

# Morgan Stanley Global Consumer Conference

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15 November 2011, New York



# Tate & Lyle has a long and varied history...

## 1921 - 2011

### Sugar

1921-1970

- Tate & Lyle formed in 1921
- Core business sugar refining and trading



### Corn processing

1971-2000

- Invested in Amylum – EU corn processing
- Invested in Staley – US corn processing



### Speciality Ingredients

2001- 2011

- Developed speciality ingredients offering
- SPLENDA® Sucralose commercialised
- Acquired speciality ingredients businesses



## Strategic challenges identified in 2009/2010

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- Different markets with different characteristics and different needs
  - solid competitive position in some areas
  - follower in others
- Inconsistency between strategic intent and investments
- Limited exposure to / focus on longer term growth avenues
- Relatively large exposure to commodity markets

***Need  
for clear  
choices  
and focus***

## Operational and organisational challenges

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- A legacy operating model
  - inefficient
  - complex
  - constrained delivery
- Weak operating disciplines and processes
- Dated, non-standardised IS/IT infrastructure
- Some key organisational skill gaps
- Too many 'silos' vs. a strong, common culture

***Some  
major fixes  
were required***

## What action did we need to take?

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1. Need for a clear, focused strategy
2. Need for the relevant operating model, disciplines and capabilities
3. Need for creating a platform for sustainable, long-term growth



**Focus, Fix, Grow**

# Business transformation through Focus, Fix, Grow

New strategy and business transformation programme unveiled in May 2010

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## Focus

- Where should we focus?
  - Why should we focus there?
  - What should we move away from?
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## Fix

- Operating model
  - Operating disciplines and processes
  - Culture and capabilities
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## Grow

- Innovation
- Customer engagement
- New markets

# 1. Focus

## Focus: A clear articulation of purpose

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### A Focused Strategy

#### What

The leading global provider of speciality food ingredients and solutions

#### By...

- Disciplined focus on growing our speciality food ingredients business
  - deeper customer understanding, improved innovation ability, agility
  - stronger positions in high growth markets
- Driving our bulk ingredients for sustained cash generation to fuel this growth
  - large
  - cost efficient
  - strong customer relationships
  - cash generative

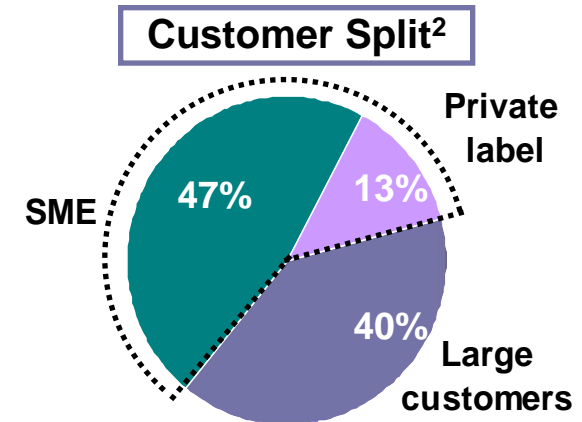
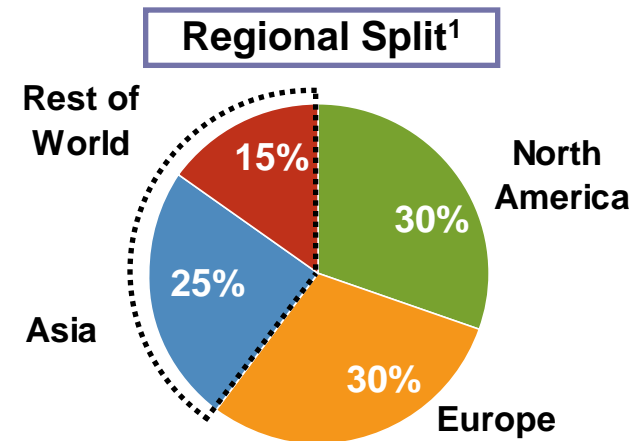


# Focus: Why Speciality Food Ingredients?

## The Market Opportunity

- US\$30 billion global potential addressable market
  - growing at 5% per annum
- Increasing customer demand driven by strong, underlying consumer trends
  - health and wellness
  - convenience
- Higher potential growth in developing markets
- Fragmented market provides opportunities
- Inherently less volatile and cyclical

## Global Food Ingredients US\$30bn



<sup>1</sup> Source: Leatherhead, SRI, Company estimates

<sup>2</sup> Source: Datamonitor, Company estimates. NB. Large customers = sales > \$5bn, SME = sales < \$5bn

## Focus: Why can Tate & Lyle succeed in this market?

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- Competitive global market positions<sup>1</sup>
  - #2 speciality food starches
  - #1 crystalline fructose
  - #1 high intensity sweeteners
- Small position in emerging markets but growing strongly
- Strong relationships with global food and beverage customers
- Very high quality, cost efficient manufacturing assets

***Strong  
foundations we  
can build on***



# Focus: Our Speciality Food Ingredients business today

**Speciality Food Ingredients – Sales<sup>1</sup> £805m, Operating profit<sup>1,2</sup> £206m**

## Starch-based Speciality Ingredients

Sales £434 million

- Speciality starches: fat replacers, texturants, stabilisers
- Speciality sweeteners including crystalline fructose
- Soluble Corn Fibres



## High Intensity Sweeteners

Sales £185 million

- SLENDA<sup>®</sup> Sucralose
- PUREFRUIT<sup>™</sup> monk fruit extract



## Food Systems

Sales £186 million

- Blending businesses predominantly serving SMEs
- Combination of proprietary and 3rd party sourced ingredients



## Global drivers

Global demand for packaged foods

Customers looking to reduce input costs

Focus on Health & Wellness

<sup>1</sup> For the year ended 31 March 2011

<sup>2</sup> Before exceptional items and amortisation of intangible assets acquired through business combinations

# Focus: Our Bulk Ingredients business today

**Bulk Ingredients – Sales<sup>1</sup> £1,915m, Operating profit<sup>1,2</sup> £157m**

## Sweeteners

Sales £857 million

- Corn sugars
- Dextrose
- Glucose



## Industrial starches, acidulants & ethanol

Sales £709 million

- Starches for paper and paperboard
- Citric acid
- Fuel ethanol



## Corn Co-products

Sales £349 million

- Animal feed – corn gluten feed and corn gluten meal
- Corn oil



**Manage for cash generation to invest in Speciality Food Ingredients**

<sup>1</sup> For the year ended 31 March 2011

<sup>2</sup> Before exceptional items and amortisation of intangible assets acquired through business combinations

## Focus: What should we move away from?

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### **The disposal of our Sugars businesses**

- Tate & Lyle progressively selling sugar assets over the years - ceased to be the core business a long time ago
- No synergies with the rest of the business
- Challenged business model operating within confines of EU Sugar Regime
- Significant investment required yielding less attractive returns
- We no longer saw Tate & Lyle as being natural owner of this business

# Focus: Less complex business, better return on capital

## Clear strategy

### What

The leading global provider of speciality food ingredients and solutions

### By

- Disciplined focus on growing our speciality food ingredients business
- Driving bulk ingredients business for sustained cash generation to fuel this growth

## Streamlined portfolio

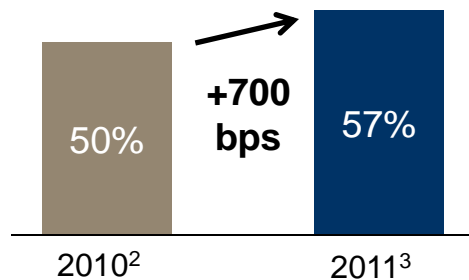
### Exited Sugars

Sept 2010 – EU Sugar Refining

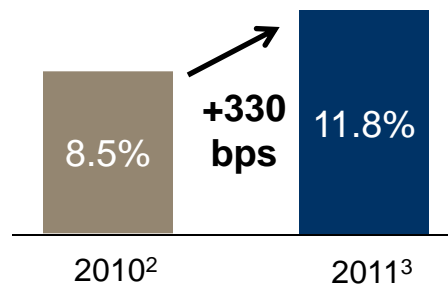
Dec 2010 – Molasses

April 2011 – Vietnam sugar interests (signed contract to sell)

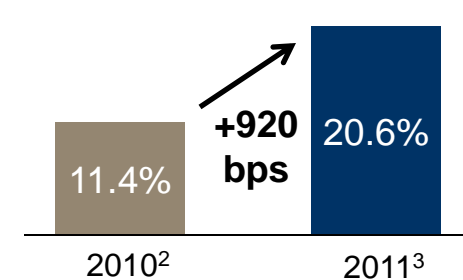
Group profit from Speciality<sup>1</sup>



Adjusted operating margin



Return on capital employed



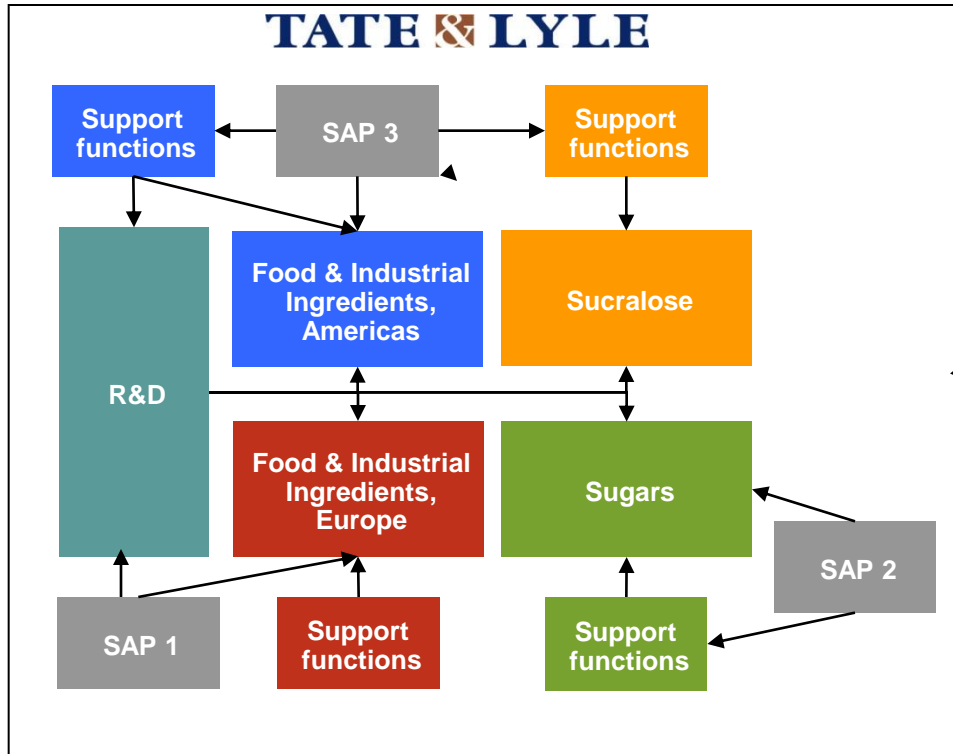
<sup>1</sup> Before central costs, exceptional items and amortisation of intangible assets acquired through business combinations

<sup>2</sup> Based on Continuing Operations for the year ended 31 March 2010 as reported on 27 May 2010

<sup>3</sup> Based on Continuing Operations for the year ended 31 March 2011 as reported on 27 May 2011

## 2. Fix

## Fix: Our legacy operating model

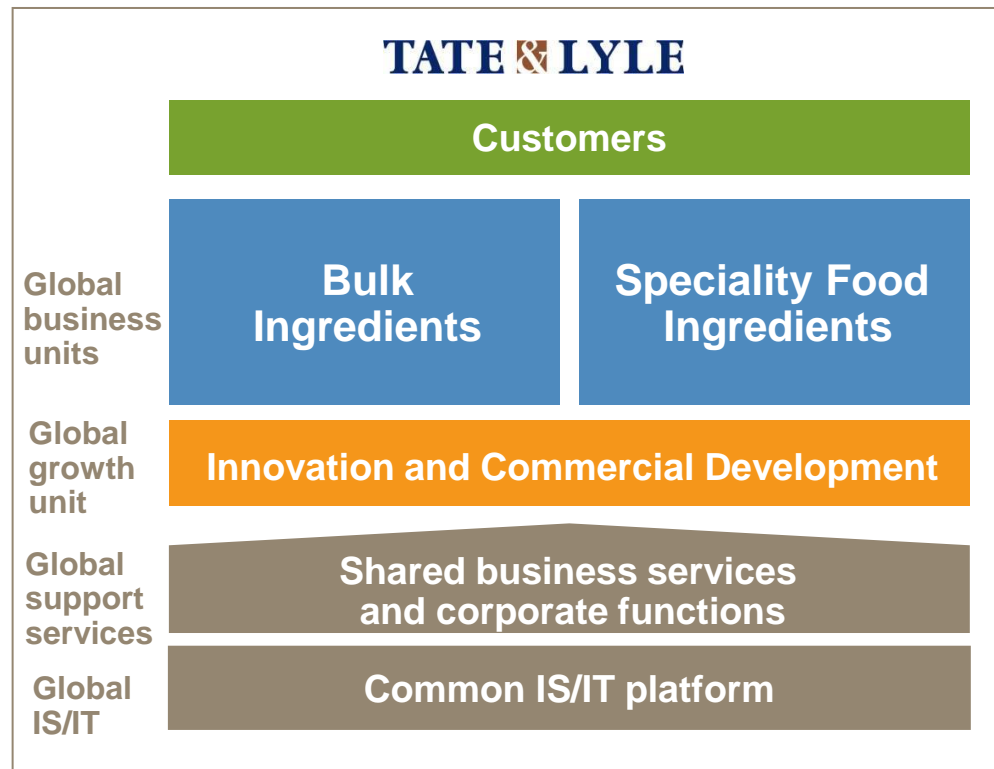


- Mix of regional and product based business units
- Bulk and speciality managed within same business units
  - Go-to-market abilities compromised
- Difficult to integrate and extract value from acquisitions
- Duplicated support functions
- Patchwork IS/IT infrastructure
- ‘Siloed’ decision making

Complicated, lacked transparency  
and too internally focused



## Fix: A new simple, operating model implemented in June 2010



Key enabler  
to deliver strategy

Increased internal clarity  
and transparency

Efficiently scaleable

## **Fix:** Transforming operational capabilities, processes and culture

### *2-year projects to transform operational capability on track*

#### **Common Global IS/IT Platform**

- Project formally launched on 1 January 2011
- Design phase completed June 2011
- Now in build phase

#### **Global Support Services**

- New Global Shared Service Centre in Lodz, Poland started operations
- Processes migrating over next 15 months

### *Building a high performance culture*

#### **Performance Systems**

- Performance management system revamped
- New global sales incentive plan
- Aggressive targets set and being measured

#### **Skills and talent**

- Strong, upcoming talent being developed and stretched
- Recruiting people with new skills and knowledge

# 3. Grow

# Grow: Creating a platform for growth in Speciality Food Ingredients

## Innovation and Commercial Development

**Number of projects in pipeline increasing**

**Open Innovation making progress**



## Enhancing customer engagement

**New global Innovation Centre in Chicago to open Q1 2012**

**Brazil, Mexico applications labs to open end 2011**



## Emerging markets

**Continuing to strengthen sales / technical teams**

**Encouraging progress in gaining new customers**



# Measuring Performance

## Our Key Performance Indicators

			Year ended 31 March		
	KPI	Measure	2011*	2010*	Change
Financial performance <sup>1</sup>	Growth in Speciality Food Ingredients	<b>Sales</b>	<b>£805m</b>	£788m	+ 2%
	Profitability	<b>Adjusted operating profit</b>	<b>£321m</b>	£268m	+ 17%
	Working capital efficiency	<b>Cash conversion cycle</b>	<b>34 days</b>	45 days	Improved by 11 days
	Return on assets	<b>ROCE</b>	<b>20.6%</b>	13.6%	+ 700 bps
Financial strength	Balance sheet	<b>Net debt / EBITDA</b>	<b>1.1x</b>	1.8x	
		<b>Interest cover</b>	<b>6.9x</b>	5.8x	
Corporate Responsibility**	Safety	<b>Recordable injury rate</b>	<b>0.93</b>	0.89	- 5%
		<b>Lost time incident rate</b>	<b>0.58</b>	0.39	- 49%

<sup>1</sup> Excluding the results of the Sugars segment in both periods

\* Except for Safety measures which are for calendar years 2010 and 2009

\*\* We are establishing an index for environmental sustainability which we will report on as a key performance indicator moving forward

# Summary

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- Business performing well
- Change programme on track:
  - ‘Focus’ largely complete
  - ‘Fix’ making solid progress
- Cultural change being embedded:
  - Stronger operational and financial disciplines
  - Performance driven with greater accountability
- Continuing to build platform to deliver long-term growth



# Questions & Answers