

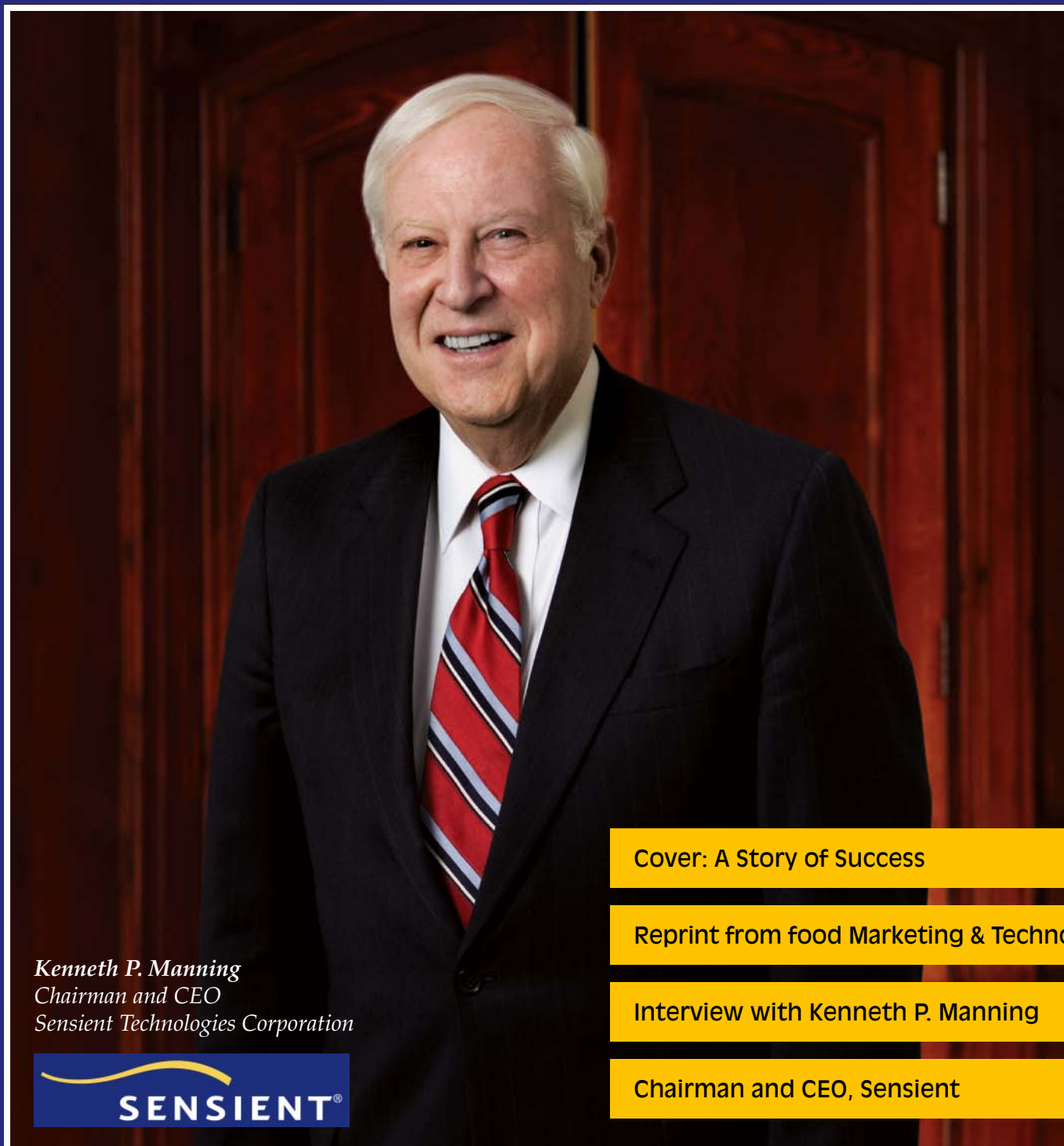
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Kenneth P. Manning
Chairman and CEO
Sensient Technologies Corporation



Cover: A Story of Success

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Interview with Kenneth P. Manning

Chairman and CEO, Sensient

Sensient Technologies – A Story of Success

CEO Kenneth Manning talks to Ian Cuthill about Sensient Technologies

From Gin Stills to Inkjet Printers

Since its founding in Milwaukee, Wisconsin, Sensient Technologies has been known variously as Meadow Springs Distillery (1882), National Distillers (1887), Red Star Yeast (1919), Universal Foods (1962), and now as Sensient Technologies (2001). The most recent change is closely linked to its CEO for the past 15 years, Kenneth P. Manning, who sold off its low-growth cheese, frozen potato and yeast businesses and transformed it by acquiring a portfolio of value-added colors, flavors and fragrances businesses. It is now a company with \$1.3 billion in sales and 3,600 employees that competes as a worldwide manufacturer and marketer of colors, flavors, fragrances and fine chemicals to customers as varied as food and beverage, cosmetic, paper, plastic, pharmaceutical and inkjet manufacturers. Almost two-thirds of revenues come from flavors and fragrances, but the most rapid growth has come from its color business. It is still based in Milwaukee, Wisconsin, but it has been transformed from its early beginnings.

Sensient has also been successful in growing its business in good times and bad over the past 15 years to the extent that its share price and revenues are now at all-time highs. The CEO, Kenneth P. Manning, talked recently to Ian Cuthill, US Editor of Food Marketing & Technology.



*Kenneth P. Manning
Chairman and CEO, Sensient*

Could you discuss the history of the company? What factors do you think have contributed to the success of your growth strategy since becoming CEO?

KPM: When I joined the company in 1987, I was already experienced in the food industry so I saw the potential for the business. When I became CEO in 1996, I began an acquisition program. By acquiring companies that were relevant to existing business and by taking time to get to know the owners personally beforehand, we were able to avoid poor investments. We also took care to combine the cultures of the companies we acquired into a common culture. In order to obtain a common identity, and to emphasize that we now had proprietary technology, we changed the name of the company to

Sensient Technologies. In all, I acquired 20 companies that completely transformed the business.

Today, we are the top seller of food and beverage colors and cosmetic colors and the second largest natural color manufacturer in the world. We are also the second largest manufacturer of pharmaceutical colors and coatings.

How has Sensient changed and grown over time?

KPM: Since 1996, our emphasis has changed from commodity to proprietary value-added products. Our customer base has expanded into a wide range of food and non-food businesses, although they all relate to flavors, fragrances or colors. The company now services customers in 150 nations from more than 75 locations in over 35 countries and only about 40% of sales are domestic. Also, nearly 60% of our workforce is composed of nationals of countries other than the U.S., reflecting our global presence. We are continuing to expand with our development of an extended distribution system.

Sensient's recent strategic focus appears to be on market development in China, Central America, Scandinavia and Central Europe. Could you describe your global strategy?

KPM: Our strategy is to expand distribution to countries where we see opportunity for growth. Initially we enter a foreign market

by opening sales offices as we have done in Finland, Poland and Romania. If sales volume warrants it and the political climate is right, we will invest further in technical service laboratories and manufacturing plants as we have done in China and Brazil.

Through our extended distribution system, we have recently established nine new locations with sales and technical personnel in Helsinki, Warsaw, Bucharest and other cities in Eastern and Central Europe and Scandinavia. We are particularly interested in Eastern Europe because of its strong demand for natural colors.

We are already in Asia and Latin America and are looking to expand further into those regions. China continues to remain a strong market for us.

How do you keep control of such a diverse world-wide operation?

KPM: We have a decentralized management system in which profit center managers have autonomy for making decisions. We have over 30 profit centers throughout the world.

At the same time we have stringent corporate standards for product safety, plant efficiency and sanitation. We pride ourselves on being far ahead of any government product safety standards and on having the technical capability to outperform.

Our local general managers have a great deal of autonomy in their particular regions. We conduct strategy sessions to ensure

that everyone is aware of the corporate goals. In the corporate headquarters, we review the strategic plan and keep strong financial controls on all our operations. The local managers are responsible for their businesses, including product development, sales and manufacturing. Our management style is generally a "hand's-off" approach unless problems develop.

Where does R&D fit into your company? How do you coordinate R&D programs to get the most out of your R&D investment?

KPM: We have no corporate R&D center; instead, we have R&D centers located in business units around the world. We do invest significantly in R&D through the profits centers where our R&D programs are located and where they can get direct feedback on customers' new product needs. We want our R&D people to be close to local markets and the customers they support.

To facilitate sharing ideas, we also have a Scientific Advisory Committee, where R&D people from all over the world can exchange ideas. Our Committee ensures that good ideas are disseminated throughout the Company, no matter where they originate. Several of our directors serve on the Committee which I also attend.

What food industry segments have the best growth prospects for Sensient?

KPM: There are great opportunities in natural ingredients, both flavors and colors.



We aim to lead the world in the technology and production of natural colors. On the food side, beverages, and on the non-food side, cosmetics, pharmaceuticals, and textile applications are exciting.

We have introduced a new line of natural colors, which meets consumer demands for high purity natural colors with significant improvements in matching shades to the needs of our customers. In order to enhance the shelf life of our natural products, we are also introducing aseptic packaging of our color products.

We also offer a full range of natural flavors as well as a line of natural extracts and essences marketed under the Natural Origins brand. We are seeing great demand



in the beverage segment for natural colors and flavors.

What new technologies and products are you introducing in flavors and food colors?

KPM: Our proprietary expertise in CO₂ extraction technology for natural flavors has allowed us to offer a complete flavor line for dairy, savory, and beverage applications which is being marketed under the trademark Sensient Natural Origins™. Similarly, in the area of colors, we have a line of natural colors under the trademark, Fusion Precise Natural Colors™, which allows us to offer customers stable and consistent colors in any shade they require. Customers will also be able to choose from packaging options, as we are introducing aseptic processing to extend the life of our natural colors.

We also offer the best supply chain management in the industry for these products. We have a corporate supply chain that is coordinated worldwide to ensure the best sourcing, quality and cost. Some of our raw materials are quite exotic, particularly for natural colors, requiring special efforts to make sure our supply is both consistent and high quality.

What do you consider to be Sensient's main competitive advantages?

KPM: We are leaders in the technology of flavors, fragrances and colors. We continually update our manufacturing operations to maximize efficiency and quality control.





We encourage an entrepreneurial corporate culture and employee motivation is high. Around 60% of our sales come from overseas where growth opportunities are greatest. Our efficient distribution system allows us to service customers anywhere in the world. If any acquisition opportunities present themselves, we are well-placed to take advantage of them.

Unlike many companies, who are either color companies or flavor companies, we can provide both colors and flavors. This provides an advantage to us and to our customers since we can offer complete product concepts in the form of customized color and flavor systems. Our breadth of products is unique in the industry.

What investments is Sensient making in its facilities?

KPM: I have already mentioned our investments in Central Europe, China, and Scandinavia. We are also making large investments to expand operations in Brazil and South Africa that will be state of the art in both production and technical capability. We also update all manufacturing operations on an on-going basis.

For example, we recently opened a new facility in Guangzhou that includes R&D and manufacturing. This facility will allow us to meet the demand for our products within China as well as exporting them from China. We now have five facilities in China

and we see tremendous growth potential within China itself.

Sensient's debt to equity ratio is now quite low and its stock is at an all-time high. How have you achieved this financial success?

KPM: First, our acquisition strategy was conservative. We performed our own due diligence investigations and met the people involved before we made any acquisitions. We also systematically paid down debt from earnings over the years, so that when the recession hit, we were prepared. Our constant reinvestment in operations improvement has also minimized manufacturing and new product development costs. As a result, our debt to total capital ratio is now below 30% and our stock price recently reached an all-time high.

As you think ahead, what is your vision for Sensient?

KPM: I want Sensient to be the world leader in flavor, fragrance and color technology. I expect to continue expanding our distribution system to realize the tremendous opportunities in Eastern Europe and Asia. China will also continue to be a strong market for us.

We will also continue investing in our infrastructure to ensure that we have state-of-the-art facilities and remain the premium provider for our customers. In conclusion, we have focused on executing our long-term strategy and that has positioned us for further sustained growth.



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