November 5, 2026

Tate & Lyle

H1 2027 (Q&A)

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MODULAR FINANCE

Speakers

Operator

Nick Hampton
Chief Executive | Tate & Lyle

Alexander Sloane
Analyst | Barclays

Sarah Kuijlaars
Chief Financial Officer | Tate & Lyle

Damian McNeela
Analyst | Deutsche Numis

Joan Lim
Analyst | BNP Paribas

Patrick Higgins
Analyst | Goodbody

Prepared Remarks

Operator

Good morning and welcome to the conference call for Tate & Lyle's Half-Year Results Management Q&A Session. Today, we are joined by Nick Hampton, Chief Executive, and Sarah Kuijlaars, Chief Financial Officer. If you would like to ask a question in today's Q&A session, please press star one on your telephone keypad. I will now hand you over to Nick Hampton for some opening remarks. Please go ahead.

Nick Hampton
Chief Executive | Tate & Lyle

Thank you, operator. Good morning, everyone, and welcome to Tate & Lyle's Half-Year Conference Call. I hope you have been able to watch the video presentation of our results, but if not, let me briefly give you the key highlights, and then Sarah and I will, of course, be happy to take your questions. The group performed well in the first half, with a return to volume-led revenue growth and profit in line with our expectations. Revenue was 1% higher, with volume mix up 3%. If we exclude bulk sweeteners and co-products in Europe and tariff reimbursements in the U.S., revenue was 2% higher and volume mix up 4%. Looking at the regions, we saw strong top-line momentum in Asia Pacific and a robust performance in the Americas, which together helped to offset a more challenging environment in Europe, Middle East, and Africa.

Nick Hampton
Chief Executive | Tate & Lyle

Overall, our performance has been driven by three main factors. Firstly, strong execution of the strategic actions we set out this time last year to accelerate customer wins and drive commercial excellence across our business. Secondly, successfully working with customers to turn the strength of our new business pipeline into volume-led growth, with the proportion of new business wins from solutions increasing by 15 percentage points to 58%. And thirdly, we continue to deliver further productivity savings and maintained strict cost discipline. Our balance sheet remains robust. We delivered GBP 100 million of free cash flow, with cash conversion of 75%, our long-term target. The interim dividend is up 0.2 pence to 6.8 pence, in line with the Rule 2.7 announcement in June. We are maintaining our outlook for the full year ending the 31st of March 2027.

Nick Hampton
Chief Executive | Tate & Lyle

The extension of the conflict in the Middle East means that the impact has become more pronounced than originally anticipated, and we intend to pass through cost inflation as we renew customer framework agreements for the 2027 calendar year, while also continuing to seek to offset cost inflation through a range of initiatives, including procurement activities and operational discipline. In relation to the sale of Tate & Lyle to Ingredion announced in June, the regulatory and antitrust filings are proceeding as anticipated, and we continue to expect completion of the transaction in the second half of calendar year 2027. To conclude, looking ahead, as we continue to operate in a challenging inflationary environment, we remain focused on what we can control, on continuing strategic execution, driving top-line growth, maintaining cost discipline, and delivering for our customers.

Nick Hampton
Chief Executive | Tate & Lyle

I am encouraged by our performance in the first half, which reflects the strength of our portfolio, the deep technical expertise of our people, and the power of the CP Kelco combination. I want to thank all my colleagues for their continued passion and commitment to deliver on our priorities in what is a period of significant change for the company. With that, I will open up the call for questions.

Q&A

Operator

Thank you. As a reminder, if you would like to ask a question, please press star one on your telephone keypad. We will pause for just a moment to allow everyone an opportunity to signal for questions. As a reminder, if you would like to ask a question, please signal by pressing star one. We will take our first question from Alexander Sloane from Barclays. Your line is open. Please go ahead.

Alexander Sloane
Analyst | Barclays

Yeah. Hi. Thanks for taking the questions. Two from me, please. The first one, in terms of, I think, Nick, you alluded to it, in terms of the Middle East conflict increasing perhaps energy costs in Europe. Could you maybe give us some framing of what that looks like for you, your exposure there, and what pricing you might need to offset, and your confidence levels on that would be helpful? The second one, I think in terms of the full-year guidance you gave back in May, it was for flat EBITDA, excluding the 20 million bio-gums delay. Is there any update on how the bio-gums project is progressing relative to your plans? Thank you.

Nick Hampton
Chief Executive | Tate & Lyle

Sure. Okay. Thanks, Alex, for those two questions. I will let Sarah cover the bio-gums program in a minute. In terms of the Middle Eastern conflict, I mean, clearly, it has been more protracted than we had anticipated as we came into the year. The team has done a really nice job of offsetting those challenges. They are more pronounced in Europe, and you can see that to a certain extent, in the mix of our performance in the first half. As it relates to the forward view on the framework agreements for next year, we are looking to pass through the inflationary environment that we are seeing, although it is bumping around at the moment a little bit. I mean, oil price was down 10% yesterday, for instance. As we have done in the past in Europe, as per the Ukraine crisis, we have done that successfully.

Nick Hampton
Chief Executive | Tate & Lyle

Putting a number on it, I am not going to do at this stage for two reasons. It is moving around, and secondly, obviously, there is some commercial sensitivity as we enter what is a very early stage of the framework agreement renewal cycle for next year, which I actually think is going to happen a bit later this year because of the volatility we are seeing. Sarah, maybe you could cover the bio-gum question.

Sarah Kuijlaars
Chief Financial Officer | Tate & Lyle

Thanks, Nick. Good morning, Alex. So indeed, with reference to the bio-gum consolidation project, this is proceeding as we anticipated, and it is on track, and we will talk about it more next year when we next talk to you.

Operator

Got it. Thank you. Thank you. As a reminder, if you would like to ask a question, please signal by pressing star one. We will take our next questions from Damian McNeela from Deutsche Numis. Your line is open. Please go ahead.

Damian McNeela
Analyst | Deutsche Numis

Yeah. Hey. Morning, everybody. Thanks for taking the call. Nick, just kind of a broader question initially on how you are seeing. I mean, volume mix does seem to be improving. It feels like it is a bit of a mixed consumer backdrop across the world, but I was just wondering if you could give any sort of thoughts about how you are thinking about the sort of the evolution of your customer backdrop, and within that, how you feel about the sort of level of in-price investment that you have needed to make in Europe for the volume that you have seen or the volume performance you have seen there. And then just finally on the deal, I know you are limited in what you can say, but have there been any markets where the deal has been approved? I think there have been a few.

Damian McNeela
Analyst | Deutsche Numis

I was just wondering whether there's a few more that have happened in the background that haven't necessarily been flagged to the market.

Nick Hampton
Chief Executive | Tate & Lyle

Let me take that second question first, and then I'll come back and maybe give you a little bit of spin around the business. As you rightly say, we are making good progress with regulatory clearances. We've received either written or verbal approval in six jurisdictions so far, Brazil, China, the U.K., South Korea, Tanzania, and Zanzibar. There are six more remaining, so merger controls in Canada, Colombia, Mexico, and the U.S., and two approvals in the EU, so merger control and Foreign Subsidies Regulation. In terms of those that are remaining, the filings are progressing as we anticipated, and we're continuing to expect completion in the second half of the 2027 calendar year. Everything seems to be on track at this point, which is good.

Nick Hampton
Chief Executive | Tate & Lyle

Of course, as we said in the announcement and when we announced the deal in June, clearly deal certainty was a key consideration for the board when recommending the offer to shareholders. So far, so good. Everything's progressing on track is the key message, I think. In terms of what did we see in the first half? I mean, clearly, the broad-based volume mix growth of 3%, like-for-like 4% really, if we strip out some of the one-off anomalies of tariffs and primary products in Europe, is very positive progress for us, and I think it reflects a number of things. It reflects starting to see the benefits of the combination with CP Kelco flow through. Let's not forget, we're only 18 months into that.

Nick Hampton
Chief Executive | Tate & Lyle

The successful framework agreements for last year, and we've got a growing pipeline of new business that I talked about in my remarks that continues to grow, especially focused on our higher value ingredients. We're increasingly focused on creating solutions for customers against key consumer trends, and we're seeing a real focus on affordability, on health and wellness, and on clean labels around the world. That's reflected in, for example, very strong growth in our fiber fortification platform. We talked about the soluble fibers growth that we're seeing in the presentation. I mean, as you rightly point out, it is different by geography. We're seeing very strong volume mix growth in Asia Pacific, which is broad-based, encouragingly. China is a bit more challenged than the average down there, although we're still seeing underlying growth in China, notably with our expansion into food service.

Nick Hampton
Chief Executive | Tate & Lyle

We're seeing encouraging momentum in India as well, which is a new market for us. In the Americas, despite the consumer environment in North America, we're growing volume and revenue with a developing pipeline with customers who are increasingly starting to focus on innovation as they're innovating against consumer trends we're seeing. And solid performance in LATAM as well. In Europe, Middle East, and Africa, actually despite the Middle Eastern crisis, we saw good growth in EMEA, which is encouraging because that's a growth region for us. The area of challenge, as you point out, currently is Europe, where consumers are challenged. It is a bit more competitive. And we did have to put some price into the market to drive growth. And actually, if you strip out the effect of the primary products business in Europe, we did grow volume mix in Europe by 2% in EMEA.

Nick Hampton
Chief Executive | Tate & Lyle

So, pretty broad-based progress, I would say, with Europe the more challenging. And we're starting to see the strength of our pipeline flow through, which we're hoping will have a positive impact as we continue into H2.

Damian McNeela
Analyst | Deutsche Numis

Okay, Nick. Yeah, that's very clear. Thank you.

Operator

Thank you. As a reminder, if you'd like to ask a question, please signal by pressing star one now. We'll pause for just a moment to allow everyone an opportunity to signal for a question. We'll take our next questions from Alexander Sloane from Barclays. Your line is open. Please go ahead.

Alexander Sloane
Analyst | Barclays

Sorry. Thanks for taking the quick follow-up. Just one, at the start of the year, there was quite a lot of excitement around Fiber February, from memory, and fiber potentially being the kind of the next protein. I think we have seen some good traction in the end markets with kind of new launches and innovation on that front. Maybe you could just give us a little bit of an update in terms of what you are seeing there and how Tate is benefiting from that trend. Thanks.

Nick Hampton
Chief Executive | Tate & Lyle

Yeah. It is a great question, Alex, and we are seeing very strong take-up in fiber around the world in all markets. Obviously, the fact that we have got a strong broad base of soluble fibers that have got accreditation for dietary health is really helping us formulate in with customers. I expect to see that accelerate. It is a smaller part of our portfolio today, but it is growing very rapidly, and we are expecting to see that continue through the next 12-18 months. I think we gave a couple of examples in the presentation on the level of growth we are seeing on things like polydextrose and PROMITOR, and an example with McVitie's in the U.K., where we are working on a number of projects beyond the one that has been launched already.

Alexander Sloane
Analyst | Barclays

Thank you.

Operator

Thank you. Our next questions comes from Joan Lim from BNP Paribas. Your line is open. Please go ahead.

Joan Lim
Analyst | BNP Paribas

Hello. Morning, everyone. I missed the first part of the call, so I hope I am not repeating some questions. But two questions from me. One is, do you have any updates on your calendar 2027 contracting round, given that the higher input cost inflation, and it seems like the price environment remains quite competitive? And the second question is on your H2 EBITDA expectations. So, it seems like input inflation headwinds were more significant than expected in the first half. Could you provide some colors on what you think the drivers of the H2 EBITDA growth will be? Thank you.

Nick Hampton
Chief Executive | Tate & Lyle

Let me take the contracts around question, and I will let Sarah cover the EBITDA one. Look, we are in the early stages of engaging with customers on the framework agreements for next year. As we said, we are looking to pass through the inflation that we are seeing currently. It is very early days, and obviously, conversations are going to be challenging as we go into the next round. But I think customers understand the inflationary pressures, and we have managed it well in the past. As I said earlier on the call, with the Ukraine crisis in Europe especially, we saw good execution by the team. I think we will be a lot clearer on this, frankly, as we get into the new calendar year, because I also think contracting is going to happen later this year because of all of the volatility that we are seeing.

Nick Hampton
Chief Executive | Tate & Lyle

We have just come through the midterms, and I think we will see how things develop over the next couple of months. Sarah, why don't you cover the question on EBITDA in the second half?

Sarah Kuijlaars
Chief Financial Officer | Tate & Lyle

Yeah. Thanks, Nick, and good morning, Joan. I think it is worth, given you missed the very beginning, it is worth reiterating, we managed, we delivered volume-led revenue growth in H1, as we committed to. That sets us up obviously well for H2. Nick has also talked about our pipeline continuing to grow. If you actually look on absolute terms, H2 versus H1, there is not a significant step up. We clearly have to navigate going into calendar year 2027, as Nick has spoken about. That will drive where we end up for the full year. But I think it is great to see the progress we have made in H1, and we are working very hard to build on the momentum.

Sarah Kuijlaars
Chief Financial Officer | Tate & Lyle

Absolutely, it is a tougher cost environment than we had anticipated coming into this year, but we are working very hard through the framework agreements to pass that across to our customers.

Joan Lim
Analyst | BNP Paribas

Okay. Thank you.

Operator

Thank you. Our next questions comes from Patrick Higgins from Goodbody. Your line is open. Please go ahead.

Patrick Higgins
Analyst | Goodbody

Thanks. Morning, everyone. I just had a question, I guess, around the underlying demand backdrop into H2. I appreciate, Nick, you mentioned it depends on geography, but more just interested at how you see, I guess, underlying demand progressing through H2, either from a consumer perspective across geographies or maybe that kind of innovation demand intensity that you called out to an earlier question. Also interested, I know there has been some speculation of front-of-pack labeling coming in the U.S., so interested to hear your thoughts on that and the impact that could have on volumes going forward. Thanks.

Nick Hampton
Chief Executive | Tate & Lyle

Yeah. Thank you, Patrick. It is a good question. I would say we are seeing some positive consumer trends in Asia. We are seeing some growth in consumer markets there. In Latin America, it always depends on which market you look at, actually, but Latin America is pretty stable at the moment. The Northern Hemisphere, from a consumer perspective, remains more challenged. So, affordability is an issue in Europe and the U.S., and where we are seeing growth is more innovation and customer-driven than consumer-driven at this stage. I think we are seeing increasing pressure on innovation in a positive sense. Our pipeline is growing, especially in the areas actually you mentioned, things like clean label, where regulatory reforms no doubt are coming at some point, and in things like fiber fortification and health and wellness. So, the portfolio is well-placed against those.

Nick Hampton
Chief Executive | Tate & Lyle

It will be interesting to see how the consumer environment develops in North America post the midterms, but we have not seen any consumer growth there. As I said, we are seeing relatively muted consumer demand in Europe as well. So, the key for us actually is to continue to focus on all of the commercial excellence work we have been doing, picking the customers who really want to innovate with us, and driving growth through accelerating the pipeline while managing the renewals for next year as well as we did coming into this year.

Patrick Higgins
Analyst | Goodbody

Very clear. Thank you.

Operator

Thank you. As a reminder, if you would like to ask a question, please signal by pressing star one on your telephone keypad. It appears there are no further questions. I would now like to turn the conference back to Nick for any additional remarks. Please go ahead, sir.

Nick Hampton
Chief Executive | Tate & Lyle

Thank you, operator. Briefly, and thank you, everybody, for joining the call. As I said, we did see a welcome return to volume-led revenue growth in the first half. Profit was in line with our expectations, and we are maintaining our full outlook for the full year. That is being driven by the execution of the strategic actions we are taking to drive top-line growth and strengthen the business, particularly customer engagement and continuing to focus on that. Looking ahead, as I said at the start of the call, we are operating in a challenging environment, but we remain focused on what we can control, as we did successfully in the first half. Continued strategic execution with customers, driving top-line growth, maintaining cost discipline and our productivity record, and ultimately delivering well for our customers so that they can grow with us.

Nick Hampton
Chief Executive | Tate & Lyle

Thank you for your time today, and I wish you all a very good day.

Operator

This concludes today's call. Thank you for your participation. You may now disconnect.