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IPHS - Innophos 2017 Investor Day

EVENT DATE/TIME: APRIL 05, 2017 / 12:30PM GMT



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PRESENTATION

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

Good morning, and welcome to Innophos' 2017 Investor Day. I am Mark Feuerbach, Vice President of Investor Relations, Treasury and FP&A. We are very excited to have you here today to introduce our long-term strategic growth plan and to update you on the transformational work that has been going on at Innophos.

I'd like to start by directing you to our safe harbor statement on Slide 3. We will be making forward-looking statements throughout the course of the day, which have inherent risks and uncertainties. Please refer to our SEC filings and the list of risk factors within those filings.

One of our goals with today's event is to give you the opportunity to get to know our executive leadership team. Many of you are familiar with our Chairman, President and CEO, Kim Ann Mink; and as well as our Vice President -- Senior Vice President and CFO, Han Kieftenbeld. Joining them on the stage today will be Sherry Duff, our Senior Vice President, Chief Marketing and Technology Officer; Amy Hartzell, our Vice President of Supply Chain and Purchasing; and Marco Coen, our Global Commercial Director.

Kim Ann will begin the day with an introduction to Innophos and an unveiling of our long-term growth strategy: Vision 2022. Sherry will then give a detailed overview of our strategic growth initiatives. Following that, we will open it up for Q&A before we take a 15-minute break around 10:00 a.m.

We will resume the presentations around 10:15, beginning with Marco, who will present our commercial excellence initiatives. Amy will then provide an update on operational excellence before we open it up for questions again. Han will conclude the presentations with a financial update, including details on our long-term financial targets. We will have one final Q&A session at the end of the presentations and expect to wrap that up by approximately 11:45, at which time the webcasted portion of the day will conclude.

We will then ask our guests that have joined us here in person today to please exit through the side doors and move over to the nearest room next door, where four of our technologists will lead exciting interactive product demonstrations. When you checked in today, you received a color assignment on your name badge. That color indicates at which of the four product stations you will begin for these demonstrations. At the end of the day, we'll be providing feedback forms for you to fill out, and we would greatly appreciate your help in making events even more productive.



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A few last logistical items. We have included WiFi password cards on each table for your convenience, and the restrooms are located to the right when you exit the main entrance at the back of this room.

And with that, I will now turn the floor over to our Chairman, President and CEO of Innophos, Dr. Kim Ann Mink.

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

Thank you, Mark, and good morning everyone. I'd like to welcome you to Innophos' Investor Day, and thank you for joining us today.

A little over a year ago, I joined Innophos because I believed in the core strength of the company, its ethics, integrity, innovative spirit and perseverance and perhaps, most importantly, in Innophos' future. The incredible progress and achievements that we've made this past year have not only validated those beliefs but have strengthened my conviction in terms of what I believe we can achieve. There is a very bright future ahead for Innophos, our employees, customers, partners and shareholders, and I'm honored to be here today to share with you how we're positioning the company for revitalized growth.

So what do we aspire to achieve in the years to come at Innophos? What keeps us excited and energized to come to work each and every day? It's our purpose, our purpose to provide vital ingredients to customers that support the improvement, nutrition and health of those around us. We merge our expertise in science and technology with our market knowledge to respond to consumer trends in partnership with our customers.

Everything we do is deep rooted in our commitment to create value for our stakeholders, including our shareholders. This purpose defines the choices we make, the way that we operate and the potential that this company has. This purpose is really the engine, the engine behind the achievements we have accomplished over the past year and is at the heart of the growth strategy that we will unveil today.

Throughout the course of this morning's presentations, we will come back to a few key messages. First, we have a great sense of this purpose and a focus on what we do best. Second, we're taking a diversified, market-facing approach to our business. This market focus is in contrast

to the product-focused philosophy that has historically guided our company.

This will be apparent throughout the presentations today as we share how we are aligning our strategy and technology portfolio with the mega trends that are defining how consumers make food, health and nutrition choices. Doing so will allow us to become more meaningful to our customers and, as Marco Coen will expand upon, will position Innophos to capitalize on profitable and sustainable growth. Key to our delivering such growth is our strategic road map that includes organic and inorganic initiatives. I will lay the groundwork for our growth strategy, and then Sherry Duff will provide a deep dive into the very, very exciting work that has been under way in this area.

In addition, we will talk about how the performance-improvement initiatives that we put in motion in 2016 have delivered. And now with enhanced processes in place, we have further opportunities for savings. As Amy Hartzell will further discuss in more detail, we are committed, committed to infusing an ongoing culture of continuous improvement in everything we do every day. And finally, as Han will expand upon at the end of our session, we are confident that our strategy supports the ongoing delivery of strong cash from operations and a returns-driven approach to capital allocation.

So now let me begin with a brief overview of some of Innophos' key facts and figures. We offer technology and science-driven specialty ingredients solutions to 900 customers in over 70 countries, with 42% of our sales outside of the U.S. The business is supported by 1,300 dedicated employees across 11 manufacturing facilities, 3 global R&D centers and our corporate headquarters in Cranbury, New Jersey.

Today, we have a leading market position in Food, Health and Nutrition and Industrial Specialties markets. Our company is technology and science driven with more than a century of experience in specialty phosphate manufacturing, with an expertise in nutritional ingredients. We supply a range of products that are produced to stringent regulatory manufacturing standards and to the quality demanded by our customers and consumers worldwide.



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We've maintained our market leadership throughout the years by evolving in response to market trends and customer needs. In particular, during the past few years, the company has transformed its presence to be positioned primarily in higher-margin and more differentiated Food, Health and Nutrition markets.

We have a proven cash generating core business and solid earnings power. In 2016, Innophos achieved annual revenues of \$725 million, net income of \$48 million, adjusted EBITDA of \$122 million and \$139 million in operating cash flow.

Our reporting segments have historically been based on a combination of product line and country of manufacture. And as you can see on the left-hand chart, nearly 3/4 of our 2016 revenues were specialty phosphates sourced from the U.S. and Canada. Now this approach, quite frankly, to reporting segments is really more representative of where we came from versus where we're going. Largely for this reason, as Han will elaborate on later, we are transitioning to a new market-based reporting segmentation, effective for the first quarter of 2017.

Now in the middle of the chart, you'll see -- that demonstrates what our business looks like through this market-focused lens. And as shown in the chart, 2016, more than half of our revenues were to the Food, Health and Nutrition markets. Over time, our strategy is to really increase the percent of our business that serves this attractive segment.

The other key segment that we serve is Industrial Specialties, which accounted for close to 40% of our 2016 revenues. Now Industrial Specialties will remain an important part of our business, but, as we'll talk about today, our strategy really is to selectively defend and protect this business. From a geographic perspective, 62% of our sales are in North America, bolstered by targeted growth in our international business in certain emerging markets within Asia Pacific, Latin America and EMEA.

The foundation of Innophos' technology-based portfolio is our deep understanding of the markets we serve and the needs and preferences of our customers and the end consumers. We have a market-leading position with our phosphate technology as 1 of 3 main players in North America specialty phosphates, a \$1.5 billion market. You may not realize it, but you likely consume phosphates each and every day. That's because phosphates are a versatile ingredient that provide a variety of functional and nutritional benefits for everyday food and beverage applications, typically at a very low cost relative to the customer's overall product costs.

So for example, our phosphates are commonly used for leavening of baked goods; binding and hydration agents in meat, seafood and poultry applications; fluidity and protein dispersion in dairy products; and mineral fortification and flavor enhancers in beverages. Our phosphate solutions enable our customers to provide the end consumer with benefits like a more tasteful and nutritious food or beverage and also play a critical role in helping our customers solve complicated problems to meet their customers' demand, such as enhancing nutrition without sacrificing texture or taste.

Now Innophos also offers bioactive mineral ingredients, premium botanical ingredients, unique enzyme formulations and specialty blends for the nutritional and natural products industries. Now these products help our customers formulate dietary supplements with proven health benefits demanded by consumers of all ages, from aging baby boomers to health-conscious millennials. This innovative portfolio, which is really a result of our bringing together 4 industry-leading nutrition-based ingredient suppliers over the past several years through acquisition, is backed by science, quality, regulatory and applications expertise.

Now just over 15 months ago, when we set out to pen the next chapter in Innophos' transformation, it was clear that it had to be about both productivity and growth. We had to identify and execute against the value-creation levers that instill operational discipline and drive sustainable improvement in the company's financial performance while at the same time

being laser-focused on constructing a road map for the strategic direction of the company, all with the deep understanding of our end market, a commitment to innovation and a strong focus on being increasingly meaningful to our customers. And that's exactly what we did.

Three strategic pillars have been at the core of executing on the plan to transform Innophos: first, operational excellence with an eye on better meeting customer needs, delivering shareholder value and increasing profit by building a fully integrated end-to-end global supply chain and leaner, faster processes; commercial excellence, where we're focused



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on identifying and meeting the complex and ever-changing needs of our customer base with the goal of maximizing our value selling, driving top line improvements and effectively managing our margins; and strategic growth, which really serves as the cornerstone of designing our plans for future growth and profitability, all built on the right organizational culture, founded on the right talent, structure and processes.

2016 was a transformative year for Innophos as we executed against our strategic pillars, strengthened the foundation of our company and delivered significant bottom line improvement and exceptional cash delivery. We made remarkable progress in getting the business fixed by executing against our initiatives under the operational excellence pillar. Under the leadership of Amy Hartzell, the organization has focused on improved sourcing strategies, a better forecasting and planning process, the transformation of inventory management and cost optimization. We identified a procurement savings pipeline of approximately \$16 million, \$12 million of which were realized in our 2016 P&L, with the balance to be realized in the first half of 2017.

In addition, we delivered \$13 million of restructuring and headcount reduction benefits. We also achieved a \$44 million reduction in inventory, which was the key driver in achieving a year-over-year average working capital reduction of 29% and a 53% increase in free cash flow. We are very, very proud of our team's ability to effectively execute on the first phase of the operational excellence initiatives. These have positively affected every aspect of our business, and we look forward to capitalizing on further opportunities ahead.

Under the commercial excellence pillar, we completed very important customer and market segmentation analyses that position Innophos to take a more strategic approach to service levels for all customer-facing functions, an imperative step to be more meaningful to our customers and properly manage margins. Further, we refocused our product portfolio by selectively pruning low-margin, less-differentiated products. In addition, we finalized the blueprint for our sales force realignment strategy with a particular focus on our strategic target markets, which Marco Coen will update you on shortly.

Under the strategic growth pillar, we completed a comprehensive strategic planning process to develop the road map to drive future growth. Our multifaceted approach included detailed market analytics to identify external trends and opportunities, a market-specific competitive analysis, the identification of market and product adjacencies and attractiveness and the identification of specific M&A candidates that fit our stringent financial and strategic criteria and support our growth aspirations. This strategy builds upon our existing customer relationships and business capabilities, including a refined focus on developing a robust marketing organization that dovetails with our technology capabilities and sales force structure. In addition, it relies on both organic and inorganic growth components. Sherry Duff will discuss the strategy in more detail today.

In 2016, we also created a solid foundation that underlines all 3 of our strategic pillars by making significant changes to the organization and bringing in to the company required new skill sets, new ideas and external best practices. We are very, very intentional about talent acquisition as it provides the basis for taking the business to the next level. Today, you see a refreshed and energized executive team amongst you who delivers not only functional depth but also breadth of industry experience that we're now leveraging to effectively execute the initiatives around our strategic pillars. This team also has a proven track record in executing best-in-class operational and commercial practices in global business settings as well as significant experience in all stages of the mergers and acquisitions process, from systematically evaluating prospects to the critical integration process.

Our performance in 2016 is a testament to the organizational and cultural transformation that has taken hold at Innophos. Throughout the organization, teams are embracing our transformation, delivering results and displaying a commitment to excellence, transparency and accountability. Our workforce is our most important asset, one that is built on diversity of thought, experiences and perspective, all of which are critical to our success.

We began this year with an overall employee base represented by more than 15 nationalities and an executive management team comprised of 50% women. The average tenure of our employees is 14 years, which has declined by 10 years as we balance bringing in external talent into critical positions to help stir the thinking process and facilitate change while benefiting from experienced employees who provide continuity and maintain customer and other stakeholder relationships. Further, beyond the executive tiers, since we also recognize the importance of having a deep leadership bench, we're investing in the development of talent deep and wide into the organization.



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In 2016, we made important organizational changes that eliminated silos, integrated functions and created one single interconnected Innophos. Today, our supply chain, purchasing and customer service functions are unified across the corporation as are our marketing and technology teams. This integrated approach allows us to more effectively leverage best-in-class processes and ensure a sustained focus on growth through customer responsiveness, market leadership and innovation. In addition, with the environmental health and safety or EH&S area as one of our top priorities as a company, we're also sharply focused on advancing a cohesive EH&S program that will allow us to transition to a more global safety approach, with industry best practices implemented across the entire corporation. We remain focused on evolving our organization to further align resources, which Sherry, Marco and Amy will expand upon later.

And finally, in 2016, we adopted new measures of success by setting a common set of financial metrics to create more shared accountability for overall corporate performance and shareholder value, thereby minimizing competing functional agendas. These are not general objectives but measurable metrics against which people will be held and are held accountable through performance management and compensation.

During the past year, I have been very frank with you in sharing the nature of the challenging industry environment which our core phosphate business is navigating, where we are burdened by prevailing pricing pressure from competitors and soft market demand. While we've advanced our initiatives across each of our strategic pillars to drive sustainable improvement at Innophos, these market realities have led us to the conclusion that our core phosphate business will grow at GDP growth at best and will continue to demonstrate signs consistent with a mature product line, that is price sensitivity and little opportunity for breakthrough technology.

That said, there will be incremental pockets of growth in select segments, and we believe Innophos is well positioned to take advantage of these opportunities. At a time when many of our customers are facing market pressures and increasing demands from their customers, the versatility and economic value of phosphates becomes increasingly more meaningful, and Innophos' unique value-add solution-selling approach strengthens our position with these customers.

Further, contrary to what is often perceived, phosphates can and do play a role in organic and natural foods that you'll see today. In fact, the Sunset Review completed by the National Organic Standards Board in 2016 allow several phosphates to be used in organically labeled foods for at least another 5 years from then. So there is good value in our current portfolio. And even in the face of difficult market conditions, we believe we're well positioned to respond to certain mega trends that provide strong secular growth opportunities within the Food, Health and Nutrition markets.

People on average are living longer. They're more health conscious and informed about the food they eat. There has been a clear trend in recent years towards healthy living and energized aging, with a particular focus on food ingredients and health-promoting supplements. Consumers are also putting pressure on food manufacturers to produce products with so-called clean labels, containing ingredients that are naturally derived, minimally processed or organic.

In addition, with the ever-increasing hectic lifestyles of many consumers, the traditional 3 meals don't always fit into their daily schedule, and there is a growing trend toward nutrition that is convenient and time-effective. These mega trends present great opportunity for Innophos as we are well positioned to leverage our expertise in the blending and formulation of vital ingredients.

Now to unlock the full potential of the company, during the past year we invested considerable time and effort in the development of a new road map for the future of Innophos, which we're calling Vision 2022. Vision 2022 establishes the clear goal of becoming a larger, more profitable Innophos with an enhanced growth profile, asset-light investment needs and market-leading position as a specialty ingredient solutions provider to the Food, Health and Nutrition markets. This growth strategy will build on our solid foundation in the value we bring to customers through our existing capabilities and relationships.

We will more deeply align Innophos with consumer mega trends and be a clear partner of choice for our customers by offering a broader set of value-added and innovative technology-based vital ingredient solutions for the Food, Health and Nutrition markets while retaining a select added-value business in Industrial Specialties. We will leverage our significant work in operational excellence and commercial excellence to deliver best-in-class practices and agile supply chain and cost-effective operations. By doing so, we are targeting to grow our top line by more than 70% to \$1.25 billion and deliver 250 basis point improvement in adjusted EBITDA, achieving a 20% adjusted EBITDA margin all by 2022.



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Our Vision 2022 strategic approach has four core drivers: first, strengthening our core business. Now although growth will be relatively stagnant, this business continues to bring in significant sales and generate strong cash flow. We will continue to deliver technology advancements with a focus on product application developments and blends. We believe that marketing and technology are also essential ingredients and key enablers of this growth. For that reason, under Sherry's leadership, we will continue to work toward a robust marketing organization that dovetails with our technology capabilities and resources, all in alignment with the sales force structure.

Second, building growth through acquisitions. We will extend our presence in the Food, Health and Nutrition markets with a focus on subsegments that offer growth with attractive margins. These markets require a specialty focus. Now to deliver that, we will capitalize our existing technical expertise while also broadening and diversifying our product portfolio. This will be imperative to revitalize growth and hedge against single-technology dependencies.

Third, pursuing strategic partnerships. You know, as part of our strategic road map, we are actively developing sourcing technology and marketing alliances.

And fourth, an important foundation of our Vision 2022 strategy is a continued commitment to delivering on continuous improvement initiatives across all functions, roles and activities in the organization.

Let's take a look at how our strategy plays out across our segments, looking through our newly refocused market lens. We will selectively defend and maintain our Industrial Specialties business. At the same time, we will continue to evaluate our product portfolio and selectively prune low-margin, lower-value businesses from our portfolio. Our focus in our Food, Health and Nutrition business will be on aggressively defending and maintaining our current business, delivering organic growth and positioning ourselves for meaningful growth through M&A.

Now consistent with what we have talked about for some time, over the next 5 years, we do expect our Industrial Specialties business to decline moderately. Within Food, Health and Nutrition, we believe our strategic efforts will allow us to defend our existing business, grow organically by 5% and deliver approximately \$30 million of growth through innovation and margin management, all of which will more than offset selective product pruning.

Now in order to realize our growth ambitions of \$1.25 billion by 2022 and to become a more meaningful partner to our customers and attractive to our investors, significant growth will come through acquisitions in Food, Health and Nutrition. We've done a tremendous amount of work during the past year assessing the market, deeply understanding the various segments and subsegments in Food, Health and Nutrition and methodically evaluating many, many acquisition candidates.

In a few moments, Sherry is going to provide a detailed look at the work that we've done, but I'm going to spend a few minutes introducing our strategic framework. Our M&A work has been specifically focused on high-growth, attractive subsegments in the Food, Health and Nutrition markets. More specifically, we're looking at opportunities that would extend our presence in the \$70 billion specialty food ingredients market and the \$28 billion specialty health and nutrition markets. And as shown here, these markets are expected to grow at rates of 5% to 6% and 6% to 8%, respectively, through 2020.

Our M&A efforts are focused on expanding our toolkit and capabilities so that we can more deeply serve high-growth segments in these markets. We look at acquisitions as a strategic accelerator, seeking opportunities that will provide us with a meaningful or expanded foothold in the desirable markets that we're targeting. To accomplish this, we've taken a proactive and rigorous and disciplined approach to evaluating acquisition candidates that meet our strategic and financial acquisition criteria.

Our guiding strategic principle has been to find acquisitions that expand and diversify our solution capability in order to better respond to consumer mega trends and better serve our customers. First and foremost, we are seeking opportunities in market adjacencies that pivot our offerings beyond phosphate and diversify our participation in higher-growth Food, Health and Nutrition market subsegments. Candidates must be recognized as a leader in the markets that they serve, provide revenue synergies from customer portfolio overlap and offer technology and science-based assets that are underpinned by intellectual property. And finally, attractive candidates will deliver credible human capital to enrich our knowledge base and customer engagement.



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From a financial perspective, we are evaluating meaningful M&A targets with credible earnings and cash generation and enhanced growth potential. More specifically, ideal candidates will deliver top line growth in the 4% to 6% range, EBITDA margin in the 20% range and a reliable cash conversion cycle. In addition, we're looking for M&A targets that are asset-light, enhance our return on capital and will be EPS accretive within year 2.

So where does this lead us? It takes us on a clear path to revitalize growth and profitability and enhance shareholder value, helping us to fulfill our purpose of becoming a provider of vital ingredients for the nutrition and health of those around us. So over the next couple of hours, the team will provide you with more detail about how we're going to do just that.

And with that, I am very proud to turn the floor over to Sherry Duff, Senior Vice President and Chief Marketing and Technology Officer, to provide further details on the strategic growth efforts that are essential to achieving this vision. Sherry?

Sherry Duff - *Innophos Holdings, Inc. - Chief Marketing & Technology Officer and SVP*

Thank you, Kim Ann, and good morning, everyone. I'm Sherry Duff, Chief Marketing and Technology Officer at Innophos. I joined the company in July of last year, and I can tell you it's been a very busy and exciting first 7 months.

During this time, we completed an in-depth analysis of our current business and then married this knowledge with extensive industry and market research as well as important customer insights. We used this powerful combination to develop our comprehensive strategic growth road map, and this plan is designed to both strengthen our core and drive growth in attractive and growing markets in order to realize our Vision 2022 growth targets that Kim Ann introduced earlier.

Our strategic growth road map is a story of an ambitious yet absolutely achievable transformation. I'm thrilled to be here today to walk you through the details of our strategic growth road map and provide more insight into how we are positioning Innophos for revitalized growth.

Let me start by reviewing the key messages that I will cover this morning. First, we will look at how Innophos is well established as a market leader in providing specialty ingredient solutions in attractive food, health, nutrition and industrial end markets. Second, as we have said before, the end markets that are served by our principal phosphate technology are mature and, therefore, we see little inherent growth potential.

But still phosphates are an important part of our overall portfolio. They offer our customers valued functionality and are not easily replaced ingredients. They offer performance at minimal cost and are truly functional ingredients in many well-known branded Food, Health and Nutrition products that we consume every day. And let us not forget that in addition to being a vital part of our strategic portfolio, this business provides strong cash flow for future investments.

Therefore, we are focused on strengthening this core business and protecting our market leadership position. We will do this by leveraging our extensive commercial relationships with reputable branded Food, Health and Nutrition companies, and we will deliver technology advancements with a focus on application development, robust marketing initiatives and strong customer intimacy vis-a-vis our recently launched 3-in-the-box approach, which I will tell you a little more about in just a few minutes. So all this will support continued market leadership in our core product lines and strong cash flow to provide a foundation for our inorganic growth initiatives, which are paramount to our strategic growth road map and Vision 2022 growth ambition.

Our portfolio today is a tale of two business models. On the one hand, we have our core phosphates business, where we hold the market leadership position in North America, supplying a wide range of functional ingredients in the Food, Health and Nutrition segments as well as select industrial markets. While this business generates strong cash flow, the underlying markets are simply not growing. We also offer nutritional ingredients, such as minerals, botanicals and enzymes, to the broader specialty nutraceutical and dietary supplement markets, which are growing at much more attractive rates and are driven by consumer-led mega trends.

While distinct, these two business are also complementary in that both deliver specialty ingredient solutions in a variety of value-added applications that serve the attractive Food, Health and Nutrition markets. This common thread provides the platform on which we have built our strategic plan.



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Today, just over half of our revenue is based on serving the Food, Health and Nutrition markets. Within those markets, our products will offer important functionality across a broad array of applications, from leavening for sweet baked goods to mineral fortification in beverages and excipients for pharmaceutical and dietary supplement products. Additionally, our chelated minerals, premium botanicals and branded enzyme formulations are key ingredients in many dietary supplement products on the market today, some of which you'll see when you visit our product display tables after this presentation. And 38% of our business is based on serving a variety of industrial specialty applications, such as asphalt modifiers, fire suppressants and water treatments.

Let's take a closer look at the breadth of products and solutions that we offer for nutrition applications. This portfolio of branded signature ingredients is the result of combining four industry-leading nutrition-based ingredient suppliers over the past several years through acquisitions. Here we offer unique technology-based solutions that are backed by clinical trial data and intellectual property. These products support consumer trends such as healthy living, energized aging and clean labels.

We are the North American leader for the core specialty ingredients we supply to end-use applications such as bakery, dairy and beverage, health and pharma, meat to seafood and poultry applications. This leadership position is rooted in valuable customer relationships, strong technology-based ingredients and application development solutions and in our in-depth understanding of quality and regulatory requirements in all the regions we serve.

Looking at the competitive landscape, there is not 1 competitor that can match the broad product offerings to the Food, Health and Nutrition market. Among those participating in our core phosphates business, competition is highly concentrated and regionally focused. We're the market leader in North America where we generate nearly 80% of our revenue. Internationally, we participate in select phosphate markets predominantly with Food, Health and Nutrition focus, but where we can most effectively compete based on providing value-added solutions to select higher-end markets.

Let us take a closer look at our phosphates business model. Phosphates is a regional business. In North America, where we hold the leadership position, we're a low-cost producer based largely on our scale, vertical integration and proprietary manufacturing technology. We have qualified multiple mineral rock sources and have established strategic relationships with principal suppliers of raw materials and intermediates. Additionally, we've strategically located our reliable supply chain close to our principal customer base. As a result, Innophos has an important and defensible competitive advantage that enables us to deliver value to our customers. Still, as I mentioned earlier, this market is not growing, and competitive pressures are not relenting. To ensure that we maintain our market leadership position in North America and position Innophos for targeted growth in select market segments and new regions, we will need to strengthen our core business. And to do this, we will transform phosphates business over time. We will optimize our cost position even further with a strong focus on our value chain positioning and our manufacturing footprint. Furthermore, we will reposition our phosphate portfolio for sustainable value growth. This will likely mean selectively pruning certain product lines that are less attractive over time.

Our phosphates business model is focused on optimizing our underlying cost to serve and adding value through downstream finishing channels that are market-focused and specialized.

Turning to our nutrition business. The competitive landscape in the growing \$4.1 billion global dietary supplement market is highly fragmented. There are many suppliers that participate in this attractive market, ranging from large multinationals to smaller more regional niche players. These specialty ingredient suppliers provide a variety of products such as vitamins, essential minerals, enzymes, proteins and botanicals. And these products go into many different applications such as sports nutrition products, cognitive health supplements and meal replacements.

Today, Innophos supplies the herbal, sports nutrition, minerals and other specialty segments with our turnkey ingredient solutions. These customized nutrition formulations are informed by the latest consumer trends in support of our customers' need to deliver relevant, market-facing new products for retail. The nutrition business model relies upon small-batch manufacturing process, it's asset-light, it incorporates many ingredients and is supported by strong quality assurance and regulatory expertise.

Today we have a strong and diverse customer base across the food, health, nutrition and industrial specialty markets we serve. And as you could see from the logos on the screen, we serve an impressive collection of industry-leading companies. In fact, we supply more than 3/4 of the top 100



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global food and beverage companies. And by continuously striving to deliver value to these important customers, we've build lasting strategic partnerships. We've supported our top 10 customers for over 15 years, and they now represent approximately 1/4 of our total revenue. These are important relationships, and we strive to continue enhancing the value we provide through strategic technical and commercial partnerships. Strong regulatory know-how and a commitment to compliance are required to successfully serve this market. And we consider our deep quality and regulatory expertise to be a competitive advantage that creates a barrier to entry and exit. Many of the specialty ingredients we supply to these customers offer application-specific performance that is critical to the taste, texture, performance or nutritional content of the end products they produce for the consumer. And while these ingredients are performance critical, they are also cost-effective and often represent only a small percentage of the end product cost. As Kim Ann mentioned earlier, we are purposefully transitioning away from a product-push approach to a much more market-facing approach where we are aligning our strategy, technology portfolio and organization with mega trends that drive how consumers make Food, Health and Nutrition decisions.

Today's consumers are making more informed decisions regarding their food choices, seeking clean labels and natural and organic products. Consumers are more active and health-conscious than they were in the past and are seeking products that support their desire for a healthy, on-the-go lifestyle.

So informed by real-time marketing and consumer trend data, we are optimizing our go-to-market strategy with what we call our 3-in-the-box solution selling. In doing so, we are transforming from a transactional organization to a collaborative market-facing one to deliver more meaningful solutions in less time and thereby creating greater value for our customers. With 3-in-the-box, our skilled scientists, marketing team and commercial organization work hand-in-hand to effectively align our solutions with market trends, consumer preference insights and customer-specific demands. For example, if we have a customer in the pharmaceutical or dietary supplement market seeking a lower-volume, easy-to-swallow tablet with label claims that are relevant to the aging baby boomer population, our scientists will work with marketing and sales to understand the customer's needs, current market trends and consumer pull. They will then go back to the lab and develop a variety of prototype products. This may contain our phosphate-based excipients, which allow for smaller, more easy-to-swallow tablets combined with our CranSmart product, which delivers nutritional value and enables clean label claims beyond urinary tract health.

The foundational work that we implemented in 2016 has set the stage for the future. We've analyzed our markets, reorganized our resources to align with key market mega trends and developed our M&A pipeline. Our strategic growth road map to deliver on Vision 2022 is now defined by 2 concurrent paths: first, we are focused on innovation to defend our core business and drive organic growth; and second, we will drive significant and sustainable growth via acquisitions in the Food, Health and Nutrition markets.

Let's take a look at these most important initiatives. Delivering innovative technology-based solutions is an important priority for Innophos. Our customers rely on us to help them deliver exciting new products that serve the changing needs of today's consumer while also preparing to deliver the products of tomorrow. For instance, when a customer makes a change to their dairy formulation that results in downstream processing challenges, our team of application development scientists will work with the customer to leverage our specialized chemistry and process technology know-how to address processing challenges and help our customer get back on track as quickly as possible. Likewise, when the marketing team at one of our customers recently asked for their product development group to develop an inorganic low-sodium angel food cake with specific end product attributes, our food scientists were able to leverage their extensive chemistry, regulation and application know-how and develop a variety of leavening products in our laboratory that were then tested in our kitchen before going to commercialization. Our scientists work hand-in-hand with our customers to help them develop new products to meet the needs of today's consumers.

In addition to supporting our customers with their day-to-day product development needs, we're simultaneously implementing a new and revitalized market-facing and customer-driven stage-gate process, to create a pipeline of innovative new products for the future. This new process will allow us to differentiate ourselves from the competition by delivering innovative products and application solutions that respond to consumer trends and support our customers' product development needs. We are actively onboarding industry-experienced talent, though, to help us in this effort, and we are thrilled to share that Dr. George Polson recently joined the Innophos team as our new Vice President of Technology. Dr. Polson brings more than 30 years of experience in the specialty chemical, personal care, pharmaceutical, health and nutrition industries. We're delighted to have him on the team. Our new cross-functional stage-gate process will ensure that all future product development is aligned with our growth strategy and informed by market and customer demand.



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To deliver on innovation and meaningful product development, we will utilize the many tools in our technology toolbox. This includes our expertise in helping customers formulate more delicious, stable and visually appealing products and delivering specialty ingredient solutions that support a variety of claims including mineral supplementation, anti-inflammatory benefits and improved digestion. And we will add to our capabilities through open innovation, in-licensing initiative as well as other inorganic growth efforts. By doing so, we can be more meaningful to our customers by broadening our ingredient solutions and capabilities and bringing new ingredients, formulated products and, ultimately, solutions to market much more quickly than in the past.

This refined new product development process has resulted in several new vital ingredient solutions coming out of our labs. One example is our CranSmart product. Cranberries are well known as a source of antioxidants and for their unique anti-adhesion activity, which helps protect the body from harmful bacteria that cause urinary tract infection. And while there are a variety of cranberry-based products on the market today, there are few that deliver whole cranberry-based ingredients. This is something that our customers are seeking to enable the whole cranberry label claim as well as provide additional nutritional value including a standardized, higher level of the effective antioxidant associated with the anti-adhesion activity.

CranSmart is a proprietary blended product that delivers on this coveted whole cranberry claim labeling. It provides these enhanced antioxidant benefits and is backed by what we call the fingerprint quality guarantee. This guarantee offers clean, farm-to-factory traceability, species verification and validated standardization. These are very important attributes for our customers in the health and nutrition market. And additionally, with CranSmart, the end consumer wins by gaining all the nutrition benefits of cranberry in one small capsule or tablet. With less than 300 milligrams, our product provides clinically backed benefit, and we support this product with in-vitro bacterial anti-adhesion data to support urinary tract health claims.

So as you can see from this example, we are applying our 3-in-the-box approach to ensure our formulations meet our customers' exact requirements and leveraging our regulatory expertise to ensure these products support the label claims desired by our customers. This allows us to drive new product developments that support consumer demand and ultimately deliver growth. Our product development team will tell you more about CranSmart and many other innovative new products during our product demonstrations later today.

A key element to strengthening our core business is driving growth through innovation. In 2017, we will invest more than \$8 million in R&D, a significant increase from the investment in 2016. We are refocusing our R&D spend on high-growth opportunities in the Food, Health and Nutrition market as well as select high-value Industrial Specialties. Our disciplined development process will ensure that we fill our pipeline with new products that support attractive opportunities in growing markets. And by doing so, we are positioning Innophos to achieve \$20 million in new product introductions by 2022.

As Kim Ann indicated earlier, key to achieving our Vision 2022 will be our focus on delivering profitable growth in value-driven segments within Food, Health and Nutrition with attractive growth rates of up to 8%. The verticals you see on the right-hand side of this slide are a few examples of market segments that present potential growth opportunities for Innophos. Dietary supplements, for example, is a \$2.6 billion market where we currently participate through nutrition and phosphate portfolios, and there is opportunity to extend our presence here. Functional beverage and food ingredients, which combined are a \$3 billion market, also offer interesting growth opportunities in niche market segments. Personal care and animal nutrition are examples of marketed adjacencies that we currently serve in a very small way today, but that could be opportunities for growth should we acquire ingredient assets that have applications in these areas.

While the inorganic growth initiatives that I just reviewed are exciting and will help us to strengthen our core business in many of these growth markets, they alone will not allow us to achieve our vision. We will also deliver meaningful growth through acquisitions that more deeply align Innophos with several of these attractive market segments. This is why we are actively pursuing strategic acquisitions that broaden our portfolio and more completely serve the growing and attractive Food, Health and Nutrition markets with the goal of adding \$475 million in top line growth via acquisitions by 2022.

Our strategy is straightforward and disciplined, and our criteria are both strategic and financially sound. From a strategic point of view, our pipeline of candidates serve the attractive, technology-driven Food, Health and Nutrition end markets, offer potential commercial synergies through overlapping customer and sales channels and have technology-enabled product portfolios that are linked to growing consumer mega trends in



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the Food, Health and Nutrition markets. Importantly, we are evaluating growth-oriented candidates that are leaders in the markets they serve and expand our aperture for profitable growth through new products and technologies. Candidates must offer critical mass that build on a foundation for growth. Our extensive strategic analysis supports this point, and that is why as Han will expand upon that we are considering acquisitions of up to \$300 million in revenue. In addition, contributing skills and competencies through valuable human capital is important as well. And from a financial perspective, we are looking at opportunities where the value is greater than the investment with an enhanced earnings profile and sustainable free cash flow.

In developing our inorganic growth strategy, we began by building a prioritized M&A target list and then narrowed that list down by applying our well-defined screening criteria, which included growth rate, markets served, degree of innovation and estimated profitability, to name just a few. Our pipeline started with over 800 potential targets, which was, over time and with extensive consideration, vetted to a list of approximately 50 attractive candidates. From there, we narrowed the field down even further to provide short-term focus and drive forward an action towards our inorganic growth initiatives. This is imperative. And I'm pleased to tell you that there are several attractive potential candidates on our short list that we are actively evaluating.

So it is through our dual-track focus on targeted organic and disciplined inorganic growth that we will achieve our vision to be a \$1.25 billion business with a 20% adjusted EBITDA margin profile by 2022. We are strengthening our core specialty phosphates business to more effectively compete in the mature Industrial Specialties marketplace and continue delivering strong cash generation. At the same time, we are seeking inorganic growth opportunities in the attractive Food, Health and Nutrition markets and delivering organic growth through our focus on innovation and margin management.

Later on today, Marco and Amy will expand upon how our commercial excellence and operational excellence initiatives will bolster our growth, and complete the portfolio.

By executing against our plan, we are confident that we're positioning Innophos for revitalized growth that will create significant value for our customers and investors alike. This is truly a transformation story and one that we are excited to take on and are confident in our ability to achieve.

And now we're happy to take a few questions.

QUESTIONS AND ANSWERS

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

Yes. Brett. Right there, sorry.

Unidentified Participant

Kim Ann, can I ask you a question.

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

Is this mic on? Oh, Charlie has got a question.

Unidentified Participant

There's obviously been some noise in the last week or 2. Obviously, you have the health and nutrition business of FMC trade, you're seeing Ashland being separated out from Valvoline, you're seeing a lot of these pieces moving around, obviously reflective of the larger consolidations going on in the markets. Are you envisioning picking up some pieces from other companies? Or are your processes more directed at private firms? Or you're



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looking at more like some type of ultimately larger transformative processes? Just curious how you are envisioning the first stage of this evolving because there's clearly a lot of noise out there, Kim Ann, as you know.

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

As you can imagine, the process we looked at, I think, Sherry said over 800 maybe and of course it was a very diverse group, included privately held companies, portions of public companies. So we're really looking at everything. I think right now many of the things we're looking at are more of the privately held companies.

Unidentified Participant

So there's not stuff coming out of the DuPont, for example, FMC thing? That wouldn't...

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

Now Charlie, you know I can't comment on any further details than that. Brett.

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

So I wanted to stay on the M&A topic. And all the things that you mentioned, the focus on specialty ingredients, especially the attributes that you're looking at for these companies, are extremely attractive. You well know that you're not the only company looking to acquire in the space, I don't need to name all the companies that are, and some of them are much larger with greater resources. So naturally my question would be what gives you the ability to win and execute on this deal flow? Is it a synergy that you think you have that allows you to bid up for that asset? Is it a relationship that you think you have? Something else? So that's the first part of my question, how do you execute when a lot of competitors want to acquire in this space as well. And then, secondly, can you just talk a little bit about the team and the capabilities that you have in place to maybe roll up multiple acquisitions at once?

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

Sure. I'll start with the team, and then I'll have Sherry talk about the various things that we believe Innophos brings to the table and why we think we can win. As I've been very open about the change that I've made, particularly at the management level, and I touched upon earlier that we're really now going much deeper into the organization, again requiring new skill sets, new talent, new experiences that we need to be brought in. We're a small company, so while I look at my executives, many of them bring -- they bring their functional excellence. So you have marketing, finance and so forth. But one of the key attributes I look for are good utility players and one of the top priorities from a skill set was that they had to have experience in M&A, had to, because we are a small team and we needed to move very quickly. So each and every one of my executives and then the folks below them have extensive experience in M&A from the finance, to the marketing, to legal and manufacturing and so forth, not only in the due diligence process, but in the important integration process. So I feel confident that we will be successful in doing that. A year ago, I didn't have that team and that's why I think we are absolutely ready to do that now. Sherry, do you want to comment about...

Sherry Duff - *Innophos Holdings, Inc. - Chief Marketing & Technology Officer and SVP*

Sure, sure. With regards to synergies, absolutely. So we really understand these markets so I think bringing that market understanding to play is the first piece. But then when you look at the various targets, I think what we would bring to the table would be our functional expertise, supply chain on the commercial side, an in-depth understanding of the markets in itself and our marketing team, but equally, our technology team and the ability to formulate and work and partner with customers from a technology perspective as well as a commercial perspective and being able



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to bring all that together also, too, with our understanding from a regulatory perspective and quality assurance. All of that kind of pools together and creates the package.

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

And I would add one more thing. As Sherry mentioned, we have relationships with top tier accounts across Food, Health and Nutrition for a very, very, very long time and these are customers that believe in us, and we're at the table when we talk about innovation and marketing for their customers. So we bring that tremendous relationship with who -- and these are the customers that are being serviced by many of these acquisition targets as well.

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

Just 2 questions, first on the inorganic growth objectives that you sort of had laid out. You made it a criteria that being a market leader is going to be important in any acquisition that you look to acquire. Are we looking at like market leaders in large subcategories? I know you broke out a chart of the end markets that you play in. Or would it be more something along the lines of like market leaders in niche subcategories?

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

Yes, the way that we're looking at that, and it's a great question, is really where we're really looking at right down to the subsegments. And I think that's important, and I've spoken to many of you out in the audience about, I mean that's really what marketing is. We can't just talk about functional foods or functional beverages. There's various subsegments that are served, and that's where we've taken our data analytics down to. So it will really be down to those subsegment areas.

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

With that being said, with the acquisitions that you would be looking at, would you be willing to be responsible to grow the categories, if need be, just given the size of the categories that you would be potentially acquiring? Or would you need these categories to potentially be growing themselves?

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

All the categories that we're looking at are growing, and that's one of the criteria. And their offering growth, as we said, of 5% to 6% and then that 6% to 8% is sort of the functional food ingredients and the nutrition. On top of that, we believe they will be in good hands. 1 plus 1 doesn't equal 2, but it equals 3 here.

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

And then just on the organic growth objectives of the company, it's something that we've talked about before, whether it's on a conference call or just learning about the business. This morning, I heard a lot of terms like differentiation, innovation, working with customers on product reformulation, but then again you said that your guidance for R&D spend in 2017 is going to be \$8 million, it comes out to about 1% of sales. And if you just look at what your peers are spending, anywhere between 3% to 4%, to be using some of terminologies that you're using, innovation, differentiation, product reformulation, it just really seems like it's not much of an uptick to really win over new business or to align yourself with new business with existing customers. So I was just wondering maybe when we could start to see maybe an acceleration in R&D spend.



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Sherry Duff - *Innophos Holdings, Inc. - Chief Marketing & Technology Officer and SVP*

Yes, so really what we're going to be doing is really be focusing the R&D resources that we have. So we have a broad range of resources across the organization. And so our focus is really on partnering with our relation -- partnering with our customers and really focusing in on developing solutions for them and helping them to succeed. And so that'll be really our drive for our new product development pipeline. Because as Kim Ann has said earlier, I mean, the underlying market is growing at GDP at best. But in order to achieve that GDP at best growth, we really need to focus in our new product development initiatives.

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

So here's how I would ask you to look at it. You're right, it is a small single-digit percent of our spend. That will increase over time. But with the reallocation, if you think about that spend now over that 52% of that pie, it's focused on food, health, nutrition. Remember, 52% of my revenue is in Food, Health and Nutrition, the remaining being Industrial Specialties and other. That spend now is focused on a little bit more than half of the company. That's how you need to start to look at it for this year, okay? And also, the other thing I'd ask you to look at is that as think about acquisitions, one of the critical criteria is their innovation, their ability to do innovation, their intellectual property. So that will also add to the spend, okay?

Sherry Duff - *Innophos Holdings, Inc. - Chief Marketing & Technology Officer and SVP*

And then I would just add one other point, which is leveraging technology that will help us get to market more quickly and be more meaningful such as in-licensing technologies as opposed to having to innovate -- as opposed to having to invent from the ground up. Right?

Rosemarie Morbelli - *Gabelli & Company, Inc. - Analyst*

If I could ask a question regarding the financing of your multiple acquisition targets. Interest rates are low, but the stock price is also reasonably high. So are you planning in using both of those sources in order to make those acquisitions?

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

Han, do you want to comment on that? Because I think you're -- Han's going to be talking about that momentarily.

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Yes, it works now. No, that's a good question. The way we're thinking about it right now is, and I'll talk a little bit about it in my segment towards the end of the presentation today, is because you're asking about equity versus debt, right? This is basically your question.

Rosemarie Morbelli - *Gabelli & Company, Inc. - Analyst*

Right.

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

So I think we're looking at it in steps obviously. You've seen a big number on the page. We're not thinking about it in one fell swoop, if you will, but through the planning period in steps, although we think that some of it earlier on in the cycle has to be transformative in nature, I mean, sizable and meaningful enough. And that's the word we've been using on the calls, too. I think that we've had -- we believe that at this point that's best served with debt and that's the approach we would take initially. So we wouldn't immediately tap into equity.



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Rosemarie Morbelli - *Gabelli & Company, Inc. - Analyst*

And if I may follow up. How much leverage do you think you can handle over the cycle?

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

Yes, I think we've talked a lot about this, and we've got great support from the board, our board, and great support from our banking partners and we're comfortable at 4x, 4.5 or 4.5, very comfortable with that. There's one back there.

Adam M. France - *1492 Capital Management, LLC - Co-Portfolio Manager of Value Strategies*

Can you speak to the multiples on your acquisition candidates as well the candidates you're looking to prune?

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

Yes, we're not going to make any comments on specific candidates. I don't think...

Adam M. France - *1492 Capital Management, LLC - Co-Portfolio Manager of Value Strategies*

No, no, not specific candidates, but sort of ranges that are...

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

Yes, in these acquisitions in this market, we're very, very cognizant and knowledgeable of the high multiples and you're talking between 11 and 13.

Adam M. France - *1492 Capital Management, LLC - Co-Portfolio Manager of Value Strategies*

What about the candidates you're looking to prune on the industrial side?

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

Yes, from that standpoint, that's more of a product line pruning. So that would really not be something we would be selling off, if you will. There's many -- there's just many lower-hanging, lower-differentiated, lower-value products that will no longer be part of our portfolio and we'll use those assets to make other things. So we'll stop the manufacture of certain things.

Adam M. France - *1492 Capital Management, LLC - Co-Portfolio Manager of Value Strategies*

So there'll be no sales?

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

Right, correct.



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Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

That's just part of a broader portfolio assessment and that's we've commented on that in 2016, too, so we went through that. And you'll see it with some of the numbers that I'll bring out later, what we've typically talked about, Adam, we particularly started that in the second half of '16 in terms of from a product portfolio management perspective.

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

So we've done a lot and that was all based on -- a year ago, we started segmentation of our customers, our markets, our products. We looked at profitability, uses and so forth. So again, this has been happening over the 2016 time frame. We've said it will continue in the first half of 2017 and hence the reason why our mix has improved and our profitability has improved.

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

If there are no questions at the moment, then it's just about a quarter of, so we'll take a 15-minute break and we'll start promptly at 10:00.

(Break)

PRESENTATION

Marco Coen - *Innophos Holdings, Inc. - Global Commercial Director*

(technical difficulty)

Good morning, and thank you. I am Marco Coen, Global Commercial Director. Today I will provide you with an update on the Commercial Excellence Pillar where our focus is on increasing our value to the customers and markets we serve in order to deliver sustainable top and bottom line growth for Innophos. Before I walk you through this progress we've made on the commercial excellence front, I'd like to highlight a few key points that I'll make throughout the presentation. First, core to the commercial excellence agenda is a foundational work we've done on customer and market segmentation. This exercise has been critical in understanding our business and the value levers that we can act upon to build on our margin management progress.

Second, as Kim Ann noted earlier today, at the center of the corporate strategy is a shift to become a market-facing organization. The new customer engagement model that I will introduce today supports this strategy by aligning our sales team with key end markets and sales channels.

Third, our new 3-in-the-box go-to-market model that Sherry touched upon earlier shifts how we interface with our customers. By joining our commercial, marketing and technology resources, we enhance Innophos' position as a valued solutions provider in the core portfolio of Food, Health and Nutrition and Industrial Specialties.

Further, we are also embracing a diversified cost-to-serve approach where we are allocating resources more strategically and efficiently to our customers. This ensures that we both deliver and drive value deep and wide across our global and diverse customer base that includes multinationals, foodservice, regional and local players.

And finally, we have a market leadership position in several market categories worldwide today. Defending that position depends on our ability to execute against our commercial excellence agenda as well as the operational excellence and supply chain initiatives that Amy will discuss today.

The commercial excellence work that we did in 2016 was focused on putting systems and strategies in place to strengthen the core business. This included establishing customer segmentation, refocusing our product portfolio, creating differentiated service levels and establishing greater cross-functional connectivity. Over time, the commercial excellence initiatives will allow us to drive value capture and deliver top and bottom line



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growth. All of these goals ultimately created a platform to reorient the go-to-market organization to capture value by aligning to the targeted markets while allocating resources in a more differentiated model in an effort to become the partner of choice for our customers.

While many of the commercial excellence initiatives have only just begun to take hold and will take some time to deliver quantifiable results, we did begin to see some early contributions from these efforts as we exited 2016. This included contributing to the 260 basis points margin improvement that Innophos delivered in 2016.

We are taking a segmentation and customer-facing approach to the commercial organization. This included segmenting our customer base by systematically looking at our customers through a clear lens of profitability, growth and markets served. More specifically, we analyzed our customer base using four key metrics: total margin dollars, margin percent, 5-year growth forecast and markets served. In doing so, we found that our business follows the traditional 80-20 rule where approximately 80% of our total margin dollars are driven by roughly 20% of our customer base. We also found this rough rule of thumb to be applicable in each of the market segments we've defined: Food, Health and Nutrition and Industrial Specialties. We also took a methodical approach to realigning the sales organization and followed four guiding principles in doing so: first, we focused on target end markets and priority customers; second, we had to differentiate between sales channels; third, we needed a structure in place that would allow us to strengthen our core businesses while we also pursue growth opportunities; and finally, we needed to be able to optimize our cost-to-serve position. Ultimately, the analysis work that we did enabled us to segment our customers into different categories according to their importance within market and sales channels, strategically serve these customers with differentiated services and finalize our new organizational design.

I'll now expand upon these important initiatives. Segmenting our customer base allowed us to look at our service levels in a different way to drive service differentiation, resource allocation and improve efficiencies. One important point to note is that before this endeavor, we had no real service differentiation across our base, treating all customers and markets fundamentally the same. We are now transitioning to 2 levels of service, a standard level of service and a premium level. Our premium services are being allocated to customers that are either strategic partners -- they're innovation-oriented companies who deliver a high level of profitability to our business -- or high-volume customers where we have sustained relationships and profitability. Both premium categories derive value from the enhanced services that we can provide such as technical service, formulation assistance and special packaging and labeling. And these customers deliver value to Innophos.

Our standard level of service will be allocated to those customers who have informed us that cost efficiency is paramount in their buying decision and they prefer a more transactional relationship. These customers are typically on the low end of the margin scale and often lower volume.

Ultimately, our goal with our service differentiation is to create a win-win with all of our customers so that we can more effectively deploy our sales force, implement value-based pricing and deliver overall better service.

We have a diverse array of customers ranging from large multinationals to regional and local players. A sampling of these customers are shown here. Our customer segmentation work allowed us to reassess how we view this customer base, and as this slide demonstrates, we now categorize our customer base according to the markets they participate in -- Food, Health and Nutrition, Industrial Specialties -- and by sales channel, both direct and indirect. Doing so was a critical building block to the differentiated service levels that we just discussed as well as the way that we have realigned the organization.

As we realigned our commercial teams, we moved our groups from being generalist to become market-facing specialists. This means that we now have a refined, more sophisticated market focus within each geography and sales channel. You can see a structure aligned toward the Food, Health and Nutrition and Industrial Specialties markets and also towards different sales channels, both direct and indirect. While we continue to have geographic focus on the sales team, it is now under the same global leadership to provide the full accountability needed to succeed. This transition has provided a renewed focus and fresh start to the sales organization while also providing us the opportunity to bring in key talents. Most recently, we've put in place 2 key commercial directors with excellent market knowledge and skill sets. With this new organization and new leadership in each industry vertical, we are better positioned to capture value in the marketplace.

Sherry and I have both mentioned the collaborative approach with our customers to be 3-in-the-box. This new market reorganization gives us the best opportunity to be fully aligned with the customer and provide the services they value. Our marketing group and customers provide high-level consumer trends and insights, and they give us a snapshot of development focus and opportunity. Our customer needs and priorities are then



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used to formulate applications that enable them to take advantage of these consumer trends, for example, on-the-go snacking solutions or essential fortification. This culminates in us being able to provide customized solutions to our customers who value and pay for these services. We are currently rolling out this go-to-market approach. It has been very well received in these early stages and we expect to be fully aligned and operational by the end of Q2.

Our commercial excellence efforts are a major pillar in our strategy with the potential to drive meaningful top and bottom line growth. By positioning Innophos to be a meaningful partner of choice with our newly differentiated service offerings, restructured sales organization and 3-in-the-box approach, Innophos can earn a greater share of more profitable business from our customer base. As an organization, we are targeting to execute approximately \$30 million of increased organic sales through performance improvement initiatives over the next 5 years. About \$20 million of this will come from the innovation work that Sherry touched upon, and the balance will be driven by margin management efforts.

Our evolution during the past year was focused on moving from being a supplier of products to becoming a preferred supplier. Now with our commercial excellence initiatives well under way and taking hold today, we are further increasing our value to our customers and positioning Innophos to be a trusted solutions provider. Over time, we strive to become the partner of choice with a diversified set of vital ingredients in our portfolio. By achieving this status, we can enhance value for both our customers and our shareholders.

Thank you for your time today, and I'll now turn it over to Amy to talk about the operational excellence pillar and supply chain initiatives.

Amy Hartzell - *Innophos Holdings, Inc. - VP of Supply Chain and Logistics*

Thank you, Marco, and good morning, everyone. Today, I will provide an update on our operational excellence work. I am proud of what we have accomplished in 2016 and excited to share what lies ahead for the supply chain and purchasing organization.

I'll start with a few key messages that I will cover today in my presentation. With a relentless focus on creating value, we delivered significant cost savings and working capital reduction. I can say with confidence that we have identified the next layer of improvement initiatives, and work is well under way to realize additional savings. We are also driving an organization and cultural transformation that is centered on reliability and holding ourselves accountable to deliver our commitments to customers and shareholders. We are bringing modern practices to supply chain and purchasing to strengthen our core. We are continuously looking across people, processes and systems to first identify areas of opportunity, followed by implementing changes that further enhance our talent and advance our maturity. We have created an end-to-end supply chain organization, and we have cross-functional collaboration and a common goal of reliably meeting our customers' needs. We are ready to support the commercial excellence work and segmentation and embrace a differentiated cost-to-serve approach as a means to create value for Innophos.

Our work in 2016 was focused on two distinct yet highly complementary paths. It was imperative for us to deliver value in the near term while never losing sight of our goal to make sustainable progress on our end-to-end supply chain journey. Following a systematic approach to assess our people, processes and systems, we quickly identified the top priorities for the team and focused them on the high-impact areas. By creating a spend map that was linked to the company's P&L, the team had the required visibility to focus on strategic spend categories. Effective use of market data assisted with the outside-in view to improve our purchasing power on strategic raw materials and logistics. The team used a structured approach to identify the pipeline of savings initiatives that positively impacted our 2016 financial results. With an improved planning process and a disciplined approach to improve the quality of our inventory, the organization worked together to achieve an outstanding outcome on working capital reduction. Integration of the nutrition business in the end-to-end supply chain organization helped gain alignment on the work processes that were implemented.

We recognize the importance of sustaining the gains, and that is why we are moving to a global center-led organization that will be responsible for both simplifying and standardizing our work processes. We have started to onboard talent with proven track record to implement the operational excellence planks, and this will continue in 2017. The new sales and operations planning process, or S&OP, has been designed, and implementation is under way. This cross-functional process will improve our operating efficiency and deliver improved service levels for our customers.

2016 was a year marked by strong results from the teams that supported the operational excellence pillar. The purchasing organization worked cross-functionally with partners for manufacturing, quality and logistics to deliver significant value to Innophos with \$12 million already hitting



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the bottom line and an additional \$4 million projected to hit this year. This work included qualifying new sources of supply, understanding and exploiting market dynamics as well as direct negotiations with our suppliers.

Following the restructure that was implemented in 2015 and completed in 2016, employees across the company prioritized work, with many accepting expanded responsibilities to achieve great results while removing \$13 million in costs. The cross-functional work on our cash-to-cash cycle yielded outstanding results, reducing working capital by 29% from the previous year. The improvement in forecasting and planning will further enable predictability and reliability in meeting our expectations.

We are proud of what we have accomplished and are determined to use our continuous improvement mind-set to create the supply chain of the future. One of our critical success factors is to have a company-wide integrated capability. As we look across the end-to-end supply chain processes -- plan, source, make and deliver -- we are looking for ways to improve our operational efficiency and improve service as our means to create value.

I was fortunate to join Innophos when the company leadership had established the three strategic pillars. With the guiding principle of value creation, we understood the necessity to get the structure and metrics in place that would eliminate silos and ensure a one-team mind-set. One of the key priorities for the integrated supply chain organization is to have a strong planning process in place and then to synchronize supply and demand, so that all employees have a clear understanding of what they need to accomplish to deliver strong financial results. As planning improves, the organization gains visibility to data and metrics, and that enables smooth execution in our everyday tasks. All of this is done with an outside-in mind-set to understand and improve the customer experience. We will use this structured approach to achieve supply chain excellence while making targeted improvements across our people, processes and systems.

An effective supply chain organization collaborates with all functions in the company, and that is why we are working across the 3 strategic pillars. We have many activities in the operational excellence pillar including the implementation of the S&OP process, continuing our work on inventory management and further building our procurement excellence.

Partnering with our commercial organization, the supply chain team will support the customer segmentation implementation with the creation of differentiated cost-to-serve models. In addition, we have the opportunity to collaborate to improve forecasting and set lead times to ensure we have the right product in the right place at the right time.

In the area of strategic growth, we have worked with our technology and marketing organization to establish a cross-functional portfolio review that manages our products through all stages of the product life cycle. Integrating the nutrition business into our organization has provided the blueprint for future M&A activities that will be required in the near future.

Work is under way to bring a best-in-class sales and operation planning process to Innophos with the goal of improving margins, cash flow, service and predictability of our earnings. Given the participation of all leadership team members, we are using the S&OP process as the decision-making process for the company. It links our daily execution with our long-term strategic planning process. The monthly cadence ensures we have actions in place to achieve our growth goals. We use S&OP to look at volume as well as our financial metrics. And we have metrics in place for each step of the process to ensure performance is on track, identify actions to address gaps that may occur and discuss strategies so we can capitalize on upside opportunities. This structured approach is much more than a process. It is how we run our business at Innophos.

We are undergoing a transformation in our strategic sourcing process with the goal of total value optimization. With the introduction of category management to our purchasing organization, we're implementing a 6-step strategic sourcing process that will be used in all geographies for activities that include sourcing raw materials, logistics down to the spare parts at our manufacturing locations. The team has performed supply market analysis, and we are actively meeting with dozens of suppliers to share our strategy with the intent of consolidating our spend to forge strategic partnerships in each of the critical spend categories. We are bringing a new level of rigor to contract management and supplier relationship management with the introduction of our procurement management operating system. Through effective segmentation of suppliers, we will define what type of relationships we need with our suppliers and better allocate our procurement resources to our high-priority spend categories. Our goal is to move from price-based negotiations, which tend to be combative, to strategic alliances that will have shared strategic objective.



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One example of work under way is in our maintenance, repair and operations, or MRO, spend categories. In the past, we've had roughly 800 suppliers in a \$15 million to \$20 million spend category, making it very difficult to manage. We are in the process of meeting with Tier 1 and Tier 2 national suppliers who can effectively meet our needs with the goal of reducing that supplier base to a few dozen. In doing so, we will improve our visibility and the quality of our spend at our manufacturing facilities while becoming a more meaningful customer to those suppliers, thus creating a mutually beneficial relationship.

We view operational excellence as a journey where we can continue to deliver earnings growth through a focused execution of our identified improvement initiatives. We will deliver on today's commitments and plan for tomorrow's success.

We started our journey in 2016, and we have demonstrated our ability to deliver value through our procurement organization. In Phase 2, we have identified additional value in procurement, logistics and cost-to-serve. With our new strategic sourcing process in place, we've been working on packaging and indirect spend categories and are confident in our ability to reduce spend. We are working to improve our capabilities in logistics including increased visibility across all modes of transport and the ability to perform network optimization studies. Both of these enhancements will improve the efficiency of our logistics work processes and improve our spend profile. The work on customer segmentation and differentiated service levels that Marco reviewed earlier ensure our service offerings are aligned with customer needs and will unleash additional value. We anticipate Phase 2 of operational excellence to deliver an additional \$13 million in value to Innophos.

Looking ahead to Phase three, we know our team can have a continued positive impact through supply network optimization with a focus on delivering a reduction in our total landed cost of our products. We expect to deliver \$35 million in value across the first three phases of our operational excellence work.

The end-to-end supply chain transformation is active, and accomplishments thus far have been beneficial to Innophos. We have much work to do, but we're energized by our success and eager to reach our end state. We have completed the first leg of our journey and have moved from a local purchasing and logistics organization to a global center-led organization. In our next phase, we will be a fully integrated supply chain organization that works collaboratively across the enterprise, an organization that realizes the power of focusing on productivity and growth, operational efficiency and customer service, managing the present and planning for the future. In time, we will achieve our vision of being an integrated value chain, one that looks beyond Innophos and cultivates relationship from our suppliers' suppliers through to our customers' customer.

And with that, we will open it up for a brief Q&A before turning it over to Han to wrap up with a financial update.

QUESTIONS AND ANSWERS

Rosemarie Morbelli - *Gabelli & Company, Inc. - Analyst*

The \$35 million of savings, do they include the \$16 million that you already have more or less under your belt? Or is it an addition of \$35 million on top of that \$16 million?

Amy Hartzell - *Innophos Holdings, Inc. - VP of Supply Chain and Logistics*

Yes, so the \$35 million includes all 3 phases. The \$16 million in Phase 1 is part of the \$35 million.

Unidentified Participant

I just had a quick question for Marco on commercial excellence. If you can share with us just the premium versus standard kind of what that mix is today and what you're looking to take that to.



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Marco Coen - *Innophos Holdings, Inc. - Global Commercial Director*

Sure. Like I said in the presentation, our business follows the traditional 80-20 rule, right. And as I said, before we embarked on this endeavor, we really did treat all customers fundamentally the same, right. And if you think about that 80-20 rule, that will be more or less the guiding ratio of where the premium is going to, call it, 1/4 of the business, roughly speaking, 1/4 of the customer base will get that real premium level service, if that makes sense.

PRESENTATION

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Good morning, everyone. Thank you, Marco and Amy, for that overview, and thank you for your questions.

My name is Han Kieftenbeld, I'm the Senior Vice President and CFO here at Innophos. I think I met most of you over the course of the past year, and I'm thankful for your attendance today. I'm going to -- in this next segment, I'm going to tie the various pieces together that you heard my colleagues speak to in terms of different introductions to the pillars as well as the overview that Kim Ann provided early on as it relates to our Vision 2022. I'm obviously going to put it in the context of the financial targets that we see for this next 5-year period. I'll also talk about our view for the current year, give a little update on that, link to the press release that just came out this morning. And I'll also address the implementation of our new segments starting with the first quarter.

In terms of our focus on the Vision 2022 goals, we're talking about the things you see here right across the banner of this page, which are critical success factors for us in this segment and particularly our chosen segments of Food, Health and Nutrition markets.

Sherry addressed the issue around technology and science. This is critical. This is critical for our being today and is very critical for our being in the future as we look to grow inorganically.

Underpinned by manufacturing capability, we talked about the two different value chains as it relates to our more traditional portfolio in phosphates, but equally in terms of our nutrition portfolio. And I think it's important you have an appreciation of how they differ, but also where we combine them in our go-to-market strategy as we serve our customers.

Strong-branded customer base. We're obviously joined at the hip with a lot of blue chip customers, and we're formulated into the branded products, extremely important. The 3-in-the-box, I hope you all remember at least that term from today, which is we've repeated a couple of times. We need to make this a trademark, I think, but between the combination of technology, commercial and marketing efforts, I think it's absolutely key as we sit here today, but equally how we go to market in the future.

I'll talk about cash in just a moment on the next slide.

And then, lastly, the experienced management team. Kim Ann addressed it very clearly. We have an ability to operate, but also to expand the business that is Innophos today.

Delivering on our promises, we've shared with you, and I'll have a slide coming up on that, 2016, we have demonstrated our ability to deliver on cash, on our commitments and enhance earnings. Operational excellence, those will be an important part. We've shown that in the past year, but they will continue to be a critical part of our success in the future given the maturity of our portfolio. And then, lastly, I want to just quickly end on the cash flow and our stewardship of shareholder value, which gets me to the next slide as it relates to our payout ratio.

So looking back at our delivery during the last 5 years, we've demonstrated very strong operational and free cash flow, resulting in steady dividends and a sizable share buyback program for a total of \$340 million.



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Moving onto the next page. Equally, we've created value. Another form of value recognition is recovering the share price we've enjoyed over the last 12 months. We're pleased to see the recognition of this following the implementation of our strategic pillars that started last year. As a result, we have a multiple of 9.7, which we believe is a fairer and a closer reflection of the ingredients company we are today.

We obviously have an ambition to enhance our enterprise value further, transforming the company while keeping a very close eye on performance today and in the near term. Kim Ann briefly addressed our current market realities during her segment. I want to highlight these again because they basically inform and give an insight in terms of how our near-term performance will look like. So if we look at the challenges, I'm not going to go through them again, but they're well documented and we discussed them, too, during the various earnings calls we've held over the last 12 months. The changes in consumer preferences are impacting the more traditional product lines into the packaged food industries. We've all talked about this. We see this ongoing in 2017, but actually also know in looking at a more undifferentiated end of our product portfolio, we have been very proactive in addressing those, partly by way of our operational excellence program, but also by the contract manufacturing arrangement that we announced in December of last year.

Now this management team is all about controlling what we can control. We cannot control exchange rate, we cannot control border tariffs, but we are proactively looking at our context and taking actions accordingly.

Marco talked about segmentation, and I'll discuss the segmentation and product portfolio segmentation. We talked about the pruning last year and the actions we took to kind of address that. I'll talk about segmentation a little more in terms of the shift we're making with our reporting segments.

I just mentioned performance-driven initiatives are going to be the key, and that whole continuous improvement mantra will be a part of the fabric of the business going forward.

Lastly, capital allocation in terms of how we think about CapEx and dividend, and I'll address that, too.

We have thought carefully and very strategically about our capital allocation policy. We've also recently refinanced the company, as you all know, that's well documented and out there, with -- to provide us for an expanded deal capacity.

Looking at 2016 for a moment. Amy has discussed our achievements, which are result of a much more interconnected organization. You heard her talk about the S&OP process and how we use that as a guide not just looking back, but more importantly looking forward in terms of what it means for our financial results, but also how we operationally react and be proactive about it. We delivered margin-enhancing efforts, and we clearly showed it in the numbers both if you look at our gross profit, as Marco discussed, as well as at the bottom line. And the cost-reduction initiatives, along with a concerted effort, driving down working capital.

Now we look at that and Amy touched upon the inventory, but working capital year-over-year went down by \$70 million, 7-0. And we believe at the low 20 -- in the low 20s now it is at from a percent perspective of sales, we believe that to be more in sync with the ingredient companies that we compare ourselves with.

2016, so just a quick year-end review as it relates to key financials. We achieved very strong earnings and cash improvements despite a decline in our top line, and we're obviously not shying away from covering that. So I want to touch that a little bit because, again, it's important that we all understand the dynamics. So year-over-year, sales were down 8%, and I broke it out here just on the right side of the page. From portfolio pruning, as we've talked about, around 2.5%. Demand was linked to approximately 2.5%, too, and then price erosion was 3%. Now in the context of that kind of challenge, if you will, we did extremely well, we believe, despite all the factors that we brought on and introducing through the strategic pillars a multifaceted program. So net income went up \$22 million or 82%. Adjusted EBITDA as a percent of sales was enhanced pretty nicely. Cash from operations up \$40 million year-over-year, 41%. And then, lastly, free cash flow up significantly, too.

2016 was an important stepping stone as we set out our strategic path. We believe we left 2016 better and stronger and with an ability to do more as Innophos today, but also as a transformed Innophos looking ahead into the future.



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Savings exceeds reinvestment. My colleagues have talked about, Sherry has mentioned that we're increasing our investment in technology and marketing and other market-facing activities. That's important, because this is not just about savings, it's about savings and reapplying them to the right kind of efforts.

Strong cash from operations we expect to continue. I will address our priorities as it relates to capital allocation in a moment's time and put it in a context of our 2022 vision.

Earnings -- you've heard this, but I'll say it again -- will be both organic and inorganic in nature. These are the key points underpinning our 5-year ambition.

Before doing so and before I get into the Vision 2022, let me give you an update on how we see 2017 at this juncture. So as we communicated during our Q4 earnings call, we consider 2017 to be another transition year. The market conditions that we described haven't changed, so we see downward pressure on our top line consistent with the drivers I described just a moment ago: the pruning, demand and the price. So if you take your eye to the left-hand side of the page, in the sales box, we expect sales to be down 4% year-over-year for the reasons mentioned. We obviously also expect the cost initiatives to continue. From Phase 1, we talked about the \$16 million of which \$12 million was delivered in 2016, and then \$4 million to come in 2017. And then obviously, on top of that, Amy announced the \$13 million in terms of new initiatives from Phase 2.

Earnings and cash. We expect earnings to be further enhanced -- so when I talk earnings, I talk about adjusted EBITDA as a percent of sales -- by another 100 basis points. We also expect some further improvements in working capital -- although we've done -- we've made a significant stepdown obviously over this past year -- by another 50 basis points. And then also as you think about cash, this particular year, there's an exceptional investment there in the Geismar location to the tune of \$16 million. And of that \$16 million, \$2 million was spent in '16 and \$14 million will be spent in this current year, '17. That's a strategic one-off investment, and that's the way to think about that.

Let me move on and be a bit more precise about the nearer periods, the Q1. Now obviously you've seen the press release that was issued this morning, that's consistent with the comment we've made earlier, but you see it also in terms of the year-over-year comp. So we expect to see \$166 million in terms of sales for the quarter, that's consistent sequentially as we have previously talked about. When you turn your eye to the adjusted EBITDA, we see that also to be very consistent with the prior quarter, in the \$26 million to \$28 million range, with EBITDA of margin as a percent of sales slightly up. And in terms of EPS, we see a range of \$0.50 to \$0.55 for the quarter, again consistent with the prior quarter.

Now we've talked to you all in the past year regarding end markets, and we did it again this morning. This is an important point of our focus. Now we believe the time has come to align our reporting segments with the strategic direction we are taking starting with Q1. So we're introducing Food, Health and Nutrition or FHN in short, Industrial Specialties and Other as our new reporting segments starting with this quarter.

Before we leave this page, I want to kind of take you through a couple of the numbers here. So if you look at our true core segments between Food, Health and Nutrition and Industrial Specialties, they obviously make up the lion's share of the company for a combined total of \$655 million.

But you do see the difference in earnings profile if you take your eye to the right-hand side of the page with Food, Health and Nutrition at around 21% of sales, adjusted EBITDA; and Industrial Specialties at around 13%. So again, I think this will start to help you get a better understanding of our business, we've talked to this, but now we're actually really putting the numbers on the page and helping everybody with the story.

On the next page, we're showing you a reconciliation, if you will, in terms of how the old relates to the new. So we're going from a source of products to end markets. You see the source of products kind of on the horizontal lines on the left-hand side of the table and you see the markets that we will speak to in the future and have spoken to actually over the last 12 months over the top. And again, that informs you, if you look at the sales on the top and you look at the EBITDA margin at the bottom, that informs hopefully a very good view in terms of the profitability by the different segments.

Moving on talking about segments, I want to use this as a segue to emphasize how we're seeing these segments in a strategic context and how our actions will differ between the two principal segments to fulfill our ambition toward becoming a \$1.25 billion company. Food, Health and Nutrition is a diversified portfolio of vital ingredient solutions, and that's how we see it and how we will build it out of this platform. The characteristics



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are an attractive, consumer-driven market, obviously on the back of mega trends that Kim Ann had talked about. Meaningful growth, you've seen the percentages. Our historical environment has been flat. GDP growth is what we've used, but we're seeing more meaningful growth. And obviously, a strong margin profile. And let me actually remind you just on the prior page, our Food, Health and Nutrition business is already operating north of 21%, which we believe is a very credible number to begin with.

Strategic drivers. Commercial excellence, I won't go over the ground again, Marco covered it well. Innovation and M&A.

If you look at Industrial Specialties, mostly phosphate technologies into a variety of applications, but obviously by default given it's phosphates, a more mature environment. Well-established applications with proven technologies, cash generative, very important to us. And also expect improved margin profile, particularly helped by operational excellence initiatives.

Strategic drivers. Portfolio management, we've talked about that, and selective allocation of resources.

Now both are underpinned by this whole mantra of continuous improvement, which brings me to the next slide. So I wanted to just summarize and put in context from an EBITDA perspective what Marco and Amy have been talking about in more detail. So commercial excellence, Marco talked about a total of \$30 million. The margin management aspect, the \$10 million, is an EBITDA impact of \$10 million. And if you look at the innovation, we're thinking about variable margins of around 40%, that will contribute \$8 million to the bottom line, so for a total of \$18 million. And obviously, the operational excellence initiatives listed on the right-hand side of the page for a total of \$35 million will have full effect and be fully accretive to adjusted EBITDA.

Now these initiatives, as we've listed them here, are early in the planning period, so we're talking predominantly about how they affect '17 and '18. So we have, particularly as it relates to continuous improvement, we will set targets and we will continue to set targets from a continuous improvement perspective, so there will be more to come as the years progress.

Transforming the growth profile of the company, which is really, and you've seen it now, pursuing a portfolio shift. Again, I think the new segmentation will help you to get your arms around that in terms of where we're targeting and how we plan on growing. So what we plan to do is the share of the Food, Health and Nutrition segment to increase from 52% to 75%, partly organic, that's a smaller number, but mostly inorganic. The total company adjusted EBITDA, that's obviously a blended rate, enhancing from 17% to 20%. We see Food, Health and Nutrition to go to 22%. Again, we believe that to be extremely doable in the context of what I just mentioned. We're already at 21%.

Industrial Specialties, we expect to continue to make a meaningful contribution to earnings and cash flow.

So as I said, we are projecting significant growth in Food, Health and Nutrition via M&A. So before I speak to these numbers, I'd like to provide one more insight into the Food, Health and Nutrition segment. We see 2 broad categories in FHN. These are not official sub-segments, but I do want to provide a perspective on the different dynamics within the broader segment so as to inform the growth profile.

So when we talk about core ingredients, that's mostly phosphates, they're our mature product lines and we try to use going forward obviously because they are an important source of cash and they're an important part of the relationship we have with our customers. So segmentation and margin management and we look at efficiency and effectiveness, cost to serve.

When we talk about the specialty ingredients, those are more into the Health and Nutrition end markets. Different growth profiles, 4% to 6%, and higher in certain sub-segments. Differentiated, and also M&A will be instrumental in this particular instance to realizing our growth ambition.

So we have a base already of \$375 million with a ranging from GDP at best to low single-digit growth in the 2% to 4% CAGR range. We think we complement that over this next 5-year period with \$475 million in M&A with a very different 4% to 8% growth profile. And it's a little wide because of the end applications and the different submarkets that both Kim Ann and Sherry talked to in the Q&A section.

So we're committed to meaningful growth via M&A, ranging from bolt-on to transformational to achieve our Vision 2022. So Kim Ann talked about the criteria for the target company, so obviously diverse -- to help diversify us further into the Food, Health and Nutrition space is absolutely key,



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the recognition that those are leading companies either in terms of the position they have or from a technology perspective, revenue synergies into our broad brand of customer base are important and obviously technology where we differentiate it through technology and our technical service. Lastly, let me mention we're continuing with the B2B model, there's a lot of nutrition and nutraceutical companies that are kind of operating into the B2C environment. We're not looking to go there. We see ourselves as a B2B enterprise.

Now on the financial fit: top line growth in the 4% to 8% range; EBITDA margin, again blended for the total company in the 20% range; reliable cash conversion cycle. I think the next point is important: asset light. Maintenance capital to be below 3% and that's what we typically see as we evaluate those target companies. Just as another data point, our current percent of sales in terms of maintenance capital is 5% as Innophos today. Working capital will be targeted around the 20% range, we're obviously in the 23% to 24% range. We think we can bring that down a little, but those companies typically operate in the 20% range. And then for return on invested capital, weighted average cost of capital, plus 3%. Innophos today is just north of 10%. EPS accretive in year 2.

So this is the page everybody has been waiting for because how does it all come together. So this is the quantification of how we see the key drivers of becoming, again, a \$1.25 billion company, understanding the maturity of our existing product lines and the prevailing market conditions. Organic growth, \$80 million, and part of that is the acquisition that we see early in the planning cycle is contributing to that, too.

Now the portfolio management and price erosion. Now if you -- for those of you doing the math on the minus \$60 million and the minus \$30 million, an important part of the price erosion obviously it nearly drops to the bottom line, so that's how that reconciles.

Margin management, Marco addressed it in his talk, and innovation, Sherry also mentioned.

Operational excellence, obviously, as I said, continues to be an important part of this, and then M&A, too.

So how do we see the phasing. Sherry briefly touched upon up to \$300 million. We do see that it is important to make a significant acquisition early on in the planning cycle, and when I say early on, we're talking year '17 or '18, which could then either be supplemented by bolt-ons to get us to that number or wait for little bit and do a larger one toward the end of the planning period.

Now this next summary will not surprise you based on everything you heard this morning. So as it relates to targeted investments in our core business, it is important, so we're thinking about CapEx, but also selective investments and expense in our market-facing functions. Value-enhancing M&A, must be a strategic fit obviously, must be broadening our tool kit and portfolio, and I just mentioned ranging from bolt-on to transformational.

As it relates to returning excess cash flow to shareholders, we've always been very committed to our dividend program. We're currently rolling at a yield of around 3.7%. But what I will say as it relates to share repurchases, those are low on our priority list.

Okay, attractive long-term targets. So on the road leading up to 2022, we have to perform and transform, and that's been our mantra as a company. And I think that's what you heard my colleagues talk about, performing in the here and now is important to us, but transforming the company to set us up for a very different growth profile 5 years from now is equally important.

So if we fast-forward five years, what will and can Innophos look like by year 2022. The sustained sales growth CAGR of 2% to 4%, that's a blended rate. That means we have a mature environment, a mature portfolio, which has little to no growth, but obviously supplemented by the new growth, we see 2% to 4% as a blended rate.

Adjusted EBITDA margin 20%. EPS growth CAGR of 10% over the 5-year period so by 2022. Maintenance capital expenditures around 3.5%, that's a blended rate based on the explanation I just gave you on the slide. And the net working capital to be in the 20% range.

So in summary. We have a clear strategic direction. Our Vision 2022, we're going to grow the company meaningfully. Financial strength, the cash flow and the balance sheet are here to support our goals. We're going to be disciplined with our capital allocation with a focus on selective investments back into the company, particularly on the market-facing side and obviously by meaningful M&A. Operational excellence and continuous



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improvement is going to continue to be a driver of value, not just here today. We just don't consider it a project, we consider it part of the culture and how we go about our business.

And then, lastly, pursuing strategies that drive shareholder value is the [wrap] of all that we do every day.

With that, we'll move to Q&A and take your questions.

QUESTIONS AND ANSWERS

Unidentified Participant

You mentioned the (inaudible) shareholder interest. I was wondering how that would be measured. What measures (inaudible).

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Well, I think there's a couple of things, right. It's through our incentive plans, I think Kim Ann talked out about incentive plans and kind of how they're aligned and some changes were made early on as Kim Ann came onboard and aligning that with not just near-term value creation, but also the long term and I think dialing that into what shareholders, I think, find to be important, which is sustained cash flow, investing for the future and so on and so forth. So I think through the incentive plans, that's one, and then the actions we take. We're trying to be very communicative and transparent and we've been over the last 12 months and we're trying to listen, too, in terms of the feedback that we're getting and we're closely linked into the investor community and what they have to say, that's important, too, for us. [Shawn]?

Unidentified Participant

Just on -- from free cash flow generation, the mature business is clearly the -- seems like it's going to fund the growth in some degree. Is there anything out there that you guys see changing that cash generation over the next 5 years? Or where we're at the last couple of years is pretty much...

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

In a negative way, you mean?

Unidentified Participant

Yes. Or is there other levers that could be pulled to even enhance versus where it was the last '15, '16 time frame?

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Right. I think we really believe, and that's why we keep emphasizing this, that our core mature business, if you will, is going to be a very important source of cash going forward, and we don't see that change necessarily, right. However, we're not just watching it and seeing it and how it comes in. That's obviously where a lot of the operational excellence initiative come in to continue to stay on top of it and look at our cost base and kind of transform the company that way with modern methods, with modern practices, systems, processes and whatnot. So I think, [Shawn], in summary, we do count, if you will, we count on that, but we also are not just counting on it, we're working on it, too, all the time to make sure that is sustainable. Brett, you're going to get the prize for asking the most questions.



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

So it looks like we on the sell side got the start to 2017 wrong, yet you guys reiterated full year expectations that you gave on the last call. So do you think that the kind of the build later in the year is due to cost savings that you highlighted today that we didn't know about on the last call? Is there any build of the market getting better in any sense? Would love just any clarity you have on that and then I just have a follow-up.

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Right. Okay, I think 2 dynamics. One is it's the year-over-year comp from a sales perspective where we see -- or we start kind of the pruning and the portfolio management in the second half, right. So by default, the first half would be somewhat unfavorable and we see that on a comp basis kind of pick up towards the second half, Brett. And in terms of the cost savings on the new Phase 2 operational initiatives, you obviously didn't know about that because we just announced it, right, but we have obviously factored an effect of that into the 2017 forecast as we see it.

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

And just real quick, do you expect those cost saves to be lumpy in any way or build as the year progresses?

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Build as the year progresses. But because it's the next iteration of operational excellence, and I hate to use the word low-hanging fruit because it assumes it's easy and there was no effort, but Phase 1 was more of the immediately accessible, if you will, opportunities whereas Phase 2 is really more intense as it relates to changing processes, changing systems and what have you. So there's more heavy lifting involved, but it's also, as a result, takes a little longer to get to it. But it's clearly once it's in, it's in the fabric of the business, and that's how we see that going forward. So sustainable.

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

Okay. And then my last question, I hate to focus on something that's...

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Is it bad?

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

Not really core for you, but I wanted to ask a question about competitive conditions, the commoditized areas of your business. I think I just got this a little wrong heading into this year where I thought conditions out of Asia were improving a little bit for you guys and clearly that's not the case, and so I was hoping for some guidelines from you on maybe what we in the investment community can watch for as potential signs that things might be changing there.

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Yes, so I think the way we would characterize it is it's a continuation of what we see. It's not necessarily gotten worse, if you will, worse in the sense of more intense and this and that. But I think it's a continuation of what we've seen and particularly in those more undifferentiated kind of product lines and the technical grades and what have you. So that's how I would see it, right? Kim Ann, you got any additional comments on that?



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

Yes, the only thing I would add to that is we said we would continue pruning in the first half, and that is specifically related to where we're seeing the intense competitive pressures, right, so you've got that, again, that's why -- and again, we started that pruning last year, but more in the -- after the first quarter. Hence, the reason why Hans talking about the year-on-year comps. But again, I think we have to start to maybe look at this as the new normal on the nonfood or what we call the tech side, Brett. So it's more of the same, not worse, more of the same and we're taking -- we're controlling what we can control by pruning some of that lower value, less differentiated.

John Ezekiel E. Roberts - *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals*

John Roberts. In your new Food, Health and Nutrition segment, how would you characterize how much is core versus specialty even it's just rough percentages? And how much is phosphate versus non-phosphate-based products?

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

At this point, if you look at our Food, Health and Nutrition portfolio, of these \$375 million round numbers, right, approximately just north of \$300 million, right, \$325-ish million is phosphate technology based, right. Another \$50 million is kind of other like botanicals, enzymes and all that, minerals. Okay?

Unidentified Participant

(inaudible)

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Yes, there are certain applications. So it's kind of -- it's a good question, it's a complicated answer in a way and I don't want to get overly technical. But there is -- we don't look categorically at phosphates just being kind of non-specialty, if you will, and then the rest specialty. We look at it in terms of -- you've got to look at it from an application, technology, what is the value we're bringing in formulation perspective. So there is definitely particularly, and that's what I highlighted in my comments, particularly, when you look at the health and nutrition. So we have a number of phosphates formulations going into the health space, which are very proprietary, patented and support that, that are definitely in the specialty bracket. Okay? Francesco.

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

Yes, so just looking at the company's 2022 plan and bringing everything together using 2016 as a base and also keeping in mind the \$35 million in reducing the cost structure, \$12 million of which was already recognized in 2016...

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Yes.

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

So does that mean that when I just look at 2016 as a base and 2022 as what you eventually want to get to, that new business that the company takes on just has to be 20% EBITDA margin business?



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Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Yes.

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

When you start ripping out some of the cost structure that will start contributing to...

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Yes, so what we're saying is we're 17 -- so if you look at the actual 2016, we were at 17%, right?

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

Right.

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

But pointing out that our FHN segment is already operating at 21% today, right, just the full year numbers, the 20% 5 years out as a blended rate, our existing portfolio, mature portfolio, if you will, along with the new M&A on top of it, right, we would definitely see getting to a blended rate of 20% to be quite achievable.

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

Right. And I just wanted to make sure because I didn't include the cost synergies, if you have 17% adjusted EBITDA margins in 2016, the net result to get to 20%, you would think would have to be 24% EBITDA margins. But the new business that you're going to be pursuing doesn't really have to be that aggressive. 20%...

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

It's a couple of things. So I think what you're getting at is that. So what are you buying and what it should look like, right, and it should be 20% and probably upwards from there, which is actually not a hard ask for anybody that kind of follows these type of companies, that's one. Two is, and I probably said it three times, the continuation of operational excellence, continuous improvement, that whole mantra plays through that, too, right?

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

Right. The \$35 million, yes.

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

That will continue to feed in and obviously help our EBITDA margin. Then on top of that, as we bring businesses in, acquired businesses in, there's going to be synergies from that, both on the revenue and cost side, that we haven't fully factored in here even, right, but it should be because that's why you're doing it. That was the CPO in Francesco coming out -- CPA in Francesco coming out, reconciling the numbers, right? Okay, good. Anybody?



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Unidentified Participant

Do you guys have a geographical preference in terms of where you want to structure that M&A you're focused on?

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

We've kind of talked about it a little bit in the past, right. Look, we think -- Sherry introduced this. We've got -- obviously, our significant footprint is in North America, right, and that's where we are. So we look at the mature side of the business, we believe we have a very important position in this market, and we want to continue to hold that very important position. So that's how we defend that. As we look ahead, I think with some of the first steps we're going to make, because you're asking about M&A, I think, right, is we want to stay with what we have because what we know, right, geographically, that is, first off, because you've got to have some sort of infrastructure to bolt on to, right, and build on. And for us to just say, look, we're going to do this mega thing, sizable, right, acquisition, I'm just saying somewhere in South America or Asia, in and of itself that may make sense. But it would be ignoring the fact that you do have to have capability. And I think Sherry mentioned it, Kim Ann mentioned it, the importance of people and having the infrastructure is key to the success of an acquisition as we see it. So we believe that you've got to stay somewhat close to home first, and then as you branch out, it gives you an opportunity to build on. Does that -- yes? All right.

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

And sorry, just one follow-up.

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Sure.

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

So now you're expecting that full year sales to be down 4%, which is now I think on the fourth quarter conference call you said 2% to 4%.

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

We did.

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

So something is getting worse and I'm just wondering if it's like FX, if it's more pruning, something that we should really be focusing in on sooner rather than later to maybe get ahead of where your guidance is going.

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

The one thing I will say, and I will let Kim Ann speak, also we now obviously have better line of sight. Marco and his team at the time were out there working with everybody in terms of the agreements and the renewals and all that, right. You've seeing, I think the word on the street as it relates to packaged food companies and what they are saying, right and we're just trying to be in step with that now what we've got better line of sight also in terms of the agreements that we've concluded for the year and so forth.



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

Yes, in addition to that I did want to mention on the pruning. So Sherry made it clear that on the phosphate business, it was about -- we use the word transformation, but it's really around more being more fit and we have really expedited, I would say, our analysis on the product line segmentation. So our pruning is taking off a little faster this year. So there is that included in that.

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

So I know some of the concerns in years past with some of the investors that have sort of just monitored this name has just been your guys' ability to maintain pricing. So it just sounds as if it's not FX, it's not pricing, it's more of just the volume pruning that you guys are continuing to do. That's sort of getting you now to the down 4% as compared to just before.

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

Correct, yes.

Han Kieftenbeld - *Innophos Holdings, Inc. - CFO and SVP*

Okay. Very good.

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

I hope you all believe, as we do, that this is a pinnacle time in Innophos' transformation. Looking back, we're very, very proud of the history that the organization is built upon. We have a long-standing market leadership position in our core markets. We've been delivering shareholder value for more than 10 years. And we have a culture of integrity in everything we do every day. And today, thanks to our achievements in 2016, which we talked about today, we're really a stronger organization. We have a renewed leadership team, more best-in-class processes and systems in place and a clearly defined strategic plan to become more meaningful to our partners and to drive sustainable growth.

Looking ahead, the focus this year is on execution. Our foundation is strong. Operational excellence is now deeply rooted in the DNA of our company. Our commercial excellence initiatives are starting to take hold and our strategic growth road map is defined and it's actionable.

Looking out to 2022, our vision is of an Innophos that has a well-secured leadership position in the specialty functional ingredients market with a balanced and diversified portfolio that is scaled for continued growth. Our organization will have a relevant and proven set of market-facing and customer engagement competencies and a deeply ingrained commitment to lean, results-oriented operations.

By continuing to execute against our three strategic pillars of operational excellence, commercial excellence and our now new well-defined strategic growth plan, we are confident that we can achieve our target of \$1.25 billion in revenue and a 20% adjusted EBITDA by 2022.

We look forward to keeping you all updated as we progress on this transformative journey, and I can't thank you enough for joining us today. This now concludes the webcasted portion of the day, and we ask those of you who are staying here in New York with us, please join us in the room next door for interactive product demonstrations. I know our technologists are excited. They have a great set of demonstrations prepared to show you the vital value that Innophos ingredients deliver in products that surround you every day. Take a look at the color of the dot that you have. That will be associated with the product table that you start at. Following the product demos, please join us for a lunch buffet that will be set up outside, which you can enjoy eating at your table here in this conference room.

So thank you, again. I look forward to joining you in the product demonstrations.



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