on.

Operator

Our next question comes from the line of Larry Solow with CJS Securities.

Lawrence Solow - *CJS Securities, Inc. - MD*

Just a couple of quickies. Nice to see the legacy business steadying and actually growing a little bit. The volume actually increased 2%. Was that a little bit of a surprise to you guys on the upside or...

Han Kieftenbeld - *Innophos Holdings, Inc. - Senior VP & CFO*

I would...

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

No. I would say, broadly speaking, we -- with the base business, we're expect -- we are where we expect it to be. We said throughout last year that the first half of 2017, would show difficult comps until we lapped our pruning actions, which then would be followed by the stabilization of the business, which we saw in the second half of 2017, which would be then followed by growth in 2018. So we do feel with that legacy business, volumes up 2%, it's a significant turning point compared with trends seen in recent years. And I think what you're starting to see, Larry, is the success we're having, a lot of it is around the Commercial Excellence initiatives our business has deployed the past year and that has provided support to our pricing and our value proposition of actually selling different types of solutions as well.

Lawrence Solow - *CJS Securities, Inc. - MD*

Okay. And then, on the pricing side, the -- I guess, that's the average 2% increase, I think some were higher and some were lower, but are these price increases mostly offsetting raw material costs? Or are they -- is there some additive-ness to it for you? This first round and then going forward in June, it sounds like that one -- those are more because inflation just continues to rise.

Han Kieftenbeld - *Innophos Holdings, Inc. - Senior VP & CFO*

Yes. So as I said in my comments, we've been -- the commercial team has been very effective in terms of implementing these price increases. We've been proactive. We've been somewhat ahead of the curve. But mostly, I would say, Larry, to answer your question, it's mostly offsetting those input costs. Now, if you'd look at the bridge right now for the quarter, that's kind of what you see. And obviously, given the inflationary environment, we do try to stay ahead of that and that's why we announced further price increases effective June 1.

Lawrence Solow - *CJS Securities, Inc. - MD*

Got you. Okay. And then, on the value chain repositioning, just a quick follow-up. I think you said about 10% growth or accretion from -- I mean, is that fair to say it's like $0.25, $5 million ballpark, those numbers? Is that about right?

Han Kieftenbeld - *Innophos Holdings, Inc. - Senior VP & CFO*

Yes.

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Yes.

Han Kieftenbeld - *Innophos Holdings, Inc. - Senior VP & CFO*

I think that's fair.

Operator

Our next question comes from the line of Francesco Pellegrino with Sidoti & Company.

Francesco Pellegrino - *Sidoti & Company, LLC - Research Analyst*

I wanted sort of dig down a little bit into some of the pricing initiatives that you took in the quarter, more specifically with the Food, Health and Nutrition. It looks as if a majority of the revenue growth was attributable to the increased volumes. Yet on the Q4 call and then on this call, you've mentioned some price increases. Although price is only up 0.5%, I would have thought that the integration of the higher-margin, possibly higher price-point products would have dragged pricing up a little bit more. I was wondering if there was some sort of headwind. If there was something dragging down pricing because I was just a little more bullish on pricing during the quarter.

Han Kieftenbeld - *Innophos Holdings, Inc. - Senior VP & CFO*

Yes. So let me comment maybe just to see if that would answer your question. As it relates to the pricing effect, that is really mostly in our Specialty Phosphates portfolio. And so that's why we are actually positive and optimistic to see that we've, as Kim Ann used the word "turning point," we've been able to actually get some pricing power in that segment. So that's mostly where that is happening.

As it relates to the acquisitions, most of that is really -- two things really. It's the volume growth we're getting on the year-over-year and then, additionally, per Brett's question earlier, we're getting actually some very good growth inherent in the acquisition portfolio, too.

So I think that's mostly volume when it relates to acquisitions, so the year-over-year added or complemented, I should say, by growth that we managed to realize, and then the pricing is really predominantly on the phosphates portfolio.

Francesco Pellegrino - *Sidoti & Company, LLC - Research Analyst*

So then this would sort of imply that the price points of the products that you've acquired are pretty comparable to, I guess, the legacy products of that portfolio?

Han Kieftenbeld - *Innophos Holdings, Inc. - Senior VP & CFO*

Well, it's obviously different, right? I mean, you're looking at it at different price points. Yes, so I wouldn't -- I'm not sure what you're asking. On a unit cost -- or a unit price basis, it's obviously a different end market, but most, the lion's share, as I tried to clarify, of the acquisitions is in the volume mix bucket, right?

Francesco Pellegrino - *Sidoti & Company, LLC - Research Analyst*

Yes. No, that clarifies it. I appreciate that. And then, I just want to jump over to your Industrial Specialties segment, which -- the EBITDA margin was really strong this quarter. And outside of Q4, 3 months ago, we're sort of provided with this caveat. Every time you report a strong Industrial Specialties EBITDA margin, you're just saying it's going to be a really volatile segment. Don't expect margin to be this strong going forward. I guess, maybe just looking at the conversation for 2018, should I be looking for a 17% EBITDA margin? Because I know the tolling agreement could really make this almost like -- that product line should almost be like breakeven. So the strength in this segment -- yes?

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Francesco, so what you are referring to was the tolling agreement, that's in the Other category.

Francesco Pellegrino - *Sidoti & Company, LLC - Research Analyst*

That's in the other? Okay.

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Yes, please. So with the Industrial Specialties, I think there's something I want you to -- the message I want you to go away with is we've improved that segment and -- with some of the pruning that we did over the last several years where we've really changed our mix and that's where you see that in that segment, in the Industrial Specialties. So we're more -- so we really are trying to focus on select Industrial Specialty applications. So we believe, from an EBITDA margin, you will probably see in that 14% to 15% range. And then, in the Other category, it's really where the tolling arrangement and now we really dampened that volatility, if you will, but that's that segment.

Han Kieftenbeld - *Innophos Holdings, Inc. - Senior VP & CFO*

Yes. So that's right, Francesco, and I think we've been actually pretty consistent around the 14%, 15% guidance that we've given on the Industrial Specialties segment. Where you see a little bit of the lift this quarter is we managed to get some of the pricing power and that's helped us.

Operator

Our next question comes from Curt Siegmeyer with KeyBanc Capital Markets.

Curtis Siegmeyer - *KeyBanc Capital Markets Inc., Research Division - Associate*

Most of mine have been answered, but just maybe a couple of clarifications. The comment for 2019 EPS growth of 10%, just wanted to make sure I understood what the primary driver. I don't recall you guys ever kind of going out this early and sort of giving a preliminary point like that. So was it just driven by largely the internal initiatives that you've talked about? Or are you more confident in the M&A pipeline? Or what exactly should we kind of read from that?

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Yes. When we launched our Vision 2022 strategic road map a year ago, in April, we talked about that, that vision and that road map is really a two-pronged approach. One was clearly developing ourselves as a leading specialty ingredient solutions provider in the food, health and nutrition area, but it was also to improve our and to continue with our leadership position of our North American region cash-generative phosphate portfolio. And it's really about that second piece, Curt.

So over the last several quarters, we've talked about the additional capital that we are investing into the business to ensure that competitiveness can remain and that we improve our cost structure and we talked about it under the category of the value chain repositioning and our manufacturing optimization. And we started talking about that in the Q2, Q3 time frame last year. What we had promised to our shareholders is that we would start to talk about what is the impact to that, just like we did when we started talking about our Operational Excellence initiatives in Phase 1 and Phase 2. So this is yet another initiative to ensure that we are fit and that we generate the cash we need from that legacy business that we can reinvest into the growth of the company. So we really thought in -- with our transparency, we really wanted you to know that we're far enough along that we feel and we are very confident in the impact it will have in 2019.

Curtis Siegmeyer - *KeyBanc Capital Markets Inc., Research Division - Associate*

Okay. Great. That's really helpful. And then, just a clarification on the underlying growth. I think you touched on -- of Novel and NutraGenesis. Did I hear you right that it's kind of in line with sort of what the expectations were when you acquired those businesses, in that 6% to 8% range? Is that about right?

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Yes. Yes. So I had said, obviously, you have your annualized contribution, but clearly, because we are focused, we believe, on the right markets, we also saw that market growth that we expected. And you're right, the mark -- and we serve a number of different markets in that food, health and nutrition with our new acquisitions, but we were just saying, on average, if you look at the segment, they're growing at 6 to 8%. So you've got the market growth and now we're starting to also see those sales synergies and the new product development as I gave you examples that we saw with our new product development SPARC process.

Curtis Siegmeyer - *KeyBanc Capital Markets Inc., Research Division - Associate*

Okay. Got it. If I could, just one follow-up on the price-cost dynamic. I know, Han, you had mentioned the Industrial Specialties margins maybe benefited a little bit from it sounds like just the timing of price increases and then you have some additional price increases out in the market that should be taking effect in June. So I was just wondering how we should sort of think of that kind of trajectory for the remainder of the year? Will there be any kind of maybe step down until those price increases -- step down in margins, I guess I should say, until those prices maybe work their way into the P&L towards the back half? Or do you expect margins to kind of be fairly steady, maybe at a slightly lower rate than that 17%? And kind of, I guess, the same question for Health and Nutrition, if you expect any difference in margins going forward?

Han Kieftenbeld - *Innophos Holdings, Inc. - Senior VP & CFO*

Yes. So the way we're thinking about it is how you kind of finished your question is that it is steady. We're trying to read the market as well as we can. As everybody knows, it is a dynamic environment, but we're trying to read as well as we can. And like the first round we did, we're trying to be proactive and be kind of a step ahead of the curve if you can. So what we see right now for the year is that we're offsetting those increases and we should see very steady performance as a result.

Operator

There are no further questions at this time.

I would like to turn the call back over to Kim Ann Mink for any closing remarks.

Kim Ann Mink - *Innophos Holdings, Inc. - Chairman of the Board, President and Chief Executive Officer*

Thank you for joining us today and we look forward to keeping you updated on our progress. Have a great day.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a wonderful day.
