Tate & Lyle Results for Year Ended 31st March 2021

Thursday, 27th May 2021

Overview

Nick Hampton

Chief Executive, Tate & Lyle

Welcome

Good morning and welcome to the presentation of Tate & Lyle's results for the year ended 31st March 2021. I hope everyone listening to this presentation is safe and well. Over the last year the global pandemic has tested our organisation in ways we have not experienced before. Across Tate & Lyle our people have worked incredibly hard to keep our colleagues safe and well, to keep our customers served and to support our local communities at a time of great need. I would like to express my personal thanks to all my colleagues for their extraordinary efforts in a very demanding year and for truly living our purpose of improving lives for generations in everything they have done.

Now I would like to introduce you to Vivid, our new Chief Financial Officer. Vivid has been with us for three months and is already making a significant contribution to the business and to the leadership team. The agenda for today's presentation is on the screen. I will start with a brief overview of the year, Vivid will run through the financial results and I will then return to review the business in more detail and talk to the outlook. Finally, Vivid and I will take your questions.

Overview

Starting with an overview of the year, despite the challenges of Covid-19 the Group delivered robust performance, demonstrating the resilience, quality and agility of the business. Food & Beverage Solutions delivered another year of strong top and bottom-line growth, while Primary Products' resilient performance was helped by a record year of commodities profits. We completed two important acquisitions and delivered double-digit new product revenue growth. Since 2018 we have delivered three years of consistent progress on our strategy, productivity programme and investment case, and built a strong platform for future growth. This progress and the strength of our business today is allowing us to explore the potential separation of our Food & Beverage Solutions and Primary Products businesses through the sale of a controlling stake in Primary Products to a new long-term financial partner. Discussions are ongoing and I will talk to this later in my presentation.

Financial delivery

Looking briefly at the financial results, Food & Beverage Solutions grew revenue by 6% and profit by 12%. Sucralose profit was 9% lower while profit from Primary Products was 5% higher. For the Group as a whole adjusted profit before tax was 6% higher and adjusted diluted earnings per share were 12% higher, helped by a lower effective tax rate. Adjusted free cash flow increased by £3 million. The uncertainty caused by the pandemic led the Board not to increase last year's final dividend or this year's interim dividend. Today the Board is recommending a 5.8% increase in the final dividend to 22 pence, with the full year dividend up 4.1%. This increase brings dividends back to a level consistent with the Board's progressive dividend policy despite the pandemic. Overall I'm delighted with our financial performance and the continued strength of our balance sheet.

Strategic delivery

Our three priorities to sharpen, accelerate and simplify our business continue to support our strategic progress. Revenue from new products increased by 21%. We stayed very close to our customers, helping to grow the value of our new business pipeline by 12%. We strengthened our sweeteners and texturants platforms with two acquisitions of high quality stevia and tapioca businesses. Our productivity programme also continues to deliver with a further $37 million delivered during the year.

Delivering on our priorities

In March last year as the pandemic took hold we set out four priorities for the year. To look after our colleagues and communities, to strengthen our relationships with customers, to continue to progress our strategy and to maintain our financial strength. With the pandemic continuing across the world, keeping our colleagues safe and well, our operations running and our customers served remains a key focus. The Global Pandemic Response Team we formed last year is still in place, as are local teams at every site. All our manufacturing facilities remained operational and we continue to stay very close to our customers to react quickly to their changing needs. Underpinning our response to the pandemic is our purpose of improving lives for generations. In these troubled times our purpose has never been more important.

Good progress on 2025 purpose targets and UN SDG priorities

Last year we announced new long-term targets and commitments to measure how we are living our purpose and I want to briefly share our progress in the first year. We made good progress on our first two purpose pillars, supporting healthy living and building thriving communities. Let me pick out just a few highlights. During the year our no and low-calorie sweeteners and our fibres helped remove 1.8 million tonnes of sugar from people's diets. By offering online nutrition education, supporting physical activity programmes and providing access to essential hygiene supplies we helped 40,000 people live healthier lives. Our target of reaching gender equality in leadership roles by 2025 made good progress. We moved from 27% to 32% with particularly good progress in our innovation team where 75% of leadership roles are held by women. I am particularly proud that we provided 1.7 million meals to people in need through our food bank partners last year. The pandemic significantly increased the level of food insecurity amongst some of the most vulnerable people in our communities. Ensuring families have enough nutritious food to eat has never been more important.

Good progress on 2030 sustainability targets and UN SDG priorities

Turning to caring for planet, our third purpose pillar. Our Scope 1 and 2 absolute greenhouse gas emissions reduced by 7%. This was largely due to our US plants in Indiana and Illinois starting to transition out of coal and use more renewable energy . Projects to replace coal boilers with more efficient natural gas-fired systems in two US plants are progressing well and we remain on track to deliver our commitment to eliminate coal from our operations by 2025. We are also working through what it will take to reach net zero carbon by 2050 and expect to have completed this work by the end of the year. We made significant progress on our waste targets. 69% of our waste was beneficially used, mostly to generate energy or as a nutrient on farms. We reduced water use by 1% in our sustainable agriculture programme in partnership with Truterra continues to progress well. It actively supports over 1,800 US farmers and covers 1.5 million acres of US-grown corn, equivalent to every acre of corn we buy globally each year. Overall then I am pleased with the progress we are making on our purpose targets and we are working to build on this momentum in the coming year.

Financial Results

Vivid Sehgal

Chief Financial Officer, Tate & Lyle

Good morning everyone. I am delighted to be here. My first three months with the company have been very positive and firmly in line with my expectations. I have been impressed by the talent we have at Tate & Lyle, the passion for driving innovation, the focus on serving our customers and our purpose being at the heart of everything we do. Equally important to me, the overall business is in a solid financial position with a strong balance sheet. I have inherited an experienced and high-quality finance team and a strong internal control environment. All of this gives me confidence coming in as CFO.

Financial Highlights

Turning now to our financial performance in line with previous presentations I will focus on adjusted measures. Items with percentage growth are in constant currency unless I indicate otherwise. As Nick said earlier, we have had another strong year. Group revenue was up 1%, profit before tax was up 6% with Food & Beverage Solutions delivering another strong year of revenue and profit growth, while earnings from Primary Products were resilient despite a challenging environment. Adjusted diluted earnings per share were up 12%, benefitting from a lower effective tax rate. Adjusted free cash flow continued to be strong at £250 million, up £3 million, and net debt was £34 million lower at £417 million. The Board is recommending an increase in the final dividend leading to a full-year dividend 4.1% higher.

Adjusted profit before tax

I will now go through the key factors driving profit growth. Food & Beverage Solutions operating profit was up £19 million, driven by strong revenue growth, good operational performance and cost discipline. Sucralose profit was £6 million lower, reflecting de-leverage from lower revenue and one-off production costs. In Primary Products profit was up £9 million, Sweeteners and Starches profit was £17 million lower, reflecting weaker demand due to the pandemic, while Commodities profit was up £26 million. Strong cost discipline has been a key feature of our response to Covid-19 and this positively impacted the performance of both divisions. Central costs and interest together increased by £2 million, mainly due to lower interest income from cash balances. The share of profit after tax from joint ventures was £1 million higher. Finally, the impact of translational foreign exchange was to decrease profits by £17 million to £335 million.

Food & Beverage Solutions

Strong top-line growth

Now let us turn to our divisional performances. Let us start with Food & Beverage Solutions. Volume was 3% higher. Revenue was 6% higher and profit grew by 12%, driven by good operational performance and cost discipline. Taking a look at our regions, in North America top-line momentum continued with volume up 4%. The pandemic caused significant changes in demand patterns earlier in the year with strong demand from ingredients used for in-home consumption offset by weaker out-of-home demand. The North American food and beverage market moved into low single digit growth during the year with strong customer service and good performance across categories such as beverage, confectionary, nutrition and bakery helping us to grow ahead of the market. Revenue was 6% higher, benefitting from good mix management. In Asia, Middle East, Africa and Latin America volume increased by 2% while revenue increased by 7%, benefitting from good price and mix management, especially in Latin America which benefitted from US dollar-based pricing. In Europe volume increased by 4% and revenue increased by 2%. Mix was impacted by strong texturants demand for ingredients used for bulking in cost optimisation mitigated by higher stevia and clean label texturants demand. Revenue from new products was up 21% and now represents 14% of Food & Beverage Solutions revenue, up 2% from last year.

Sucralose

Robust demand

Turning to Sucralose, volume was in line with the prior year with revenue 2% lower, reflecting customer mix and pricing pressures. Further modest pricing pressure is expected to continue in the 2022 financial year. Profit at £55 million was 9% lower, reflecting the de-leveraging impact of lower revenue as well as one-time costs of higher production.

Primary Products

Resilient performance

Moving to Primary Products which also includes Commodities. Total volume was 5% lower and profit was 5% higher. Sweetener volumes were 7% lower with significantly reduced out-of-home consumption during lockdowns in North America impacting consumer consumption patterns. As the year progressed out of home consumption started to recover but demand remains below pre-pandemic levels. The 2021 calendar year bulk sweetener pricing round was more competitive than in previous years, delivering slight unit margin compression which we expect to mitigate with our ongoing productivity programme. Industrial starch volumes were 6% lower. The pandemic resulted in lower demand from the paper industry following the closure of many schools and offices. This was partially mitigated by higher demand for starches used in packaging. Profit from sweeteners and starches was 13% lower with strong cost discipline, particularly in our operations, mitigating some of the impact of lower volumes. Adverse US winter weather increased costs by £6 million in the last months of the year. Profits were helped by transactional foreign exchange benefits in Latin America which mitigated the loss of profit from the Savoury Ingredients business we exited in the prior year. Commodities profit was up £26 million. This was due to significantly higher co-product recoveries from good market conditions including increased market demand and strong prices across our co-products, particularly for corn oil.

Central, Interest, Joint Ventures, Taxation and Exceptional Items

On this slide we show the remaining components of profit before tax. Central costs were in line with the prior year. Net finance expenses were £2 million higher, reflecting lower interest income on cash balances, higher borrowing cost following the issue of $200 million of new private placement debt in August and the loss of finance income following last year's pension buy-in. The Group's share of profit after tax of joint ventures was £1 million higher, principally due to higher profit in Almex, our joint venture in Mexico. Almex saw weaker sweetener demand due to the pandemic which was offset by transactional foreign exchange benefit of £4 million. The effective rate of tax was 360 basis points lower at 14.3%, reflecting the release of provisions for which tax liabilities did not materialise and US tax credits recognised in the year. We expect the effective tax rate for 2022 financial year to be higher than this year. Turning to exceptional items we recognise net exceptional cost in profit before tax of £42 million. This comprised a £20 million charge relating to our $150 million productivity programme and a charge of £19 million mainly for professional fees for the work we are doing to explore the separation of our two businesses.

Productivity and cost discipline

Our productivity programme to deliver $150 million of benefits over a six-year period to March 2024 remains on track. We delivered a further $37 million of benefit in the year bringing the total over the first three years of the programme to $124 million. The cash cost of generating these benefits for the three years to-date is $48 million. These benefits come from a range of areas including supply chain efficiency improvements, our continuous improvement programme, capital investments to reduce energy costs and SG&A savings. During the year we took steps to significantly reduce cost to mitigate the financial impact of lower demand. Actions taken included reducing discretionary costs such as travel as well as freezing recruitment. These actions benefitted both business units.

Strong balance sheet and cash management

Turning to cash flow and the balance sheet, cash management remained strong. Adjusted free cash flow was £3 million higher at £250 million. This was due to higher earnings, lower retirement benefit contributions and lower capital expenditure, partially offset by the impact of higher corn prices on working capital. We expect capital expenditure for the 2022 fiscal year to be between £180 million and £200 million, reflecting higher Food & Beverage Solutions growth capacity, part of which relates to our recent stevia and tapioca acquisitions. Net debt decreased by £34 million to £417 million and our net debt to EBITDA ratio is slightly lower at 0.8x. We continue to strengthen our balance sheet. In August we issued $200 million in US private placement debt at an average coupon of just below 3%. We extended our committed but undrawn revolving credit facility twice this year. In May we extended the maturity of the $800 million facility by one year to 2025 and in March we extended the maturity of $700 million of this facility by a further year to 2026. As a result, we have a strong liquidity headroom with access to more than $1.3 billion through cash on hand and our revolving credit facility.

Robust financial delivery

In summary, we delivered a robust financial performance with adjusted profit before tax up 6% in a challenging environment. Both business divisions performed well with strong revenue growth in Food & Beverage Solutions and steady earnings from Primary Products, supported by excellent productivity and cost discipline. Diluted earnings per share were up 12%. Cash management was good and the Board is recommending an increase in the final dividend of 5.8%. Overall we remain in a good financial position with a strong balance sheet providing organic and inorganic optionality and a solid platform on which to execute our strategy.

Business Review and Outlook

Nick Hampton

Chief Executive, Tate & Lyle

In this section of the presentation I am going to focus on three areas. Our progress over the last year, our outlook for the coming year and our progress over the last three years. Let us start with our progress last year.

Food & Beverage Solutions

Food & Beverage Solutions delivered another year of positive top-line momentum. The work we are doing to collaborate more with our customers and to become their innovation growth partner is progressing well. This is showing through our financial results. We are also making good progress expanding our portfolio and our presence in the higher-growth markets of Asia.

Using technology to strengthen customer connectivity

Staying close to our customers and supporting their growth plans has been a key priority this year. Given the restrictions on travel and face-to-face meetings, we had to find new and creative ways to support and connect with our customers. Our bespoke webinar series on topics like sugar reduction and plant-based ingredients, our virtual prototypes tasting sessions and video links of our application labs were so successful that our technical team's interactions with customers increased by 44% during the year. As the world opens up we will continue to use virtual platforms and technology to work closely with our customers. We also accelerated the launch of online tools to support our customers. In February we launched our Fibre University, an online course designed to help food scientists solve difficult fibre formulation challenges. This followed the launch of our Sweetener University last July, one year earlier than originally planned. All these actions helped increase the value of our new business pipeline by 12%.

Accelerating innovation to support customers

New products

We continue to see strong traction for new products launched from our innovation pipeline. Revenue was up 21% with double-digit growth in both our sweeteners and texturants platforms. We launched 13 new on-trend products during the year, including clean label tapioca starches which provide enhanced mouthfeel in categories such as dairy, soups and sauces. We also launched five new stevia sweetener solutions to enable sugar replacement in a range of categories. Overall the risk-adjusted value through our innovation pipeline grew by 18%.

Launched new concepts to support customers

Innovation is not only about new products but also about finding new ways to engage with customers. During the year we launched a series of new online concepts such as our 'Collaborate at Home Kitchen' in North America, an engagement hub where customers can interact with Tate & Lyle experts to explore consumer trends in food and drink. In February we launched our Tate & Lyle Nutrition Centre which is a website providing customers and health professionals with easy access to expert insights, research and educational tools. The aim is to increase awareness of evidence-based science for ingredients including low and no-calorie sweeteners and dietary fibres and their role in a healthy and balanced diet. We also introduced a new prototype pantry concept and I want to give you a real-life example of this in action.

Integrated solutions for customers

North America

In North America we continue to target new business in attractive subcategories. One subcategory is low net carbohydrate ice cream. Last year we started discussions with a customer who wanted to reformulate their low net carb ice cream to use an alternative fibre and improve its mouthfeel. Using our prototype pantry approach we created several ice cream variations to optimise the formula and meet our customer's requirements. The solution used in the consumer products shown on the screen features a blend of our stabilisers, DOLCIA PRIMA allulose, PROMITOR fibre and PUREFRUIT monk fruit extract. This is a great example of how we are using new concepts to engage with customers, to show our capabilities in specific product categories and win new business. This integrated solutions approach is also helping us increasingly become the chosen growth partner for our customers.

Asia, Middle East, Africa and Latin America

In the markets of Asia, the Middle East, Africa and Latin America we continue to see good top-line momentum and opportunities for future growth. We established this new region in October to accelerate building our presence in these higher-growth markets. Similar to North America, we are implementing a solutions approach in these regions. Under the leadership of Andrew Taylor, formerly our President of Innovation & Commercial Development, we are building capabilities to address key customer challenges in our growth regions. This includes increasing our investment in category and consumer insights and strengthening our applications and solutions expertise. We have made a good start. Last year our customer-facing applications teams across these regions increased by 25%. We are also investing in strengthening our infrastructure in the region. We are further expanding our applications lab in Singapore and we will be opening a new applications lab in Dubai this summer, taking our network of labs across these regions to 13.

Portfolio expansion

Acquisitions

The two important acquisitions we completed this year add new solutions to our customer offering for Food & Beverage Solutions and expand our presence in Asia. In November we acquired the outstanding majority shareholding in Sweet Green Fields, a leading global stevia solutions business. This acquisition brings a fully-integrated stevia supply chain, including leaf sourcing and established agricultural programmes, as well as a dedicated production and lab facility in China. It also strengthens our sweetener platform as stevia is one of the fastest-growing low-calorie sweeteners, particularly in beverages, dairy and snacks.

In February we completed the acquisition of an 85% holding in Chaodee Modified Starch, a speciality tapioca food starch business in Thailand. This brings us new tapioca capabilities and raw material sourcing expertise, strengthens our texturants platform and expands our customer offering in categories such as dairy, bakery and noodles. It also establishes a dedicated tapioca facility in Asia which we intend to invest in to significantly increase capacity. As well as broadening our solutions offering both acquisitions also help us diversify from corn.

The integration process for the two businesses is proceeding well and we are delighted to welcome them to Tate & Lyle.

Pandemic is accelerating consumer demand for healthier food and drink

The pandemic has caused major changes to the way we live, view our health and how we eat and drink. Consumers today are even more concerned about their wellbeing and are looking for a healthier diet. They want more sugar- and calorie-reduced products with improved mouthfeel and taste. There is also growing demand for more plant-based options and foods that help build immunity. These trends have been accelerated by the pandemic and with governments across the world increasingly focused on the importance of diet and health, these trends are here to stay. Food & Beverage Solutions is very well-placed to benefit from these trends. We have leading expertise in sweetening, mouthfeel and fortification. Our unique portfolio helps to remove sugar, calories and fats and add fibre to consumer products across the world.

Technical capabilities supporting customer reformulation and launches

These technical capabilities are helping to drive strong growth. Last year in sweetening revenue from products supporting sugar reduction, excluding Sucralose, was up 32%. In mouthfeel our range of clean label texturants delivered revenue growth of 23% and in fortification revenue for our soluble fibres, which reduce sugar and provide nutritional benefits such as digestive health, grew by 16%. These capabilities are what gives Food & Beverage Solutions its inherent strength and make it a business very much fit for the future.

Primary Products

Steady earnings

Turning now to Primary Products, it is to the great credit to the Primary Products team that they managed to mitigate the impact of the pandemic and deliver profit growth in such a challenging environment. This was delivered by excellent cost management, good operational and supply chain performance, a focus on customer service and strong commodities performance. Primary Products also benefitted from the single-minded execution of the strategy it had in place for a number of years to deliver steady earnings by focusing on portfolio optimisation to maximise margins, increasing operational efficiency and diversifying capacity towards new and growing markets.

Core markets are stabilising

At the start of the year in April and May demand was impacted by lockdown in the US as restaurants, bars, cinemas and sporting venues were all closed. This led to a significant reduction in demand for sweeteners used in products consumed out-of-home. The closure of schools and offices and the associated reduction in the use of paper also led to lower demand for industrial starch. From June onwards lockdowns eased and demand improved. For sweeteners demand remains below pre-pandemic levels although we expect it to strengthen during the 2022 financial year. For industrial starch demand for printing and writing also remains below pre-pandemic levels. However, demand for starches used in packaging continues to grow and I will talk about this in more detail shortly. Commodities delivered a record year of profits helped by strong pricing for co-products and in particular higher demand for corn oil as the pandemic increased home cooking.

Solid performance in core business

Primary Products

Primary Products has a clear strategic focus to optimise mix, increase operational efficiency and leverage its technical expertise. Let me give you an example for each area. Our dextrose sweeteners can be used in different ways to optimise mix, including in the green chemistry space as a surfactant or detergent in a range of industrial applications. Turning to operational efficiency, at our acidulants facility in Dayton, Ohio we recently completed a project to beneficially use waste water to create biogas. This biogas is used as a renewable energy source for one of the facility's boilers. This is providing over $1 million of benefits and also helping to reduce the site's carbon footprint. Our industrial starch team continues to leverage their technical expertise and customer intimacy to generate new business. For instance, last year they worked with a customer to produce a new highly functional starch to improve the strength and application of its adhesive tapes as it looked to meet the surge on online shopping and home delivery.

Good progress moving into growing markets

Industrial starch

The packaging market is a good example of our strategy of diversifying from declining markets such as printing and writing into growing markets such as packaging. This was particularly beneficial last year as the impact of the pandemic led to the volume of starches sold into printing and writing to decline by 20% while a surge in online shopping helped volume from packaging grow by 19%. Our industrial starch team developed solutions for different subcategories within the packaging market, all of which experienced growth during the year. General packaging for cardboard boxes increased by 9%. Food packaging increased by 25% and high-end specialty packaging for boxes used for technology goods increased by 12%. With consumer demand for more functional and sustainable packaging increasing our extensive portfolio of plant-based and highly functional starches means we are well-placed to benefit from this trend.

Continue to explore opportunities for further diversification

Primary Products

Packaging is not the only diversification opportunity Primary Products is pursuing. We are constantly looking to take advantage of growth opportunities in our existing markets and to enter new markets, particularly to address the trend for renewably-sourced products. Examples of existing markets include using sweeteners as feedstock for fermentation and the use of starches in building materials ad adhesives. Starches for adhesives grew volume by 16% last year. In new markets we continue to work with formulators on our TEXTURLUX personal care additives. These are a range of bio-based specialty polymers for skin, hair and sun care applications available in North America. Then there is our Bio-PDO joint venture and the opportunity to replace fossil fuels with bio-based products in many different markets, including clothing and liquid detergents. Overall then I continue to be pleased with the progress of both Primary Products and Food & Beverage Solutions. Both businesses performed well during the year, demonstrating the strength of their respective strategies and their operational resilience.

Near term priorities remain unchanged

Looking now to the year ahead, with the pandemic continuing the priorities we set out at the start of last year remain our near-term focus. We will continue to support our employees and local communities, strengthen our relationships with our customers, progress our strategy and maintain our financial strength. We will also continue to adapt to and embrace the new business environment and ways of working and to invest in the business to ensure we emerge from this period an even stronger business.

Outlook

Moving to the outlook for the year ending 31st March 2022, despite the continuing impact of the Covid-19 pandemic we expect Food & Beverage Solutions to deliver another year of progress and Sucralose to see further modest pricing pressure. In Primary Products sweeteners and starches to return to growth as out-of-home consumption recovers and for Commodities profits to be significantly lower. We also expect to deliver further productivity benefits. With overall positive momentum we expect growth in Group adjusted operating profit before Commodities to be in the mid-single digit range in constant currency. Reflecting significantly lower Commodities profits and an increase in the adjusted effective tax rate, Group adjusted diluted earnings per share are expected to be lower than the prior year in constant currency.

Purpose-led business delivering on strategy and investment case

Turning now to our progress over the last three years. In May 2018 I set out our investment case for Tate & Lyle. Since then we have built a purpose-led business with a strong platform for growth. Underpinned by our sharpen, accelerate and simplify priorities, both businesses have delivered on their strategy. In Food & Beverage Solutions we have created a successful innovation model, significantly strengthened our technical capabilities and expanded our portfolio through new products and acquisitions.

In Primary Products the core business has performed well and we have made good progress diversifying into new and growing markets. We have instilled a culture of operational discipline and productivity with more agility and ambition. At the same time we have significantly strengthened the balance sheet and delivered on our investment case for both businesses and Tate & Lyle as a whole.

Food & Beverage Solutions

Top-line and bottom-line growth

Looking briefly at each business, Food & Beverage Solutions has delivered what we said it would: consistent top-line and bottom-line growth. Over the last three years revenue has increased by a compound annual growth rate of 4%, adjusted operating profit has grown by 11% and revenue from new products has grown by 18%.

Sucralose

Managed for cash

Following a strategic reset in 2016, Sucralose has performed well. It is seen as a core sugar reduction ingredient by many of our customers and while excess capacity remains in the industry demand continues to grow. It remains an important ingredient in the sweetener toolbox of our Food & Beverage Solutions business.

Primary Products

Steady earnings

Primary Products has also delivered what we said it would: steady earnings with a compound annual growth rate of 3%. A combination of longstanding customer relationships, a focus on operational efficiency and cost discipline and an innovative approach to value creation including the targeting of new markets, makes this a strong and resilient business.

Delivering on investment case

Attractive shareholder returns

Looking at the Group as a whole in May 2018 we said that over time we expected growth in earnings per share in constant currency to accelerate, for organic return on capital employed to improve and for strong cash generation to support our progressive dividend policy. Over the last three years diluted earnings per share has increased by a compound annual growth rate of 8%. Return on capital employed has increased by an average of five basis points each year and the dividend has been increased by a compound annual growth rate of 2.4%.

This progress and the strength of the business today has provided the opportunity to explore the potential to separate our Food & Beverage Solutions and Primary Products businesses through the sale of a controlling stake in Primary Products to a long-term financial partner. This transaction, if concluded will create two businesses, Tate & Lyle focused on food and beverage solutions and a global leader in sweetening, mouthfeel and fortification; and Primary Products, a leader in plant-based products for the food and industrial markets with a new investor with a strong appetite to develop and grow the business. We continue to successfully execute our strategy and remain confident in the future growth prospects of the company. However, the Board and I believe that a transaction of this nature would enable Tate & Lyle and the new business to focus their respective strategies and capital allocation priorities and create the opportunity for enhanced shareholder value. Discussions with potential new partners for Primary Products are ongoing and there can be no certainty that a transaction will be completed. We will make further announcements when appropriate.

Summary

In summary, the past year has been like no other and it has been amazing to see the passion of our people living our purpose every day and delivering for our customers. I am so proud of all of them. Despite all the challenges we have continued to progress our strategy, deliver productivity, enhance our financial position and build a strong platform for future growth. Looking ahead our priority is to continue to deliver our strategy and our investment case. The pandemic is accelerating consumer demand for healthier food and drink and our unique portfolio, customer focus and operating capabilities mean we are well-placed to benefit from this trend. Whatever the outcome of the current discussions, I am confident that the future growth prospects of our company remain strong. I would like to finish by thanking everyone at Tate & Lyle for all the hard work that made last year's results possible and for their unbelievable resilience. So many have gone beyond the ordinary call of duty and for that I am truly grateful.

Live Comments

As I said earlier, the past year has demonstrated the strength, the resilience and the agility of our business with [inaudible] profits higher, Food & Beverage Solutions delivering strong top-line momentum, notably accelerating in the second half. As a result the Board has recommended an increase of the full year dividend of over 4% so a really strong platform for us to grow from. With that, Vivid and I would be happy to take your questions.

Q&A

John Ennis (Goldman Sachs): Good morning everyone, thanks for taking my question. Nick, I wondered if you could start with the Primary Products potential separation. Can you help explain the practicality of any potential separation in terms of dividing the factory footprint? Would all the FBS production shift to the Sagamore facility or would you operate some form of shared operations? I appreciate it is quite early to comment but some colour there would be helpful. Then I wanted to ask about the mid-single digit EBIT growth guidance as my second question. I think if you look into the presentation you have flagged a £6 million one-off from a Primary Products disruption in North America. Obviously if you apply a mid-single digit growth to your EBIT ex Commodities, that is around £14 million or so of increased EBIT meaning a reversal of the £6 million one-off would be almost half your EBIT growth and would imply a low-single digit growth on an underlying basis. Is that the right way to think about it and can you maybe detail why you are only forecasting low-single digit growth on the underlying base excluding that £6 million one-off? That is my second question. Thanks a lot.

Nick Hampton: Sure John, thank you and good morning. Let me take your first question first. Obviously it is very difficult for us to comment too much on the transaction at this point. Conversations are ongoing with interesting parties and we will update the market in more detail. However, what I will say is because of the nature of the proposed transaction we have done a lot of preparatory work to understand the practicalities of separation, including looking at how the plants would operate under separate ownership, including looking at the kind of long-term supply agreements that would satisfy both businesses. We are very confident that we have got practical solutions that could work. Of course as things evolve we will update you as appropriate.

If I take your question on forecasting EBIT for this year I think what we said very clearly is we are going to see another continued strong year of progress on Food & Beverage Solutions. Encouragingly we saw accelerating momentum in the second half so revenue growth was stronger in the second half than the first half and we are seeing that momentum coming into this year. We are expecting a similar kind of momentum on that side of the business. We will probably look to reinvest a little bit in growth as we return to a more normal working pattern. On Primary Products we saw better momentum in the second half. We are seeing good momentum again as we come into the year and it is a little bit early to see how demand in Primary Products is going to evolve until we see how lockdown eases in the US. Yes, we are lapping the one-off in the second half of the prior year because of the winter issues but net/net we think we are going to see good progress on both businesses with Sucralose as we guided as well continued momentum with similar kind of top-line and a little bit of pricing pressure. When we add all of that up, at this stage we think the mid-single digit guidance is about right and we will continue to evolve our thinking as we see how lockdown eases in the US. That is really the critical factor for us.

Vivid Sehgal: I think Nick, what you have said is absolutely right. There is still some degree of uncertainty. What I would say though is that the focus on the productivity culture as well as the cost discipline in the company is very strong. I think that is a foundational strength of this company. As we do emerge from the lockdowns and come out of the pandemic the one thing we are not going to change is the focus on cost, on discipline. Really we have a balance sheet to support all the investments that we want so I think Nick put it in exactly the right way. We should be thinking about this. We are being absolutely focused on cost discipline and cost control.

John Ennis: That is very helpful. Thank you both.

Alicia Forry (Investec): Good morning Nick and Vivid. My questions are one, seeing as you are looking to maximise the value of the portfolio that you have, I wonder if you could touch again on the strategic rationale for keeping Sucralose in the ongoing business? Then secondly it sounds like the standalone FBS will likely be expected to shoulder some additional costs post the separation. To create value clearly M&A will be needed or some form of organic expansion. Can you touch on what the backdrop looks like for that at the moment? Thank you.

Nick Hampton: Sure. Maybe let me take the second question first and Vivid you could maybe pick up on the first one. Clearly this move creates a more focused Food & Beverage Solutions business which is exciting because of our ability to unlock that growth potential, especially in the areas of sugar reduction and added goodness into food as we see those trends accelerated as a result of the pandemic. We have strengthened our portfolio last year with two key acquisitions in stevia and tapioca to help with that and those businesses are doing really well in the early days. We are seeing really good demand for stevia and the tapioca businesses being integrated well. From an M&A perspective that is the kind of thing we want to continue to do. Maybe looking for bigger deals alongside it but it really is about strengthening our core portfolio because that is what makes the business strong. That ability to formulate across sweeteners, texturants and fibres. The stronger we can make those product platforms the better, which really links to your first question about Sucralose. Sucralose is a key ingredient of our sweetener toolbox. It is still the most formulated artificial sweetener out there and it is a key weapon for us in supporting our customers' growth agenda.

Vivid Sehgal: Let me just take the question on the cost that came through. It is a fair question but first of all the deal is not complete. We are still, as you saw, in negotiation so that is a positive sign. However, what I would say at this point in time is that obviously the partners that potentially we are working with at this level are a different framework to the company of Tate & Lyle in the public framework. Naturally that could conclude that there will be additional costs that will stay with our company but I think we are going to be very thoughtful around if successful how we deal with that. As you said perfectly, it will depend on both our organic as well as inorganic potential opportunities that we have going forward. This is in our sight and it is something we think about but at this point negotiations are going well. We are thoughtful on the process and we have a very bright future going ahead right now.

Alicia Forry: Great, thank you.

Martin Deboo (Jefferies): Morning everybody. Morning Nick and Vivid, a couple of questions on the core business. First one is around allulose. There have been press reports that you are effectively sold out of allulose. Interesting given you have been quite quiet about it for a few years. Are those reports accurate? Can you give me some sense of materiality and growth on allulose? Then secondly you will not like me asking but I have to ask about the co-products. Clearly you have hedged the guidance around the co-products for understandable reasons but maybe the question I can reasonably ask is what are your planning assumptions on the Commodities line around on one hand co-products, secondly ethanol and thirdly corn bases? What is built into your planning assumptions on the Commodities line in FY22?

Nick Hampton: Martin, let me take the allulose question first. We have seen an incredibly strong pick-up in interest in allulose in the markets where it has received regulatory approval. That is a really good thing. It has been quite a slow process of building conviction in allulose. We are really seeing that explode in the near-term and I think that is a reflection of some of the trends we are seeing in the world around us. As a result, we have got lots more customers working with us on it and it is becoming more important to our business. As part of that process we are looking at how we add capacity in the right way. Now that we have seen this resurgence of interest it is going to be exciting for the medium-term. It will not have a hugely material impact on this year but it clearly is helping with the growth. As you know, we saw new products growing by over 21% last year which is very important for the mix of the business.

On Commodities, I always say this at the start of the year, it is difficult to predict. What I can tell you is coming into the year we are still seeing strong recoveries from co-products. We are still seeing a normal programme on basis and we will continue to update the market as we go on. However, the early signs are that co-product recovery will remain strong at least in the near-term.

Vivid Sehgal: First of all I want to congratulate the team who have done an outstanding job on Commodities. I think you have seen the numbers for this year. They are at record levels and that is actually a great team effort. I would just add in terms of Commodities, as Nick said, we do see a strength continuing on but we do think the market dynamics will change and we do not expect the market to carry on at the same level that it is now. We are thinking about a Commodities number of greater than £20 million at this point and we think that is a fair reflection and is included in our current guidance.

Martin Deboo: Okay, thank you very much.

Alex Sloane (Barclays): Hi, morning all, a couple of questions from me. Firstly I wondered if you could quantify the discretionary cost reduction benefit that you talked about in FBS and Primary Products in the year just gone and to what extend you are expecting those to reverse in your guidance? Then in FBS you did highlight a nice pipeline both on innovation and also new business development in terms of the value of those pipelines, both up double-digit. You talked about allulose just there but I was wondering, is there any particular geographic focus or technology ingredient focus that is behind that or is that fairly broad-based? Then finally if I can just squeeze one in, on the transaction obviously £19 million of spend is 7.5% of annual free cash flow so clearly you would not have gone this far without a relatively high degree of confidence that this potential transaction could be a realistic prospect. I wonder if you could maybe in terms of the asset separation touch upon a bit further in terms of what has changed that made you think that this could now be possible whereas in the past maybe these assets might have been seen as too interconnected? Thanks.

Nick Hampton: Alex, good morning. Let me take your last question first. The reason for contemplating the transaction at this point is rightly, as you say, we have done a lot of work on this because it is important to get it right. We have worked over the last three years to build two very strong businesses, both with very strong management teams and now we think is the time to execute something like this because of the operational strength in the business and the potential future for both businesses to grow and thrive. It is all of the hard work that has been done over the last three years that has given me and the Board conviction that this is the right time. As I said, conversations are ongoing. We will see how those evolve and we will update you as things move forward. On new products the encouraging thing is that it is broad-based. It is not any one single item so we are seeing really strong growth in our sweetness portfolio. Notably driven by stevia, the acquisition we just made and allulose we have just talked about. However, we are also seeing very good growth on our clean label starches, very on trend, and also in our fibres portfolio. We have got multiple weapons in the arsenal, rather than it being one big piece of new product development. That gives us optionality clearly.

From a geography perspective it is broad-based as well. Typically in our growth markets we see more innovation because we have got a bigger stable business in North America but it is geographically dispersed as well. The fact that it is across the world and it is a number of products gives us confidence in the future. I have to apologise, I forgot what your first question was.

Vivid Sehgal: Maybe I can. The first question was around the really important subject of productivity. In my short period here what I have realised is a $37 million productivity programme in a year has put us well-ahead of our six-year programme. Nearly a $124 million of benefit and the question what we see about the future there. What is important is that that is giving us a huge amount of opportunity to actually reinvest in future growth opportunities. If the question was, how do we see that going forward, that goes forward with the same passion and the same culture that we have had before. We raised the target last year from $100 million to $150 million and that has given us a real opportunity to go back and reinvest in future growth as Nick said, in terms of the key products that we have.

Nick Hampton: Alex, I think actually you also asked about discretionary cost benefits last year and they were not insignificant. What we did do in the second half, we did reinvest some of that in the key growth areas. I was thinking about the overall benefits of discretionary costs on a like-for-like basis being +/-£10 million for last year after reinvestments. Obviously some of that will flow back this year as we start to return to a more normal working pattern as hopefully the pandemic abates across the world.

Alex Sloane: Very clear, thank you.

Karel Zoete (Kepler Cheuvreux): Thank you for taking the question. Again, I have a follow-up question on the [inaudible] Primary Products business and then [inaudible]. With regards to the £20 million on advisory costs, you already briefly touched upon it but it is a lot of money. Basically, where did you need really advice from external parties? Actually what is the money being spent on? [Inaudible] also suggest that it has been something you have been working on in the last one or two months. That is the first question. Then on the remaining business, you have done two add-on acquisitions at FBS this year. Is that pure luck[?] that the progress or speed at which you were able to make these deals has picked up or have you organised yourselves differently? In general I think [inaudible] produce M&A capability within your team. Then the third question is on the price mix part in FBS in H2. It seems to be picking up quite nicely in the second half of the year. Is that due to price increases or did the rapid growth of new products also remain a material contributor? Thank you.

Nick Hampton: Let me take your questions in turn. Firstly, on the cost associated with the transaction, we have been working on this for a significant period of time because, as I said earlier, we want to get it right. We have been working on it in a number of areas. Firstly, what would the operational separation look like? Physically how would we run the operation as two separate companies. Secondly, then what are all the legal agreements that go around that to ensure that both companies are incentivised to work well together? That is incredibly important. Then thirdly of course there is a bunch of work to do on things like financial separation. This is a significant undertaking and therefore we have spend proper time preparing for it, even before engaging with potential partners. That is what that is all about.

Your second question I think was on about M&A. It is great that we did two significant transactions last year. That is a product of hard work over a number of years to build the capability. We have stepped up our M&A capability internally recently with the hire of a very senior head of M&A who is very involved in the current transaction we are contemplating. That is a conscious effort to step up capability to make sure we can continue to make progress over the next six months and beyond. Then I think your third question in terms of mix and mix acceleration, it is a combination of very good commercial management of mix on the base business, aligned with price realisation on new products. We have always said that bringing new products to market is about improving mix and it is about driving volume growth in the right areas as well with the right customers. It is all of that commercial discipline and innovation capability coming together at once to serve the trends in the world that will be our friend going forward. The trends that we saw pre-pandemic are accelerating and we think they are here to stay.

Karel Zoete: Thank you.

Chris Pitcher (Redburn): Thank you for picking up one more question. Morning Nick and Vivid. A couple of questions, actually. On SGF, trying to understand the volume impact that had on your numbers in the year just gone. Looking out to next year you said the business would have had revenues of £41 million and would have been breakeven but part of your capex step-up appears to be investment in SGF. Could you remind us how much capex needs to go into SGF and will it keep it loss-making in this fiscal year? Then a final question, in terms of the minority stake you are looking to keep in the Primary Products business, you talked about alignment between the two parties. Is that a necessary part of the negotiations from your side or is it more from the buyer's side? If you can give any colour on that? Thanks.

Nick Hampton: Let me start with SGF. As I said, an incredibly important transaction for us. It actually has more impact on our revenue growth because it is actually a relatively light product compared to many others. However, it had a point or so's impact on revenue growth last year. That will step up a little bit this year as we think about the future. It is already profitable so we are making money on SGF and the capital investment that we are going to make to scale the business is not significant so it is not going to take us anywhere near into a loss-making position. We are making good margins on stevia and we will look forward to doing that going forward as well.

On your question on Primary Products' potential partner, it is really important for us that we find somebody who believes in the future growth potential of that business and is prepared to invest alongside us to execute the strategy that we think will drive accelerated growth in the right kind of partnership. Getting the right partnership is as important as getting a partnership at all. That is a consideration for both sides frankly as we think about the nature of the transaction.

Chris Pitcher: Thank you.

Heidi Vesterinen (Exane BNP Paribas): Morning, I have two additional questions on the transaction. First, could you discuss what the attractions of PP would be for a potential partner? I am wondering what someone could bring that you have not been able to achieve on your own. Then second, in the release where you discussed the £150 million productivity programme you discussed reclassifying £12 million of cost relating to the separation. Could you explain what these costs relate to? Is it [inaudible] separate from the advisory fees that we have talked about already? Thank you.

Nick Hampton: Let me take your first question on Primary Products and then maybe Vivid could take the second question. The attraction of the Primary Products business is it is a stable, strong, cash-generating business with great long-term customer relationships. It generates very significant cash in a market that is stable and we are finding ways to build margin growth into. On top of that we believe that business has a potentially attractive future in, let us call it more bio-based materials. If you think about our Bio-PDO JV which is already serving markets like the clothing market and the personal care market with bio-based carriers for things like cosmetics there is no doubt there are growth opportunities there. Finding a partner who can help bring operating capability in that area and increased investment appetite for the business is really where the attraction comes for us and for any potential partner.

Vivid Sehgal: The reclassification is effectively originally we recorded costs that were related to our separation programme in restructuring and therefore we actually have reclassified those back into separation costs. That is really all that is. Within the numbers of £19 million that you have seen, part of that is the reclassification.

Heidi Vesterinen: It sounds like you are makings structural changes in preparation for this sale then. That is what I understand. Thank you.

Nick Hampton: Thank you all for your questions. As I said earlier, we are very pleased with the progress the business made last year, both financially, strategically and importantly in delivering on our purpose objectives that we have not talked much about on the Q&A session today but as we focused on both the business and the transaction. We are very excited about the future of the business and we will update you appropriately as things evolve. Thank you for your time today and enjoy the rest of the day.

[END OF TRANSCRIPT]