

S1 2026 Earnings Call

Company Participants

- Nick Hampton, Chief Executive
- Sarah Kuijlaars, Chief Financial Officer

Other Participants

- Alex Sloane, Barclays
- Artem Chubarov, Rothschild & Co Redburn
- Damian McNeela, Deutsche Numis
- Fintan Ryan, GoodBody
- Joan Lim, BNP Paribas Exane
- Karel Zoete, Kepler Cheuvreux
- Lisa De Neve, Morgan Stanley
- Matthew Webb, Investec
- Patrick Higgins, Goodbody

Presentation

Nick Hampton [{BIO 18794378 <GO>}](#)

Good morning, everyone, and thank you for joining us. Almost to the day, 12 months ago, we announced the completion of the acquisition of CP Kelco, and I'm delighted by the progress we've made integrating the two businesses over the last year.

Today, we have three key messages for you. Firstly, we are stronger together. We've made good progress delivering the benefits of the combination. There's real excitement in the new team about the future potential of our business, and the power of the combination is driving high levels of customer engagement.

With our deeper product portfolio and leading reformulation capabilities, we have a compelling solutions offering, which meets growing consumer demand for healthier, more nutritious, and sustainable food and drink. I saw this firsthand in Mexico two weeks ago. Both in the new solutions, our teams are creating for customers locally and in the kind of discussions we had with one of the leading dairy businesses in the country.

Our second key message is that a slowdown in market demand, notably in North America, is impacting our current performance. This is both disappointing and frustrating, given the progress we're making elsewhere in the business. Thirdly, as a result of this, we are taking decisive actions to drive top-line growth, stronger performance, and position the business for an upturn in demand.

Let me start by looking at the first of those three key messages. Our expanded product portfolio and stronger technical capabilities are driving high levels of customer engagement. Over the last six months, we have had over 4,000 interactions with customers globally through a range of different channels, across online meetings, innovation days, workshops, and prototype tasting sessions. During these interactions, we've seen a significant increase in the number of customers engaged on technical issues.

In fact, we've held technical discussions with over 250 more customers in the first half than this time last year. All these activities have helped to increase the value of our new business pipeline to \$420 million. \$175 million of new projects have been added to the pipeline in the last six months.

One of the main reasons for the high levels of customer engagement is the significantly expanded formulation and solutions offering of the combined business. In the last six months, with the inclusion of CP Kelco's portfolio, revenue from new products increased by 55% to GBP166 million. New product revenue increased by 7% on a like-for-like basis with a particularly strong performance from the mouthfeel platform, which saw double-digit growth. So, reflecting the strength of the combined portfolio and increased capabilities.

The inclusion of CP Kelco's portfolio and the technical solutions of both businesses increased solutions-based revenue from new business wins to 39% on a like-for-like basis, increasing from 20% to 22%.

Investment in innovation and solution selling, with the inclusion of CP Kelco's investment, increased by 68% or 4% on a like-for-like basis. Innovation is the lifeblood of any business, and the strength and quality of our pipeline is very encouraging.

We said we would deliver targeted revenue synergies of 10% of CP Kelco's revenue, or around \$70 million, by the end of the 2029 financial year, and we are tracking ahead of the plan. Cross-selling, which is the sale of CP Kelco's ingredients and solutions to Tate & Lyle customers and vice-versa, is a key part of how we're delivering these synergies.

While it's still early days, we are making good progress. The risk-adjusted value of our cross-selling pipeline stood at around \$60 million at the end of the first half. This growth is broad-based, with each region's cross-selling pipeline increasing by more than 85% in the second quarter.

To support cross-selling across the business, we have rolled out global training programs for our commercial and technical teams, and we have also revised our sales incentive scheme to directly incentivize cross-selling. This is having a positive impact with some early customer successes, particularly for mouthfeel solutions.

Let me give you a few examples. In the U.S., an existing large customer wanted to improve the mouthfeel experience of its high-protein shakes. We would have struggled to deliver this in the past, but with the technical support of our new CP Kelco colleagues, we produced a solution based on gellan gum, which in the words of the customer, provided a mouthfeel experience that no one else in the industry could offer.

In Australia, another existing Tate & Lyle customer told us it was looking for better functionality, when including dried fruit pieces in its granola bars. In response, we developed a pectin-based solution, which not only provided the desired functionality and mouthfeel our customer wanted, but also reduced cost.

Back in the U.S., and now looking at a CP Kelco customer, a well-known dairy manufacturer is now working with us on developing a wide range of solutions. The customer was initially only interested in formulation support for a high-protein yoghurt dessert, but after having seen first-hand the breadth of our technical expertise across both businesses, more projects have entered the pipeline for products such as nutritional shakes, ice cream, and dairy-based drinks.

Finally, to Spain, where we are developing a solution for a former CP Kelco customer to fiber fortify its range of gummies and make them sugar-free. We have only been able to do this because CP Kelco was a trusted supplier, and the customer can see the combined offering provides a much better offering for them than before.

This gives me confidence that despite the current slowdown in market demand, the fundamental growth drivers of our business remain strong, and continue to offer significant growth opportunities. These include societal trends such as population growth and the heightened awareness of the link between diet and health.

Food industry trends also offer opportunities, whether for the reformulation of ultra-processed food to improve their nutritional content, to the increasing demand for sugar and calorie reduction, and fortification with fiber and protein. The power of the combination also offers growth opportunities, with its expanded customer offering, increased customer access, and enlarged presence in the fast-growing markets of Asia, Middle East and Africa, and Latin America.

In summary, then, it's clear from what customers are telling us, and from the growth in our pipeline, we have a highly compelling solutions offering. We are stronger together, and our leading expertise in sweetening, mouthfeel, and fortification means we are very well positioned to meet growing consumer demand for healthier, more nutritious, and sustainable food and drink.

While we are making strong progress setting the business up for future growth, in the near-term, we are operating in a challenging economic environment. And this brings me to our second key message for today, how a slowdown in market demand is impacting our current performance.

Before I hand over to Sarah to talk through the financial results, I want to look at the overall market context. In simple terms, in the Americas, volume was lower than we expected. In Europe, Middle East, and Africa, we saw competitive pricing, and in Asia Pacific, we delivered good profit performance despite muted market demand.

To put a bit more color on this, let's look at the U.S. market in a little more detail. After an extended period of weak consumer confidence, we came into the financial year expecting to see some improvements in market demand.

As we outlined in our pre-closed statement a month ago, this improvement has not materialized. Instead, we saw a slowdown in demand as the first half progressed, notably over the last two months.

On the screen are two charts showing Nielsen data for the U.S. food and beverage market in our key categories over the last 12 and 3 months respectively. These show that in our largest market, volume has declined over the last 12 months and that in the last three months, this decline has accelerated as pricing increased. With consumer confidence remaining low, we expect the U.S. market to remain subdued in the near-term.

I will come back later to talk about the actions we are taking to drive top-line growth and improve performance. But for now, I will hand over to Sarah to talk through the financial results. Sarah?

Sarah Kuijlaars [{BIO 20542857 <GO>}](#)

Thank you, Nick. Before I talk through the numbers, I would like to reiterate Nick's message of how we are already demonstrating the power of the combination. We are delivering cost synergies and productivity ahead of our commitment. Our new business pipeline has strengthened to \$420 million and we are taking decisive action to fuel our top-line growth.

Now turning to the numbers, please keep three things in mind. Firstly, I will focus on adjusted measures and items with percentage growth are in constant currency. Secondly, comparators are pro forma, unless they indicate otherwise, as if the acquisition of CP Kelco had completed on 1 April 2024.

Thirdly, given that ingredients in both the Tate & Lyle and CP Kelco portfolios are sold in volumes that differ greatly in value, in analyzing drivers of revenue change, we have combined the effects of volume and mix in line with industry best practice. More details are available in our disclosures. I will refer to this simply as volume.

So, looking first at the financial highlights. On a statutory basis, including the impact of the acquisition of CP Kelco, revenue was 32% higher and EBITDA was 24% higher. On an adjusted basis, as Nick explained, a slowdown in market demand led to 3% lower revenue and we delivered EBITDA of GBP215 million, some 6% lower.

Adjusted earnings per share were GBP0.213. We delivered GBP98 million of free cash flow, with cash conversion of 71%, broadly in line with our long-term target. On a rolling 12-month basis, following the recent acquisition of CP Kelco, return on capital employed was 8.2%.

This chart shows the main drivers of lower revenue. Softer market demand and tariffs impacted revenue by GBP22 million. We invested GBP10 million of revenue into the market through lower pricing, mainly in Europe. Overall, revenue was 3% lower in constant currency. While no longer a reporting segment, Sucralose performed well, with revenue broadly in line with a strong comparative period. I'd also like to highlight that revenue from the CP Kelco portfolio also continued to grow.

Looking ahead, while the geopolitical environment remains uncertain, given the level of tariffs currently in force, we expect to see further impact in the second half due to the additional tariffs brought into effect late in August on imports from Brazil into the U.S.

Moving on to EBITDA, which was 6% lower. EBITDA decreased as a result of softer market demand, investment in price, and the impact of tariffs net of it after mitigation. This was offset by the positive impact of strong cost discipline, net of investments in growth, and the early benefit of cost synergies.

The recovery of CP Kelco portfolio continues, delivering margin improvement in the first half in addition to revenue growth. Our EBITDA margin at 21% remains attractive and well-positioned compared to our specialty ingredient peers.

Turning now to the performance of our geographic segments. In the Americas, revenue was 2% lower and EBITDA 7% lower. While pricing was slightly higher, volume was lower as a slowdown in market demand led to customers ordering less than expected.

In the U.S., revenue was broadly flat. We saw lower demand in each of our core categories, notably beverage and bakery, and snacks. Market demand in Latin America was mixed, with steady demand in Brazil, softer demand in Mexico.

In Europe, Middle East, and Africa, revenue decreased by 6% and EBITDA by 16%. Volume and pricing were both lower. We came into the year expecting lower pricing, reflecting our decision to invest some price back into the market in customer framework agreements for the 2025 calendar year.

Performance across our core categories have varied, with higher demand in dairy, a lower demand in soups, sauces and dressings, and bakery and snacks.

Asia Pacific delivered a robust performance, with revenue in line despite tariff pressures, and EBITDA was up 19%. Overall, demand was slightly stronger, with good demand in China, especially in the beverage and bakery, and snacks categories, and in North Asia. However, this underlying demand was offset by the effect of tariffs across the region. We continued to work closely with our customers to meet their supply needs.

Turning to other lines on the income statement. On exceptional items, net pre-tax exceptional charges were GBP17 million. This included GBP20 million charge for integration costs, reflecting our strong cost-synergy delivery, and a GBP10 million non-cash charge from the buy-out of the U.S. pension scheme, as we continued to de-risk our pension exposure.

This was partially offset by a GBP20 million provision release related to decommissioning costs at our former tapioca facility in Thailand. We sell this business in the half and as part of the sales agreement, these costs will no longer be incurred.

The adjusted effective tax rate was 24.4%. As we stated in May, this increase is due to CP Kelco's operations being located in higher tax jurisdictions. We now expect the adjusted effective tax rate in the 2026 financial year to be in the range of 24% to 25%.

I am pleased to report that the Board has declared an interim dividend of GBP0.066 per share, an increase of GBP0.002 per share. This is in line with our approach of paying interim dividends equivalent to one-third of the prior year's full-year dividend.

Turning now to free cash flow, for which comparatives are as we reported a year ago. Overall, adjusted free cash flow was GBP98 million, GBP29 million lower than a very strong comparative. EBITDA was GBP27 million higher. Net working capital increased by GBP37 million as we built higher inventory to mitigate the impact of tariffs on our supply chain and to support customer supply continuity, while we managed the optimization of capacity in our U.S. manufacturing facilities.

Capital expenditure was GBP5 million higher at GBP55 million. For the 2026 financial year, we expect capital expenditure to be towards the lower end of the GBP120 million to GBP140 million range. Net interest increased by GBP20 million reflecting higher borrowings following the acquisition.

Our balance sheet remains strong. Long-term debt financing is in place with a competitive mix of fixed and floating interest rates, and with a well-balanced range of maturities running out to 2037. We are targeting long-term leverage to be between 1x and 2.5x net-debt-to-EBITDA and our leverage stands at 2.3x currently. Net debt at end September was GBP952 million.

At the end of October, we entered a \$180 million two-year term loan facility and drew it down. These funds were used to repay an expiring \$180 million U.S. private placement fixed rate note at its maturity.

We continue to have strong liquidity, with access to nearly a GBP1 billion through cash in hand and a committed and undrawn revolving cash facility -- credit facility. We are well positioned to continue to invest in the business.

And I'll hand back to Nick.

Nick Hampton {[BIO 18794378 <GO>](#)}

Thanks, Sarah. Moving now to our third key message for today. The actions we are taking to drive top-line growth and stronger performance. These actions are focused on four priorities. The first is targeted investment to accelerate customer wins in key growth areas. Second is delivering the benefits of the CP Kelco combination.

Third is to accelerate productivity across the enlarged group. And lastly, to continue to strengthen our balance sheets and deliver shareholder returns through clear capital allocation priorities. We are also making some organizational changes to support these priorities.

Let's start with the first priority. We are making a series of targeted investments to ensure we have the insights, capabilities, resources, and tools we need to win with our customers in key categories and subcategories of growth. I'll cover these in a bit more detail.

It starts with segmenting our new global customer base in a very granular way. As a new business with a significantly expanded portfolio and solutions offering, we want to ensure that we are targeting higher growth subcategories and working with those customers, who value our solutions and formulation expertise the most.

This will help us prioritize the deployment of our commercial and technical resources and our investments in innovation. As I said earlier, we increased investments in innovation and solutions selling by 4% on a like-for-like basis in the first half. We will continue to invest to strengthen our customer-facing capabilities in the second half in areas such as applications, sensory, nutrition science, and process developments. This investment will be aligned with the work we are doing on customer segmentation to ensure we are building capabilities that directly support areas of growth.

We are also accelerating the rollout of our solutions chassis program, initially focusing on mouthfeel. As a brief reminder, a formulation chassis is the base framework or foundational piece of technical knowledge within a given solution. Developed by a global team, chassis toolkits are then tailored by our regional teams to meet consumers' local tastes.

As we explained at the Capital Markets Day in July, mouthfeel is critical to deliver a successful reformulation, and the combination has created a leadership position in mouthfeel for Tate & Lyle. We are seeing very strong interest from customers for mouthfeel solutions and so are ramping up our program. 10 new mouthfeel chassis have already been launched, and a further 10 are in development.

Recent customer wins using mouthfeel chassis include a solution for a customer in the U.S. using a base of pectin and starch to create a high-protein yoghurt and a solution for a customer in Europe for a low-fat, no-egg mayonnaise using a base of citrus fiber, xanthan gum, and starch, once again demonstrating the power of the combination.

With consumer trends changing all the time, it's more important than ever that we work collaboratively with our customers to develop the ingredient solutions they need. Our chassis approach for solutions allows us to meet our customer requirements faster and more efficiently.

We are investing around \$10 million in new technology and digital tools to support the effectiveness of our customer-facing teams. Part of this is a \$3 million investment in building a new generative AI tool for our sales and technical teams. This tool will give our teams the ability to search our broad technical and scientific libraries to provide faster and deeper insights into how to solve customer formulation challenges.

In short, when we are with a customer, we want this tool to eliminate the phrase, we'll get back to you, so that we can always say, let me show you. This tool is currently being piloted, with the rollout due to take place over the next 12 months.

We also continue to invest in ALFIE, our first-of-its-kind automated laboratory for ingredient experimentation in Singapore. These investments include developing advanced AI predictive algorithms to help us better model customers' formulation requirements and develop line extensions more quickly.

Customer collaboration on ALFIE continues to be strong. Our pipeline of projects is ahead of our business plan, and the first customer product directly created by ALFIE has now been launched in China.

Moving now to the second action we are taking to drive top-line growth, which is to continue to deliver the benefits of the CP-Kelco combination. In addition to cross-selling, another key driver of revenue synergies is moving targeted CP Kelco customers to a direct service model.

By way of a reminder, over half of CP Kelco's revenue currently comes from distribution partners. We have started the migration process and expect that around 10% of the revenue from CP Kelco's portfolio will have moved in-house by the end of the 2026 financial year.

This will allow us direct access to these customers and significantly increase our ability to create growth opportunities with them. This process will also enable us to concentrate our remaining distribution business with our stronger partners and to migrate smaller accounts to them. We are seeing a positive response from customers to this approach.

I am now going to hand back to Sarah to talk about cost synergies and our other two priority actions.

Sarah Kuijlaars [{BIO 20542857 <GO>}](#)

Thank you, Nick. I am pleased to report that the CP Kelco integration continues to go well, reinforcing our confidence that we will deliver the cost and revenue synergies we have set out.

On cost synergies, we have delivered \$30 million in run rate savings as of 30 September 2025 and now expect to exceed our target of \$50 million by the end of the 2027 financial year. As planned, our financial results will increasingly benefit from the realization of cost synergies in the second half.

Moving now to our third action, which is to increase productivity across the enlarged group. In addition to the delivery of cost synergies, I'm pleased to say that productivity once again showed significant progress. We delivered a further \$21 million of productivity savings in the half, with \$14 million of this coming from operational and supply chain efficiencies, and \$7 million from procurement and cost management.

To give you a sense of how deeply the culture of productivity is embedded across the whole organization, more than 150 procurement projects and over 180 continuous improvement projects across our manufacturing network were delivered to achieve these savings.

Our strong performance brings our total productivity savings over the last two-and-a-half years to \$112 million. Given our strong productivity pipeline, we are increasing our five-year target of \$150 million savings by the end of 2028 financial year by a further \$50 million to \$200 million.

Turning to our fourth action, to strengthen our balance sheet and shareholder returns. We continue to have a strong focus on cash generation. Our target is to deliver cash conversion greater than 75% each year, while balancing with our priority to drive top-line growth.

We are targeting improvement in the cash conversion cycle of the CP Kelco portfolio, which is naturally higher inventory, and we expect our operational expertise to deliver inventory reductions over time.

In addition, we are also working to increase working capital efficiency across the combined business. Another area of focus is the disciplined investment of capital. We continue to bring rigor to the investment appraisal process of the combined business, and expect new capital investments to meet attractive rates of return.

Moving on to capital allocation. We are committed to the disciplined deployment of capital and maintaining our financial strength. Consistent with our capital allocation policy, we will continue to invest in organic growth, selectively in acquisitions, joint ventures, and partnerships, operate a progressive dividend policy, and look to return any surplus capital to shareholders. Our current leverage of 2.3x sits within our long-term target, ranged between 1x and 2.5x net-debt-to-EBITDA.

Looking ahead, for excess capital, the Board intends to continue to pursue the deleverage of the balance sheet, and subject to prevailing market conditions, will consider initiating a share buyback program, when leverage is below 2x. The Board remains firmly committed to its progressive dividend policy.

And with that, I'll hand back to you, Nick.

Nick Hampton {[BIO](#) [18794378](#) <GO>}

Thank you, Sarah. To ensure we act with pace and agility, we are making some organizational changes to drive delivery of our priorities. Firstly, I have appointed Didier Viala to lead our Americas region. Didier was previously the Chief Executive of CP Kelco and has over 30 years of food industry experience. His leadership abilities, fresh perspective, and deep customer knowledge will be of great benefit to us as we focus on accelerating top-line growth.

Secondly, we are combining platform solutions, marketing, and commercial transformation into one team to drive commercial execution across the business. This team will be led by Melissa Law, our Chief Commercial and Transformation Officer, and will allow us to accelerate end-to-end deployment of new solutions and capabilities to customers.

Turning now to the outlook and summary, Our outlook for the year ending the 31st March 2026 is unchanged from our pre-closed statement on the 1st of October. In constant currency and compared to pro forma comparatives, we continue to expect revenue and EBITDA to decline by low single-digit percent compared to the prior year.

So to conclude, there is no getting away from the fact that it's been a difficult first six months of the year, and our performance is not where we want it to be. However, on the positive side, we are very pleased with the progress in delivering the benefits of the CP Kelco acquisition, with both revenue and cost synergies ahead of plan.

What's clear is that we are stronger together and have a highly engaged team. The power of the combination is driving high levels of customer engagement, and our new business pipeline is growing strongly. This reinforces our confidence that the enlarged Tate & Lyle has a highly compelling customer offering and is well-placed for growth.

Given the challenging near-term economic environment, we are taking decisive action to deliver top-line growth and improve our performance. We are investing to strengthen our customer-facing capabilities. We are simplifying our organization to focus on commercial execution. We're continuing to deliver the benefits of the CP Kelco combination, and we're accelerating productivity to invest further in our business.

As one Tate & Lyle team, we are excited about the future. With a portfolio repositioned to address growing consumer demand for healthier, more nutritious, and sustainable food and drink, the long-term structural growth drivers of our business remain strong.

Our opportunity is to turn high levels of customer engagement and the strength of our pipeline into top-line growth and stronger financial performance. Everyone at Tate & Lyle is focused on making this happen, delivering on our action plan and the priorities we have set out today. The power of the combination is clear, and our focus is on execution, delivering for our customers, and growth.

With that, Sarah and I will be happy to take your questions. We will take questions from both the floor and those joining remotely. For the purposes of recording, please state your name and institution.

Can we please have our first question from the floor?

Questions And Answers

A - Nick Hampton {[BIO 18794378](#) <GO>}

(Question And Answer)

Q - Joan Lim {[BIO 17002696](#) <GO>}

Hello. Can you hear me?

A - Nick Hampton {[BIO 18794378](#) <GO>}

Yes.

A - Sarah Kuijlaars {[BIO 20542857 <GO>](#)}

I can. (Multiple Speakers) Yes, that's coming in here.

Q - Joan Lim {[BIO 17002696 <GO>](#)}

Hi. I'm Joan from BNP Paribas Exane. So, I have three questions, if I may. The first question is your new President of Americas. Can you share more about why Didier is the right person to lead Americas? And how can he help spearhead the recovery of this division? What went wrong in Americas? And how do you envision Tate outperforming in markets going forward? So, this is my first question.

The second question is on your EBITDA guidance. With better-than-expected run rate cost synergies and higher cost savings from your productivity program, what is stopping you from raising your guidance? Why do you still expect it to decline in line with sales for the year?

And my last question is on sucralose. So, you said revenues were broadly in line with last year, which is surprising, because it's already grown double-digits last year and we're expecting some phasing effects. Can you help us understand the market dynamics for sucralose for this year, please? Thank you.

A - Nick Hampton {[BIO 18794378 <GO>](#)}

Sure. So, let me -- let's take those in order then. And Sarah, maybe you take the second question on EBITDA. Look on Didier, let me start with nothing's gone wrong in North America or in the Americas. We're experiencing a slowdown in market demand, but in North America specifically we saw flat revenues in the first half.

However, a fresh perspective is always good. And Didier, with his vast experience of serving the food and beverage industry as the CEO of CP Kelco, is deeply ingrained in our customer base and has a really strong understanding of the potential of the combined portfolio because of all of the work that we've done together.

He's been leading our platform teams for the last 12 months, close to 12 months, and they're fueling growth as well. So, we're taking his experience and putting it into a specific region to help accelerate growth. And we should remember as well the Americas is still our biggest business. It's over 40% of our business.

So, yes, I'm really delighted that he's taking on this new challenge, and he's really excited about it as well, because at the heart, Didier is a commercial guy. I mean he's been doing this for a long time. So, he'll bring real new energy and a fresh perspective, which is always good, of what's a solid base as well. We've got a great business in the Americas.

Let me take the sucralose question as well, while we're on it. Look, sucralose had a very solid first half, very consistent with the previous three or four years, very consistent delivery on both the top-line and the bottom-line. We're still seeing strong growth and demand for sucralose globally. It's still the best non-nutritive sweetener out there, and there's a huge demand for sugar replacement. So, we've still got this franchise that's incredibly strong for us and lots of customer demand for what we do, especially in the

developed markets, because of our unique sourcing out of North America. So, we feel really good about sucralose. It's a solid part of the portfolio and will continue to remain.

I'll let Sarah take the details on the EBITDA guidance, but let me put it into reference. We're assuming in our guidance that, we're going to continue to see muted demand for the balance of the year, but despite that, we want to continue to invest in growth because ultimately, we're looking to grow the business now and for the longer term, and therefore, reinvesting some of the savings we're seeing is really important.

Sarah, you want to add a little bit to that?

A - Sarah Kuijlaars {[BIO 20542857 <GO>](#)}

Yes. Thanks, Nick. So, I think indeed, so I think let's put in context, so the first half is obviously minus 3% revenue, minus 6% EBITDA, so we've got to demonstrate improvement in the second half to deliver the low signal-digits.

As Nick said, so we absolutely have demonstrated taking those costs out, but we're choosing to invest to ensure that we have the right competencies and capabilities in the organization to drive that top-line, and we've talked about some of those activities today.

A - Nick Hampton {[BIO 18794378 <GO>](#)}

I'll come to you later, Matthew.

Q - Fintan Ryan {[BIO 17719503 <GO>](#)}

Good morning. Fintan Ryan here from GoodBody. A few questions for me, please. Firstly, in terms of the soft end market demand that you're currently seeing, even though you're starting to develop a lot of the cross-selling benefits seem to be growing, could you describe in terms of the -- is it a case that the core underlying end markets or business is performing worse than expected in the short run, and you're not seeing the benefits of the new cross selling benefits come through, or is it the case that the products are being launched on the market, but they're just not meeting the initial hopes and thresholds that maybe you would have envisaged?

And then secondly, you point out quite a strong performance in the Chinese market, particularly in the first half, so a lot of other food and beverage companies are talking about softness in that particular market. Describe what makes your business different, is it your customer base, is it your category mix, and could you foresee that continued strength in the Chinese market continuing into the second half and beyond? Thank you.

A - Nick Hampton {[BIO 18794378 <GO>](#)}

So, on your first question, it's simply a phasing question. So fundamentally, underlying market demand, not where we had anticipated it would be, we're seeing real build in pipeline and cross-selling et cetera. But those -- the benefits of the combination, especially on the top-line, really only start to phase in from the next calendar year. So, if you think about the distribution take back, you think about some of the cross-selling coming through, those naturally come through in the next year. So, we're expecting to see those start to flow through in quarter four and into the next financial year.

So, the underlying base is where the softness is with those things coming in, as we phase them in. If you remember, we said, when we announced the transaction, this was a kind of

three-year build and it really started to build in the second year. So, that's what we're seeing. The good news is we're seeing that demand come through in terms of the pipeline we're building.

In terms of China, I'd say a couple of things are different for us. The first is the CP Kelco business is on a recovery path and China was especially soft part of the business, where they saw the decline historically, because dairy was suffered really badly through the sort of last couple of years. So, we're seeing recovery there, and of course, we're also seeing the increased benefit of the two businesses starting to come through.

So, I would say China was robust, we saw some growth, but we're not getting too excited about it yet. We're still seeing relatively muted consumer confidence overall in China, but the CP Kelco recovery is part of it and the way the business is doing a really good job of managing the tariff issues into China is helping too. And we should expect to see that in the second half too.

Matthew, I said I'd come to you next and Damian, I promise I'll come to you after that.

Q - Matthew Webb {[BIO 19890601](#) <GO>}

Matthew Webb from Investec. First one's probably one for you, Sarah. Could you just talk us through, where we are on the working capital and inventory front? Obviously, you took inventory levels up in the first half. I just wonder whether that's done, whether there's more to come in the second half? At what point, obviously, you've talked longer term about getting working capital levels down, just sort of where we are on that cycle? That's the first question.

And the second one, which I suspect is quite closely related to it is, I wonder if you could just update us on the tariff sort of implications, what you are doing both to deal with that yourselves and also to help your customers adjust to that new reality?

And then the third question, forgive me if you've talked about this already, but I noted the comments about optimizing capacity in your U.S. manufacturing facilities. I wonder if you could just be very clear what that entails? Thank you.

A - Nick Hampton {[BIO 18794378](#) <GO>}

You'd like to go on first? Yes.

A - Sarah Kuijlaars {[BIO 20542857](#) <GO>}

I'll start. Yes. So, indeed, so there was a working capital drag in our free cash flow. It comes back to a number one priority is having the right product in the right place for the customer. And with the ever-changing world of tariffs, it leads to an environment, where we're not optimal working capital, but we're very much focusing on the right product in the right place for the customer.

There's also an element, and it comes to your third point, about as we optimize our manufacturing facilities in the U.S., and that particularly relates to biogums, we have to build a bit of inventory, as we revalidate product with customers, as we continue to ensure we have that optimized footprint in the U.S. with respect to biogums.

I think absolutely this is going to take some time to unwind, so it will not be a tailwind in H2, but absolutely over the months it's that continual focus, and it comes back to how

are we delivering what's under our control, and clearly working capital is one of those elements, so absolutely over time we continue to optimize our working capital.

A - Nick Hampton {[BIO 18794378](#) <GO>}

So on tariffs, it's sort of tired saying it's a moving feast, because everybody knows that already, but it's having an impact on the business in a number of ways. The first is, as Sarah's pointed out, we're prioritizing putting inventory, where we need to for customers and building inventory in anticipation of tariffs moving around, and we're still seeing a little bit of a moving feast, especially with the U.S.-China issue.

It's therefore impacting our ability to serve customers effectively, clearly, and we're prioritizing that. We're passing through tariffs, where we can, and we're also moving production around the world to avoid tariffs, where possible. So, for example, recently, for us, shipping pectin or hydrocolloids out of Brazil into the U.S. has become more of a challenge.

So, we're shifting production into Europe and managing the network in a different way. So, the team's doing a really nice way of nice job of managing that effectively, and it hasn't had a disproportionate impact on the business, but operationally, it's a challenge that a lot of businesses are dealing with. I'd say the bigger question actually is the second-order effect of tariffs and the impact it's having on consumer demand. That's what we're seeing in the U.S.

The Nielsen chart I showed you earlier, that pricing that came through in the second quarter, is a reflection of tariff pass-through. So, the consumer confidence around the world is being impacted by it because of pricing. But all of those things are factored into how we're managing the business, and like every other business, we're dealing with it in a sort of agile way and as best we can.

In terms of the footprint rationalization in the U.S., I think Sarah's broadly covered that. One of the benefits of the transaction was the significant investment in lower-cost biogums manufacturing in North America. That's allowing us to move production around and rationalize facilities in a way that will take costs out.

So, it is part of the productivity driving the business, and that capital has always already been invested as well, which is a good thing. If you remember, we talked about the \$200 million of investment that was made. We're now in the middle of it executing that transfer. The transfer takes a little bit of time, because of moving customers onto a new facility in a slightly different production platform.

Q - Matthew Webb {[BIO 19890601](#) <GO>}

Thank you very much.

A - Nick Hampton {[BIO 18794378](#) <GO>}

Damian, I promise I'll come to you next and then we'll go.

Q - Damian McNeela {[BIO 23793777](#) <GO>}

Thank you. Damian McNeela from Deutsche Numis. I think the first one for you, Nick, is I appreciate you've given us some information about U.S. FMCG markets and volumes down, sort of broadly 2%. But if we look at some of your peers, they've delivered positive

volume performances in that region. I was just wondering, how do you think about Tate's market share evolution over the last six months and where do you -- is it sort of a category issue for Tate, or is it the fact that it's very difficult to compare apples with apples in this environment, is the first one.

And then secondly, Sarah, for you, APAC profitability was up like nearly 20% on flat revenues. Can you talk about what drove that improvement in profitability? Is that country mix driving that, please?

A - Nick Hampton {[BIO 18794378 <GO>](#)}

So, let me take the first question, obviously. It's very difficult to measure share precisely, and it goes up and down. When you look at our North American business in the first half, volume down a little bit, pricing up a little bit, revenue flat. So actually, in terms of volume weighted ahead of the category that we're seeing now, what does that mean in terms of share? Difficult to say.

I wouldn't say we're performing particularly differently to anybody else, because there are category mix issues, there are comparability issues, but what I'm concerned about now is accelerating top-line growth. And to do that in the near term, we'll have to make sure we're targeting growth areas within our categories and look to take share as reformulation kicks in. Sarah?

A - Sarah Kuijlaars {[BIO 20542857 <GO>](#)}

Thanks, Nick. And Damian, on the APAC, so it's great to see APAC performance resilient despite all the noise about tariffs. If you recall, CP Kelco is a really important part of APAC and as they have improved, that's really supported the improvement of EBITDA. In addition, there's good old-fashioned cost control supporting that broader remit of the region.

A - Nick Hampton {[BIO 18794378 <GO>](#)}

And I think, it's a good example of controlling all the things that we control in the context of the environment that we're in and the Asia team's done a really nice job, when you add on the complexities of tariffs in their business. I'm conscious that we've got people very patiently waiting online as well. So, I think, I'm going to take an online question next and then I'll come back to the room.

So Karel from Kepler, over to you.

Q - Karel Zoete {[BIO 4452327 <GO>](#)}

Yes, good morning. Thanks for taking the question. I have a question on supply-demand in the North American market, because it's been -- the market has been difficult for a period of time now, and we're heading into the negotiation season, of course. So, how you're seeing supply-demand in the North American market, I guess, particularly on your sweeteners platform?

And the other question is in a slightly different way it's been asked before, but we notice quite sizable gaps in the performance of ingredients players also in North America, depending on the end markets they serve or have a strong foothold in.

Now, if you look to your -- to the wins and new customer engagement, is there a big program to where you see us becoming more successful, making inroads in higher growth segments? Can you single out a couple of things that look promising at this point? Thank you.

A - Nick Hampton {[BIO 18794378 <GO>](#)}

Sure. So in general, with muted demand for the last couple of years, the supply-demand balance is clearly shifting a little bit. And we sort of were conscious of that as we go into the season for a new framework agreements with customers. But the thing I'd say is part of the repositioning of the business is about creating levers that go beyond that.

And if you think about the growing pipeline, the broader portfolio we have, it gives us many more levers to play as we go into that season. So, very early in the whole process of renewing customer agreements for next year. So, we'll give you an update on that in the new year. But we are bringing different levers this time round to the past, as we brought the two businesses together.

And we've got the distribution take-back and the direct selling from that to benefit from. We've got the pipeline. So, there are lots of other things we're thinking about driving. And what we've seen so far in North America is relatively stable pricing. In the first half, we saw price slightly ahead of volume.

In terms of what does that means in terms of focusing on growth, it's all about going after those priority growth subcategories. So, it's about lower sugar relating to the sweetener businesses you talked about earlier.

I mean, clearly, we've got a unique sweetening portfolio. So, we've got the only North American or America supply chain for Stevia. We've clearly got a North American sucrose business benefiting us as well. So, it's about targeting subcategories, where we're seeing lower sugar combined with mouthfeel. Because when you take sugar out, you need to replace the mouthfeel to provide customers with products that really work for consumers. And those are the kind of things we're working on in terms of building a pipeline of future growth. And as we start to see innovation pick up, we'd expect to see those things flow through into new business for us.

So, Artem, I'll come back to you.

Q - Artem Chubarov {[BIO 20358013 <GO>](#)}

Thank you. Good morning. It's Artem from Rothschild Redburn. Thanks for taking my question. I've got one on solutions, encouraging to see the number of your solution sales as part of your new business wins, 39% compared to 22% like-for-like. Just maybe help us understand this number a little bit. So like, obviously, it looks like a big jump in the number. If it's like-for-like, does that mean it's still Tate plus CP Kelco? Does that exclude synergies before?

So, is it a function of synergies kicking in and you see the progress of more solution sales? Otherwise, is it just a function of you being able to do more with the CP Kelco business, your portfolio broadens, you can offer more solutions? So, could you talk a little bit about this number? Because that's obviously very encouraging to see such growth. Thank you.

A - Nick Hampton {[BIO 18794378 <GO>](#)}

Yes. So like you, we're very encouraged with the growth in our new product revenue and in the pipeline of solution wins. Like-for-like really means we're measuring the combined business in both years. So, we're taking the combined portfolio last year and measuring it against the combined portfolio this year, which I think is the fairest measure in terms of seeing progress. Clearly, there's been a big increase in the overall total and spend, because when you bring an extra business in, you naturally get a big, big bump. But think of it as a comparable.

So, the 7% on new product revenue, for example, is a really good example of that. And why is it growing? Because our new products have real relevance for the future of where food is going. And because the combination coming together allows us to do things that we couldn't do, when we were apart. So, if you think about the examples I showed you, from the U.S., to Australia, to Spain, they were all a combination of the two portfolios coming together. Twelve months ago, we couldn't do that. So, hopefully that answers that question. Yes, the back there.

Q - Lisa De Neve {[BIO 21015154 <GO>](#)}

Hi, Lisa De Neve, Morgan Stanley. I have three questions. One is a follow up from Artem's question. I mean, you've done very strong on solution driven sales. Can you just put a bit of context that how that's going to drive your mix and your delta margin progress over the coming 12 months? That's my first question.

The second question is on price. You've talked about making price investment in the first half. Can you just detail a little bit where you've invested in price and how we should think about this to trend in the second half of the year, especially in ongoing deflationary context for raw materials?

And the last question is on special returns. You've highlighted you would consider a buyback, when net leverage drops below 2x. Can you share if that's the main driver driving that potential decision for a buyback or whether you will take other variables in consideration as well, such as market backdrop or your level of your share price? Thank you very much.

A - Nick Hampton {[BIO 18794378 <GO>](#)}

So, do you want to take the margin point?

A - Sarah Kuijlaars {[BIO 20542857 <GO>](#)}

Price point, yes.

A - Nick Hampton {[BIO 18794378 <GO>](#)}

Yes. I'll come back on that.

A - Sarah Kuijlaars {[BIO 20542857 <GO>](#)}

You want me to go first? Okay. So yes, thanks for the question. So, I think it's really important to think about region-by-region. So, we've talked a lot about, what's going on in the Americas, but I think it's worth highlighting in Europe, for example, the price has been under a lot of pressure. So, we have invested in price there. We knew that was going

to happen going into this calendar year, and that's one of the main contributors to the slightly muted results in Europe.

So, I think, it's really important that region by region, there are different dynamics, and that depends on the supply chain, depends on what else is going on. But indeed, the significant price pressure has, we've seen it in Europe.

A - Nick Hampton {[BIO 18794378](#) <GO>}

So, on solution selling then and the sort of pipeline, I mean, clearly our experience from history and all of the pipeline conversion we've seen over the last three or four years is that, the conversion in that pipeline is margin positive. So, it should help as we go into quarter four and into the following financial year, and that will be weighed off, off against all the other factors we're driving in terms of managing the mix in the business. So, it's a positive benefit for us as we go forward. How much flows in and when it flows in, of course, will be determined by the rate of pipeline conversion.

Coming back to your question about shareholder returns and share buybacks and how you might do that. Look, I think the signal today is, that we're very conscious about balancing off, investing in the business for growth and delivering returns to shareholders as our balance sheet allows us that flexibility. When we get it to a point in time, where we have that decision to make, the Board will use lots of different factors to determine what the right answer is for both shareholders and the business. And it's a bit difficult to give you a template for that. It's not prescriptive, because it will be situational. There'll be the market circumstance, there'll be the share price, there'll be investments in the business, there'll be what the growth potential of the business looks like in the near term. All of those things will come into play.

But I think the point we're trying to make today is, we're going to be very flexible and open-minded about that, conscious of the fact that we want to maximize shareholder returns in the current environment.

So, I'm going to go back to the screen now, and I see that Alex Sloane from Barclays had a question. So Alex, over to you.

Q - Alex Sloane {[BIO 21961825](#) <GO>}

Oh yes, thanks for taking the question. The first one, just in terms of the CP Kelco business, I think you're bringing back a lot of that from distributors in quarter four. I wonder if you could speak to how you're managing any risk of potential air pockets as distributors try to phase out stock. Is that something you're seeing at all in 43? And is that embedded in your second half guidance, the first one?

The second one, I mean, over the summer, a former FDA commissioner filed a citizen's petition with the FDA seeking to revoke GRAS Status for our host of corn-derived ingredients. He argues contribute to negative health outcomes. How material is that development on your sort of overall radar screen of risks? Thank you.

A - Nick Hampton {[BIO 18794378](#) <GO>}

Do you want to take the first question?

A - Sarah Kuijlaars {[BIO 20542857](#) <GO>}

Very happy to. Good morning, Alex. So I think, so absolutely, so take back from distributor is a key part of the transformation case with CP Kelco. We are working well with our distributors and trying to find the win-win. So, how do we consolidate our relationship with distributors? And of course, distribution will be a key part going forward. I think, and with those larger distributors, the conversation is, if we take back this geography, but we could give you another geography to support their growth as well.

You talked about air pockets. I think absolutely we've got to acknowledge that in Q3, as we start some of those distributors, we do start taking house. That does have an impact as obviously they work through their inventory, but absolutely that's built in the guidance for the full year.

A - Nick Hampton {[BIO 18794378](#) <GO>}

Alex, I just add one other thing to that, which is as we worked with our distributors on that program, we're focused, number one, on maintaining customer service, and number two, on working with them to balance off the business, to give them incentive to grow with us going forward as well, because they're always going to be an important part of our business to a certain extent in certain markets.

On your question on the Kessler petition to the FDA, I mean, not unusual. We've seen things like this in the past. They tend to take time to work through. When we look at our broad portfolio, a number of our products in the portfolio already have alternative accreditation anyway, so it wouldn't be impacted by it.

And that's where the sort of breadth of the portfolio really helps as well, because to the extent that there will be any substitution, we'd have other products that we could move into the mix. So, obviously, we're following regulation in the U.S. very carefully, as you'd expect. But we don't anticipate it having a material impact on the portfolio.

Okay. Any other questions? No? In the back? Yes, sir. Oh Patrick, sorry. I missed you on the screen.

Q - Patrick Higgins {[BIO 17720947](#) <GO>}

No problem. Good morning, everyone. I just wanted to come back to the solution selling for a minute, and forgive me if I miss this. But do how much of the combined today, sales today are sold via solution? And I appreciate it might be too early to guide in this, but where do you think that could get in the medium term?

And obviously, through today's presentation, you've kind of highlighted the benefits of the combination and the power of the combination and how CPK will enable that increased solution selling. But where do you see the biggest gaps in the rest of your kind of offering to enable that kind of progression in terms of solution selling? Is it application? Is it consumer insights? Just a bit of color on that would be really helpful.

A - Nick Hampton {[BIO 18794378](#) <GO>}

I mean, great question. I actually can't give you a specific answer to the how much of it is, is combined in terms of the solutions bit of it. What I do know is the pipeline is growing very strongly. And a lot of examples I've given you in terms of recent success have included the combined portfolio. But I actually think the more important measure is the total strength of the pipeline. Because actually, if you think about the example in Spain,

where we're working with a customer on a broad base set of solutions now, it's because of the combination.

And it might only be one part of the portfolio that goes into a particular solution. But it's the fact that we can cross, we can cross formulate that gives the access and the confidence that we're the best partner for that. How far that goes, we'll see. I mean, we clearly want to continue to grow it, because it has a positive impact on the business.

In terms of gaps, I don't think the gaps in the portfolio are about the latent ammunition, if you like, the ingredients themselves. I mean, we like to have a little bit more exposure to protein maybe. I think the gaps actually more about building increased consumer understanding of where we can grow best. So, really understanding our customers' needs and where they see the big opportunities and then continuing to learn internally about the power of the combination as application scientists come together and formulate in a way across the portfolio that we couldn't do before.

And that's about time and learning. I mean, over time, that will strengthen and it will be augmented by things like ALFIE, where we've got this rapid prototyping capability. So, we can actually accelerate our own understanding, and therefore, accelerate our ability to delight our customers with solutions they didn't think were possible before.

So, it's now really about execution of what we have and executing it in a way that we're executing it against the biggest growth opportunities externally. Either customer specific, category-specific, in some cases through region by region differences.

Okay. So, if there are no more questions, I can't see any handouts in the room or names on the screen, I'll finish with a couple of brief remarks, if you like.

Look, as we said in the first six months of the year, our performance is not where we want to be -- what want it to be. But we're incredibly encouraged by the strength of customer engagement and the strength of our pipeline. And that gives me confidence that we're moving in the right direction.

So, our near-term focus is absolutely on the priorities we just laid out for growth. And it's all about execution, growing with our customers, and it really helping them grow in a more difficult world. So, thank you for joining us today, and we'll have no doubt see you in the new year, when we give you an update then.

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