



Ingredion Inc. (INGR)

Updated February 6th, 2024 by Derek English

Key Metrics

Current price:	\$111	5-Year CAGR Estimate:	12.0%	Market Cap:	\$7.21 B
Fair Value Price:	\$153	5-Year Growth Estimate:	3.0%	Ex-Dividend Date:	03/29/2024 ¹
% Fair Value:	73%	5-Year Valuation Multiple Estimate:	6.6%	Dividend Payment Date:	04/25/2024
Dividend Yield:	2.8%	5-Year Price Target	\$177	Years Of Dividend Growth:	13
Dividend Risk Score:	B	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Ingredion Inc (INGR) is a multinational ingredient solutions company headquartered in Westchester, Illinois. Founded in 1906, INGR was incorporated as a Delaware corporation in 1997, operates in over 44 countries, and employs more than 11,000 people. The company is principally engaged in producing and selling starches and sweeteners for various industries. Essentially Ingredion turns grains, fruits, vegetables, and other plant-based materials into value-added ingredient solutions for the food, beverage, animal nutrition, brewing, and industrial markets. Ingredion operates in four business segments: North America, South America; Asia-Pacific; and Europe, Middle East, and Africa ("EMEA").

Ingredion released FY 2023 results on the February 6th, 2024. The company had a challenging year in terms of sales as volume declined 8% in all regions, driven by customers maintaining lower inventory levels. Despite this, the company's net sales grew by 3% to \$8.2 billion driven by increased pricing and a strong performance from the specialty segment, which grew 4%. The company's pricing and cost-cutting measures are also helping improve its gross margin, which has seen incremental expansion for six consecutive quarters to 21.4%, which is higher than before Covid-19. Operating income for the year excluding FX impacts grew substantially by 23% primarily due to favorable price mix, although offset by increased raw material costs and lower volumes. Reported EPS increased 26% to \$9.60 while adjusted net income per share grew 23% due to tax matters. Operating cash flow increased to a little over \$1 billion while \$295 million was returned to shareholders in the form of dividends and share buybacks. For Q1 2024 the company is projecting a sales decline of around 7% due to the impact of the Argentine peso devaluation.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$4.74	\$5.51	\$6.55	\$7.06	\$6.17	\$6.13	\$5.15	\$6.67	\$7.34	\$9.60	\$10.20	\$11.82
DPS	\$1.68	\$1.74	\$1.90	\$2.20	\$2.45	\$2.51	\$2.54	\$2.57	\$2.72	\$2.98	\$3.12	\$3.98
Shares	73.6	71.6	72.3	72.0	70.9	66.9	67.2	67.1	66.7	66.7	65.7	65.7

Ingredion's earnings-per-share have grown at a CAGR of 4.2% over the last nine years. While the company saw a small decline in 2019/2020 due to lower sweetener demand, commodity margin pressures, and higher production and supply chain costs, its cost-smart initiative enabled it to save ~\$170 million. In addition, the company's ability to combat rising costs in corn helped the company beat our \$9.25 2023 EPS estimate.

The company has forecasted its forward-looking guidance with an adjusted EPS between \$10.20 to \$11.15 which includes the gain on the sale of South Korean operations in a deal due to close this month. Given management's strong performance over the last couple of years, and volumes increasing in 2024 with solid demand with breakthrough product innovation in the specialties segment, we have no reason to doubt expectations. We estimated EPS at the low-end of the guidance due to the effects of the peso and current volume, which at \$10.20, represents ~6% growth year-over-year. In September 2023, the company announced a 10% dividend increase. This was the company's 13th consecutive annual dividend increase. Therefore, based on strong growth, we have increased our dividend growth rate estimate to 5% from 2% and predict a \$3.98 div/share by 2029.

¹ Ex dividend and Dividend payment are Estimated based on past dates

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	17.9	17.4	19.1	19.8	14.8	15.2	15.3	14.6	13.3	11.3	10.9	15.0
Avg. Yld.	2.0%	1.8%	1.5%	1.6%	2.7%	2.7%	3.2%	2.6%	2.8%	2.9%	2.8%	2.2%

Ingredion expects single-digit growth in 2024 as the global market share in clean and simple ingredients, global alternative protein ingredients, and reduced sugar ingredients will increase to over \$70 billion within the next four years. The company has positioned itself to capitalize on this growth by expanding its specialty ingredient portfolio in 2019. This will enable rapid, efficient customer co-creation to develop new food and beverages. The company is starting to see the benefits of this expansion as Sioux City has doubled its production of pea protein isolate, helping to increase sales by three figures worldwide. Ingredion is trading at a price-to-earnings ratio of 10.9, below its average P/E ratio since 2013. The stock is also trading at 73% of our fair value estimate of \$153, and we currently have a five-year price target of \$177.

Safety, Quality, Competitive Advantage, & Recession Resiliency

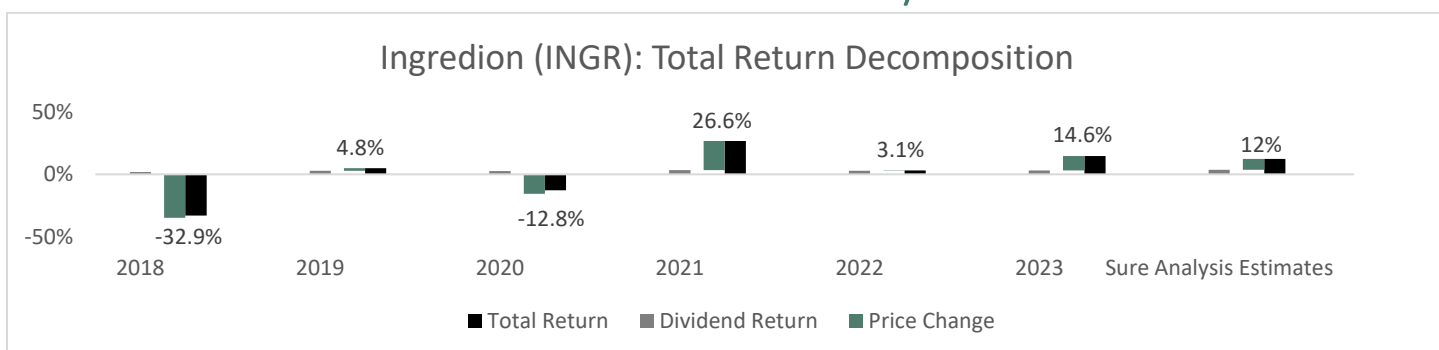
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	35%	32%	29%	31%	40%	41%	49%	39%	37%	31%	31%	34%

Ingredion is a leading provider of ingredients to industries that show growth potential, including the food and beverage industry. The company has a simple business model and nicely positioned itself in the global food supply chain. During the Great Recession, the company performed relatively better than the broader market, with a slight drop in sales and earnings in 2009 before quickly returning to growth in 2010. We have seen a similar trend during the COVID pandemic, with the company quickly returning to growth last year. However, as we have seen, supply chain issues and a higher inflationary environment can impact on the company's bottom line. The starch and sweetener industry is a highly competitive industry, particularly in North America. Many companies' products are considered essential ingredients that compete with virtually identical products manufactured by other companies in the industry, such as Archer-Daniels-Midland (ADM). The company tries to gain a competitive advantage by investing heavily in R&D with a team of over 500 scientists who work on plant science, food formulations, and the development of non-food applications such as starch-based biopolymers.

Final Thoughts & Recommendations

INGR is a solid and straightforward business that will likely grow its dividend in future years. However, some risks should be considered, such as regulation, competition, and the price of raw materials, especially corn. Volumes have also softened from last year. Despite these challenges, we are confident the company can meet its expectations. With a 5-year CAGR estimate of 12.3%, Ingredion receives a buy recommendation from Sure Dividend.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	5998	5958	6082	6244	6289	6209	5987	6894	7946
Gross Profit	1115	1242	1401	1472	1368	1312	1272	1331	1494
Gross Margin	18.6%	20.8%	23.0%	23.6%	21.8%	21.1%	21.2%	19.3%	18.8%
SG&A Exp.	525	---	---	---	---	---	---	---	---
D&A Exp.	195	194	196	209	247	220	213	220	215
Operating Profit	606	685	825	865	767	721	675	697	766
Operating Margin	10.1%	11.5%	13.6%	13.9%	12.2%	11.6%	11.3%	10.1%	9.6%
Net Profit	355	402	485	519	443	413	348	117	492
Net Margin	5.9%	6.7%	8.0%	8.3%	7.0%	6.7%	5.8%	1.7%	6.2%
Free Cash Flow	455	406	487	455	353	352	489	92	(148)
Income Tax	157	187	246	237	167	158	152	123	166

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	5085	5074	5782	6080	5728	6040	6858	6999	7561
Cash & Equivalents	580	434	512	595	327	264	665	328	236
Accounts Receivable	762	775	923	961	951	977	1011	1130	1411
Inventories	699	715	789	823	824	861	917	1172	1597
Goodwill & Int. Ass.	768	1011	1286	1296	1251	1238	1346	1348	1301
Total Liabilities	2878	2894	3187	3163	3320	3268	3856	3774	4299
Accounts Payable	430	423	440	493	452	504	599	774	873
Long-Term Debt	1808	1831	1953	1863	2101	1847	2186	2046	2483
Shareholder's Equity	2177	2144	2565	2891	2388	2751	2981	3136	3195
LTD/E Ratio	0.83	0.85	0.76	0.64	0.88	0.67	0.73	0.65	0.78

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	6.8%	7.9%	8.9%	8.8%	7.5%	7.0%	5.4%	1.7%	6.8%
Return on Equity	15.5%	18.6%	20.6%	19.0%	16.8%	16.1%	12.1%	3.8%	15.5%
ROIC	8.6%	10.0%	11.3%	11.1%	9.5%	9.0%	7.1%	2.2%	8.9%
Shares Out.	74.9	73	74.1	73.5	71.8	67.4	67.6	67.8	67.0
Revenue/Share	80.08	81.62	82.08	84.95	87.59	92.12	88.57	101.68	118.60
FCF/Share	6.07	5.56	6.57	6.19	4.92	5.22	7.23	1.36	(2.21)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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