

Ingredion Inc

Recommendation



Equity Analyst **J. Agnese**

Price

\$124.23 (as of Sep 08, 2017 4:00 PM ET)

12-Mo. Target Price

\$131.00

Report Currency

USD

Investment Style

Mid-Cap Blend

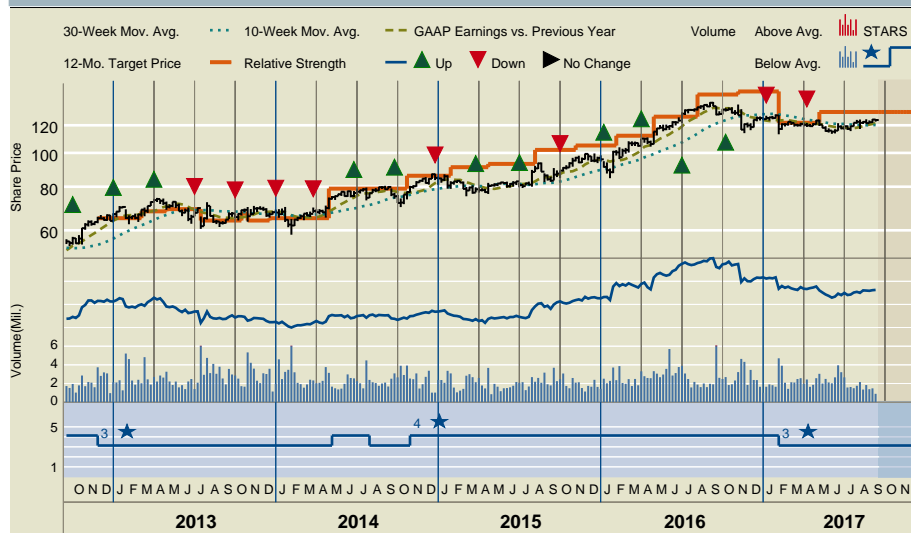
GICS Sector Consumer Staples
Sub-Industry Agricultural Products

Summary This company (formerly Corn Products International) is a supplier and manufacturer of food ingredients and industrial products.

Key Stock Statistics (Source CFRA, S&P Global Market Intelligence, Vickers, company reports)

52-Wk Range	\$137.62– 113.07	Oper. EPS 2017E	7.65	Market Capitalization(B)	\$8,995	Beta	1.31
Trailing 12-Month EPS	\$6.65	Oper. EPS 2018E	8.20	Yield (%)	1.61	3-Yr. Proj. EPS CAGR(%)	9
Trailing 12-Month P/E	18.7	P/E on Oper. EPS 2017E	16.2	Dividend Rate/Share	\$2.00	S&P Quality Ranking	B+
\$10K Invested 5 Yrs Ago	\$24,758	Common Shares Outstg. (M)	72.4	Institutional Ownership (%)	84		

Price Performance



Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst **J. Agnese** on Aug 01, 2017 12:08 PM, when the stock traded at **\$120.77**.

Highlights

- In 2017, we look for revenues to rise 4.8% to \$5.978 billion, from \$5.704 billion reported in 2016, as improved volumes are partially offset by lower pricing. The company's longer-term growth strategy is likely to include acquisitions, an increasing contribution from value-added product lines, and expansion in growth regions such as Asia. We expect the acquisitions of texture systems provider TIC Gums Incorporated (for \$395 million in cash), ingredients firms Penford Corporation (for \$332 million in cash) and Kerr Concentrates Inc. (about \$102 million) to contribute to growth in 2017.
- EBITDA margins will likely widen to 18.1% in 2017, from 18.0% in 2016. We see low input costs, increased sales of wider margin specialty products and increased volumes in Asia outweighing negative impacts from increased labor costs in South America.
- Following share repurchases, we estimate 2017 operating EPS of \$7.65, up 7.3% from operating EPS of \$7.13 (including a \$0.36 income tax benefit) reported in 2016, excluding one-time items from both periods. We see operating EPS rising 7.2% in 2018.

Investment Rationale/Risk

- We see valuation negatively affected by investor concerns over a weak macroeconomic environment in South America. However, we see valuation benefits as higher global volumes, due in part to strong end product demand, lead to an eventual expansion of operating margins. We see benefits through 2017 as the growth of wider-margin specialty products is driven by increased consumer end market interest, despite concerns over profit weakness in South America and reduced soda (sweetener)-related demand in Mexico.
- Risks to our recommendation and target price include an unfavorable commodity and currency environment. Although the company's diversified worldwide positions can help reduce exposure to U.S. commodity markets, these operations also expose INGR to increased political and economic uncertainties.
- Our 12-month target price of \$131 reflects a P/E multiple of 16.6X, in line with INGR's three-year average, applied to our forward 12-month operating EPS estimate of \$7.89. The stock recently had an indicated dividend yield of 1.6%.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment reflects our view of increased economic and political risks associated with INGR's international operations, as well as commodity-based volatility related both to raw materials and end products, although this is mitigated by hedging.

Revenue/Earnings Data

Revenue (Million \$)	1Q	2Q	3Q	4Q	Year
2017	1,453	1,457	--	--	--
2016	1,360	1,455	1,489	1,399	5,704
2015	1,330	1,449	1,437	1,405	5,621
2014	1,357	1,483	1,460	1,368	5,668
2013	1,584	1,633	1,612	1,499	6,328
2012	1,574	1,635	1,679	1,644	6,532

Earnings Per Share (\$)

Earnings Per Share (\$)	2017	2016	2015	2014	2013	2012
2017	1.68	E1.90	E2.03	E1.85	E7.65	
2016	1.73	1.58	1.93	1.26	6.55	
2015	1.15	1.47	1.48	1.42	5.51	
2014	0.96	1.35	1.60	0.83	4.74	
2013	1.41	1.20	1.10	1.35	5.05	
2012	1.21	1.40	1.45	1.42	5.47	

Fiscal year ended Dec. 31. Next earnings report expected: Early November. EPS Estimates based on CFRA Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.500	Sep 21	Sep 29	Oct 3	Oct 25 '16
0.500	Dec 9	Dec 28	Dec 30	Jan 25 '17
0.500	Mar 15	Mar 29	Mar 31	Apr 25 '17
0.500	May 17	Jun 28	Jun 30	Jul 25 '17

Dividends have been paid since 1998. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.

Ingredion Inc

Business Summary August 01, 2017

CORPORATE OVERVIEW. Ingredion Inc. is one of the world's largest corn refiners, and a major supplier of food ingredients and industrial products derived from the wet milling of corn and processing of corn and other starch-based materials.

In 2016, about 60% of net sales were from operations in North America, while operations in South America and Asia Pacific represented about 18% and 12%, respectively. The Europe, Middle East, Africa segment accounted for 9.4%.

In 2016, 52% of INGR's net sales were to the food industry, and 11% to the beverage industry. Sales to the animal nutrition, paper and corrugating, and brewing industries represented about 10%, 11% and 8%, respectively, of net sales.

Products include sweeteners, which accounted for about 37% of net sales in 2016. Sweeteners include high fructose corn syrup (HFCS), used in soft drinks and other beverages and foods; and dextrose, which is used in various applications, including the food, confection and pharmaceutical industries. Other sweetener products include glucose syrups, high maltose syrup, polyols, maltodextrins, and glucose syrup solids.

Starches (about 46% of net sales) are used in a wide range of processed foods where uses include for adhesion, expansion, freshness, gelling, glazing, stabilization and texture. Cornstarch is sold to packers for sale to consumers. In addition, starches are used in paper production, and in adhesives for the production of shipping containers, display board and other corrugated applications. Other uses of starches include textiles, construction materials, pharmaceuticals, cosmetics, mining, water filtration, and oil and gas drilling. Also, specialty starches are used in biomaterial applications, including biodegradable plastics, fabric softeners and detergents.

The co-products and others business (17% of net sales) includes refined corn oil sold to packers of cooking oil and to producers of margarine, salad dressings, shortening, mayonnaise and other foods. Corn gluten feed is sold as animal feed, and corn gluten meal is sold as high protein feed for chickens, pet food and aquaculture.

CORPORATE STRATEGY. We think Ingredion has been following various pathways in seeking to be a premier provider of products and ingredients worldwide. These include seeking to operate its base business at maximum efficiency; driving organic growth by focusing on selected markets and products; expanding value-added product lines through joint ventures and alliances; expanding into high-growth regions (primarily Asia) by establishing critical mass; and increasing its focus on supplying high-valued ingredients. Competition is based largely on price, quality and product availability. Corn (primarily yellow dent) is the primary raw material that INGR uses to produce starches and sweeteners. Also, some of INGR's products compete with products made from raw materials other than corn. High fructose corn syrup and monohydrate dextrose compete principally with cane and beet sugar products. Co-products such as corn oil and gluten meal compete with products of the corn dry milling industry and with soybean oil, soybean meal and other products.

IMPACT OF MAJOR DEVELOPMENTS. In May 2012, shareholders approved a change in the company's name from Corn Products International to Ingredion Inc. Beginning in early June, the company was listed on the New York Stock Exchange under the new name and the ticker symbol INGR. The new name is intended to better reflect the company's position as a leading supplier of starch and sweetener ingredients to a range of industries.

In October 2010, the company completed the acquisition of National Starch, a provider of specialty starches, from AkzoNobel. The purchase price was \$1.37 billion in cash. In our view, the National Starch deal has strategic appeal, with potential to add higher-margin, more value-added business. We also think the transaction is providing INGR with more geographic diversity.

FINANCIAL TRENDS. In 2016, cash provided by operating activities totaled about \$771 million, up from \$686 million in 2015. In 2016, capital expenditures totaled \$284 million, up from \$280 million in 2015.

Corporate Information

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Website
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Officers

Chrmn, CEO & Pres
I.S. Gordon

Chief Acctg Officer & Cntrl
S.K. Latreille

EVP & CFO
J.D. Gray

Treas
K.C. Wilson

SVP, Secy & General Counsel
C.M. Castellano

Board Members

L. Aranguren-Trellez
I. S. Gordon
R. L. Jordan
B. A. Klein
J. A. Uribe

D. B. Fischer
P. T. Hanrahan
G. B. Kenny
V. J. Reich
D. A. Wilson

Domicile
Delaware

Founded
1906

Employees
11,000

Stockholders
4,733

Ingredion Inc

Quantitative Evaluations

Fair Value Rank	NR	1	2	3	4	5
		LOWEST				HIGHEST

Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation NA

Investability Quotient Percentile		98
	LOWEST = 1	HIGHEST = 100

INGR scored higher than 98% of all companies for which a Report is available.

Volatility	LOW	AVERAGE	HIGH
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Technical Evaluation BULLISH Since July, 2017, the technical indicators for INGR have been BULLISH.

Insider Activity	NA	UNFAVORABLE	NEUTRAL	FAVORABLE
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Expanded Ratio Analysis

	2016	2015	2014	2013
Price/Sales	1.62	1.24	1.12	0.85
Price/EBITDA	9.02	7.75	8.00	6.64
Price/Pretax Income	12.48	11.60	12.39	9.80
P/E Ratio	19.09	17.40	17.90	13.54
Avg. Diluted Shares Outstg (M)	74.1	73.0	74.9	78.3

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	1.48	-3.15	-2.80	6.57
Net Income	20.65	7.60	1.12	15.76

Ratio Analysis (Annual Avg.)

	2016	2015	2014	2013
Net Margin (%)	8.50	7.31	6.95	5.94
% LT Debt to Capitalization	41.62	44.03	42.94	39.43
Return on Equity (%)	20.60	18.24	NA	NA

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (\$)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tangible Book Value	17.66	15.82	19.76	20.97	20.13	15.75	12.85	19.30	14.03	16.45
Cash Flow	9.19	8.16	7.34	7.54	8.04	8.10	4.31	2.26	5.20	4.22
Earnings	6.55	5.51	4.74	5.05	5.47	5.32	2.20	0.54	3.52	2.59
Core Earnings	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Dividends	1.90	1.74	1.68	1.56	0.92	0.60	0.56	0.70	0.51	0.38
Payout Ratio	29%	32%	35%	31%	17%	11%	26%	130%	14%	15%
Prices:High	140.00	99.64	87.20	74.31	66.66	59.50	48.00	32.37	54.96	49.30
Prices:Low	84.57	75.11	58.28	60.62	45.30	36.65	26.23	17.80	17.51	25.48
P/E Ratio:High	21	18	18	15	12	11	22	60	16	19
P/E Ratio:Low	13	14	12	12	8	7	12	33	5	10

Income Statement Analysis (Million \$)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenue	5,704	5,621	5,668	6,328	6,532	6,219	4,367	3,672	3,944	3,391
Operating Income	1,026	903	794	807	903	892	519	406	558	462
Depreciation	196	194	195	194	201	211	155	130	128	125
Interest Expense	73.0	69.0	73.0	74.0	77.0	77.4	64.0	33.0	51.0	54.0
Pretax Income	742	603	513	547	601	593	276	115	405	305
Effective Tax Rate	33.2%	31.7%	29.2%	26.3%	27.8%	28.8%	36.0%	59.5%	32.0%	33.4%
Net Income	485	402	355	396	428	423	176	41.1	267	198
Core Earnings	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Balance Sheet & Other Financial Data (Million \$)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Cash	516	440	614	574	628	401	302	175	107	175
Current Assets	2,252	1,950	2,144	2,214	2,360	2,102	1,753	1,045	1,297	1,089
Total Assets	5,782	5,074	5,091	5,360	5,592	5,317	5,071	2,952	3,207	3,103
Current Liabilities	978	742	721	820	933	926	891	565	859	674
Long Term Debt	1,850	1,819	1,804	1,717	1,724	1,801	1,681	408	660	649
Common Equity	2,565	2,144	2,177	2,404	2,437	2,104	1,976	1,695	1,398	1,605
Total Capital	4,445	3,999	4,011	4,146	4,183	3,963	3,709	2,126	2,185	2,297
Capital Expenditures	284	280	276	298	313	260	156	141	219	177
Cash Flow	681	596	550	590	629	634	331	171	395	323
Current Ratio	2.3	2.6	3.0	2.7	2.5	2.3	2.0	1.9	1.5	1.6
% Long Term Debt of Capitalization	41.6	45.5	45.0	41.4	41.2	45.5	45.3	19.2	30.2	24.0
% Net Income of Revenue	8.5	7.2	6.3	6.3	6.6	6.8	4.0	1.1	6.8	5.8
% Return on Assets	8.9	7.9	6.8	NA	NA	8.1	4.4	1.3	8.5	6.9
% Return on Equity	20.6	18.6	15.5	NA	NA	20.7	9.6	2.7	17.7	13.5

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Ingredion Inc

Sub-Industry Outlook

We have a neutral fundamental outlook for the agricultural products sub-industry for the next 12 months. We expect a relatively large crop harvest in North and South America in 2016 and 2017 to support transportation and origination demand in 2017 and see global demand for sweeteners remaining strong. However, we look for U.S. exports to be pressured due to reduced global competitiveness caused by a strong U.S. dollar.

We expect corn prices to remain favorable in 2017 on benefits from a large U.S. corn harvest in 2016. Corn prices peaked in the summer of 2012, when futures prices were affected by hot weather and drought conditions in parts of the U.S. Corn costs can affect various businesses, including ethanol and livestock producers. We expect benefits to U.S. agricultural trade balance from large expected harvests and strong global agricultural demand to be partially offset by reduced U.S. export competitiveness caused by the strengthening of the U.S. dollar.

We are not expecting a major near-term impact on crop prices from the Environmental Protection Agency (EPA) announcing waivers for increased ethanol use in newer vehicles, which could result in fuel containing up to 15% ethanol, versus up to 10% previously. However, over time, a shift toward a 15% blend could bolster demand for the use of U.S. corn in ethanol production.

Long-term, we anticipate that overall agribusiness-related production and revenue will increase, helped by world population growth, heightened global demand for proteins and grain-based crops, and continued industry consolidation and globalization of operations. With the U.S. market relatively mature, we think developing international markets will provide faster

future demand growth than the U.S. market does.

Over time, we expect that U.S. food processors will boost their presence in international markets. Continued globalization will likely lead to improvement in sourcing raw materials and increased capabilities in meeting global demand. We expect product demand in international markets to reflect rising income levels in developing markets, and changes in consumer lifestyles and diets.

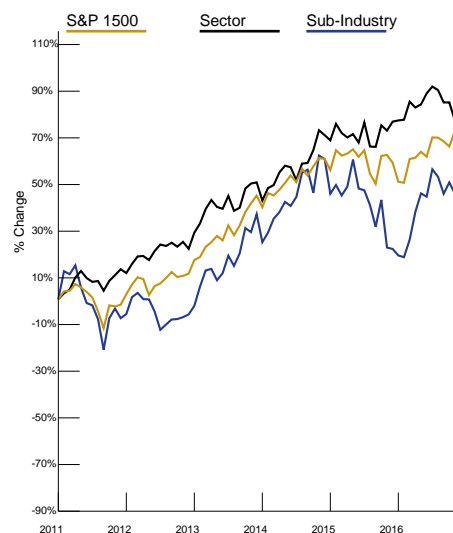
Year to date through June 9th, the S&P Agricultural Products Index decreased 6.0%, compared to a 8.2% rise for the S&P 1500. In 2016, the S&P Agricultural Products Index rose 25.6%, compared to a 10.6% increase for the S&P 1500.

--Joseph Agnese

Industry Performance

GICS Sector: Consumer Staples
Sub-Industry: Agricultural Products

Based on S&P 1500 Indexes
Five-Year market price performance through Sep 9, 2017



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Past performance is not an indication of future performance and should not be relied upon as such.

Sub-Industry : Agricultural Products Peer Group*: Agricultural Products

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	S&P Quality Ranking	IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Ingredion Inc	INGR	8,995	124.23	137.62/113.07	1.31	1.6	19	NA	B+	98	8.5	41.6
Archer-Daniels-Midland	ADM	23,835	42.37	47.88/40.22	0.89	3.0	18	NA	B+	98	2.0	27.1
Bunge Ltd	BG	10,520	74.82	83.75/58.19	0.77	2.5	21	NA	NR	88	1.8	27.0

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Ingredion Inc



Analyst Research Notes and other Company News

August 1, 2017

08:51 am ET ... CFRA KEEPS HOLD OPINION ON SHARES OF INGREDION INCORPORATED (INGR 123.32***): We keep our 12-month target of \$131, a P/E of 16.6X, in line with INGR's 3-year average and forward 12-month EPS estimate of \$7.89. We trim our 2017 EPS estimate by \$0.05 to \$7.65. Q2 adjusted EPS of \$1.89 vs. \$1.73 is \$0.01 below our estimate as acquisition fueled volume gains and lower taxes were partially offset by difficult operating conditions in S. America. We see results benefiting on the integration of recent acquisitions in N. America, a more favorable product mix and cost savings, partially offset by macroeconomic weakness in S. America and new labor agreement impact. /J. Agnese

May 3, 2017

12:13 pm ET ... CFRA KEEPS HOLD OPINION ON SHARES OF INGREDION INCORPORATED (INGR 123.32***): We raise our 12-month target by \$11 to \$131, a P/E of 17X, in line with INGR's 3-year average, our '17 EPS estimate of \$7.70, up from \$7.60. Q1 adjusted EPS of \$1.88 vs. \$1.78 is \$0.09 above our estimate on favorable forex and a lower tax rate. Volume growth of 5% was driven by growth of 11% in Asia Pacific, 5% in North America and 4% in EMEA. But, margins narrowed on South American cost pressures and macro-economic weakness in Argentina, despite strong global specialty product demand. We continue to see strong volume growth in most regions offsetting weakness in South America. /J. Agnese

March 9, 2017

Ingredion Incorporated announced that Jack Fortnum, CFO and executive vice president, plans to retire on June 30, 2017 after 33 years with the company. Jim Gray, Ingredion vice president corporate finance, will become executive vice president and CFO effective March 1, 2017, when Fortnum will move into a senior advisory role until his retirement. Gray joined Ingredion in 2014 as vice president finance North America. Prior to Ingredion, he spent 12 years at PepsiCo Inc. in senior finance and strategy positions, including three years as Gatorade division CFO and vice president finance PepsiCo.

February 3, 2017

Ingredion Incorporated announced that Jack Fortnum, CFO and executive vice president, plans to retire on June 30, 2017 after 33 years with the company. Jim Gray, Ingredion vice president corporate finance, will become executive vice president and CFO effective March 1, when Fortnum will move into a senior advisory role until his retirement. Gray joined Ingredion in 2014 as vice president finance North America. Prior to Ingredion, he spent 12 years at PepsiCo Inc. in senior finance and strategy positions, including three years as Gatorade division CFO and vice president finance PepsiCo.

February 2, 2017

10:28 am ET ... S&P CAPITAL IQ DOWNGRADES OPINION ON SHARES OF INGREDION TO HOLD FROM BUY (INGR 115.03***): We cut our 12-month target \$28 to \$122, a P/E of 16X, in line with INGR's 3-year average, our 2017 EPS estimate of \$7.60, up from \$7.50. We see valuation benefits from anticipated margin expansion offset by increased investor concerns about increased political and legislative concerns over trade with Mexico. We set our 2018 EPS estimate at \$8.20. Q4 adjusted EPS of \$1.67 vs. \$1.42 is \$0.05 above our estimate on a \$0.12 tax benefit. Volumes fell 4% on asset sales, but were offset by 4% price/mix benefit. We see margin benefiting from a favorable product mix and improving pricing. /J. Agnese

November 2, 2016

11:33 am ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF INGREDION INCORPORATED (INGR 131.31***): We raise our 12-month target by \$3 to \$150, applying a P/E of 20X, 15% above INGR's 3-year average, to our 2017 EPS estimate of \$7.50, up from \$7.30. We increase our 2016 EPS estimate by \$0.25 to \$7.05. We see valuation and EPS growth benefiting from the realization of margin expansion over the next 12-months reflecting an improvement in product mix on strong end market demand for specialty ingredients. Q3 EPS of \$1.96 vs. \$1.64 is \$0.19 above our expectations driven by improved price/mix and product mix in both specialty and core ingredients and cost cutting in South America. /J. Agnese

July 29, 2016

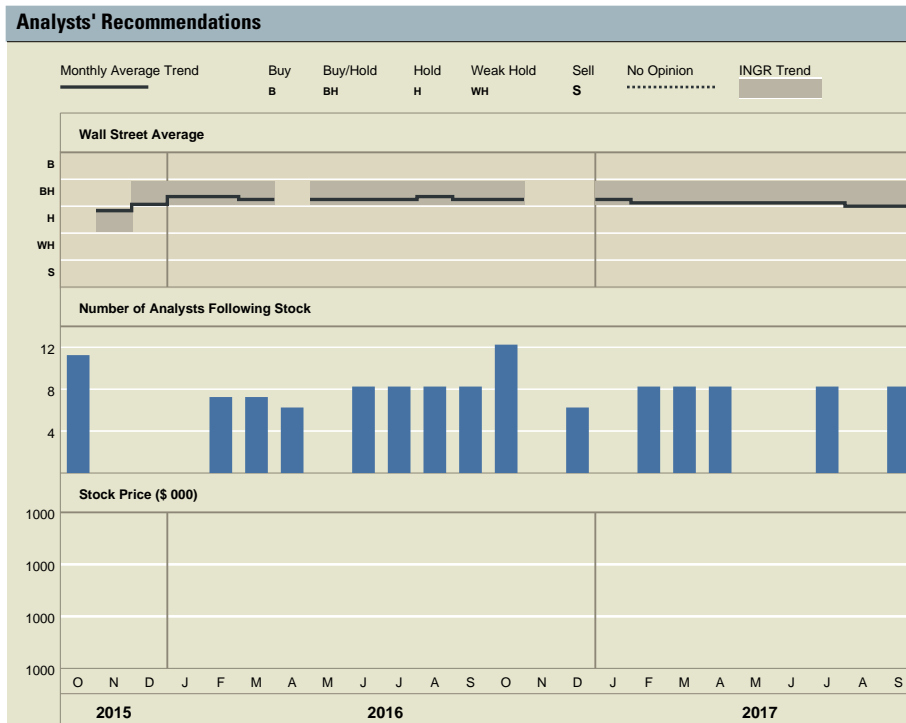
08:06 am ET ... S&P GLOBAL MAINTAINS BUY RECOMMENDATION ON SHARES OF INGREDION (INGR 133.43***): We lift our 12-month target by \$20 to \$147, a P/E of 20.1X, 15% above INGR's 3-year average, our 2017 EPS estimate of \$7.30,

up from \$7.15. We believe a premium valuation is warranted by an improving business mix driven by increased consumer demand for specialty ingredients. We lift our 2016 EPS estimate by \$0.20 to \$6.80. Q2 adjusted EPS of \$1.73 vs. \$1.53 is \$0.08 above our estimate due to wider than expected margins. We expect margins to benefit in the second half from improved price and product mix driven by growth of specialty and core ingredients and acquisition synergies. /J. Agnese

April 28, 2016

09:54 am ET ... S&P CAPITAL IQ MAINTAINS BUY RECOMMENDATION ON SHARES OF INGREDION INCORPORATED (INGR 107.18***): We are raising our 12-month target price by \$15 to \$127, applying a P/E of 19.3X, 10% above INGR's 3-year average, to our 2016 EPS estimate of \$6.60, up from \$6.40. We are increasing our 2017 EPS estimate \$0.15 to \$7.15. Q1 adjusted EPS of \$1.74 vs. \$1.30 is \$0.35 above our estimate. We see valuation and EPS growth benefiting from the realization of acquisition synergies; expected savings from plant closures; and favorable pricing/mix and volumes within the core and specialty ingredients businesses, despite macro-economic weakness in Latin America and forex headwinds. /J. Agnese

Ingredion Inc



Wall Street Consensus Opinion

BUY/HOLD

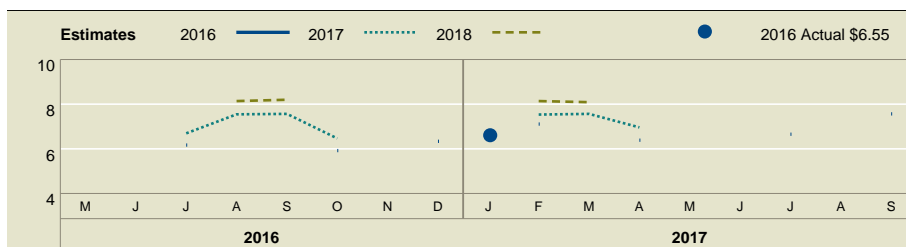
Companies Offering Coverage

- BMO Capital Markets Equity Research
- Citigroup Inc
- Credit Suisse
- Goldman Sachs
- Jefferies LLC
- Morningstar Inc.
- Societe Generale Cross Asset Research
- Stephens, Inc.

Of the total 8 companies following INGR, 8 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	2	25	2	0
Buy/Hold	1	12	1	0
Hold	4	50	4	0
Weak Hold	1	12	1	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	8	100	8	0

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2018	8.24	8.63	7.65	8	15.1
2017	7.60	7.75	7.34	8	16.3
2018 vs. 2017	▲ 8%	▲ 11%	▲ 4%	0%	▼ -7%
Q3'18	2.25	2.34	2.16	3	55.2
Q3'17	2.04	2.10	1.98	6	60.9
Q3'18 vs. Q3'17	▲ 10%	▲ 11%	▲ 9%	▼ -50%	▼ -9%

Wall Street Consensus vs. Performance

For fiscal year 2017, analysts estimate that INGR will earn US\$ 7.60. For the 2nd quarter of fiscal year 2017, INGR announced earnings per share of US\$ 1.78, representing 23% of the total annual estimate. For fiscal year 2018, analysts estimate that INGR's earnings per share will grow by 8% to US\$ 8.24.

A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Capital IQ Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

Core Earnings

Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research

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Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
EPS - Earnings Per Share
EV - Enterprise Value

FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARs (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ 4-STARs (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ 3-STARs (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ 2-STARs (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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The methodologies used in STARS Stock Reports and Quantitative Stock Reports (collectively, the "Research Reports") reflect different criteria, assumptions and analytical methods and may have differing recommendations. The methodologies and data used to generate the different types of Research Reports are believed by the author and distributor reasonable and appropriate. Generally, CFRA does not generate reports with different ranking methodologies for the same issuer. However, in the event that different methodologies or data are used on the analysis of an issuer, the methodologies may lead to different views or recommendations on the issuer, which may at times result in contradicting assessments of an issuer. CFRA reserves the right to alter, replace or vary models, methodologies or assumptions from time to time and without notice to clients.

STARS Stock Reports:

Global STARS Distribution as of June 30, 2017

Ranking	North America	Europe	Asia	Global
Buy	37.4%	25.9%	36.6%	35.4%
Hold	55.1%	56.1%	39.4%	53.5%
Sell	7.5%	18.0%	24.0%	11.1%
Total	100%	100%	100%	100%

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