Y 2022 Earnings Call

Company Participants

- Dawn Allen, Chief Financial Officer
- Nick Hampton, Chief Executive

Other Participants

- Alex Sloane, Barclays
- Alicia Forry, Investec
- James Targett, Berenberg Bank
- John Ennis, Goldman Sachs
- Karel Zoete, Kepler Cheuvreux
- Martin Deboo, Jefferies
- Patrick Higgins, Goodbody

Presentation

Nick Hampton {BIO 18794378 <GO>}

Good morning, everyone, and thank you for joining us. I am pleased to present Tate & Lyle's results for the year ended 31st of March 2022. This has been a landmark year for Tate & Lyle as we successfully repositioned the company as a growth-focused specialty Food & Beverage Solutions business. At the same time, financial performance has been strong, and we have taken a number of steps to progress our strategy and build strong foundations for future growth.

Before I get into the details of the presentation, I would like to welcome Dawn to Tate & Lyle. She takes on the role of CFO at an exciting time for the business and, in her first few weeks with us, is already making a significant contribution. The agenda for today's presentation is on the screen. I will begin with an overview of the year. Dawn will run through the financial results. And then I will come back to talk about the outlook and give you an update on our strategic progress. Finally, Dawn and I will be happy to take your questions

On the 1st of April, we passed a major strategic milestone by completing the sale of a controlling stake in our Primary Products business in the Americas to KPS Capital Partners. This transaction creates two strong businesses, each well-positioned to realize their potential, Tate & Lyle as a global Food & Beverage Solutions business focused on higher-growth markets, and a new joint venture called Primient as a leading plant-based business serving food and industrial markets.

Tate & Lyle received gross cash proceeds of $1.4 billion from the transaction. And last month, we returned GBP500 million to shareholders via a special dividend and associated share consolidation. KPS has a proven track record of successfully creating value in manufacturing and industrial businesses. We have worked closely with KPS to complete the transaction and position Primient for future success. From our ongoing interest in Primient, we expect to receive an effective cash dividend stream and see value creation from our equity investment. 20-year agreements are in place, which provides supply and economic security for both businesses. In the two months since the transaction was completed, these agreements are operating well.

As a result of this transaction, the reporting of our financial results this year is a little more complex than usual, requiring us to split our reporting between continuing and discontinued operations. Putting this complexity aside, what clearly shines through is the strong performance of the new Tate & Lyle, and this gives me great confidence in the future growth potential of the business. Tate & Lyle is very much a purpose-led company. I have always believed that purpose and performance go hand-in-hand, and that's certainly been true of Tate & Lyle this year.

Our purpose has continued to be our North Star, helping us navigate the uncertainties and challenges of a constantly-changing world. Looking forward, as the new Tate & Lyle, we want to be more ambitious with our purpose and to positively impact the world through the science of food. That is why we've evolved our purpose statement from improving lives for generations to transforming lives through the science of food. And it's also why we are making a commitment today to be carbon net zero by 2050.

Our three purpose pillars of supporting healthy living, building thriving communities and caring for our planet have not changed, and remain at the heart of everything we do. The new Tate & Lyle is a purpose-led, growth-focused business, driven by science and obsessed with serving our customers. We are a global leader in sweetening, mouthfeel and fortification, with the ability to create solutions for customers, which meet the growing consumer demand for healthier food and drink. We have an established track record of innovation and scientific excellence under our global business, with a strong presence in developed markets and a platform for accelerated growth in the higher growth markets of Asia, the Middle East and Africa and Latin America.

Our strong balance sheet provides significant flexibility to invest in both organic and inorganic growth, with substantial progress made in the last 12 months. In short, the new Tate & Lyle is a high-quality, growth-focused speciality business, operating in exciting segments of the food and beverage markets. We have significant growth potential, and this is shown in our financial results for last year.

The new Tate & Lyle, which comprises Food & Beverage Solutions and Sucralose, performed very well last year. We delivered double-digit revenue growth across all regions and double-digit profit growth, despite significant cost inflation. Our investment in innovation continues to generate strong returns with revenue from New Products growing by 35%, and particularly strong performance from our stevia sweetener solutions. Like most businesses, we experienced significant cost inflation, which we mitigated through top line growth, pricing, productivity and cost discipline. We continue to invest for long-term growth with investments in capacity expansion and acquisitions, and we are making good progress on our purpose targets.

Looking briefly at the financial results. The new Tate & Lyle, our continuing operations, grew revenue by 18%, and profit before tax by 14%. Diluted earnings per share were 4% higher. For total operations, or the group as a whole, adjusted profit before tax was in line with the prior year, due to weaker performance from the discontinued operations. Adjusted diluted earnings per share were 4% lower. Net debt at the 31st of March 2022, the day before the sale of Primient completed, was GBP209 million higher at GBP626 million. What is most encouraging is that the strong top-line growth in the new Tate & Lyle was delivered across all our regions.

In Food & Beverage Solutions, North America increased revenue by 16%. Asia, the Middle East and Africa and Latin America increased revenue by 25%, and revenue in Europe was 19% higher. Overall, revenue in Food & Beverage Solutions was up 19%, 17% from organic growth and 2 percentage points from acquisitions. Over the last two years, through the pandemic, Food & Beverage Solutions has grown volume by an average of 5% per year and revenue by an average of 9% per year, underlining the strong demand for our solutions.

In May 2020, we announced new long-term targets and commitments to demonstrate how we are living our purpose. In the second year of measurements, we made good progress on our first two purpose pillars, supporting healthy living and building thriving communities. Let me pick out a few highlights. Over the last two years and no or low-calorie sweeteners and fibers have helped to remove 4 million tons of sugar from people's diets. That's 16 trillion calories. And by offering online nutrition education, supporting physical activity programs and providing access to essential hygiene supplies, we helped 70,000 people live healthier lives.

Progress on our targets of reaching gender equality in leadership roles by 2025 continued. We have expanded this target from our top 60 leadership roles to all our 500 management roles. In the new Tate & Lyle, 42% of those 500 roles are now held by women. I am particularly proud that over the last two years, we have provided just under 3 million meals to people in need through our food bank partners. The pandemic significantly increased the level of food insecurity among some of the most vulnerable people in our communities. So ensuring families have enough nutritious food to eat has never been more important.

Turning to caring for our planet, our third purpose pillar. Over the last two years, our Scope 1 and 2 absolute greenhouse gas emissions have reduced by 12%. Last year, we completed two major projects at production facilities in North America to replace coal boilers with more efficient gas-fired systems. As a result, we delivered on our commitment to eliminate coal from our operations four years ahead of schedule. For the new Tate & Lyle, our Scope 3 absolute greenhouse gas emissions were 5% lower and we are setting a new target to have zero Scope 2 emissions by 2030, with all the electricity we purchase coming from renewable sources.

We made significant progress on our waste targets, with 91% of waste from the new Tate & Lyle beneficially used, mostly to generate energy or as a nutrient on farms. Our sustainable agriculture program for corn performed well and we expanded our stevia program in China. This program, which we run in partnership with Earthwatch and the Nanjing Agricultural University, helps stevia growers minimize their environmental impacts and achieve improved economic returns. During the year, we carried out an analysis of what a pathway to net-zero carbon emissions would look like for Tate & Lyle. We undertook comprehensive Scope 1 and 2 decarbonization reviews at our four largest facilities and an in-depth review of our Scope 3 emissions. On the basis of this work, I am delighted that we are making a commitment for Tate & Lyle to be carbon net-zero by 2050.

We recognize that advances in technology, changes in policy, and many other factors will evolve as we move towards 2050. But what won't change is our determination to deliver on our commitments. We continue to make good progress, building a strong platform for future growth. We are seeing positive top-line momentum across the business and innovation continues to accelerate with new product revenue now 14% of Food & Beverage Solutions revenue. Acquisitions are also strengthening our key platforms. In March, we announced we had agreed to acquire Quantum Hi-Tech, a leading dietary fiber business in China. Then in April, we acquired Nutriati in the U.S., an ingredient technology business developing chickpea protein and flour. And the integration of the stevia and tapioca businesses we acquired in the prior year is progressing well.

Finally, reflecting our confidence in the growth opportunity ahead of us, we are increasing capital investment to build growth capacity. Overall, I am delighted with our performance and the progress we are making delivering our strategy, which I will expand on later.

For now, I will hand over to Dawn to talk to the financial results. So over to you, Dawn.

Dawn Allen {BIO 20429179 <GO>}

Thank you, Nick, and good morning, everyone. I'm delighted to be here. My first four weeks with Tate & Lyle have been very exciting. I've had a really warm welcome from everyone and have been impressed by the talented and experienced people I have met. I've enjoyed seeing the strong passion for the business and an organization where purpose clearly sits at the heart of the business as well as one that puts customers at the forefront of key decisions. Having spent more than 25 years in the food industry, many as a customer of Tate & Lyle, I know that these qualities are exactly what our customers are looking for, and more importantly, what they need. The resilience and agility the business has developed in navigating the pandemic and cost inflation as well as completing the Primient disposal successfully is also impressive. Alongside this, the business is in a very good financial position with a strong balance sheet, all these things give me confidence coming in as CFO.

Turning now to our financial performance. Let me start by reminding you of the reporting changes that result from the disposal of the Primient business. As Nick said earlier, we have separated the business into continuing and discontinued operations. The continuing business includes Food & Beverage Solutions and Sucralose. It has been adjusted to include the retained European Primary Products business and some stranded costs. Comparatives have been adjusted accordingly. I will focus mainly on the continuing business and on adjusted measures. Items with percentage growth are in constant currency unless I indicate otherwise.

In terms of financial highlights, the group delivered a good financial performance overall, with higher profits in the continuing business, or new Tate & Lyle offsetting lower profits from discontinued operations. In new Tate & Lyle, revenue was 18% higher, profit before tax was 14% higher, and free cash flow was GBP72 million for the year. In discontinued operations, profit after tax was 9% lower. And in total operations, diluted earnings per share was 4% lower and return on capital employed was 240 basis points lower at 14.9%.

So let's dig deeper into some of the key performance drivers. Let's start with Food & Beverage Solutions. Revenue growth was strong at 19% growth. This was driven by three things, volume growth of 5%, price mix, which delivered 12 percentage points of growth, and acquisitions, that contributed 2 percentage points of growth. Volume growth overall was driven by continued strength in in-home consumption, along with the recovery in out-of-home consumption. Price mix came mainly from pricing, which contributed 9 percentage points of growth. This reflects the pricing through of inflation and corn costs.

Positive mix, including the benefit from New Products, contributed a further 3 percentage points of growth. Profit grew by 7% in the year. This was 12% before reporting changes to include Primary Products in Europe. Profit growth was driven by strong mix management, productivity and cost discipline. This was offset by higher losses in European Primary Products, selective growth investments for the future and the impact of pricing through of inflation.

Looking from a regional perspective, in North America, top-line momentum continued, volume was up 2% and revenue was 16% higher. This was driven by the continued consumer trend to adopt healthier choices and by strong growth from New Products, which increased by more than 40% in the region. In Asia, Middle East, Africa and Latin America, volume increased by 15% with revenue 25% higher. Revenue growth was strong across the region and especially in Latin America, where growth was accelerated. This was due to the increase in demand for sugar reduction solutions as customers addressed front-of-pack labeling rules.

In Europe, volume was 4% higher and revenue was 19% higher. This was due to accelerating consumer trends in both sugar and calorie reduction, resulting in higher growth in our sweeteners and fibers portfolio. As a result, we saw strong performance across the beverages, bakery and confectionery categories. Revenue from New Products continues to be strong and grew at 35% in the year, and Nick will cover this in more detail later.

So let's move on and take a look at Sucralose. Volume increased by 15% and revenue grew by 13%. This reflected higher demand in beverages as out-of-home consumption recovered. We also optimized production at our facility in Alabama. This unlocked both higher volume and productivity-related cost savings. And as a result, profit at GBP61 million was 15% higher than the prior year. Looking now at the key factors driving profit before tax growth. As previously explained, operating profit increases of plus 12% in Food & Beverage Solutions and plus 15% in Sucralose translated into increases in absolute profit of GBP22 million and GBP9 million, respectively. Central costs were flat year-on-year as we absorbed inflation and continued to invest in future growth.

In the retained European Primary Products business, losses increased by GBP11 million, reflecting the combination of both weaker sweetener prices and higher corn prices. Interest costs were in line due to flat average borrowings versus the prior year. Overall, this resulted in profit before tax increasing by 14% in constant currency. Finally, the impact of foreign exchange was to decrease profits by GBP9 million to GBP145 million, driven by the average U.S. dollar exchange rate being 5% lower than the prior year. In continuing operations, we saw cost inflation of GBP100 million during the year. This came from different sources, including energy, labor and consumables, as well as transportation and supply chain. We offset this inflation through a combination of pricing, productivity, cost discipline and broader volume mix improvements.

Of these, pricing was the most important part. We passed through price increases in 2022 calendar year contracts, where our aim was to at least maintain absolute unit margin. Since then, we have seen further cost inflation, which we are addressing through supplementary pricing. And Nick will talk about this later in more detail. Productivity is an important part of our culture, and I will also come on to share more about our progress with the productivity program we launched four years ago.

Let's move on to talk through the remaining components of the continuing operations results, tax and exceptional items. The adjusted effective tax rate was 19.3%, 7.2 percentage points higher than the prior year. This tax rate primarily reflects the prevailing rates of corporation tax in the U.S. and U.K., the jurisdictions most applicable to the group's activities. The increase year-on-year relates to an exceptionally low tax rate in the prior year, which benefited from the release of provisions as certain open tax returns were closed. We anticipate the adjusted effective tax rate for the 2023 financial year to be slightly higher than the 2022 financial year.

In terms of exceptional items, net pretax exceptional costs were GBP93 million, the majority of which related to the separation and disposal of the controlling interest in Primient. For this, we incurred costs totaling GBP79 million along with the impairment cost of certain plant and equipment assets of GBP30 million. From a cash flow perspective, this translated into a total exceptional cash outflow of GBP58 million in the year.

Let's move on now to discontinued operations. This represents our disposed Primary Products business in the Americas, along with the joint ventures of Almex and Bio-PDO. Total volume was in line with the prior year and operating profit was 16% lower. From a sweetener perspective, volume was in line as out-of-home consumption continued to recover following declines during COVID lockdowns. Industrial starch performed well, with volume 8% higher. Profit from sweeteners and starches was 42% lower, reflecting the impact of operational disruption and inflation across both input costs and our global supply chain. This was mitigated by commodities profit, which was up 52% at GBP74 million. This was due to higher co-product recoveries, especially in corn oil and corn gluten feed. Our joint ventures performed strongly, with our share of profit for the year 37% higher at GBP35 million.

Let's turn to the total operations and our productivity program. This program was set up in 2018 to deliver $150 million of benefits over a six-year period to March 2024. It's great to see that this program has exceeded its target and done this two years ahead of schedule. In the year, we delivered a total of $34 million of productivity benefits, $26 million from operations and $8 million in SG&A savings. This brings the total over the four years of the program to $158 million.

Within continuing operations, next year we are targeting $10 million of benefits. Productivity in our operations comes from a range of areas, including capital investments to increase efficiency and reduce energy costs and supply chain efficiencies coming from continuous improvement and procurement activities. If we move now to free cash flow, I'm going to spend some time talking through this area as our adjusted free cash flow for total operations was GBP16 million, which was GBP234 million lower than the prior year. If we look at the split of where this year-on-year decrease is coming from, 1/3 is coming from continuing operations and 2/3 is coming from discontinued operations. The completion of the Primient disposal transaction was a major driver of the decline in both.

Let me explain. Let's deal first with the continuing operations piece. Free cash flow generated in continuing operations was GBP72 million, GBP81 million lower than the prior year. Of this reduction, GBP41 million or half related to increased working capital, driven by the completion of the sale of Primient. Here to help mitigate the risks of separating our IT systems, we took decisions to build inventory to ensure good service was maintained to customers. Higher CapEx and the broader impact of inflation also contributed to the overall decrease. In discontinued operations, free cash flow was GBP153 million lower than the prior year, with again, the Primient disposal the main driver. GBP120 million or GBP92 million of higher working capital has already been recovered through increased disposal proceeds. Lower profits and the impact of inflation were further drivers of the year-on-year decline. Whilst the inflationary environment in the short-term is putting pressure on our working capital, cash delivery remains a key focus area for us and our balance sheet is strong.

Let's move on to the other items on the balance sheet. We invested GBP75 million in capital expenditure in continuing operations during the year. Looking forward and consistent with our future growth aspirations, this is expected to increase to between GBP90 million and GBP100 million in the year ended 31st of March 2023. In terms of net debt, this increased by GBP209 million to GBP626 million, the day before the Primient disposal was completed. After the balance sheet date, we have three significant one-time cash flows occurring. These are the consideration received from the Primient transaction, $1.4 billion. The payment of the special dividend, GBP500 million, and the expected completion payment for the Quantum acquisition, $237 million. Following these onetime cash flows, we expect the net debt to EBITDA ratio to be less than 1x. This means, we continue to have strong liquidity headroom with access on a pro forma basis to around GBP1 billion through cash-on-hand and our revolving credit facility.

From a dividend perspective, in May, we returned GBP500 million to shareholders via a special dividend and an associated share consolidation. The Board is recommending a final dividend of 12.8 pence per share, reflecting the earnings base of the new Tate & Lyle. So overall, there are three key messages that I want to leave you with. The first one is that we have strong revenue growth momentum, delivering 19% growth in Food & Beverage Solutions, double-digit growth across all regions and 35% New Products growth in the year.

Secondly, we have demonstrated both agility and resilience in a challenging environment to deliver a robust financial performance with adjusted profit before tax up 14% in continuing operations. This is supported by strength in commercial execution, alongside a culture of productivity and strong cost discipline. And thirdly, our strong balance sheet gives us flexibility to continue to invest for the future, both organically and inorganically. It provides a solid platform on which to execute our growth strategy.

And with that, let me hand you back to Nick.

Nick Hampton {BIO 18794378 <GO>}

Thank you, Dawn. And once again, welcome to Tate & Lyle. I'm now going to talk to the outlook and then give you a brief update on our strategic progress. We will be holding a Capital Markets event later in the financial year when we will talk more about our strategy. So starting with the outlook. As our results show, we entered the 2023 financial year with strong top-line momentum, innovation gathering pace and our productivity program continuing to deliver benefits. Importantly, customer demand remains strong. Since then, the conflict in Ukraine has caused significant inflation in raw material, energy and logistics costs globally, especially in Europe. In response, we have implemented a program of supplementary price increases across our main markets to recover incremental input costs, while continuing to focus on productivity and cost control.

With all of this taken into account, for the year ending the 31st of March 2023, we expect further progress with adjusted profit before tax in line with market expectations and revenue growth reflecting top-line momentum and the pricing through of higher input costs. These are challenging times for many businesses and our focus in the near term is on four priorities. Firstly, to ensure continuity of supply and we have committed agreements in place for key production inputs such as corn and energy, covering the majority of the first half of the 2023 financial year. The second priority is keeping very close to our customers to support them as best we can, despite supply chain disruption. Thirdly, we are focused on maintaining our financial strength. And lastly, on maintaining our strategic progress.

With that in mind, let me turn to an update on how we are progressing on our strategy. Starting with a look at some of the key consumer trends that are driving growth in the new Tate & Lyle business. In general, we see four main consumer trends. The first is the desire for consumers to be in control of what they eat and drink. People want food that reflects their values and to understand what's in the food they are buying. Transparency about the sustainability of products, nutritional claims and labeling are all increasingly important areas for consumers.

The second is a trend we have been seeing for a while now, the desire for healthier food. Consumers are looking for products that are lower in sugar, calories and fat, and which contain fiber to support gut health and immunity. They also increasingly want plant-based food. The third trend is all about the pleasure and celebration of food. After two years of lockdowns and restrictions, consumers are looking to embrace new sensory experiences and indulge every now and then. Finally, as you would expect with the cost of living rising for people across the world, value and convenience are at the front of consumers' minds, with value for money a key part of purchasing decisions. As the world emerges from the pandemic, convenience also remains important. For example, working from home has meant that people are snacking more often.

We are well placed to benefit from all these trends, with our strong platforms across sweetening, mouthfeel and fortification. Understanding how these trends are impacting our customers and the categories we operate in is central to how we develop our innovation pipeline and unlock growth for our customers. It is also a key driver of our strategic growth framework. We have been successfully executing this framework over the last three years. It is based on four pillars with serving our customers at its core. And we have made strong progress in each of the pillars during the year. Innovation is central to our growth strategy. And it was very pleasing to see New Products from our innovation pipeline once again performing well last year. During the year, 10 New Products and more than 30 stevia sweetener solutions were launched from our pipeline. Revenue from New Products grew by 35% in the year and by a compound annual growth rate of 24% over the last two years.

Growth was led by the sweetener platform, which nearly doubled revenue as customers' demand for stevia-based solutions increased and the mouthfeel platform, which grew revenue by 19% as consumers continue to look for products with cleaner labels. New Product revenue is now 14% of Food & Beverage Solutions revenue, 16% excluding Primary Products Europe. We are making consistent progress towards our ambition to generate 20% of Food & Beverage Solutions revenue from New Products by 2027. Growth from both New Products and our existing portfolio is being driven by the trend towards conscious well-being I mentioned earlier as consumers look for products that are healthier, but still taste great.

What is encouraging is that this growth is broad-based across all our regions. For example, in Food & Beverage Solutions, revenue from our sugar reduction solutions grew 40% in the year with strong double-digit growth in each region. In particular, we saw an acceleration in demand for our solutions containing stevia, a natural and clean label sweetener. Latin America is showing particularly strong growth, as customers in the region look to reformulate their products following front-of-pack labeling regulations that require products to show if they are high in sugar, fats or salts.

Across the world, consumers are also increasingly aware of the benefits of dietary fiber on gut health and how fiber can help build greater immunity. Revenue from our dietary fiber solutions increased by 29% globally, with once again, growth across all regions. To accelerate innovation further and to support our customers, we are also investing in infrastructure, capabilities and technology. In October, we opened a new state-of-the-art Customer Innovation and Collaboration Center in Dubai to serve our customers in the Middle East. Last month, we opened another center in Santiago in Chile. We now have 16 Customer Innovation and Collaboration Centers across the world, where we work with our customers to reformulate their products for their local markets. We continue to build our in-house expertise in the fields of biochemistry and material science. And we are complementing this expertise with open innovation as we look to unlock exciting new ideas and opportunities for future growth.

One example is the acquisition in April of Nutriati, a U.S. based business producing plant-based chickpea protein and flour. This acquisition, while relatively small, broadens our fortification offering and represents another step in expanding our portfolio and bringing new technologies into the business. Portfolio expansion, either organically or through acquisitions, is a key part of our growth strategy.

In addition to Nutriati, we made strong progress during the year with the announcement in March that we had agreed to acquire Quantum Hi-Tech, a leading dietary fiber business in China. Quantum is a great fit with our growth strategy. It makes prebiotic FOS and GOS fibers, which together represent around 25% of the global soluble fiber market. This market is growing at a compound annual growth rate of 6% globally and 10% in China. Quantum's high-quality fiber products will significantly strengthen our fortification platform and expand our offering to customers. The business brings strong R&D expertise, further diversifies our substrate base away from corn and extends our presence in the higher growth markets of China and Asia. The acquisition is expected to be revenue, growth and margin accretive in its first year.

A key pillar of our growth framework is building an integrated solutions approach for customers to strengthen our position as their partner for growth. We do this by bringing together a category expertise and insights, our broad portfolio of products and our technical capabilities to provide customers with the solutions they need. To better serve our customers in their key categories, we recently combined our global ingredients platform scientists with our regional application scientists to form a new global ingredient technology and application team. This team's role is to translate ingredient functionality into category applications and solve customer challenges at a local level. We are already seeing a positive impact from this change, with the new team acting as a more effective bridge between our R&D team and creating solutions for customers.

We are also continuing to invest in strengthening our customer-facing capabilities in areas such as sensory, prototyping and category and consumer insights. Pilot programs are underway to further develop ways of working with customers and to build stronger solutions-based partnerships. Stepping back for a moment, the performance of Food & Beverage Solutions last year and over the last four years clearly demonstrates the strong foundation the new Tate & Lyle has established for future growth. Over that time, Food & Beverage Solutions has delivered what we said it would, consistent top and bottom-line growth. On a compound annual growth rate, revenue is up 8%. Adjusted operating profit is up 10%, and revenue from New Products is 21% higher.

Given that this four-year period covers not only a global pandemic, but also significant supply chain disruption and cost inflation, the resilience and quality of the new Tate & Lyle business shines through. The strong platform we have built and our plans to increase investment in innovation give me great confidence that we can sustainably deliver on our ambition for the next five years. Our five-year ambition includes mid-single digit organic revenue growth, annual operating margin expansion of at least 50 to 100 basis points per year on average, and to utilize our strong balance sheet to accelerate growth with further M&A.

To conclude, we have successfully passed a major strategic milestone to reposition Tate & Lyle as a growth-focused business. The group as a whole and the new Tate & Lyle, in particular, delivered good financial performance in what was a year of significant change inside the business and significant challenges in the world around us. We are navigating through this difficult external environment, with a focus on top-line growth, pricing, productivity and cost discipline. I am also pleased to see significant progress on our purpose and environmental targets. And we continue to invest in new businesses, capacity and innovation to deliver our growth agenda.

Looking forward, we have built a strong platform for growth as a focused global Food & Beverage Solutions business. We have emerged from the pandemic as a stronger, more agile, more ambitious business, well-positioned to unlock the significant growth opportunities ahead. As I said earlier, this has been a landmark year for Tate & Lyle. To make this happen, we made some very big demands on our people. I would like to finish by thanking everyone at Tate & Lyle for their hard work and delivering a strong set of financial results, continuing to serve our customers and living our purpose with great passion and belief, while transforming the company. For all their supports, as always, I am truly grateful.

Questions And Answers

Operator

(Question And Answer)

A - Nick Hampton {BIO 18794378 <GO>}

Chief Executive: Tate & Lyle PLC:} Good morning, everyone, and thank you for joining today's presentation. We are now into the live Q&A portion of the presentation. As I said in the pre-record, on the 1st of April, we passed a major strategic milestone with the divestment of the Primient business. The new Tate & Lyle performed very well in the year, delivering double-digit revenue and profit growth, and we are effectively managing inflationary and supply chain headwinds. I'm also delighted that this morning we completed the acquisition of Quantum Hi-Tech, a leading dietary fiber business in China, which will significantly strengthen our fortification platform and customer offering.

Before we take any questions, I would like to once again extend a warm welcome to Dawn, who joins us for her first results presentation today. So our first question comes from Alex Sloane. Alex, good morning.

Q - Alex Sloane {BIO 21961825 <GO>}

Good morning, Nick and Dawn. Thanks for taking the questions. A couple from my side if okay. Maybe just the first one, just on Sucralose. I see a very strong year, 15% profit growth, which I think was well ahead of what perhaps you and certainly the sell side were anticipating at the start of the year. So the question would be, is that kind of new base sustainable? And obviously after mid-teens volume growth where does that lead you from a capacity perspective? And the second one was just on cash flow outlook. I appreciate last year was quite an exceptional year with the transaction, but maybe you could kind of give us a sense of how you see cash conversion going forward maybe versus EBITDA or another reference point in '23 and into the medium term?

A - Nick Hampton {BIO 18794378 <GO>}

Sure, Alex. Thanks. So let me take the Sucralose question first. So look, I mean, clearly, we're delighted with the performance of Sucralose last year and we benefited from a number of key trends. The first is Sucralose continues to grow strongly. And of course, there was a recovery last year because of the out-of-home beverage market recovering. We saw really strong pull from some of our biggest customers. The second thing is the fact that we're the only Sucralose player making products in North America is a big benefit for us. And our quality and our food safety and our environmental credentials are a really strong draw for our customers. And all that flowed through in the results we saw last year.

The third thing, of course, is you rightly point out is, we've managed to create some more capacity in McIntosh to drive growth and we've committed to some modest capacity expansion because of the success we've seen in the last few years. So we're not expecting the kind of growth we saw last year, but we do expect to see some modest growth on the top line this year and some pretty consistent earnings coming out of the Sucralose business as we go forward. On cash, and I'll ask Dawn to comment here as well. I mean, clearly, last year was an exceptional year because we had this big swing in working capital at the end of the year because of the transaction to close the sale of the Primient business, both building working capital for us so that we could keep customers served and building working capital for Primient. And we got the $120 million back in the transaction post the year-end.

So we're expecting to see more normal approach to working capital going forward. And the good news for us, of course, is the balance sheet remains really strong to allow us to invest for future growth. So just hand over to Dawn maybe to add a little bit of color.

A - Dawn Allen {BIO 20429179 <GO>}

Yes. So thanks, Nick, and good morning, everyone. Thank you for the question, Alex. As Nick just said, the most important piece from a cash perspective is that we've got a really strong balance sheet and liquidity to be able to invest for the future, but also a cushion that provides a cushion in terms of any potential challenges. Nick's outlined the one off pieces for 2022. And as we look forward to 2023, what's important is that we will continue to invest behind growth. From a capital expenditure point of view, we're increasing from GBP75 million to between GBP90 million to GBP100 million. And that's really important. The other piece from a cash flow perspective is in an inflationary environment, of course, that puts pressure on working capital, and we will look to mitigate and manage through that. The other thing to say, as an incoming CFO, is cash is really important to me and it will be a key focus area for this year.

A - Nick Hampton {BIO 18794378 <GO>}

Thank you, Dawn.

Q - Alex Sloane {BIO 21961825 <GO>}

Very helpful. Thank you.

A - Nick Hampton {BIO 18794378 <GO>}

Thanks, Alex. And our next question comes from James Targett at Berenberg. James, good morning.

Q - James Targett {BIO 6577813 <GO>}

Hello. Good morning, Nick. Good morning, Dawn. Yes. So a couple of questions. I mean, firstly, maybe just on the inflation. You mentioned GBP 100 million was the inflation impact for FY '22. Can you give us your -- what you expect for FY '23? And then I suppose linked to that, just trying to break down your expectations for the top line outlook in FBS between your pricing mix and volume growth.

A - Nick Hampton {BIO 18794378 <GO>}

Sure. So I mean let's start with maybe a little bit of color on last year. So I mean, clearly, we saw strong volume growth and good revenue translation, which was driven by two things, successfully managing to shift the mix of our business. So if you think about the revenue accretion, we got about five points from new products and mix, and then passing through inflationary pressures where we needed to. And that all led to a significant increase from volume to revenue, so 5% volume, 18% revenue growth. But the encouraging piece of that though is if you strip out the extraordinary inflationary impact that the GBP100 million drove, we saw a good translation on the base mix. So the quality of business we're doing is improving.

We're anticipating seeing something similar this year in terms of driving continued improvements in mix. I mean to be honest, James, it's very difficult to give you a precise number on inflation at this point. We're going to work really hard on productivity again this year, really hard on cost control. And then we've put some supplementary pricing through, which will adjust as we see how things evolve, but our intent for sure is to try and cover inflation this year again with those three things, productivity, cost control, and the right kind of pricing, whilst not slowing down the top line.

Q - James Targett {BIO 6577813 <GO>}

If I just follow up, I mean, you talk about demand being strong. And obviously the new products continue to grow strongly. So a mid-single-digit volume figure is not unrealistic in your opinion? And then on the pricing, maybe if you could talk about when your kind of first incremental price increase hits, and maybe some sort of color on the magnitude of that increase.

A - Nick Hampton {BIO 18794378 <GO>}

So look, I think it's a bit early to tell how volume will evolve. We're still seeing good demand for what we do, as I said. On pricing, we're actively engaging with customers now in supplementary pricing and passing that through in the first half of the year. I mean, clearly, there's a balance there between keeping customers served and making sure that they can manage their costs as well, but we're having the right kind of conversations and we'll stage it through the year as we see how things evolve because it is a very uncertain environment at the moment, but the good news is the engagement early on is strong.

Q - James Targett {BIO 6577813 <GO>}

Okay. Thanks very much.

A - Nick Hampton {BIO 18794378 <GO>}

And I think our next question comes from Martin Deboo at Jefferies. Martin, good morning.

Q - Martin Deboo {BIO 15155849 <GO>}

Yes, Nick and Dawn, good morning. Thanks. I've got three, I don't know if that's allowed. The first one may overlap with Alex's question, I was distracted. I just want to try and get a fix on where pro forma first of April net debt ended up? Dawn gave some very useful numbers, which on the back of an envelope seems to me to suggest that before Quantum, you probably had a pro forma position of about negative GBP60 million relative to what you'd said you'd be around neutral I think.

Am I -- and the reason I think you're negative is you ultimately had to put more working capital into the business. And relative to my numbers, a bit more exceptional is how I'm seeing it, but I'd just be grateful for your corroboration of that.

Moving on to the trading. You made the statement on Page 4 that you have committed agreements in place for key inputs covering the majority of the first half of 2023. It's a slightly odd statement, Nick, given that the business runs on calendar year, contracting implies as an uncertainty around the fourth calendar quarter. But can you remind me now we're in this new world, these complex supply agreements in the prospectus, just give me an idiot's guide to in the new world, how is corn procurement working for FBS and how much and what sort of risk is FBS taking on corn?

And then the third one, if you'll allow me is just what's the outlook for Europe primary, given it's still a retained business? Europe corn price is clearly -- how -- I think this is really an isoglucose business. So where are we versus the isoglucose sugar price? What's the situational capacity utilization in isoglucose Europe? How would we think about the outlook for Europe primary?

A - Nick Hampton {BIO 18794378 <GO>}

Okay. So why don't I take the second two questions, then I'll ask Dawn to comment on the debt position post the transaction completion. So your first question on corn. So what we've said is we're substantially covered through the first half of our financial year, which to your point takes us to the end of the third quarter of the calendar year. That's really a reference to Europe, Martin, where as you know, forward cover on corn is more problematic and typically what you do is you buy the season ahead. So we're starting to lay in cover for the next crop season in Europe, as we speak, as farmers start to bring to market what they're planning to plant.

In North America, as you rightly point out, it's an annual process and because we contract annually, we're fully covered on corn in North America through the end of the calendar year. So hope that gives you a simpler explanation of that. And as part of that, as we've done when we do contracting, we back-to-back the cost of corn, although Primient will be buying it on our behalf. So it's really no change to the North American position. So hopefully that gives you a clearer sense of the difference between Europe and North America, which is really no difference to the past, I guess, is a simple way of putting it with this, using Primient as a source of our corn. I think your third question was about Primary Products in Europe, if I remember.

Pre -- anything to do with Ukraine, Russia, we were anticipating a moderation in the challenge in Primary Products in Europe, so improvement in the pricing situation and therefore, no drag on the business this year. It's a little bit early to tell how things are evolving at moment and we'll give more color to it as the year evolves, but what we are seeing, as you say, is continued pressure on corn prices. We're also seeing an increase in the price for isoglucose and also for co-products. So at the moment, those two things are balancing each other off in the near term. We'll see how that evolves as we get into the year. And then lastly, your question on net debt and post the transaction completion, I'll ask Dawn to pick that one up.

A - Dawn Allen {BIO 20429179 <GO>}

Yes. Thanks, Nick. Thanks, Martin. Yes. So from a net debt-to-EBITDA perspective post transaction, post disposal of Primient and post the Quantum acquisition, as we've said, our net debt-to-EBITDA ratio will be less than 1. And if you think about the split within that piece, we'll be carrying cash on hand and that's important to ensure that we've got the availability of cash and that we can move quickly in terms of future acquisitions. We are also obviously keeping the debt that we've currently got for two reasons. One because it's a reasonable interest rate, and the other reason is if we looked to pay down that debt, we would incur penalties. And then if we needed to raise more debt for future acquisitions, given the fact that interest rates are rising, that would likely be at higher level. But I think from a balance sheet efficiency perspective, that's something over the next few months that I will look into to ensure that we are being as efficient as we can.

A - Nick Hampton {BIO 18794378 <GO>}

Okay. Thank you, Martin. And our next question comes from John Ennis at Goldman Sachs. John, good morning.

Q - John Ennis {BIO 18291755 <GO>}

Hi, good morning, everyone, and welcome, Dawn. I've got a couple of questions. My first is coming back to the volume growth outlook for FBS into 2023, because I guess volumes sequentially slowed in the second half, particularly in the developed market part of your business, albeit impacted by comps and pricing and other aspects. But as you take another round of price increases in 2023, do you think volumes can grow again for the FBS business, both at a total level, but also for your developed market businesses? So I'm not after a range, but just a guide on whether you think volumes can be positive again this year.

And then my second question is on the topic of integrated solutions, you mentioned this as a driver of growth on Slide 25, and if we combine that component with the new product revenue, which are together effectively, I suppose your higher value-add part of the portfolio, can you give us a bit more of a steer on what the outlook is there? How big is that going to be as part of your portfolio? I know you have the new products target on a five-year view, but maybe if you combine those two components, that would be helpful, either as a snapshot of where they are now or where you're expecting them to get to? Thank you.

A - Nick Hampton {BIO 18794378 <GO>}

Sure, John. Two good questions. Look, I think on volume growth, I think we have to look at last year as a whole, let's start with that. So 5% very encouraging, probably at the high-end of where we'd anticipated being. I mean, you rightly said, different comps half one, half two. Half one very much impacted by COVID the year before. Half two, lapping a recovery, but the overall run rate remain very positive and we're seeing that in the early part of this year. So I think it's entirely possible that we're going to see volume growth this year despite all of the challenges of the sort of inflationary environment. And we'll see how things evolve through the next few months as things stabilize. So that's the sort of the headline at least without putting any numbers on it because in today's environment, I don't want to be too precise.

On integrated solutions, I mean clearly there's a big overlap between new products and solutions because you tend to find with new products that the formulation side of that is more important for customers as they understand the power of what we're doing. New products as a portion of revenue, 14% last year, 16% if you take out the Primary Products Europe business, which just gives you a sort of sense of the progress year-on-year. And I'd say, our integrated solutions business is now tipping into the sort of 20% in total of the overall business. Increasingly, what we're seeing in our pipeline for new businesses, a much higher proportion of that coming from solutions. So we're looking to see that evolve as new products grow part as of the portfolio over the next few years. How far can we get? I mean time will tell, but we're making progress and the kind of progress that's driving the kind of margin profile we want to see. And that's the focus to continue to drive that progress. And if we do that, we'll get the right balance of growth.

Q - John Ennis {BIO 18291755 <GO>}

That's really helpful. And then just to confirm, you're effectively saying maybe a third of your business, if you combine the two, given there's a degree of overlap between new products and integrated solutions is that correct? That's 20% plus 16% minus a bit of overlap?

A - Nick Hampton {BIO 18794378 <GO>}

No, I think you have to think about it more closer to the 20% than the third. I wasn't as clear as I maybe should have been.

Q - John Ennis {BIO 18291755 <GO>}

Okay. Understood. That's very helpful. Thank you both.

A - Nick Hampton {BIO 18794378 <GO>}

Okay. Thanks, John. And our next question comes from Alicia Forry at Investec. Alicia, good morning.

Q - Alicia Forry {BIO 16511988 <GO>}

Hi, good morning, Nick, and welcome Dawn. Look forward to meeting you soon. Just a couple of questions for me. Just back to the European Primary Products business. Can you talk a little bit about the efficiency initiatives that you see for that because presumably that's going to be less of a drag over time on the group? And I was just curious if you could speak to a possible time line on that? I think we would have thought FY '23 would be another tough year given inflationary pressures, but your answer to a previous question suggests perhaps it's not quite as tough, maybe a little bit more benign than we might have feared. So should we expect another leg down in profits in FY '23 on the Europe PP business?

A - Nick Hampton {BIO 18794378 <GO>}

Okay. So there are two different questions in there. Let me answer the second one first. So coming into the year, we were anticipating less of a drag from Primary Products in Europe as we started to see sugar prices improve. We're still anticipating that that's a possibility, but we need to see how the balance between corn price and sugar price evolves over the next few months. As I said, we're seeing improved pricing on both isoglucose and co-products, which is helping with the corn price increase at the moment. But certainly, less of a drag than we've seen in the past last year. The second point is about efficiency initiatives. We're working on capital programs to divert that capacity out of Primary Products in Europe into Food & Beverage Solutions. And as we do that, we'll see a reduction in the amounts of primary product that we sell in Europe and we'll shift it into a high margin business. That's going to be a two, three, five-year journey. So it gradually evolved over time. It's not going to happen overnight, but that will help with reducing the drag that you talked about.

Q - Alicia Forry {BIO 16511988 <GO>}

Thank you. That's clear. And then on the investment that you will be making incrementally into Sucralose, is that going to be occurring in FY '23 or is that for a future year?

A - Nick Hampton {BIO 18794378 <GO>}

So those investments are going in as we speak this year. We will see some benefit in terms of capacity uplift this year and then it will be fully complete for the next financial year.

Q - Alicia Forry {BIO 16511988 <GO>}

Okay. Great. If I could just squeeze one last one in and then I'll pass the mic along. Just the recent new deal -- sorry the recent acquisitions that you have made, I was wondering if you could talk a little bit about the impact they're having on the business in terms of whether revenue synergies, cost synergies, anything you can talk about with how they're--

A - Nick Hampton {BIO 18794378 <GO>}

So let me talk about the two acquisitions we did a year or so ago, so the stevia business and the tapioca business. I mean, clearly those businesses are different supply chains, so the cost synergies are relatively modest. Although, for those businesses, of course, we're selling them through our sales force, so there's no additional cost from a sales perspective. We are seeing significant synergies, especially with stevia, as we think to formulate alongside our other sweeteners. So we're seeing -- I mean, the stevia business doubled in size last year, which is incredibly encouraging and ahead of where we had our business case. And it's a combination of selling stevia solutions alone, but also stevia combined with some of our other ingredients like Monk Fruit, to provide multiple solutions for customers.

So we are definitely seeing revenue synergies as a result of that. And actually, stevia alone delivered a couple of points of revenue growth last year as part of this 18% I talked about. Then we talk about the two acquisitions we've done, very different in nature. So Quantum, which we announced today, significantly broadens our dietary fiber business by bringing FOS and GOS into the portfolio and encouragingly significantly enhances our position in China. So we're expecting from that business to get a real benefit in China because we're establishing a really strong manufacturing platform. And then alongside our other fibers, we believe FOS and GOS can play outside China as well. So we're expecting to see synergies in China and then the ability to grow it outside China.

The other deal that we announced in April, so the Nutriati, chickpea protein and flour deal, is much more about testing our ability to successfully grow in protein. And as much part of that will be how we combine the plant protein from Nutriati with our other ingredients to provide customer solutions because if you look at the ingredient label of a plant protein product, it's got a lot of the other stuff that we make in it. So we believe there's an opportunity there to create some synergies across our other platforms as well, which is really the trick for us as we continue to improve our ability to provide solutions for customers, not just ingredients.

Q - Alicia Forry {BIO 16511988 <GO>}

Thanks so much.

A - Nick Hampton {BIO 18794378 <GO>}

So our next question comes from Karel Zoete, Kepler Cheuvreux. Good morning.

Q - Karel Zoete {BIO 4452327 <GO>}

Yes. Good morning. Thanks for taking the questions. I have a couple of questions and the first one is on mix. I think at the half year one stage, we were at a mix benefit of around 7%, and for the full year, you now call out a 3% benefit of mix. So just curious how things have developed in H2 as new products just continue to be high. The second question is more on the reorganization of your R&D by integrating more closely core R&D with solutions and applications. Why is this important? What changes it how do you develop new product and go to the market? And the third one is, coming back to the acquisition in China. You mentioned it as a solution for fiber, the cost proposition. To my knowledge, it's widely used in IFCN and also as a kind of like a sugar product to replicate human milk. What are the opportunities in terms of products to -- as a fiber in other solutions in dairy and other food categories? Thank you.

A - Nick Hampton {BIO 18794378 <GO>}

Okay. So why don't I give you the headline on mix. So I think the mix benefit in the full year was around about 5 points, right, Dawn. So and we just called out the fact that three of that came from, if you like, the core portfolio, two of it came from acquisitions, so from stevia. And the reason for that is just to give some clarity. So it was really actually pretty consistent through the year. It's just we called it out slightly differently at the end of the year. I think that's fair to say, isn't it?

A - Dawn Allen {BIO 20429179 <GO>}

Yes.

A - Nick Hampton {BIO 18794378 <GO>}

So no significant shift at half one, half two. I mean you're always going to see a little bit of phasing through the year anyway. Your second question about R&D. So the importance of the reorganization in simple terms is this, which is in Chicago, we've got this innovation engine that comes up with new products, and then our application scientists, so those who understand applying those ingredients to the food matrix and to provide solutions for customers in creative categories, happens at a regional level, creating a better interface between those teams to drive faster application with customers is key.

So if you like, strengthening the link by putting those two teams together is allowing a better flow of information and that allows us to create prototypes and solutions faster for customers, which therefore, allows our innovation engine to work in a more effective way. So that's sort of -- and sort of as simple as that. And then your last question about China and the fibers business. Look, I mean we think there's massive potential to formulate with the Quantum products, the quantum fibers in our existing portfolio, which categories, and that's going to be most effective and we'll learn over time. Literally, the acquisition concluded today, but you rightly point out, we see a big opportunity in dairy. We actually think there's a big opportunity in beverage as well. And we'll learn a lot as we move forward over the next few months.

Q - Karel Zoete {BIO 4452327 <GO>}

Thank you.

A - Nick Hampton {BIO 18794378 <GO>}

So our next question comes from Patrick Higgins at Goodbody. Good morning, Patrick. We can't currently hear you, Patrick. So maybe we'll move on and come back. And next is Heidi Vesterinen from--

Q - Patrick Higgins {BIO 17720947 <GO>}

Hello, can you hear me now?

A - Nick Hampton {BIO 18794378 <GO>}

Yes. I can hear you, Patrick. That's good. Okay.

Q - Patrick Higgins {BIO 17720947 <GO>}

Sorry. Good morning, guys, and thanks for taking my questions. Just three if I may. So firstly, just on the slight slowdown in Q4. How much is -- that is just down to a top for prior year comp or is there an element of timing, I guess, with maybe some volume being pushed into Q1 of this year given, I guess, the strength of the Q3 performance as well? Second question is just on central costs. Obviously higher than expected and a big step up in H2. Could you just talk us through some of the additional investments during the H2 period that lifted that? And I guess how much flex is in that number from year-to-year depending on the momentum in the rest of the business? And then finally, you've mentioned the customer demand has been strong into 2023. How do you see that developing as the year progresses? And I guess customers look to manage cost inflation and perhaps dial down inflation? Or do you see structural trends and trying to remain relevant to consumers means that they need to keep innovating strongly?

A - Nick Hampton {BIO 18794378 <GO>}

So, let me take the first question and the last question. Maybe Dawn can pick up the central cost question. So on the quarter four, you're right, there was a little bit of slowdown in quarter four. I'm not reading too much into it at this point because any one quarter can be kind of a little bit up and down, and the timing can sometimes get in the way. We're still, as I said, seeing good customer demand as we come into the first quarter. If I link that to your sort of last question, what we're seeing at the moment is tremendous pressure on global supply chains. And customers are really struggling to acquire the materials they need to keep their businesses running and that goes right the way through to retail. So we're seeing unlimited demand for what we do, pretty much -- as much as we can ship, we can sell.

Whether that continues much beyond the next six months or so, we'll see. I mean I think it's likely we're going to see a consumer shift out-of-home into in-home that happened in the pandemic, but we still saw good demand for what we do because of the balance across channels. People will still need to eat and drink in an inflationary environment. So in the near term, we're seeing good outlook for what we're doing. In the medium term, we know that the way we've positioned the business against the growing trends of healthier food and beverage is precisely the right place to be. What we don't know yet is as we get through the summer period into the back end of this financial year and the next financial year, how that shift is going to occur.

So it's going to require us to be very agile in both in how we innovate with customers, balance between value and other innovation, and agile in the geographic mix we're going to see. But what we do know is that the medium-term demand for what we do is very strong. And I don't know, Dawn, whether you want to pick up the central cost point?

A - Dawn Allen {BIO 20429179 <GO>}

Yes. Sure. I think what's important from a cost point of view is that we've got a cost base that enables us to grow. And that is the single overriding factor. I think the other pieces are within that ensuring that we've got the right resource allocation, that our resources are allocated to the areas that will generate the most value, and also particularly at the moment that we're being responsible and that we're looking for cost efficiencies and cost optimization. And I think we'll continue to do that as we have done last year, as we move through this year.

A - Nick Hampton {BIO 18794378 <GO>}

Great. Thank you, Dawn. So we're now going to go to Heidi Vesterinen at BNP Paribas. Heidi, good morning. I'm afraid, I think you're still on mute. Okay. So I believe we've got another question from Alex Sloane at Barclays. Alex, you're back.

Q - Alex Sloane {BIO 21961825 <GO>}

Yes. Thanks for taking the follow-up. Just on the JV piece, obviously, a very challenging year for the sweeteners and starches. I wonder if you could give us a sense of maybe how much of the decline there was one-off. I think you referenced some disruption versus what we should be kind of thinking about the pro forma base to model JV prospects into next year. And then just one -- just very quick one, just on Quantum. Obviously, a leader in GOS and FOS. I did notice a couple of years ago they were talking about R&D in human milk oligosaccharides in China. I wondered if that's still an ongoing piece of research and maybe growth opportunity for that business? Thanks.

A - Nick Hampton {BIO 18794378 <GO>}

Sure. So let me pick up the JV point first. So we saw two impacts on the JV business last year. And I'm primarily talking about Primary Products in North America. We saw, as we said at the half year, some operational disruption as we put some more environmentally friendly power into one of the plants and that created some disruption that impacted the first half. And I think that number was in the sort of GBP6 million range. And then, of course, what we saw in the second half was an acceleration of cost inflation, especially in the third quarter before the pricing round. Through the pricing round, the JV or the Primary Products business, successfully managed to restore margins as a result of the right pricing discipline. So we're expecting to see a recovery from that. And the other thing we saw last year was very strong performance from the Bio-PDO JV. So we're expecting over time, as we said before, to see stable earnings out of that business and a good dividend. And we'll see how things evolve this year. We know that KPS are very focused on growing that business and we're expecting to see some recovery as a result this year.

And Alex on your second question, yes, you're right, there is still some research going on. It may or may not be an interesting opportunity for the future. I mean in the near term, we're going to be very focused on continuing to successfully grow the FOS and GOS business, and that's done really well in the last few years. So we're excited about having it in the portfolio.

Q - Alex Sloane {BIO 21961825 <GO>}

Thank you.

A - Nick Hampton {BIO 18794378 <GO>}

And I think now we're going to go back to Martin Deboo at Jefferies. Martin?

Q - Martin Deboo {BIO 15155849 <GO>}

Yes. Hi. It's a follow-up on central costs. It goes to the question that's just been asked, but I just want to come in another way. The central cost line was significantly higher than consensus was looking for, and I'm still not entirely clear what this incremental investment going through the central cost line is? And also, it just feels odd that when the business is -- the retained business is a significantly smaller scale, the central cost line is going up rather than down. I wouldn't expect central cost to pro rata down with the sales, but you'd imagine that there will be some opportunity to make savings.

So given it's now quite a material part of the profit mix, what sort of FY '23 outlook is there on central costs? And just -- can we just understand this to what these investments -- again, that's going through the central costs?

A - Nick Hampton {BIO 18794378 <GO>}

Yes. I mean, clearly, there's some investment in growth opportunities and in M&A resource. And as we think about this year, we're not anticipating an increase in central cost. One of the tasks we have now as we think about in new Tate & Lyle is, how do we look at the cost base through fresh eyes, and if you like, adjust where we put our cost to accelerate growth. That's a process that we'll go through in the next few months, and will then help us think about the future cost base of the business. I wouldn't anticipate a significantly different outlook on central costs in the near term, while we go through that work. I don't know, Dawn, whether you want to add anything to that?

A - Dawn Allen {BIO 20429179 <GO>}

Yes, nothing to add.

Q - Martin Deboo {BIO 15155849 <GO>}

Okay. Thanks.

A - Nick Hampton {BIO 18794378 <GO>}

And I think Heidi Vesterinen at BNP has another question? No. Karel, apparently you have another question, so from Kepler.

Q - Karel Zoete {BIO 4452327 <GO>}

Yes, please. You now call out that you expect to be a net zero carbon by 2050, which is I think a new statement. What's the delta here? Is that you've been selling three large plants or has that been a progress elsewhere? So what's the delta, why you can now make a statement? And how much is based on your CO_2 offsets or why do you see real reduction of emissions?

A - Nick Hampton {BIO 18794378 <GO>}

So the difference, Karel, in increasing ambition on environmental footprint is we've done a significant amount of research in the last year on our Scope 1, 2 and 3 emissions. And we're very clear we've got robust programs funded to hit the targets we set for 2030, and that's the near term for the business. Beyond 2030 as technology evolves, and we see an increased focus on carbon reduction and climate reduction for us in our Scope 3 scope, we're confident that we'll be able to get to net neutral by 2050. I mean, clearly, things are going to evolve, technology will change, regulations will change, but we've got a very solid idea of how we're going to get there to our 2030 target. So I'm pretty confident that from the research we've done, technology will allow us to deliver on the net zero commitment by 2050. So what's really changed is we've done a lot more research on it this year to lay out a pathway to get there.

Q - Karel Zoete {BIO 4452327 <GO>}

That's good. And in the factories, you've kind of sold to the JV, those are in your Scope 3, right?

A - Nick Hampton {BIO 18794378 <GO>}

Those were in our Scope 3, yes. And as part of the agreements we have in place, there is a commitment to deliver on the carbon reduction targets we'd set for those plants up to 2030 as well.

Q - Karel Zoete {BIO 4452327 <GO>}

Super. Thanks.

A - Nick Hampton {BIO 18794378 <GO>}

So I'm going to try one last time to come back to Heidi Vesterinen at BNP. Heidi, you there?

Operator

Hi, Nick. Hi Dawn. This is the operator. So I'm going to ask a question on behalf of Heidi Vesterinen from BNP Paribas. The question is, have you seen any customers switching out of corn given high prices? That's question number one. And question number two from Heidi is, given the industry's move towards broader solution-based approaches, could it make sense for Tate & Lyle to be part of a larger organization, thinking back to your earlier comment on making yourself an attractive partner for specialty ingredient companies?

A - Nick Hampton {BIO 18794378 <GO>}

So on the first question on switching out of corn, we haven't seen anything yet. We'll see how things evolve over the next few months. The second question on whether we could be part of a bigger organization, our focus very much is on the growth of Tate & Lyle. I think we've done a really great job of positioning the company for future growth with the recent divestment we've done. Alongside that, we've done four acquisitions that we're really hopeful and confident -- in fact, they're going to accelerate our growth and allow us to more effectively serve our customers.

And as Dawn said earlier, with the strength of the balance sheet and our established ability to do the right kind of deals, we're confident other things will come along. But our focus in the short term is absolutely on continuing the successful growth trajectory of the business this year, integrating the acquisitions we've done, notably the Quantum deal we did -- we announced this morning or completed this morning rather. And then navigating the short term, while seeing the exciting potential of the business for the long term.

So I think with that, we're at the end of the Q&A. So look, thank you everybody for watching and for all of your terrific questions. Just in summary, we've successfully repositioned Tate & Lyle as a growth-focused Specialty Food & Beverage Solutions business, and we're actively focused on delivering on that growth agenda. We look forward to meeting you soon and at our Capital Markets Day event later in this financial year. In the meantime, thank you for your time, and I wish you all a very good day.