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INGR - Q2 2015 Ingredion Inc Earnings Call

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OVERVIEW:

INGR reported 2Q15 sales of $1.4b and reported EPS of $1.47. Expects 2015 adjusted EPS to be $5.60-5.90.

CORPORATE PARTICIPANTS

Heather Kos *Ingredion Incorporated - IR Contact*

Ilene Gordon *Ingredion Incorporated - Chairman, President, and CEO*

Jack Fortnum *Ingredion Incorporated - EVP and CFO*

CONFERENCE CALL PARTICIPANTS

Rob Moskow *Credit Suisse - Analyst*

Brett Hundley *BB&T Capital Markets - Analyst*

Farha Aslam *Stephens Inc. - Analyst*

Ken Zaslow *BMO Capital Markets - Analyst*

David Driscoll *Citi Research - Analyst*

Keith Carpenter *Canaccord Genuity - Analyst*

Akshay Jagdale *KeyBanc Capital Markets - Analyst*

Sandy Klugman *Vertical Research Partners - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Ingredion second-quarter 2015 earnings conference call. For the conference, all participants are in a listen-only mode. There will be an opportunity for your questions. Instructions will be given at that time. (Operator Instructions) And as a reminder, today's call is being recorded.

I'll turn the conference now over to Ms. Heather Kos. Please go ahead.

Heather Kos - *Ingredion Incorporated - IR Contact*

Good morning, and welcome to Ingredion's second-quarter 2015 earnings call. Joining me on the call this morning are Ilene Gordon, our Chairman and CEO; and Jack Fortnum, our Chief Financial Officer.

Our results were issued this morning in a press release that can be found at our website, Ingredion.com. The slides accompanying this presentation can also be found on the website and were posted about an hour ago for your convenience.

As a reminder, our comments within this presentation may contain forward-looking statements. These statements are subject to various risks and uncertainties. Actual results could differ materially from those predicted in these forward-looking statements, and Ingredion is under no obligation to update them in the future as or if circumstances change. Additional information concerning factors that could cause actual results to differ materially from those discussed during today's conference call or in this morning's press release can be found on the Company's most recently filed Annual Report on Form 10-K and subsequent reports on Form 10-Q and 8-K.

Now I'm pleased to turn the call over to Ilene.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Thanks, Heather, and let me add my welcome to everyone joining us today. We appreciate your time and interest. In previous calls, I told you how our strong business model and management team can deliver solid operating results in the face of foreign exchange headwinds and slowing economies. I am pleased to report that my confidence has been confirmed. Our second-quarter results were up on a year-over-year basis and in line with our expectations.

We ended the quarter with growth in our specialty volumes, operating income, and earnings-per-share. Overall volumes were up 6%, driven by our Penford acquisition. Our Penford integration remains on track. We also announced our pending acquisition of Kerr Concentrates, Inc., a privately-held producer of natural fruit and vegetable concentrates, purees, and essences, which will expand our higher-value specialty ingredient portfolio. North America had strong operating income. South America and Asia-Pacific were up from last year, while EMEA was down slightly, due to foreign exchange.

Now let's spend a moment on each region's performance in the quarter. Operating income in North America was $127 million for the quarter, up $17 million from last year. Overall volumes were up 12%, primarily driven by the impacts of the Penford acquisition as well as strong demand for our specialty products.

Continuous improvement programs continue to drive good operational efficiencies. In South America, operating income was $20 million, up $4 million from last year. Pricing actions throughout the region, coupled with good cost discipline and continuous improvement projects, helped offset foreign exchange and higher input costs. Brazil's slowing economy continued to impact volumes. However, our local leadership team has an ongoing focus on cost optimization and price mix management.

Although the Southern Cone economy is still challenging, operating income was in line with our expectations. And the Andean region continues to perform as expected. Although we expect 2015 to be a challenging year we believe the South America business has stabilized and the underlying business demographics are positive for the future.

Moving along to Asia-Pacific, this region delivered $28 million of operating income, up slightly from last year. During the quarter, volume growth offset currency headwinds. I was especially impressed with our high-single-digit specialty growth in markets such as Korea.

Finally, the EMEA region reported operating income of $23 million, down slightly from last year. Currency headwinds were partially offset by volume growth and good cost management through our network optimization programs. Our portfolio in Europe, which is primarily specialty products, continued to deliver on-trend products and perform well, despite the impacts of the eurozone crisis and mixed economic outlook.

The team in Pakistan has done an excellent job of implementing cost reductions and managing an unreliable energy environment. For our Company overall, our cash flow from operations and strong balance sheet enabled us to strategically deploy cash to advance our strategic blueprint in spite of currency headwinds caused by the strong US dollar. During the quarter we repurchased 130,000 shares and announced our pending Kerr acquisition.

I'm pleased to now turn the call over to Jack, who will spend time on our financials. Jack?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

Thank you, Ilene. Good morning, everyone. Let me start by covering the highlights of the income statement. I should note that these results include a full quarter of Penford operations. Net sales were down $34 million for the quarter. The majority of the decline is attributable to foreign exchange, along with the impact of lower-priced corn, which is passed through in our selling prices. This decline was partially offset by volume growth related to the Penford acquisition and specialty ingredients.

Gross profit was higher by $23 million as a result of higher specialty and Penford-related volumes, margin expansion in North America, and lower corn costs. Reported and adjusted operating income were higher than last year by $10 million and $17 million, respectively, as the increase in gross profit was offset by higher operating expenses, predominantly driven by the inclusion of the Penford acquisition. Reported operating income was lower than adjusted operating income by $7 million, due to Penford acquisition-related costs.

On earnings-per-share, reported and adjusted EPS were $1.47 and $1.53, respectively. For the quarter, our adjusted EPS was $0.18 higher than last year's EPS.

Moving on to the net sales bridge, our sales of $1.4 billion are lower than last year by $34 million. Volume growth contributed $95 million, but was more than offset by $111 million of foreign exchange headwinds. The price mix reduction in net sales is largely due to lower pricing from passing along our lower corn costs relative to last year.

As we look more closely by region, you can see foreign exchange headwinds affected as they cross all four regions. Volume growth in North America, Asia-Pacific, and EMEA helped to offset weaker volumes in South America. Lower price mix in North America and Asia-Pacific was due to passing through lower corn costs. Price mix was favorable by 8% in South America as we started to recover the currency devaluations.

Adjusted operating income increased $17 million in the quarter. North America posted strong results due to Penford volumes, specialty volume growth and lower operating costs. North America price mix was down as a result of the pass-through of lower corn costs. South America operating income increased by $4 million. The change was driven by a favorable price mix due to pricing to recover currency devaluations and disciplined cost management. These positives were partially offset by weaker volumes in the region, and higher operating expenses and other costs attributed to the inflationary environment.

APAC was up less than $1 million, while EMEA was down $2 million. In APAC, volumes offset the impact of foreign exchange, while in EMEA, volume only partially offset the foreign exchange headwinds.

We'll wrap up the quarter with earnings-per-share. On the left side of the page, you can see the reconciliation from reported to adjusted. The acquisition and integration costs are from the Penford transaction. On the right side, operationally, we saw an improvement of $0.15 per share, primarily margin improvement with some volume lift, partially offset by foreign exchange and other expense.

The nonoperational benefits for the quarter were $0.03. Our tax rate was higher, which has a negative $0.05 per share impact. The higher rate was driven by greater earnings in higher tax jurisdictions as well as the devaluation of the Mexican peso during the quarter. The devaluation increased the tax expense of our Mexican subsidiaries, which used the US dollar as their functional currency. This was more than offset by favorable items such as financing costs and the impact of last year's accelerated share repurchase.

Despite higher debt levels due to the Penford acquisition, financing costs were favorable by about $0.01 due to the lower interest rate resulting from the interest rate swaps executed last year. The accelerated share repurchase from July of 2014 resulted in a $0.07 per share benefit, and this program will continue to benefit earnings-per-share through 2015 -- throughout 2015.

I'm going to move fairly quickly through the year-to-date figures. Just as a reminder, these results include Penford operations as of March 11. Net sales were down $61 million for the first two quarters. The majority of the decline is attributable to foreign exchange, along with the impact of lower-priced corn, which is passed through in our selling prices. This type decline was partially offset by solid volume growth, both in our organic business as well as the impact of Penford.

Gross profit was higher by $54 million as a result of higher volumes, lower energy in corn costs, and lapping North American adverse weather effects in the first quarter of last year. Reported and adjusted operating income were higher than last year by $27 million and $52 million, respectively, as the increase in gross profit was complemented by lower operating expenses, excluding the Penford acquisition-related costs. Reported operating income was lower than adjusted operating income by $25 million due to Penford acquisition-related costs.

On earnings-per-share, reported and adjusted earnings-per-share were $2.62 and $2.83, respectively. Year-to-date, our adjusted earnings-per-share was $0.52 higher than last year's earnings-per-share.

The net sales bridge highlights volume growth contributed $152 million, and that was more than offset by the [$188 million] of foreign exchange headwinds. The price mix reduction in net sales is largely due to lower pricing from passing along lower corn costs relative to last year.

On a year-to-date basis, the story is the same as we talked about for the quarter. Foreign exchange headwinds affected us across all four regions. Volume growth in North America, Asia-Pacific, and EMEA helped to offset weaker volumes in South America. Lower price mix in North America and Asia-Pacific was due to passing through lower corn costs. And price mix was favorable by 8% in South America as we started to price to recover currency devaluations.

Adjusted operating income increased $52 million year-to-date. North America posted strong results, as it had Penford volumes, organic and specialty volume growth, lower operating costs, and lapped the adverse weather from Q1 of 2014. North American price mix was down as a result of the pass-through of lower corn costs.

South America was down $2 million, driven by weaker volumes and higher operating expenses, and other costs attributable to inflationary environment, partially offset by favorable price mix. APAC was up less than $1 million, while EMEA was down $1 million. In APAC, volume offset the effect of foreign exchange, while in EMEA, volume only partially offset the foreign exchange headwinds.

Moving to the earnings-per-share bridge. On the left side of the page, you can see the reconciliation from reported to adjusted of $0.22, which is attributable to the acquisition-related costs from the Penford transaction. On the right side, operationally, we saw an improvement of $0.47 per share, primarily margin improvement with some volume lift, partially offset by foreign exchange and other expenses.

The nonoperational benefits for the quarter were $0.05. Our tax rate was higher, which had a negative $0.11 per share impact, primarily due to greater earnings in higher tax jurisdictions, as well as the devaluation of the Mexican peso, which I explained earlier. This was more than offset by other favorable items such as financing costs and the impact of last year's accelerated share repurchase.

Financing costs were favorable, about $0.03, due to a lower interest rate resulting from the interest rate swaps executed last year. The accelerated share repurchase from July of 2014 resulted in a $0.12 per share benefit. And this program will continue to benefit per-share earnings throughout 2015.

Turning to our guidance, we expect net sales and volumes to be up from 2014, and specialty volumes are expected to show continued growth. As a reminder, both volume and sales include Penford starting March the 11th, 2015, the date the transaction was finalized.

We have narrowed our range for adjusted earnings-per-share, and expect it to be between $5.60 and $5.90. This includes the anticipated impact of the $0.08 to $0.12 accretion from the Penford acquisition as well as the pending Kerr acquisition. The Kerr acquisition is expected to have a neutral affect on our earnings-per-share this year.

The guidance excludes acquisition-related costs. The midpoint is unchanged from what we showed last quarter.

As more than two-thirds of our sales are outside the US, we expect foreign exchange headwinds around the world to continue as a result of the strengthening US dollar. Our anticipated foreign exchange impact is still forecasted at a negative $0.35 to $0.40 per share impact in our 2015 earnings-per-share guidance. We expect this to be partially offset by incremental pricing.

As we have explained in our business model, these pricing actions typically require three to six months to take full effect. We expect corporate expenses to be up year-over-year to a more normalized level. Recall that 2014 corporate expenses were lower than normal due to the reclassification of the German tax indemnity and other smaller items. We expect financing costs to be up slightly, as we have more debt outstanding as a result of the Penford acquisition and pending Kerr acquisition.

Our effective annual tax rate is expected to be in the range of 29% to 31%. As you recall, our 2014 adjusted tax rate was 28.3%.

Finally, the accelerated share repurchase we completed in 2014 will continue to benefit us in 2015.

In North America, we expect net sales and volume to be up from 2014. It is important to keep in mind that with a large portion of our sales and costs based in US dollars, it helps mitigate some of the foreign exchange headwinds. We expect operating income to increase in North America, as we lapped the adverse weather effect in the first quarter of last year, expect improved product mix in margins, and will include Penford's post-acquisition earnings.

For the balance of the year, we expect adjusted operating income in North America to be up versus the prior year. The Penford integration remains on track and the underlying business is performing as expected.

South American net sales are expected to be down versus the prior year. We anticipate slow economic growth and foreign exchange headwinds to continue in the region. The Argentina situation remains unchanged. In Brazil, we expect some volume weakness offset by good cost management control. And we expect the Andean region to continue to perform well.

Throughout the region, we continue to actively manage our cost to drive efficiencies to offset inflationary pressures and continue to look for optimization opportunities. Overall, we expect operating income to be flat in South America relative to 2014.

Asia-Pacific should continue to deliver modest operating income growth. We expect the business to be negatively impacted by currency headwinds associated with the strengthening US dollar. And we expect to overcome these headwinds with good cost management and product mix enhancement from continued growth of our specialty portfolio. We expect our EMEA region to have lower net sales compared to the prior year, as foreign exchange headwinds offset volume growth.

Operating income is anticipated to be down modestly versus the prior year. The underlying European business is anticipated to continue to grow, fueled by our specialty ingredient portfolio and our investments in the region. However, we expect currency headwinds to offset the improvement. Pakistan is expected to continue its effective cost management and core product growth.

Moving on to our cash flow, our cash provided by operations for the first half of the year was $248 million, which is $19 million higher than last year, primarily as a result of higher net income. We continue to deploy our cash strategically during the first half of the year in the form of an acquisition, capital expenditures, dividend payments, and share repurchases. This speaks to a very healthy business that has the ability to both reinvest and return capital to shareholders, which we expect to continue to do in the future.

We expect cash from operations in 2015 of approximately $650 million to $700 million, unchanged from the last quarter. Importantly, we'll continue to deploy our cash for capital expenditures and will continue to explore M&A opportunities. Additionally, we expect to use cash in shareholder-friendly ways, including share repurchases.

We expect to spend around $300 million in capital expenditures in 2015 for the growth, as well as cost in process improvements around the world. In addition, we expect approximately $30 million of cash inflows from the pending sale of our Port Colborne facility in December. We anticipate there to be minimal gain or loss on the disposal.

As Ilene mentioned, we repurchased approximately 130,000 shares during the quarter. Year-to-date, we have repurchased 364,000 shares. We have -- we generally expect to buy back dilution going forward, but we have the flexibility to buy back additional shares, giving us the ability to deploy our cash in shareholder-friendly ways while also investing in the business.

That brings my section of the presentation to a close. So now I will turn the time back to -- over to Ilene.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Thanks, Jack. We are excited about the pending Kerr acquisition, which has several characteristics consistent with our specialty portfolio, including on-trend applications and high-single-digit growth rates. This will extend our clean label offerings to include a variety of fruits and vegetables.

Kerr makes simple, wholesome, natural ingredients -- types of ingredients that resonate with consumers and are increasingly in demand by customers. Kerr's expertise in sourcing fruit and vegetable inputs, as well as their application capabilities, coupled with our advanced technologies and new product development capabilities, should create potential revenue synergies for us. Additionally, we expect to grow the Kerr business through our broad customer network and global presence.

As we've said before, our business model and strategic plan are -- and blueprint are working. Our underlying business is doing well in spite of currency headwinds and economic challenges. Our geographic footprint, broad product portfolio, and focus on higher-value specialty products, are expected to drive growth in shareholder value.

North America is expected to continue its positive trajectory. Asia-Pacific is projecting modest growth, and South America is expected to be in line with last year despite its challenges. And EMEA is projecting a modest decline in the face of currency headwinds resulting from a strengthening US dollar.

With our strong balance sheet, we continue to explore other M&A opportunities to accelerate our growth, broaden our portfolio, and expand our geographic reach. This, together with attractive dividends and share repurchases, demonstrates our ongoing commitment to shareholders. Taken together, we are confident that we will continue to deliver excellent shareholder value.

And now we are glad to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Rob Moskow, Credit Suisse.

Rob Moskow - *Credit Suisse - Analyst*

Thanks for the question. The one thing I didn't hear much on the call or in the press release is about the supply/demand dynamics in high fructose corn syrup. And I think it's going to be more important, I would expect, in the back half of this year.

You have the Cargill plant closing, which is a positive for supply. But it seems like there's another wave of reformulations in HFCS. A lot of food companies seem to be taking it out again. And I just kind of wanted to know, like, where do you stand? How comfortable do you feel with your pricing power in HFCS right now?

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Okay, well, I'll start -- this is Ilene. And then I'll turn it over to Jack, Robert. So, first of all, as you know with our strategy, that high fructose for beverage is becoming a less important part of our portfolio. In fact, with the Penford acquisition and the pending Kerr one, we are trending towards high fructose for beverage to be under 10%. So, again, a smaller part of our equation.

Now, I think when you look at some of the supply/demand dynamics in the short-term, I think we've said before that we see the operating rates something like in the mid to high-80s. So I think the dynamics are pretty good. But our strategy really is to grow in specialty products with these healthy ingredients. And that's what's behind the Penford and the Kerr acquisitions.

So while there are many customers that are deciding how to really put their recipes together, many -- and many of them are really coming up with these fresh business units, which is very much focused on the perimeter of the store. And so our strategy is following that, to be able to have the ingredients to do that.

But Jack, I don't know if you want to add anything to that?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

Well, I think the only thing I would add is, is that if we look at the total marketplace, as you know, like we are looking at network optimization to our facilities. We actually sold our Port Colborne facility, which also produced HFCS somewhat into the marketplace. And that takes some of the capacity off, as the captives who bought the facility will take that capacity out from HFCS.

In addition to that, even in the current year, the supply/demand balance seems to be pretty much in check from our perspective. I think that it's kind of more or less -- I think the industry, as Ilene said, is running at high-80s type of range. So I don't really see any major impacts going into next year both negatively or positively. I think it's more or less in balance.

Rob Moskow - *Credit Suisse - Analyst*

Okay. And if I could ask a quick follow-up. Is the main message here that there is -- not much has changed versus your expectations from last quarter? You have a stronger performance in North America than you might have expected, but it's kind of offset by weaker conditions in South America. So, you can narrow the guidance. Did you consider -- what kept you, I guess, from sticking with the very high end of the range of $6.00? Is it just the South America component?

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Yes, absolutely. You know, we feel very good about where we are at in terms of our guidance. And you are right. Not much has changed, though another quarter with good performance. But when we think about the range -- and then I'll let Jack comment on that -- the South America uncertainty of the economy, we are doing well. We are holding our own.

But some of that uncertainty -- as an example, as you know, in Brazil, they raised interest rates today; a little bit of the headwinds in China. You know, they are not growing at 7%. It's more in this 6's. Those types of uncertainties keep us from raising the range. and at the same time, we feel very capable to be -- certainly to be within our range.

Jack, would you add to that?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

Yes, I think the only thing I would add is, is we kind of look at the top and the bottom of the range, and we kind of say, what would drive us to the top portion of that range? And really, that would be if we can -- if there's continued strengthening of the dollar, how quickly we can pass the foreign exchange impact through on our pricing.

And with some of the slowdown in South America, that becomes a little more challenging. But if we can get those prices through, and if the volumes stay reasonable in South America, that's the other part that will happen. But also here in -- the other component of it is, is we have a number of different cost-containment -- or I should call them cost-containment initiatives -- where we are optimizing our costs across each one of the platforms.

And so we are continuing to drive costs. And as we accelerate these programs and we can get more costs out of our system, that will get us up to the top of the range as well. And then you go down to the bottom of the range, though, and you kind of say there is still that strengthening of the dollar and the risk of not being able to pass through the entire impact through on pricing.

We see the Brazilian economy is continuing to be very sluggish in terms of how it's responding. They just raised interest rates just recently again to keep their currency in check. And so you'll see that. And you will also see the impact of China on the Asian economies. And so net-net, we were thinking that it's a fairly balanced type of approach, where North America is a little stronger, South America is maybe a little weaker, and the rest of them are kind of trending as we anticipated.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

The only thing I would add is that it's really all about our strategy in the medium/long-term. And so that's why we are excited about the acquisitions that we've been able to make and the pipeline, because we are really looking at how do we drive value and improvement in shareholder value next year and the years beyond that?

And so we are feeling better about that, having been able to announce the ones that we've done this year. So, while this year is turning to be exactly as we thought it would, we are really planning for the future.

Rob Moskow - *Credit Suisse - Analyst*

Very good, thank you.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Thank you.

Operator

Brett Hundley, BB&T Capital Markets.

Brett Hundley - *BB&T Capital Markets - Analyst*

Has Port Colborne started making any product mix changes yet?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

No, not at this point in time. The transaction actually closes in December of this year. As -- Brett, as the facility itself supplies an over-the-fence arrangement with Jungbunzlauer, who are selling the facility too, and so they will continue to run it and produce the liquid dextrose that feeds their facility. However, that's the only product that will be there. Right now it also produces high fructose, which will actually be a reduction in our capacity when we look at it from our network optimization being able to fill that capacity from other locations.

Brett Hundley - *BB&T Capital Markets - Analyst*

Okay. And Jack can you give us a sense of, when that facility goes away in, say, 2016, can you give us a sense of a potential volume loss maybe in percentages for North America?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

It represents approximately, let's call it, 10% of our HFCS, you know? So it has a small impact on the industry as well in total. I think it kind of ties into what we are seeing the demand forecast to be.

Brett Hundley - *BB&T Capital Markets - Analyst*

Okay. And the other thing I wanted to ask you about too was in Korea, I didn't see any mention of the MERS outbreak. Did that impact you guys negatively at all, at least insofar as you can measure it?

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

No. We did not see a major impact on that. And when I look at the demand for products in Korea, of course, we have our beverage business and food. And we've been growing in the specialty sweeteners, especially in Korea. But we did not have any large effect from that.

Brett Hundley - *BB&T Capital Markets - Analyst*

Okay. And two more quick ones, if I could. Just on Penford, your North American results were fantastic. And I think there's a lot of different moving parts to that. And you guys called out better margins, better operating margins, better specialty. But I wanted to get a sense for Penford.

You said it was performing in line with your expectations. If you can just talk briefly about the top line there and what you see going forward? And then maybe just how margins are performing in that business, it might help me a little bit.

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

Yes, sure, Brett. Just as a couple of comments, very similar to our business, there is a segment of that business which has lower revenues than what you might have seen last year because of the lower corn costs, because we passed through lower corn costs on that business. But we continue to see very solid volume growth on the potato side of the business, as well as throughout the total supply chain in Penford.

And obviously, they have a small piece, which is their ethanol piece, which is under a little bit of stress from that perspective. But the rest of the business is performing -- meeting our expectations. And we really didn't have much emphasis on the ethanol, except for as sort of a -- to optimize the plant operations from that perspective.

The margins are coming in very much as we anticipated. We are driving the synergies out of that business. And we are looking at hitting the $20 million run rate by the end of this year, that Ilene had commented to. And obviously, Ilene is pushing for a little bit more than $20 million, but that's kind of the range that we are at in terms of looking for those synergies right now. So we are very pleased with the business right now.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

The other thing I would add is, as Jack mentioned, the focus on potato, it's really on trend. And when you read about the focus on gluten-free and non-GMO, the potato starch really addresses the consumer demand for recipes that include that type of product. So that's going well.

Brett Hundley - *BB&T Capital Markets - Analyst*

Thank you. And then just last from me. Ilene, on Kerr, nice acquisition. And I don't ask this to be negative in any way; I ask it more as a discovery process, but can you just go through how Kerr competes against some of these behemoths that are out there in -- whether it's flavors or colors or whatever direction you want to take it? But can you just talk about what Kerr brings to the table, if it's nichey, and kind of how you intend to grow it?

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Well, as we mentioned, we haven't closed on it, per say, but certainly we understand what we are buying. And there's many different companies. It's a very fragmented industry in different parts of the business. And I think what we are excited about is that when we think about some of the products from Kerr, their purees and concentrates add color, flavor balance and texture to products like smoothies and frozen novelties and soups.

And the juice concentrates from Kerr give just-picked flavors to refrigerated juices, sauces, dressings, marinades, and confectionery. And Kerr also has custom products that add fresh fruit taste and healthy appeal to yogurt, snacks, and baked goods. So, Kerr's strength is in the procuring and processing of these fresh fruits and vegetables, and the ability to put them together in recipes.

And so we are excited to bring that together with Ingredion's technology capabilities to bring Kerr into other product applications for our customers as well as to other geographies. So Kerr participates in that part of the industry. And Ingredion did not have expertise in procuring fruits and vegetables and processing into purees, so this will be a nice broadening of the portfolio.

Brett Hundley - *BB&T Capital Markets - Analyst*

Thanks, Ilene.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Welcome.

Operator

Farha Aslam, Stephens.

Farha Aslam - *Stephens Inc. - Analyst*

And just kind -- as a follow-on to your last answer. You had highlighted that this year, Kerr is going to be neutral to earnings. Kind of going into next year and beyond, what kind of accretion can we expect from Kerr?

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Well, I'll start out and then I'll turn it to Jack. But what -- again, when I think about Kerr's capability with the Ingredion specialty portfolio, we are looking at largely revenue synergies and -- as opposed to a lot of cost synergies, although there will be a few back-office ones. But the reality is, it's really in the revenue synergies.

So when I think about the next two or three years, we ought to be able to grow that portfolio again with our customer portfolio and Ingredion technologies. And so I think we are looking at something on the order of $0.05 to $0.10 accretion two to three years as we build that portfolio.

And Jack, I don't know how you think about that?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

No, I think that's exactly what I would say as well. I think if you think about how we've targeted our long-term goals, we've always said that we should be earning about that 10% return on capital employed. Obviously, with that acquisition, we're not too sure whether we have to invest a little bit more in terms of the facilities and things. But we have a $100 million investment, so we should be looking at that $0.05 to $0.10 accretion to get back up to that return on capital employed.

I do say that that will probably take us two to three years to get there, as well. So I wouldn't look for that in next year's numbers, necessarily.

Farha Aslam - *Stephens Inc. - Analyst*

Okay. That's very helpful. And then just as a follow-on, you've highlighted that Mexico has been performing quite well. Could you share with us which products are working in Mexico and what's driving the strength of the Mexican market for you guys?

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Yes, well, I'll start out. So as we've talked about before, these new obesity laws and taxes that came in about 18 months ago have really set the scene to grow specialty products. And what's interesting for us is that we've been able to come up with some of our specialty starch applications that make yogurt more creamy or more crunchy. So, texture has become important.

And also what's become important in Mexico, we call it our "save money" focus, where we are able to substitute starch for oil, and have applications that actually help our customers deliver value to their consumers in a more cost-effective way.

So I think the whole awareness of what the Mexican consumer is consuming is eating, both beverage and food, has created this environment for us to create -- use our specialty products to grow that portfolio. So, I think that that's a very exciting environment.

I think there is also growth in the demand for beer in Mexico. And many of the brewers are investing to raise capacity in Mexico, so that's certainly a longer-term investment. And that's for both the local market and potentially export. But I think those two dynamics are very exciting, coupled with a very decent GDP. For 2015, the number is still 2.4%. And versus many of the other economies around the world, that's very decent.

Anything you want to add, Jack, to that?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

No, I think you kind of basically summarized it. Farha, I look at Mexico as one of those nice markets where we see core growth as well as the specialties accelerating very nicely across all the segments. And so it's just one of our key growth markets at this point in time.

Farha Aslam - *Stephens Inc. - Analyst*

And in Mexico, is specialty now equal to your corporate average? Is it overindexed? I'm just trying to get a read on that.

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

As you know, our specialty has been growing very rapidly and we don't break it out by country or anything like that. It's closing the gap to the corporate average rate quickly as it continues to grow.

Farha Aslam - *Stephens Inc. - Analyst*

Great. Thank you so much.

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

One other thing I would add there is that the core is growing relatively well, as well. And so, you know, it makes the denominator that much larger.

Farha Aslam - *Stephens Inc. - Analyst*

Yes, understood, perfect. Thank you.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Welcome.

Operator

Ken Zaslow, BMO Capital Markets.

Ken Zaslow - *BMO Capital Markets - Analyst*

Just a couple of questions. Again, I know somebody asked about the North American business, but I was curious, on the North American business, how much of that is cost reductions? And I know you don't like to talk that much about it, and look, I think there's a lot of opportunity here. Can you talk about it a little bit more, and see if there was any major opportunities in the quarter? And is it -- how is it progressing for the next year or so?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

All right, Ken, as we've talked in the past, we continue to drive optimization in our networks. And that's one of the reasons why, even as we looked at our network optimization and reduced our -- sold off our Port Colborne facility, it actually helps drive our fixed cost spreading across more ingredients that way in terms of our total volume.

But in addition to that, I would highlight a couple things as well. [These earnings], we had a fairly good operating performance just in general. They are driving their continuous improvement programs on an ongoing basis. They also had -- they are coming off some comps last year where they were coming out of that polar vortex, which helped them improve the margins. They are getting their mix up improved, as they came through that.

And I think right now, I think that one of the things we are trying to do is, is right across the board -- this is not North America -- is really look at our cost equation, and to try to figure how we can continue to optimize our cost, so we can be highly competitive in the marketplace. And I know that we talk all about our strategy pertaining to specialties, but one of the things that we also are looking at very closely is all our costs across all the regions.

And I'd like to also highlight that in South America, that's one of the areas that has really allowed them to weather some of these challenging storms, as they look at all their costs and really drive their energy efficiencies and water usage out of it. And we continue to look for network optimization opportunities in our South American business as well. So, it's a general program that we are really initiating across the entire platform to say, how do we drive costs out of our system? Because we know that is what our customers require as well.

Ken Zaslow - *BMO Capital Markets - Analyst*

And how big do you think that could get -- not just from this year, but what type of costs can you take out over the next two to four years?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

We haven't quantified it at this point in time in terms of targets. I think that what we've stated in the past is we certainly can offset our inflationary increases through our continuous improvement programs. I think one of the things we're trying to do is, is really get down into the data analytics that we haven't perhaps looked at in the past, in terms of the actual operations and where we source product from, and how we move it around.

And so I'd like to come back to you at a later date, unless Ilene has a comment, in terms of trying to identify exactly where cost reduction programs would be. I would like to come back at a later date with some targets in those areas.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

The only thing I would add -- because I do echo Jack's sentiment of our opportunity and continuous improvement in what I call exchanging best practices in every region, which does give us an ability to offset some inflation, more of it in some of the economies like North America, a little less so when you have very high inflation. But that's why network optimization has become a very good opportunity for us.

And so as you saw in North America, we are selling off our Port Colborne facility. We're looking at it in other regions. And in our comments, we talked about Europe as an example where we made some agreements to optimize and source some of our raw materials more locally rather than shipping across the ocean. And that, in effect, gave us a leg up in a quarter like this when you have a lot of exchange headwinds. And we were able to make the right things happen in terms of that particular region.

So I think that gives us even more ammunition to accelerate it. But we'll continue to look at that and see if it makes sense to quantify that on a more high-level way for you.

Ken Zaslow - *BMO Capital Markets - Analyst*

And my last question is, on 2016, I know you're not going to provide guidance, but what do you think are the key drivers one way or the other way that would return you guys back to your long-term growth? Are there exogenous factors that we should be aware of? Are there factors that are really in your control? How do you see the business setting up for 2016? Again, not on a numbers basis but more of a qualitative basis?

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Well, I'll start it off and then turn it over to Jack. I mean, certainly, this year, when you look at our guidance versus last year, we feel that we'll be back to the trajectory when we laid out the long-term numbers for you back in November, when we refreshed those. But it's all about having the right portfolio with specialty products, so that we are meeting those consumer trends.

And while the consumer is looking for this fresh, healthy food, and we have our focus on nutrition, on this clean label, on texture, and even our biomaterial solutions that we talked about -- that expertise we've gleaned with the Penford acquisition -- our portfolio is very much focused on that. And so I think with GDP growth where it exists around the world, coupled with the consumer demand for these healthy, fresh foods in the more mature economies will present for us the equation to deliver growth in value being on-trend.

And so that's what makes us want to use our balance sheet to continue to grow with the right M&A to broaden the portfolio, to be more important to these customers. And so we are seeing, with the Penford acquisition, as well as [the credit] about the pending Kerr one, we believe that we are broadening our portfolio, and we'll be able -- we'll be in a position to create these recipes to be on trend with this growing dynamics.

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

And Ken, the only thing I would add to that is, is if you think about our growth algorithm that we gave at the Analyst Day, I think we are tracking fairly well towards that. We are seeing some volume growth both core, but more so on the specialty growth area, where we were driving those margin enhancements of -- we targeted 2% improvement in terms of that, which partially comes out of some of these costs initiatives as well. And then the spreading of our operating expenses across a higher volume as well.

And so I think that we can still get there -- get to that double-digits, particularly given the fact that we are also deploying our cash for the one-third that we had indicated would come from acquisitions, because we've been fairly -- I think we're on track to try to hit those type of numbers in our growth as well. And so if I go back to that algorithm, we are seeing the volume growth, particularly in our specialties, which improves our margin.

We are seeing the spreading of our costs nicely across our portfolio. And then we are deploying our cash for further earnings enhancement, both through share buyback or acquisition. And so I think that kind of ties in and is lining up very nicely to how we laid it out to the investors back in November.

Ken Zaslow - *BMO Capital Markets - Analyst*

Okay, appreciate it. Thank you.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Welcome.

Operator

David Driscoll, Citi Research.

David Driscoll - *Citi Research - Analyst*

I had a short-term question on Brazil, and then maybe a longer-term question on Brazil and South America overall. Kind of the short-term question, we just had another food company report that it experienced dramatic margin and volume pressures in Brazil. You know, the beer companies have seen a declining volumes in the second quarter.

So can you just talk a little bit about how much pricing you expect to realize or implement new pricing in the back half of the year? And kind of what's your confidence in the ability to do that? And I ask very explicitly because we hear so much negative commentary about it. I just want to get the sense of how confident you are in the ability to get pricing, and kind of what is the magnitude? What is the hurdle rate you've got to jump?

Bigger picture, long-term, can this geography get back to the type of -- this is all South America now, not just Brazil -- can it get back to the type of operating profits that it used to generate years ago when it was roughly $200 million?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

Sure, David, let me answer those questions, and then I'll pass it potentially back to Ilene, if she has anything to add. Let me start with a short-term questions in terms of how we expect the latter part of the year to roll out in South America and, specifically, Brazil.

Obviously, you know the Brazilian economy has continued to deteriorate somewhat where we are seeing the GDP expectations not recovering even close. It's actually a negative 1% to 2% type of range in the current year. And that is impacting volumes throughout the region. And let's get into the pricing a little bit. I think right now we indicated that our price mix improved by about 8% year-to-date.

And just to put that into perspective, you know, I know the -- if you don't think about the algorithm in terms of you've got a 30% devaluation, we are trying to lock our margins, don't forget, not get back the entire 30% in pricing or anything like that. And so that 8% relatively covers those type of margin per unit basis type of numbers.

And so I think that we are seeing -- and if you look at the back half of the year, I think those pricing -- unless there's a major devaluation, which I don't anticipate in Brazil and it's not in our forecast; it's still trading around BRL3.00-plus type of thing. And so my expectations is, is that our pricing that we've implemented so far is probably going to cover most of the back of the year.

And I look at some of the drivers in that economy and it is a seasonal economy to a certain extent, where the back half is more heading into the summer months where beer demand picks up. And so it is a little backended loaded for us. And we anticipate that it's going to be a slow business but not anything terrible. We think it's just going to come along and our volumes may be off a little bit, but we are really focused on the cost equations at this point in time. And that's really offsetting our volumes.

It's really a question of managing that business very much for the next year or two until that economy really bounces back, which kind of leads into the second part of the equation in terms of longer-term what we are seeing. The demographics in the region are very strong. You know, we've been in South America for a long period of time.

You know you mentioned the $200 million that we were earning back in 2012. Our forecasts are indicating that we are moving in that direction to recover. We don't think there's going to be major recoveries going into 2016, but the demographics still point to a very positive business.

The other thing that I would like to highlight that was true in Brazil in particular is, is we are -- we're still seeing very good growth in our specialties there, which was partially due to the trade-up in some of the -- Ilene mentioned the value matters type of programs that we have where people are looking at their formulations, and saying how do we take costs out of our formulations?

And so that is actually helping a little bit in terms of our business. Because as we develop our specialty market there, it's actually improving our margins without direct price increases. So the mix is improving as well as the getting back to the devaluation in margins.

And Ilene, I don't know whether you want to add anything to that?

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Well, the other thing I would -- what I would add is, you know, when Jack's talking about the specialty end more particular in Brazil, I would say in places like Colombia, Peru, and Chile especially, that you are seeing the demand for healthy specialty products be more obvious in the short-term. And so, we look at the continent long-term -- as Jack said, the demographics will be right. The GDP should be coming back. And we look at return on invested capital.

I mean, it's all about earning our cost of capital, and are these good regions to be in? And so as we said in our script here, that we believe in South America long-term. And -- but it will take some time to get back to where it needs to be.

David Driscoll - *Citi Research - Analyst*

Okay. Thank you for the comments.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Welcome.

Operator

Keith Carpenter, Canaccord Genuity.

Keith Carpenter - *Canaccord Genuity - Analyst*

A couple of questions here. Just going again on the South America. If we look at volumes were down 4% in the quarter. Can you highlight -- and sorry if I missed this -- can you highlight possibly some breakdown between Brazil, Argentina, and elsewhere? I know you made a comment where you said there, seemingly, it was across the board. But can you add a little bit further color to that?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

Yes. I would say that the primary slowdown was in Brazil. As we mentioned, Argentina basically performed as we anticipated. Where we were looking at is in Argentina, it's more of a steady-state that we've achieved, at least until the end of this year when the new -- once the elections are in, and then we'll re-forecast that model. But I think we are in pretty good shape there.

And in Andean region, we continue to see some growth, but there was some headwinds with respect to foreign exchange there as well. But there -- the volume slowdown was actually in Brazil. But as I commented earlier, some of our mix improvement, it will help offset that volume shortfall. So I think that covers it, basically.

Keith Carpenter - *Canaccord Genuity - Analyst*

Okay. Great. And then just again on the cost side, specifically the South America. When you look at South America versus other regions, have you scrubbed more of the cost potential savings in that region, given headwinds there over the last couple of years? Or do you think going forward that you have potentially almost as much opportunity to realize some further cost savings in that region as you would elsewhere?

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Yes. This is Ilene. You know, it's interesting because on these calls, we've started to talk about the cost opportunities in South America, particularly in Brazil, only in the last year or two. And there was a time when GDP was growing and everybody was adding capacity, and a lot of excitement. But as things have slowed down, we've begun the process and have -- really do have a comprehensive continuous improvement process in South America that we actually took from North America, and exchanged some of the best practices.

So we've talked about, as an example, a concerted focus on energy improvement in Brazil. And we are moving from factory to factory to implement that. So, I think it's a journey. These journeys are normally three to five years, and we are probably in the middle of that. So, I believe we've certainly had some very good achievement, but that there's more to get certainly in South America.

Anything you'd add to that, Jack?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

No. I think that answers it.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Okay.

Keith Carpenter - *Canaccord Genuity - Analyst*

Perfect. And then I just had one final question on -- when you look at M&A versus share repurchases, do you look at that once a year or, say, at year-end or something of that nature, and say, here is our potential targets for tuck-ins on M&A. And at a certain timing of the year, do you say, you know what? Maybe we have a little bit of left -- maybe we are not going to get to that what we want to get to on the M&A side, and we'll add some to our share repurchases? Or is it not structured that way? And it's really just a conversation you have at any point of time to suggest what you might do on further share repurchases?

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Yes, you know, the most important priority is really M&A that can create value. And we are looking at it all points in time. In fact, I've talked about our pipeline. And we work through our pipeline over the years, and to make sure that the M&A that we are targeting is on trend, will create enough value. We look both geographically and broadening the portfolio.

And that pipeline continues to be very robust. As we've said, our sweet spot is $300 million to $500 million. And sometimes we'll look at a company like Kerr that is smaller but will create a lot of value. But we are constantly looking and pushing ahead with our M&A agenda.

And the share repurchase -- we've said that we like to buy back dilution. But we do want to be a good steward of shareholder value and our cash. And so it's not a once-a-year, but it's certainly a continuous look at our choices. And again, priority for M&A, making sure that we have a dividend that's appropriate with our strategy and our cash flow, and then using the share buyback at the same time to make sure that we are creating enough value.

Keith Carpenter - *Canaccord Genuity - Analyst*

That's perfect. Thank you.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

You're welcome.

Operator

Akshay Jagdale, KeyBanc Capital Markets.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

So, can you talk a little bit about the core business? So obviously there's core versus specialty. There's a lot going on on specialty. But can you talk about the core business? And probably the best region that I would like you to talk about is North America. So if you could give us a sense of how the core business performed there, that would be great.

Because from what I can tell, it's performing as well as it has ever, I think. So can you just give us some color there on the core business growth this quarter? And how we should think about that going forward? So I'm thinking excluding Penford and excluding specialty business, how is the core doing in North America? And what's the expectation for the back half?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

Yes, Akshay, I think you are correct. It is performing fairly well for the first half of the year so far. And we'd anticipate it to be in that same range for the second half of the year.

I would say when you look at the core business, we've always said that it's in that -- particularly if you are talking about North America in that 0% to 1% type of range, and because it weighs into our 1% to 3% around-the-world type of growth. And so I think that, as I look into the core business, it's a matter of matching the supply and demand in that business.

And if you think about our Mexican business continuing to grow in the core segments very well with strong demand, we've seen demand fairly, I'd say, relatively flat in US and Canada to a large extent with -- it's still there but it's kind of flat in terms of its growth. So, most of the growth in North America is coming out of our Mexican unit from that viewpoint.

And I think the operational side is where we are really driving the efficiencies, as we continue to drive operations at this point. So I think, Akshay, I think that's probably the primary drivers there.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay. Yes, I was talking more from an EBIT perspective. So is it -- because you've got really strong growth there. And is it coming mainly from these process improvements? Or is it a combination of process improvement, margin expansion? Can you give us a little more color there?

And can you then talk a little bit about the overall specialty portfolio? What did it grow at this quarter? Maybe it's better to talk about that portfolio too on a constant currency basis. But how should we think of the growth in the specialty portfolio this quarter relative to your long-term guidance? Because it seems like, just on a reported basis, the specialty portfolio this quarter is growing below what your long-term algorithm for it would be.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

You know, we don't break out the specialty growth on a quarterly basis. And so, as we said, at 2014, it was 24% of our portfolio, and our intent is to grow it twice the core and get it up to 27% to 30% of the portfolio.

I will say that you know we are running well. And so when you run well from an EBIT point of view, we do get a very -- a good margin. And really our scenario is really to grow specialty, as I said, twice the core. So the core might be flattish, but yet we are growing the specialty twice that rate in general, and really growing with (technical difficulty). So that's the equation that you are seeing the result of.

And we feel that the specialty portfolio has that momentum. We said it was about $1.3 billion, $1.4 billion in revenues in 2014. But with the food trends and -- you know, the plants basically run both core and specialty. So it's a nice mix. We have a nice core throughput, run well, and then have added channels that run the specialty business that's growing in all different parts of the world. So it's a nice balanced scenario.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

And just one last one for me. Can you give us some color on the 2% or 1.8% volume decline in North America? When you exclude the acquisition, you had a pretty big bump up, and volume growth was very solid in 1Q. What's going on with the non-acquisition volume and base business volume in North America?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

Yes, Akshay, let me answer that. I would say that that's just a layout of the volumes between quarters to a large extent. When you are looking at the year-over-year comps, it's always a challenge, when we came out of the polar vortex last year, whether they match out exactly the same way in the shipments this year.

And so I would say that, like, for the full-year, I think that we are tracking just as we anticipated on our volume if you include the next six months' forecast type of perspective. And so you get a little bit of distortion from quarter to quarter, but I think we are tracking very well from a volume perspective. And so, I wouldn't read too much into any declines there.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

So, just look at it maybe first half being up 1.6%? That's the benefit?

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

You've got it.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Perfect.

Jack Fortnum - *Ingredion Incorporated - EVP and CFO*

And I think that probably is a good indication as you look into the second half.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Perfect. Thanks a lot. I'll pass it on.

Operator

Sandy Klugman, Vertical Research.

Sandy Klugman - *Vertical Research Partners - Analyst*

So, on Kerr, given the size of the deal and your comment on how fragmented the industry is, how should we think about the potential for you to complete similar transactions in the fruits and vegetables space? Do you need or want additional properties? Or does the integration of Kerr, with your existing customer portfolio, provide you with the critical mass you are looking for?

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Well, that's a good question. And we haven't closed on Kerr yet, so we are learning about the business. Certainly we did our due diligence and our homework, and we believe that it's a -- an important space for us to be part of -- again, to be more important to our customers to formulate these fresh products.

And so, there are many opportunities for us to build that business that we'll be looking at, along with other ways to broaden our portfolio. We've talked about texture, so we've done quite a bit in texture; certainly in sweetness, and certainly this part of flavor. We are excited about that. So again, it's all about creating recipes for the customer that make us more important. So, there are different ways that we'll be looking at that, our portfolio.

Sandy Klugman - *Vertical Research Partners - Analyst*

And should I assume that the cross-selling opportunities between their customer base and your existing customers is pretty significant?

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Well, I think when I talked earlier on about the revenue synergies, certainly that will be an opportunity to cross-sell some of the products, but I would say more importantly, to formulate together the new recipes for the customer base out there. But as I said, we haven't closed yet. So this is all very early days. But that's part of the revenue synergies that I talked about earlier.

Sandy Klugman - *Vertical Research Partners - Analyst*

Okay, great. Thank you very much.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Welcome.

Operator

And we have no further questions in queue. I'll turn it back to the Company for any closing comments.

Ilene Gordon - *Ingredion Incorporated - Chairman, President, and CEO*

Okay, good. Well, before we sign off, I would reiterate our confidence in our business model, our strategy and long-term outlook. We remain keenly focused on shareholder value-creation and are committed to delivering shareholder value.

That brings our second-quarter 2015 earnings call to a close. Thanks again for your time today, everybody. Thank you.

Operator

Ladies and gentlemen, that does conclude your conference. Thank you for your participation. You may now disconnect.
