



## & Lyle cuts ties to past via £211m sale

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By Hannah Kuchler

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[Tate & Lyle](#) on Thursday confirmed the sale of its sugar business to American Sugar Refining for £211m, cutting one of the remaining links with its past.

Analysts had been calling for the business to be sold for some time. They argued that it was a distraction for the company, which is increasingly focused on the speciality ingredients division, and that without the European Union subsidies, which it was due to lose this year, it was making a loss.

But it took a new chief executive, Javed Ahmed, who joined in October from [Reckitt Benckiser](#), to push through the sale.

“The combination of a lot of old sugar men retiring, the chief financial officer changing and Javed coming in was a wake-up call at executive board level, saying ‘come on we need to be out of this’,” said Martin Deboo, an analyst at Investec.

### EDITOR’S CHOICE

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Mr Ahmed set out his [new strategy in May](#) when he announced that the bulk ingredients division, which includes corn sweeteners, sugars and industrial starches, would be managed as a source of cash to fund the growth of the speciality ingredients division.

The operations being sold include cane sugar refineries in London and Lisbon, the Lyle’s Golden Syrup factory in London and the associated sugar and syrup brands.

In the year to March 2010, these businesses had external sales of £689m and made an adjusted operating profit of £14m, after receiving aid from the EU of £17m. At the end of March, they had gross assets of £374m. The sale is expected to result in a loss, before costs, of about £55m but be neutral on adjusted earnings per share in the 2011 financial year.

“At the moment we are going to use the money [from the sale] to reduce net debt,” said Tim Lodge, chief financial officer. “But then we are looking at a growth strategy, which will require quite a lot of heavy lifting to do. So we will look to identify appropriate M&A targets that will help us accelerate that.”

Mr Lodge said that the company would be looking for targets in emerging markets, particularly Latin America and China where it already has offices. But it would also look to buy companies that could develop products for the health ingredients market.

“This gives them more material firepower to grow the food ingredients part of the business, which is what Tate is going to morph into,” said Graham Jones, an analyst at Panmure Gordon. “I was slightly disappointed in May because [Mr Ahmed] was restricting debt to no more than two times net debt to ebitda to keep the investment grade credit rating. But this gives them an extra £200m.”

The £221m paid by American Sugar Refining is seen as a full price for the business. Before the strategy update, Mr Deboo estimated the company could sell the land and assets for about £50m.

The money from the sale will be supplemented by further disposals including its molasses division, which analysts estimate could reach about £60m-£70m, and its small Vietnamese sugar venture, which were both put up for sale on Thursday.

American Sugar Refining bought Tate’s Canadian sugar business in 2007 and Tate & Lyle North American Sugars in 2001.

“It’s a buyer we know well from previous transactions in the US and Canada where they’ve invested in the businesses and increased headcount in some of them as they’ve grown,” added Mr Lodge.

Tate & Lyle shares rose 4.7p to 454.4p.

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#### Sweeter times

Tate & Lyle’s decision to turn its back on the sugar business was taken at the company’s riverside headquarters on the aptly-named Sugar Quay.

Although it has not boosted group profits for years, sugar has been in Tate & Lyle’s blood since Henry Tate opened the Thames Refinery 132 years ago. Mr Tate, a minister’s son-turned-grocery chain owner, opened the refinery in London’s Silvertown in 1878, three years after he bought the rights to the new technology that was transforming the sugar market – the sugar cube.

Five years later, a mile-and-a-half away, Abram Lyle, who had been a shipowner who transported sugar, set himself up as Tate’s rival. He used a waste product to create syrup and poured it into the famous dark green Lyle’s Golden Syrup tins.

Both died while still fierce competitors in the 1890s, but in 1921 the companies merged to become Tate & Lyle, which refined about half of the UK’s sugar.

Tate & Lyle joined the FT30, the oldest continuous index in the UK, when it was created in 1935 and is one of two companies still on the index, the other being GKN, the engineer.

The food producer spent the 1970s and 1980s broadening its focus by snapping up ingredients and commodity businesses in the UK and the US.

In 1976 it was Tate & Lyle, in conjunction with researchers at the University of London, that discovered sucralose, which would feed the health-conscious consumers of the future and replace sugar as a key driver of growth