

Q1 2017 EARNINGS CALL

May 2, 2017 – 9:00 am ET

**REVITALIZED
FOR GROWTH**



Forward-Looking Statements

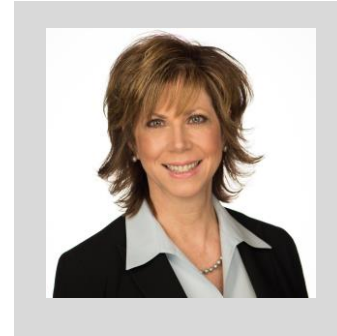
- This presentation contains or may contain forward-looking statements within the meaning of Section 27a of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The company intends these forward-looking statements to be covered by the safe harbor provisions for such statements.
- Statements made in this presentation that relate to our future performance or future financial results or other future events (which may be identified by such terms as “expect”, “estimate”, “anticipate”, “assume”, “believe”, “plan”, “intend”, “may”, “will”, “should”, “outlook”, “guidance”, “target”, “opportunity”, “potential” or similar terms and variations or the negative thereof) are forward-looking statements, including the Company’s expectations regarding the business environment and the Company’s overall guidance regarding future performance and growth. These statements are based on our current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may materially differ from the expectations expressed in or implied by these forward-looking statements.
- Factors that could cause Innophos’ actual results to differ materially include, but are not limited to: (1) global macroeconomic conditions and trends; (2) the behavior of financial markets, including fluctuations in foreign currencies, interest rates and turmoil in capital markets; (3) changes in regulatory controls regarding tariffs, duties, taxes and income tax rates; (4) the Company’s ability to implement and refine its Vision 2022; (5) the Company’s ability to successfully identify and complete acquisitions in line with its Vision 2022 and effectively operate and integrate acquired businesses to realize the anticipated benefits of those acquisitions; (6) the Company’s ability to realize expected cost savings and efficiencies from its performance improvement and other optimization initiatives; (7) the Company’s ability to effectively compete in its markets, and to successfully develop new and competitive products that appeal to its customers; (8) changes in consumer preferences and demand for the Company’s products or a decline in consumer confidence and spending; (9) the Company’s ability to benefit from its investments in assets and human capital and the ability to complete projects successfully and on budget; (10) economic, regulatory and political risks associated with the Company’s international operations, most notably Mexico and China; (11) volatility and increases in the price of raw materials, energy and transportation, and fluctuations in the quality and availability of raw materials and process aids; (12) the impact of a disruption in the Company’s supply chain or its relationship with its suppliers; (13) the Company’s ability to comply with, and the costs associated with compliance with, U.S. and foreign environmental protection laws; and (14) our ability to meet quality and regulatory standards in different jurisdictions.
- We caution you to consider the important risks and other factors as set forth in the forward-looking statements section and in Item 1A Risk Factors in our Annual Reports on Form 10-K for the year ended December 31, 2016, as filed with the U.S. Securities and Exchange Commission on February 28, 2017, and subsequent reports on Forms 10-K, 10-Q and 8-K.
- We do not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements.

Regulation G: Adjusted Results

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

Agenda

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



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

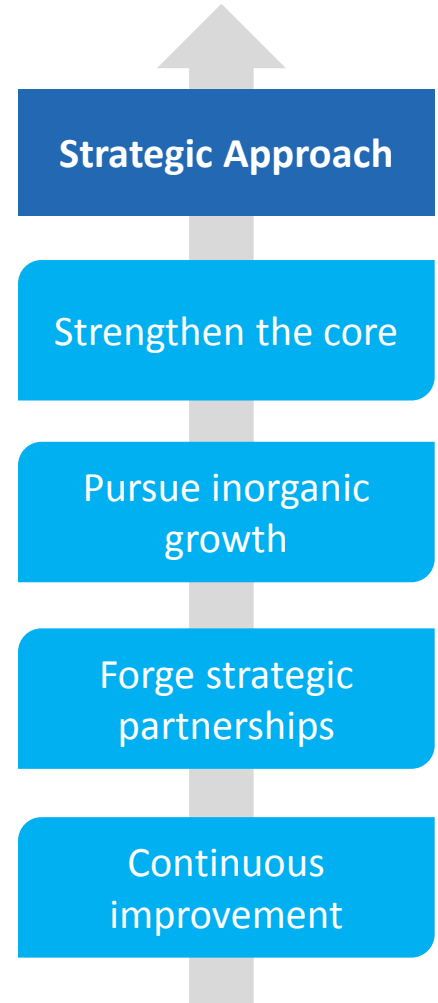
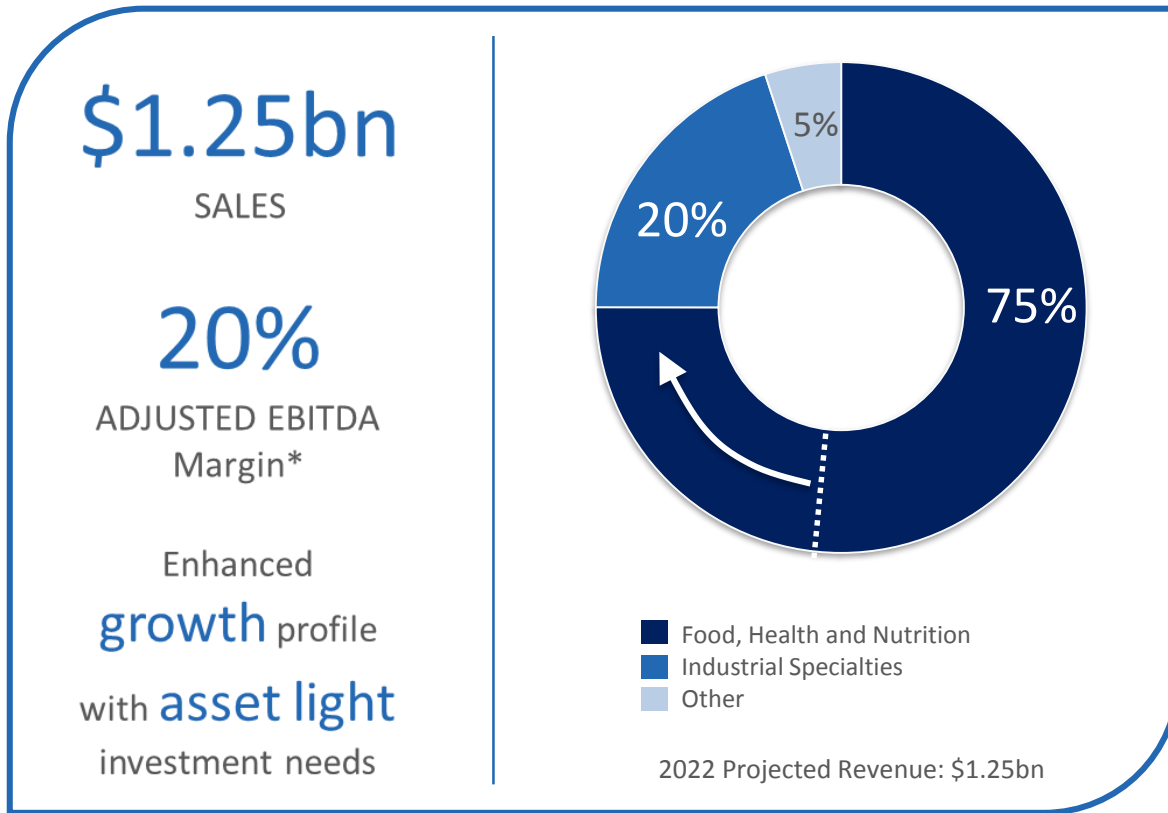


Han Kieftenbeld
SVP and Chief Financial Officer

Key Messages

- A **solid Q1 2017** performance amid challenging market conditions
- Improved **margin profile** and continued **cost savings** from performance improvement initiatives
- Further **strengthened executive team**
- Continued progress on **strategic pillars**
- Introduced **Vision 2022** during April 5 investor day

Enhancing Our Growth and Earnings Profile



Delivering On Our Transformation

Strategic pillars strengthen the foundation and drive performance



Operational Excellence

Committed to continuous improvement and best-in-class processes



Phase 1 yielding \$16m of savings

- \$12m realized in 2016
- \$2m in Q1 2017
- \$2m expected in Q2 2017

Phase 2 expected to yield \$13m of savings

- \$5m expected to be generated in second half 2017
- Focus on logistics, packaging and MRO parts and labor

Commercial Excellence

Delivering and deriving value deep and wide across our customer base



- **Customer segmentation** - diversified cost-to-serve approach to strategically and efficiently allocate resources
- **Market-focused sales re-organization** – aligns global sales force with key end markets and sales channels
- **3-in-the-box solution selling** – joins marketing, sales and technical teams

Strategic Growth

Meaningful growth through targeted organic and disciplined inorganic initiatives

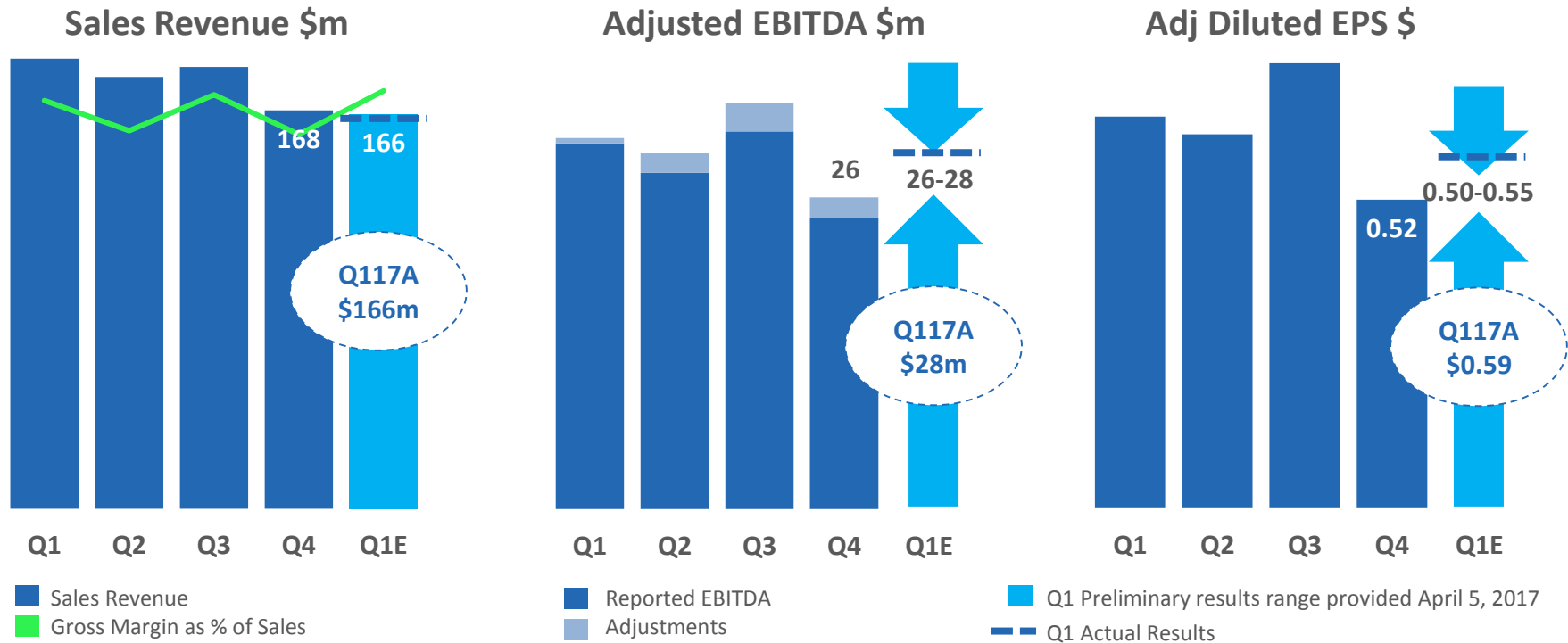


- **Selectively defending** Industrial Specialties business
- **Aggressively defending** current Food, Health and Nutrition business; organic growth via product application development
- **Pursuing growth via M&A** in high-growth Food, Health & Nutrition sub-segments
 - M&A pipeline is active
 - Deep bench of M&A experience
 - Formalized due diligence and integration processes

Q1 Actual Performance At High End Of Range

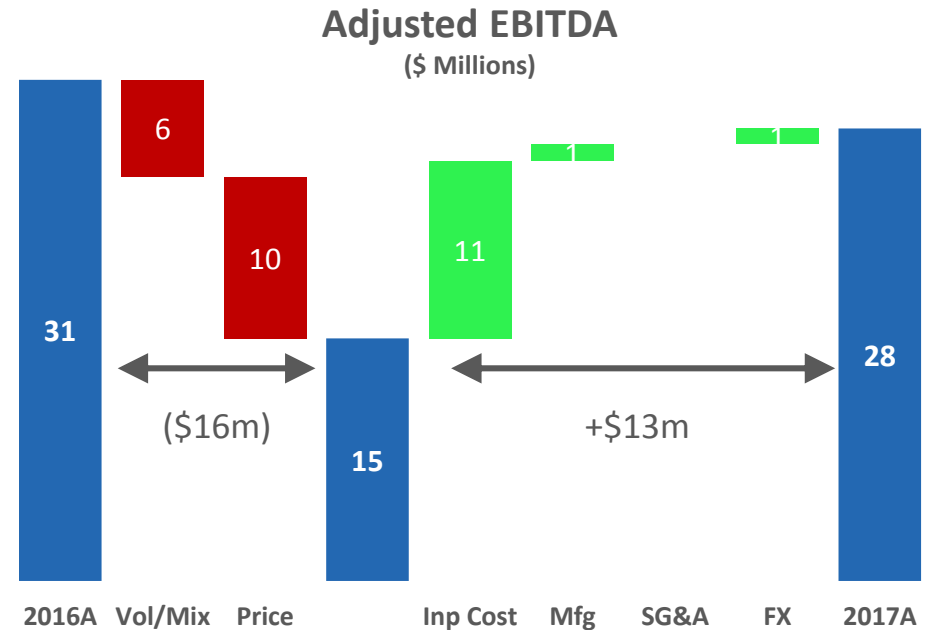
Guidance provided at April 5, 2017 Investor Day

- Sequentially flat sales performance compared to Q4 2016
- Sequentially improved earnings profile due to better mix and improved cost profile



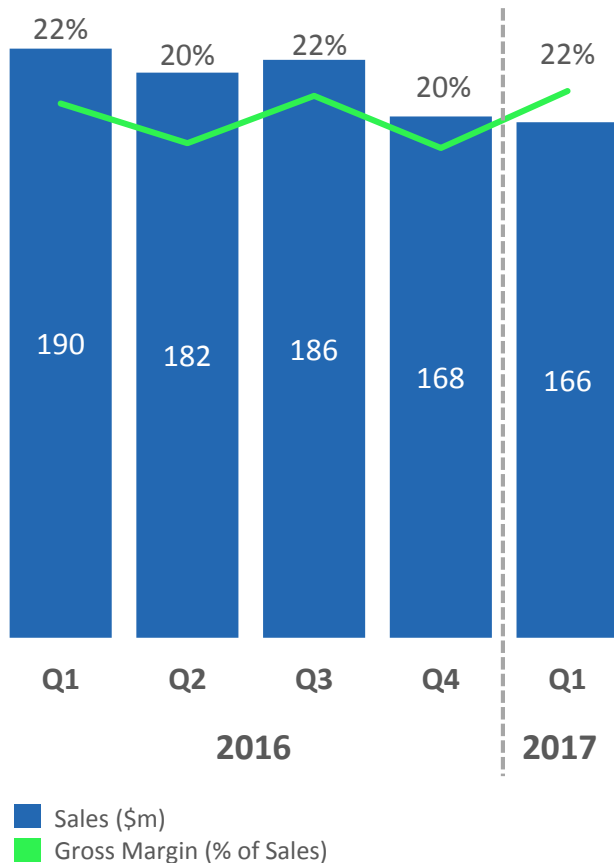
Q1 2017 Performance Highlights

	Q1		
	\$m		Variance
Sales	166	(24)	-12%
Gross Profit	37	(4)	-10%
Gross Margin	22%	+55 bps	
Net Income	11	(2)	-15%
Adj. Net Income	12	(1)	-9%
Adj. EBITDA	28	(3)	-11%
Adj. EBITDA%	17%	+21 bps	
Diluted EPS	0.55	(0.11)	-16%
Adj. Diluted EPS	0.59	(0.07)	-11%
OCF	(11)	(8)	-247%
FCF	(19)	(8)	-73%



- Gross profit margin at 22% ahead of prior year. Lower ASP offset by lower input costs and improved product mix
- Adjusted EBITDA of \$28m and margin of 17% showing a YOY 21 bps improvement
 - Sales shortfall resulting in -\$16m margin impact from lower volume and price erosion
 - Offset by +\$13m from lower input costs and maintaining tight cost controls
 - Manufacturing included \$1m of fees to begin Operational Excellence phase II cost savings implementation
- OCF/FCF reflecting typical Q1 seasonal build of working capital

Q1 2017 Sales Revenue and Gross Margin

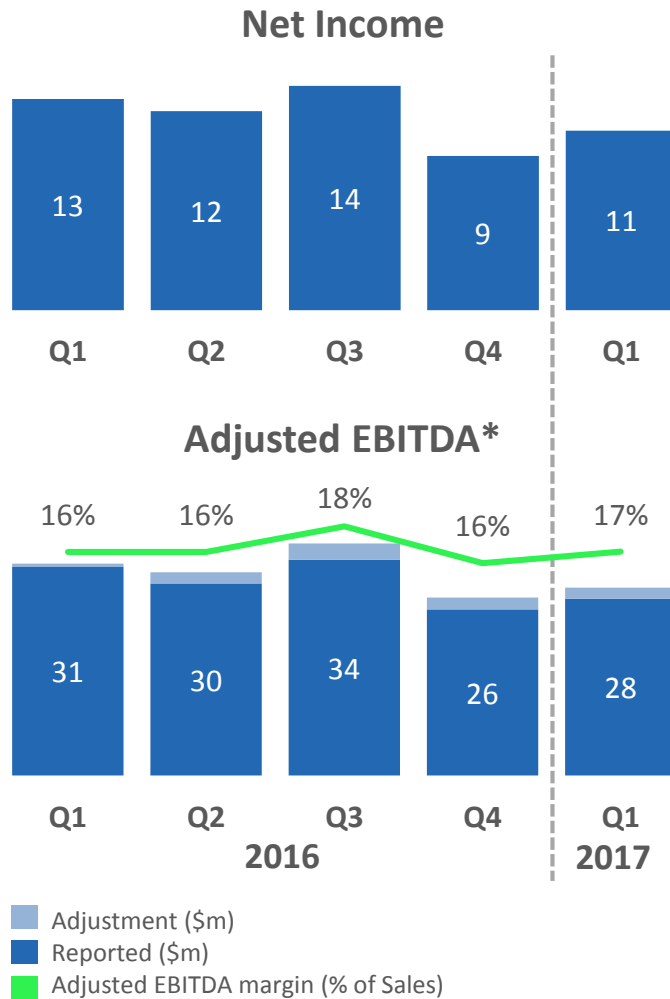


Sales Revenue Bridge	Q1 YOY		Q1 Sequential vs Q4	
	\$m	%	\$m	%
2016	190		168	
Volume/Mix	(14)	-7%	(4)	-2%
Price	(10)	-5%	2	1%
2017	166		166	
YOY Variance	(24)	-12%	(2)	-1%

Quarterly Comments

- Sales Revenue down 12% YOY due to unfavorable volume and lower average selling prices. Sales were down in both the direct and distribution sales channels.
- Food, Health & Nutrition: -7% YOY primarily in high margin export sales driven by external factors in Venezuela and China along with slow sales in India
- Industrial Specialties: -15% due to pruning and strong price competition in technical grade products
- Mix overall is favorable due to Other sales down 33%

Q1 2017 Earnings



Adj. EBITDA Bridge	Q1 YOY		Q1 Sequential vs Q4	
	\$m	%	\$m	%
2016	31		26	
Volume/Mix	(6)	-19%	(2)	-8%
Price	(10)	-32%	2	6%
Input costs	11	36%	6	23%
Manufacturing	1	2%	(1)	-6%
SG&A	-	-	(3)	-10%
FX	1	2%	-	-
2017	28		28	
YOY Variance	(3)	-11%	2	5%

Quarterly Comments

- Net income down \$2m or -15% versus prior year. Margins of 7% down 19 bps YOY. NI helped by low 28% effective tax rate
- Adjusted EBITDA down \$3m or 11% YOY, yielded a margin of 17%, up 21 bps compared with prior year
- YOY volume/mix and average selling price erosion were mostly offset by lower input costs
- YOY FX benefits due to weakened Mexican peso

*Excl. \$0.4m in Q1 2016, \$1.6m in Q2 2016, \$2.4m in Q3 2016, \$1.8m in Q4 2016 and \$1.7m in Q1 2017

Launch Of New Reporting Segments

Aligning external reporting with our market-facing approach



- Introducing **FHN** (Food, Health, Nutrition), **IS** (Industrial Specialties), and **Other** as new reporting segments starting with Q1 2017
- Aligns reporting format with business approach and strategic direction

Food, Health and Nutrition

Diversified portfolio of vital ingredient solutions

Characteristics

- Attractive consumer-driven markets
- Meaningful growth
- Strong margin profile

Strategic drivers

- Commercial Excellence
- Innovation
- M&A

Industrial Specialties

Phosphate technologies into a variety of applications

Characteristics

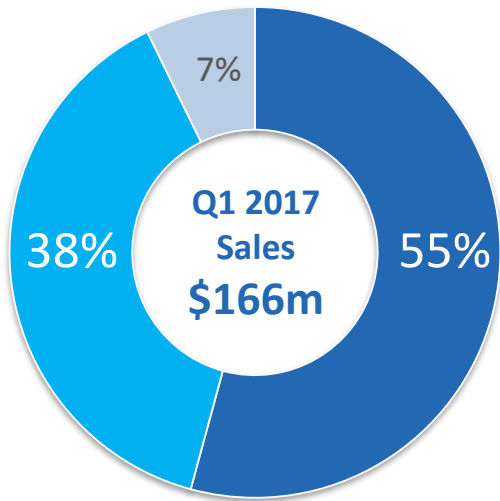
- Well-established applications
- Cash generative
- Improved margin profile over time

Strategic drivers

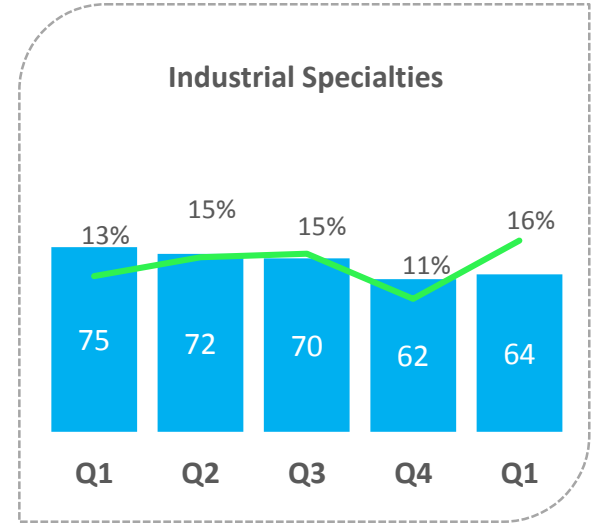
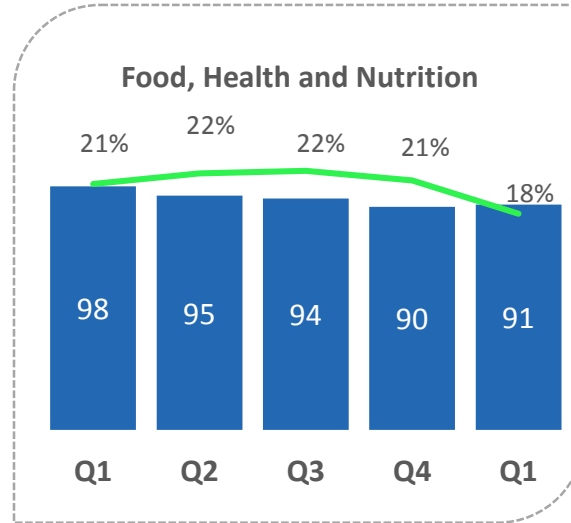
- Portfolio management
- Selective allocation of resources

Continuous Improvement - Best-In-Class Practices

Q1 2017 Performance by Segment



- Food, Health and Nutrition
- Industrial Specialties
- Other



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

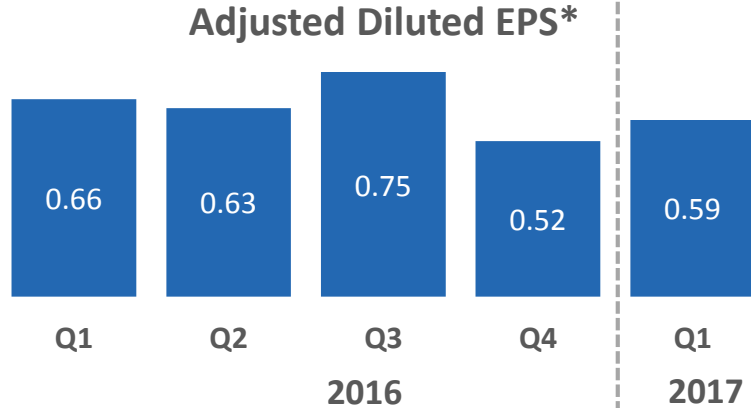
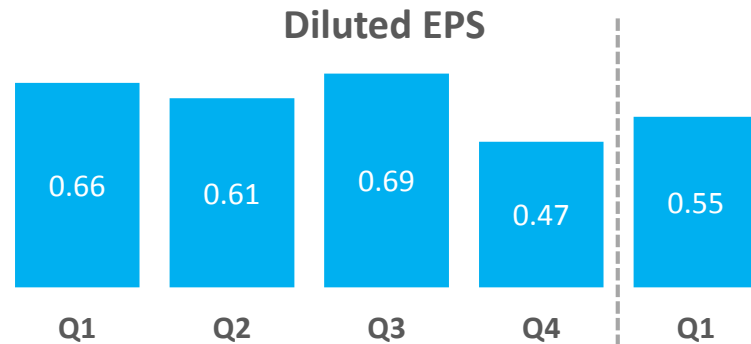
Sales Bridge	FHN		IS		Other		Total	
	Revenue	EBITDA %	Revenue	EBITDA %	Revenue	EBITDA %	Revenue	EBITDA %
2016	98	100%	75	100%	17	100%	190	100%
Volume/Mix	(4)	-4%	(6)	-8%	(4)	-22%	(14)	-7%
Price	(3)	-3%	(5)	-7%	(2)	-11%	(10)	-5%
2017	91	93%	64	85%	11	67%	166	88%
YOY Variance	(7)	-7%	(11)	-15%	(6)	-33%	(24)	-12%

Q1 2017 Other Items

Item	Q1 2017	Q1 2016	Comment
Net interest expense	\$1m	\$2m	Favorable due to lower debt levels, leverage and applicable margins
Effective tax rate	28%	35%	Favorable due to new accounting standard for share based comp
Capital expenditure	\$9m	\$8m	Half of Q1 2017 spend is on Geismar deep well investment
Dividends	\$9m	\$9m	87% pay-out ratio in Q1 2017
Share repurchase	-	-	No activity

Net Debt	\$159m	26% or \$55m lower YOY, up 21% or \$28m in Q1 due to seasonal working capital pattern
Net Debt / Adj. EBITDA	1.3x	Up from 1.1x at 12/31/16 due to increase in net debt

Q1 2017 Earnings Per Share



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

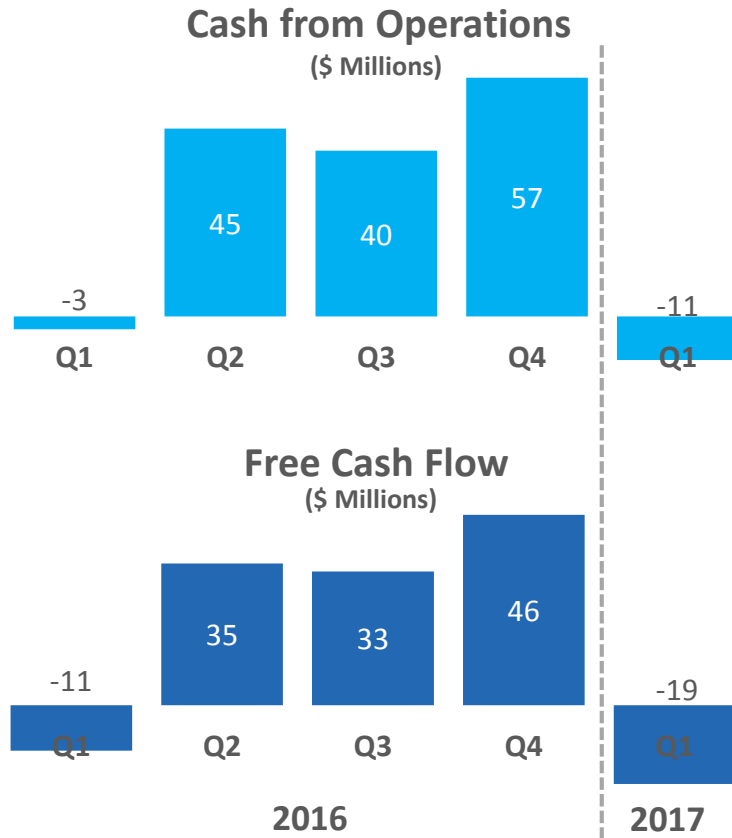
Earnings per share	Q1
2016 Diluted	0.66
Adjustments	--
2016 Adj. Diluted	0.66
YOY Variance	(0.07)
2017 Adj. Diluted	0.59
Adjustments	0.04
2017 Diluted	0.55

Volume/mix	(0.28)
Price	(0.50)
Costs	0.55
FX	0.04
Operational items	(0.19)

Financing	0.03
Tax	0.14
Shares outstanding	(0.01)
Other	(0.04)
Other items	0.12

*Excl. \$0.4m in Q1 2016, \$1.6m in Q2 2016, \$2.4m in Q3 2016, \$1.8m in Q4 2016 and \$1.7m in Q1 2017

Q1 2017 Cash Delivery



Opening	18	15	39	33	53
FCF	(11)	35	33	46	(19)
Financing	8	(11)	(39)	(26)	(4)
Closing	15	39	33	53	30

Cash Flow Bridge	Q1		
	\$m	Variance	
Adj. EBITDA	28	(3)	-11%
Working Cap	(29)	(18)	-163%
Tax	(5)	15	75%
Interest	(1)	--	--
Other	(4)	(2)	-100%
OCF	(11)	(8)	-247%
Capex	(9)	(1)	-8%
FCF	(19)	(8)	-73%

Figures may not foot due to rounding

Quarterly Comments

- Cash from operations of -\$11m affected by seasonal working capital increase; tax payments lower in current quarter
- Free cash flow YOY variance of -\$8m due to OCF variance and increased capex
- Capital expenditure of \$9m in the quarter, half of which was related to the Geismar deep well investment

Outlook

Full Year 2017

- Another **transition year**; protecting earnings and cash delivery while building strategic pathway
- Overall **market conditions** and **competitive landscape** for 2017 expected to be **similar to 2016**

Q2 2017

- YOY **sales comparables** to be impacted by pruning
- Earnings to be impacted by **~\$3m in fees** to complete **phase 2 OpEx**
- **Input costs and operating costs** expected to be in line with Q1

SALES

- Expected to be down ~4%
- Soft customer demand in packaged foods and price competition from imports
- Pruning of lower margin, less differentiated products

COSTS

- Cost savings actions to largely offset pricing pressures
- Implementation of new improvement initiatives
- Selective investments in market-facing functions

EARNINGS & CASH

- Earnings as % of sales forecast to show further enhancement
- Expect further improvements in working capital
- Capital investment at Geismar
- Q1 favorable tax impact

Delivering On Our Transformation

Strategic pillars strengthen the foundation and drive performance



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

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Non-GAAP Reconciliations

Long Term Targets

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

Additional Information

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

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

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

Non-GAAP Reconciliations

Adjusted EBITDA Reconciliation to Net Income

(Dollars in thousands)

	Three Months Ended March 31,	
	2017	2016
Net Income	\$10,923	\$12,842
Interest expense, net	1,353	1,799
Provision for income taxes	4,186	6,883
Depreciation & amortization	9,581	9,282
EBITDA	26,043	30,806
 <u>Adjustments</u>		
Non-cash stock compensation *	717	534
Translation income	(57)	(39)
Severance/Restructuring expense (income)	1,000	(43)
Adjusted EBITDA	\$27,703	\$31,258
 <i>Percent of Sales</i>	 <i>16.7%</i>	 <i>16.5%</i>

* Not adjusted when calculating Adjusted EPS

Non-GAAP Reconciliations

Adjusted Net Income Reconciliation to Net Income

(Dollars in thousands, except EPS)

	<u>Three Months Ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
Net Income (loss)	\$10,923	\$12,842
<u>Pre-tax Adjustments</u>		
Translation income	(57)	(39)
Severance/Restructuring expense (income)	1,000	(43)
Total Pre-tax Adjustments	943	(82)
Income tax effects on Adjustments	261	(29)
Adjusted Net Income	<u>\$11,605</u>	<u>\$12,789</u>
Adjusted Diluted Earnings Per Participating Share	\$0.59	\$0.66

Cash From Operations to Free Cash Flow Reconciliation

	<u>Three Months Ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
\$ in thousands		
Cash From Operations	(10,679)	(3,074)
Capital Expenditures	<u>(8,553)</u>	<u>(8,024)</u>
Free Cash Flow	<u>(\$19,232)</u>	<u>(\$11,098)</u>



ABOUT THE COMPANY

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

CONTACT

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