Chief Financial Officer's introduction

Dawn Allen
Chief Financial Officer

Dawn Allen reflects on her first year as CFO, and discusses Tate & Lyle's strong performance in a challenging year.

Has your first year lived up to expectations?
Absolutely – and then some! I joined Tate & Lyle in May last year for three reasons, aside from the great people. First – our purpose. I came from Mars, a company with a very strong purpose, and I've found the same here, and more. Our purpose genuinely runs through the decisions we make, how we treat people, how we invest in the business, in people, and in sustainability. Second, we're right in the sweet spot of consumer food megatrends – health, convenience, sustainability, clean label and so on – with a strong portfolio across three platforms to deliver on that. And third, there's a fantastic growth opportunity, not just in developing markets but in developed markets too. You can see that coming through in our results this year. As a customer myself when at Mars, I know what's required from a speciality ingredients supplier, and I know the industry really well – so I knew I could help, and add value.

How would you summarise this year's performance?
To deliver such a strong financial performance in a year of significant uncertainty is a tremendous achievement which demonstrates the strength and agility of our business and our people. Inflation, higher energy prices, supply chain disruption – it's been challenging on all fronts.

Alongside progressing our strategic agenda, our key financial priorities were to:

- Continue to accelerate our margin accretive growth agenda
- Deliver continued financial discipline and a focus on cash to maintain our strong balance sheet.

We successfully delivered on both of these with revenue growth of 18%, adjusted EBITDA growth of 22% and free cash flow £47 million ahead of last year. Key to this was to cover unprecedented inflation which we did successfully through price, mix management, productivity and cost discipline, whilst partnering closely with our customers.

Cash generation is the lifeblood of any business. That's why we've set a free cash flow conversion target of 75% by 31 March 2028, having delivered 62% this year.

We continued to intentionally reset Tate & Lyle as a growth-focused speciality business through the focus on revenue growth and margin expansion, ahead of volume growth, by way of solution selling, mix management and pricing. We expect to continue to follow this approach in the coming year and enhance the quality of the business in line with our long-term financial ambition.

Could you explain the new reporting framework?
The key change we've made is to move our profit measure from operating margin expansion to growth in absolute EBITDA. This better reflects our focus on growth, giving us more flexibility to invest and grow absolute profit; it's also a more practical measure

New segmental reporting structure

Reporting segment	Role	Revenue[1]	Adjusted EBITDA[1]
Food & Beverage Solutions	Drive growth	82%	85%
Sucralose	Attractive returns	11%	18%
Primary Products Europe	Optimise	7%	-3%

1 Percentage of Group revenue for the year ended 31 March 2023.

Chief Financial Officer's introduction continued

in today's inflationary environment; and lastly, it's the metric used by many of our peers in the speciality ingredient business, which means it's easier for stakeholders to compare our performance.

We've also changed our segmental reporting structure to reflect the business we are today, and to make it easier to understand the contribution each part makes to our performance. Each reporting segment has a clear role – Food & Beverage Solutions to drive growth; Sucralose to deliver attractive returns; and for Primary Products Europe to be optimised as we look to transition away from its lower margin products and use the capacity to fuel growth in Food & Beverage Solutions (see diagram on page 32).

Talking of optimisation, you've set a new productivity target. How will you deliver that?

There is a strong culture of productivity within Tate & Lyle and we have a great track record on delivering savings. For the 2023 financial year we set a target of US$10 million in productivity savings, and at the half-year we raised that target to US$15 million. And we ended the year by exceeding that, delivering US$21 million savings.

Our new five-year productivity target of US$100 million starts this year which will be enabled by systems investment, focused on two main areas. The first is getting more out of our existing manufacturing assets. The second is looking at productivity and efficiency across the whole organisation, continuously evaluating and challenging where we're spending, and getting more efficient in core processes so we can reinvest in areas that will add more value and drive more growth. We will also be looking to leverage digital to improve our end-to-end customer and employee experiences, and to look for productivity savings as we execute our roadmap to net zero. The cost to deliver this programme is expected to be in the range of US$80 million to US$100 million.

Capital allocation framework

We allocate capital as set out below. In doing so, we aim to maintain our investment-grade credit rating.

Invest in organic growth

▼

Invest in acquisitions, joint ventures, partnerships

▼

Maintain a progressive dividend policy

▼

Return surplus capital to shareholders

To deliver such a strong financial performance in a year of significant uncertainty demonstrates the strength and agility of our business and our people.

What does the focus on growth mean for capital allocation and investment?

Our capital allocation framework, with its four priorities, hasn't changed – but we are of course focusing particularly on investing in organic and inorganic growth as we deliver on our 'Science, Solutions, Society' commitment. For example:

- We increased our investment in innovation and solution selling by 11% this year.
- We invested £192m to acquire Quantum (dietary fibres) and Nutriati (chickpea protein) demonstrating our commitment to expand our solutions portfolio, capabilities and customer offering.
- We continue to invest in our sustainable agricultural programmes for corn and stevia, as well as in our manufacturing facilities and across our supply chain.

What does the future hold?

I think we'd all love to know the answer to that question! There's no doubt that the macroeconomic environment is going to remain uncertain but we have many advantages. We are operating in large markets with attractive growth rates, and have a clear strategic focus. We have built a track record of delivery in uncertain times over the last few years, and our balance sheet remains strong. Most important of all, we have great people who recognise that it's not just about what but also about how things get done. The resilience and agility demonstrated to navigate uncertain times give me confidence that, whatever the next 12 months hold, we will continue to make good progress delivering our strategy.

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