

Chief Executive's review: Delivering on our growth-focused strategy



Nick Hampton
Chief Executive

Nick Hampton reflects on strategic progress, the year's performance and the growth opportunities ahead.

Strategic progress

How would you sum up the last year for Tate & Lyle?

It has been an excellent year with significant strategic progress and strong financial performance. All our key financial measures were met, with Group revenue and EBITDA both showing double-digit growth and productivity benefits well ahead of our target. At the same time, we continued to progress our strategy, further improving the mix of the business, significantly strengthening our solution selling capabilities, acquiring a high-quality dietary fibre business in China, and making a commitment to reach net zero by 2050. We also launched a new brand to better reflect the Tate & Lyle of today – a growth-focused, speciality food and beverage solution business, and a global leader in sweetening, mouthfeel and fortification, creating high-value ingredients and solutions that meet growing global demand for healthier and tastier food and drink.

So, overall, an excellent year. All of this would not have been possible without the hard work of my colleagues across Tate & Lyle for whose support I am very grateful.

Where does the transformation of Tate & Lyle leave the business?

We're in a strong position. Over the last five years we have achieved a fundamental shift in both the quality of our portfolio and the global reach of our business. In fiscal 2018, only 37% of the Group's revenue came from speciality ingredients. By the end of fiscal 2023, revenue from speciality ingredients and solutions had increased to 93%. Likewise, in 2018, only 11% of our revenue came from the large and fast-growing markets of Asia, the Middle East, Africa and Latin America. By 2023, 30% of revenue came from these regions.

This transformation to reshape our business has placed Tate & Lyle right at the centre of the future of food. Structural global trends, such as rapid population growth, people living longer, people wanting more convenience to suit their modern lifestyles while also reducing their impact on the planet, are all driving the way consumers purchase and consume their food. With our capabilities in sweetening, mouthfeel and fortification, we are well-positioned to benefit from these trends and growing demand for healthy, tasty and convenient food that's also sustainable and affordable.

What has been the biggest area of change you've seen over the last five years?

While there are many aspects of Tate & Lyle that are different today – including our purpose, performance and culture – if I had to pick one that has changed the most, it would be our focus on the customer. Serving our customers is at the centre of everything we do.

What gives you confidence in the growth potential of the business?

I believe Tate & Lyle is well-positioned to deliver sustainable organic growth for a number of reasons: in each of our platforms of sweetening, mouthfeel and fortification, we have a leading market position; we operate in large markets with attractive growth rates; our portfolio of highly functional ingredients and solutions directly address consumer demand for healthier food and drink; we have leading scientific and solutions capabilities; and we have strong customer relationships. The combination of all these gives us a unique proposition for our customers and the potential to deliver attractive returns for our shareholders.



It's been an excellent first year for Tate & Lyle as a growth-focused, science-driven, speciality food and beverage solutions business.

Performance in the year

How did the business perform during the year?

It was another year of strong financial performance. In constant currency, Group revenue grew by 18%, adjusted EBITDA by 22% and adjusted diluted earnings per share by 10%. Free cash flow was up by £47 million to £119 million, and we delivered US\$21 million of productivity savings. Food & Beverage Solutions performed particularly well delivering double-digit revenue growth in all regions. We continued to benefit from our portfolio of speciality ingredients and solutions which make healthier food and drink, and from our increasing focus on innovation and close customer collaboration.

What challenges did you face in the year?

The trading environment was challenging and we had to manage through a lot of uncertainty. The impact of the conflict in Ukraine led to significant inflation and supply chain volatility in raw

Chief Executive's review continued

Highlights¹

18%

Revenue growth

22%

Adjusted EBITDA² growth

10%

Adjusted diluted earnings
per share² growth

- **Strong revenue and profit growth**
- **Good innovation performance**
- **Acquired leading dietary fibre business in China**
- **2030 sustainability targets on track**
- **Good progress on equity, diversity and inclusion**
- **Strong balance sheet supporting investment for growth**
- **£570m dividends paid to shareholders, including special dividend in May 2022**

¹ Percentage growth in constant currency.

² Adjusted EBITDA (earnings before, interest, tax, depreciation, adjusted amortisation and exceptional items), and adjusted diluted earnings per share are non-GAAP measures. Changes are in constant currency and for continuing operations (for definitions, see Notes 1 and 4). Comparatives are pro-forma financial information (see Useful information).

materials, energy and logistics costs, especially in Europe. The fact that we navigated through all these issues is testament to the resilience of the business and the agility of our people. As well as broad challenges, we also faced more specific issues, including a labour dispute at our facility in the Netherlands (now resolved), and Covid-19 restrictions in China which disrupted our supply chain to some extent.

How did you manage cost inflation?

We saw significant cost inflation driven by the impact of the conflict in Ukraine. Therefore, in May 2022, we implemented a programme of supplementary price increases across our main markets to recover incremental input costs. Under this programme, we worked closely with customers to provide visibility of increasing costs and we adjusted prices on a rolling quarterly basis. Together with a continued focus on delivering productivity and strong cost discipline, this allowed us to offset input cost inflation.

How is the relationship with Primient developing?

It has been over a year since we completed the sale of a majority holding in Primient to KPS Capital Partners. We have built a positive relationship with KPS and the 20-year agreements put in place to provide supply and economic security for both businesses are operating effectively. While Primient's profits in the year were materially affected by operational challenges, it continues to generate strong cash flow and we are already seeing the benefit of cash dividends from Primient.

Unlocking our growth potential**How will Tate & Lyle succeed?**

Being positioned to succeed, to me, is about four things: a compelling purpose, a clear strategic focus, the organisational and executional capability to deliver both, and, lastly, belief in the organisation, both from within and outside.

What is your strategic focus?

The strategic focus of Tate & Lyle is clear and simple. Based on our scientific and solutions capabilities, we are building a leading speciality food and beverage solutions business delivering sweetening, mouthfeel and fortification across our four core global categories of dairy; beverages; soups, sauces and dressings; and bakery and snacks; and across specific regional categories as well.



Nick Hampton and Dawn Allen visiting colleagues at our Customer Innovation and Collaboration Centre in Lübeck, Germany

Can you say more about your scientific capabilities and why they are important?

Consumer desire for food and drink which is healthy, tasty, convenient and more sustainable and affordable all play directly into Tate & Lyle's areas of expertise. Through our three platforms, we create ingredients and solutions which reduce sugar and calories, enhance texture and mouthfeel experience, provide stability across a product's shelf-life, increase nutrition through fibre and protein and, where necessary, optimise cost.

These solutions could not be created without world-class food science. We've invested over US\$250 million in the last five years to accelerate innovation and to establish world-class scientific capabilities and infrastructure. Our scientific knowledge in the fields of bio-chemistry and materials science are at the very heart of our company, and we have just over 500 patents in place with around 300 pending. By bringing together our science and applications capabilities, our category expertise and insight, and our broad portfolio of ingredients, we are able to provide integrated solutions for our customers. For example, through the combination of our deep understanding of bio-chemistry, enzyme technology and our separations capabilities, we are able to take stevia leaves, separate the sweetness, and produce low-calorie sugar reduction solutions without the bitter aftertaste stevia can create.

What have you seen that strengthens your belief in the future of the business?

Now I've been able to travel again in a world largely free of pandemic restrictions, I've seen our transformation for myself. Belief in the growth opportunities for Tate & Lyle shine through wherever I go and whoever I talk to. I have seen it with our people in our production facilities in the US and our labs in Germany, and with customers in Latin America. I firmly believe we are now a more confident, agile and creative company.

Chief Executive's review continued

Our growth framework

We execute our strategy through our growth framework which is based on four pillars with serving customers at the core. We have been executing this framework over the last four years, successfully driving growth across the business.



Chief Executive's review continued

I've also seen signals of belief in new Tate & Lyle from investors and others who joined us for our Capital Markets Event in February 2023, where we set out our strategy, financial ambitions and plans. They see the potential of our portfolio and capabilities, and how we go to market as a growth-focused speciality ingredients company. And they appreciate our clear proposition in sweetening, mouthfeel and fortification, as well as our new financial ambition.

What is your financial ambition?

Our financial ambition over the five years to 31 March 2028 consists of four elements. First, to deliver 4% to 6% Group revenue growth with Food & Beverage Solutions growing high single digits, ahead of the market. Second, for Group EBITDA to grow by 7% to 9% each year. Third, as the efficient use of capital continues to be a key focus, we aim to increase organic return on capital employed by up to 50 basis points on average each year. And fourth, on productivity, we have established a new programme to deliver US\$100 million of savings over the next five years. We will also continue to look to accelerate growth through value-enhancing partnerships and acquisitions.

Progressing our strategy

How are you accelerating innovation?

Accelerating innovation is central to our growth strategy. Over the last five years, we have launched over 50 new products from our innovation pipeline. During the year, New Products revenue grew by 17%, and 17% of Food & Beverage Solutions revenue now comes from New Products.

We are also investing in infrastructure to support our customers. In May 2022, we opened a new state-of-the-art Customer Innovation and Collaboration Centre in Santiago, Chile. This expands our integrated network of centres across Latin America, including Brazil and Mexico. We have 16 of these centres across the world where we work with our customers to develop products for their local markets.

What acquisitions did you make last year to expand your portfolio?

We acquired two businesses last year for a combined purchase price of £192 million. In April 2022, we acquired Nutriati, a small ingredient technology business developing and producing chickpea protein and flour. Nutriati expands our capability to offer customers sustainable, plant-based solutions and we have seen strong revenue growth and customer interest for both product

lines. Then, in June, we completed the acquisition of Quantum Hi-Tech, a leading dietary fibre business in China. Quantum significantly strengthens our fortification platform and our position as a leading global player in the fast-growing dietary fibres market.

The integration of both businesses is going well and both have strengthened our customer offering. We have also brought other new ingredients into our portfolio via distribution agreements, such as erythritol into our sweetener platform.

What are integrated solutions and why are they important for customers?

In essence, providing an integrated solution is where we work hand-in-hand with the customer's R&D and marketing teams from concept to launch of a new product, using our ingredients, applications capabilities, consumer and nutritional understanding to develop a product tailored specifically to the customer's needs and consumer preferences. Collaborating with customers on solutions has a number of benefits. The value of ingredients used in solutions tends to be higher (about two times higher on average). A solutions sale is also a 'stickier' sale and builds closer relationships with customers, often leading to new business. Currently, solutions represent by value 18% of wins from our new business pipeline and our aim is to increase that to 32% by 31 March 2028.

To enhance our integrated solutions approach, we are strengthening our capabilities in areas such as sensory, prototyping and category and consumer insights, and are implementing new ways of working to build stronger solutions-based partnerships with our customers.

Where are your key growth markets?

We are a global business with three operating regions – the developed markets of North America and Europe, and the large and fast-growing markets of Asia, the Middle East, Africa and Latin America. In line with our strategic growth framework, each region has a clear focus and priority. In North America and Europe, where we have been operating for many decades and have long-standing customer relationships, our priority is to grow above the speciality ingredient market, which is growing at around 5% to 6%. In Asia, the Middle East, Africa and Latin America, where historically we have had a smaller business, our priority is to accelerate growth above the market.

If you look at Tate & Lyle's US\$19 billion addressable market for speciality ingredients (see page 18 for more details), 25% is in

Five-year financial ambition: To 31 March 2028

Revenue

4-6%

Growth per annum

EBITDA

7-9%

Growth per annum

Return on capital employed

up to

50bps

Average increase per annum

Productivity

US\$100m

Savings

Chief Executive's review continued

Our purpose of Transforming Lives through the Science of Food is why we do what we do. It guides every decision we make and every action we take.



Supporting healthy living

We help people make healthier and tastier choices when they eat and drink, and lead more balanced lifestyles.



Building thriving communities

We help build thriving communities where we operate, and support people to achieve their potential.



Caring for our planet

We care for our planet and help protect its natural resources for the benefit of future generations.

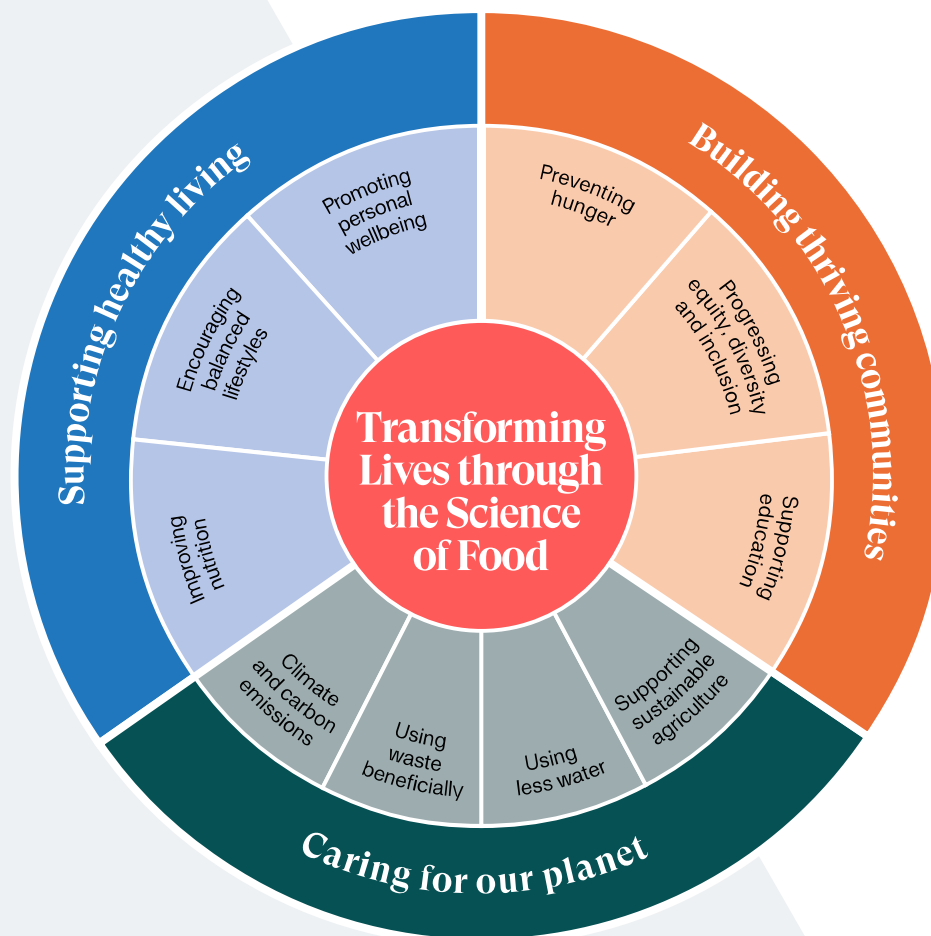


United Nations Sustainable Development Goals (UN SDGs)

We focus on five of the UN SDGs which most closely align to our purpose and where we can have most impact.

- SDG 2 Zero hunger
- SDG 3 Good health and wellbeing
- SDG 5 Gender equality
- SDG 12 Responsible consumption and production
- SDG 13 Climate action

To demonstrate our support for the UN SDGs, we are a participating member of the UN Global Compact, a major global sustainability initiative.



In December 2022 we published our third report on progress against our purpose targets and commitments.

Download at
www.tateandlyle.com/purpose

Chief Executive's review continued

North America but the majority, or 52%, is in the Asia, Middle East, Africa and Latin America regions. Asia represents the largest region, with 37% of our addressable market, and is a key growth opportunity for us in the coming years. That is why we are investing in our infrastructure and platforms to build our presence in these regions. For example, we've expanded or opened six new Customer Innovation and Collaboration Centres over the last four years in these regions, and three of our four most recent acquisitions have been in Asia.

Purpose and performance

How does your ambition align with your purpose?

I firmly believe that purpose and performance go hand in hand and that purpose is critical to the long-term success and health of our company. Our purpose of Transforming Lives through the Science of Food inspires our people and resonates strongly with our customers. You can see that by the progress we are making on our targets and commitments for our three purpose pillars of supporting healthy living, building thriving communities and caring for our planet. Since 2020, we've removed 6 million tonnes of sugar from people's diets and provided 3.6 million meals to people in need through our food bank and charitable partnerships. Equity, diversity and inclusion is also a key part of our purpose and I am delighted that 44% of our 500+ leadership and management roles are now held by women.

What is the business doing to tackle climate change?

As a purpose-led business, we must combine growth with responsibility and that means tackling climate change. Agriculture and food production are essential to humanity, but they also create roughly a third of the planet's greenhouse gas emissions. This calls for a reset of the food ecosystem, and we must play our part particularly in curbing the Scope 3 emissions across our wider value chain that make up the overwhelming majority of our carbon footprint, with a specific focus on sustainable agriculture.

Alongside our programmes in sustainable agriculture, water reduction and the beneficial use of waste, we must partner with our customers and suppliers to find more sustainable ways of operating. Science and technology will be key to delivering solutions and we've started to point the way forward, for example by using new techniques to cut emissions associated with the production of our CLARIA® starch by around a third.

How are you progressing against your sustainability targets?

In 2020, we set ambitious 2030 targets for waste and water and science-based targets to reduce our greenhouse gas emissions

in line with the Paris Agreement on Climate Change (see pages 54 to 61 for more details). To help deliver these targets, we have taken some important actions including exiting the use of coal in all our operations in 2021, and expanding our sustainable agriculture programmes, which use regenerative agriculture practices to minimise environmental impact, improve biodiversity, and provide economic and social benefits to local communities. In 2022, we expanded our sustainable agriculture programme for stevia in China. This programme, operated in partnership with Earthwatch Europe and Nanjing Agricultural University, has reduced greenhouse gas emissions from participating stevia farms by 55% since the programme started.

Overall, we are making good progress against our targets. Since 2019, we have reduced our Scope 1 and 2 absolute greenhouse gas emissions by 6% and Scope 3 emissions by 13%. We have reduced water use intensity by 2%, while 92% of our waste is used beneficially. And we continue to support 439,000 acres of sustainable corn, equivalent to the total acreage of corn we use each year.

Looking ahead

What is the outlook for the next financial year?

For the year ending 31 March 2024, we expect to deliver progress in line with our five-year ambition to 31 March 2028 with, in constant currency:

- Revenue growth of 4% to 6%
- Adjusted EBITDA growth of 7% to 9%.

We also expect stronger profits from our minority holding in Primient.

What are your aims for the coming year and beyond?

Despite a challenging external environment, I am optimistic and excited about the future of our business. Today, Tate & Lyle is purpose-led and focused on growth, and we intend to deliver on both our financial growth ambitions and purpose commitments. We have re-positioned the business to be at the centre of the future of food, focused on creating solutions that meet growing consumer demand for healthier, tastier and more sustainable food and drink. We have a compelling purpose, a clear strategy and a strong balance sheet providing the ability to invest for growth. We are a business fuelled by science, obsessed with customer collaboration, and with a strong desire to make a positive impact on society. 'Science, Solutions, Society' – that is the new Tate & Lyle.

Nick Hampton
Chief Executive



CLARIA®: More sustainable method of production

CLARIA® is a corn-based, clean-label starch, used mainly in beverages, soups, sauces and dressings as a texturant, providing viscosity and gelling benefits.

During the year, scientists and engineers at our plant in Koog, the Netherlands, adapted the production process to reduce the product's water use and carbon footprint by 35% and 34% respectively, with no lessening of the product's functionality. We'll use the adapted process globally for all CLARIA® production, with the more sustainable product, CLARIA G®, available in limited quantities from early 2024. We'll make all CLARIA® in the new way from early 2025.

This new, more sustainable process will help us increase capacity over time and provide customers with the more sustainable products they are looking for as we partner to tackle the biggest challenge facing society: the climate crisis.

34%

reduction in carbon footprint¹

35%

reduction in water consumption¹

¹ Compared to current CLARIA® forms.