



Flavors and Fragrances Headquarters in Indianapolis, Indiana...



# Sensient Technologies — A Company Poised for Growth

BY LINDA M. CASATELLI

**T**he ink industry only knows it as Sensient Technologies, a new player in the inkjet arena—a large enough player to achieve a place in the Top 20 Ink Manufacturers. However, while the name is new, as well as some of its product offerings, it is not a new company, but rather one transformed.

Five years ago Universal Foods had all the elements that make a company unprofitable—overcapacity and downward pricing pressure in a commodity market, and a capital and people intensive manufacturing process. Sensient Technologies ended 2002 with record sales, earnings and cash flow. Not only is the transformation an interesting story, but also a lesson in innovation and creativity in today's challenging marketplace.

## VISIONARY LEADERSHIP

Kenneth P. Manning, CEO and Chairman of the Board is responsible for Sensient's metamorphosis. Prior to joining Universal Foods, (before it was renamed Sensient Technologies Corporation) Manning spent 14 years at W.R. Grace and Company, where he held several key senior management positions. He joined the company in 1987 as a Group Vice President, overseeing four operating divisions. Two years later, he was promoted to Executive VP and elected to the Board of Directors. In 1992, Manning was named President; elected CEO in '96 and Chairman of the Board a year later.



Kenneth P. Manning

When he took over the reins at Universal Foods, it was a primarily a manufacturer of food ingredients. It had business lines in cheese, frozen potatoes and yeast. He decided it was time for a change. "The reason for the change in direction was that we weren't going anywhere," said Manning. "There was no interest from the investment community; we had begun to atrophy." While there was an old culture that was not interested in change, it made sense to him that many of the chemicals involved in the ingredients business had other applications.

So Sensient Technologies Corporation was born. According to the company's Web site, the name communicates what it

does: "Enhance **SENS**ory experiences through specialized ingred**IENT**s, delivered through proprietary **TECHNOLOGIES**." The task that remained was to build the company into Manning's vision.

## DIVEST AND ACQUIRE

One of the first steps was to divest those non-profitable business lines that were not core-related, including cheese and frozen potatoes. Perhaps the most dramatic was the sale of Red Star Yeast, the original business, which was 122 years old. "At the time of the sale," noted Manning, "the price of yeast per pound was less than during the Great Depression."

The next step was the acquisition of companies that would provide the technologies needed to pursue new markets. "We didn't have a sufficiently strong product base for growth," said Manning, "and it was impossible to manufacture such a product base in a short time." The result was 18 acquisitions—all very strategic, all accretive and...all have since made money. The sales prices for each was typically seven to nine times the operating earnings, some even lower. The inkjet acquisition, in particular, has generated excellent returns for Sensient. Initially sales were \$1 million, now they are \$50 million.

The acquisitions reflect the company's commitment to expanding worldwide, as well as into non-food areas.

In November 2001, Sensient acquired Kimberly-Clark Printing Technology, Inc., an Escondido, California-based manufacturer of specialty inks for inkjet and industrial applications. The company, a wholly owned Kimberly-Clark subsidiary with revenues of approximately \$20 million in 2000, markets products under the Formulabs® brand. While opening new markets such as wide-format graphic inks, textile inks and other industrial inks for Sensient Technologies, the acquisition also strengthened the company's ink formulation and technical dye capabilities.

A scant month later, Sensient Technologies Corporation acquired the industrial dye business of Crompton Colors, Inc. based in Gibraltar, Pennsylvania, from Crompton Corporation. With revenues of approximately \$40 million at the time, Crompton Colors manufactures technical dyes and colors for paper and printing applications, plastics and a number of specialty markets, including inkjet. Sensient has now moved its

Crompton Colors business to St. Louis, consolidating all dye manufacturing at its St. Louis operations.

### ANOTHER GROWTH YEAR

Sensient rang in the new year with another acquisition. SynTec GmbH, a manufacturer of specialty dyes and chemicals for the imaging industry based in Wolfen, Germany, was significant because it provided complementary products, as well as a new marketplace. "We now have a presence in the laser imaging market that complements our leading position in inkjets. We will be able to offer a common customer group additional products and technologies," said Manning at the time of the acquisition. "SynTec expands our technical capabilities in highly purified organic chemicals and provides access into several rapidly expanding markets, including electrophotography and Organic Light Emitting Diodes (OLED). Our strategy to accelerate growth through acquisitions is working."

In March 2002, Sensient acquired the flavors and essential oil operations of C. Melchers GmbH & Company. With its facilities in Germany, the United States and China, the acquisition provided additional worldwide operations.

Finally in April, Sensient acquired ECS Specialty Inks and Dyes, a producer and marketer of inks for specialty printing applications. With reported revenues of \$12 million, the business located in Morges, Switzerland further expanded European operations for Sensient's growing inks and dyes business. "This is one more example of our ability to combine a series of smaller technical companies into a significant business with a worldwide reach," noted Manning. Sensient Technologies Technical Colors business is expected to reach \$140 million in sales this year; six years ago, it was nonexistent.

### CHALLENGES AHEAD

With so much change, come challenges. "The challenges are interesting," said Manning. "Thousands of the old timers were gone, and now there are thousands of new employees from all over the world, including China and Mexico. It was a challenge to integrate them all." At the same time, Manning noted, it was exciting. The current management comes from all over the world; most of the general managers are nationals of the country hosting the division.

The acquisitions provided technology and geographic advantages; the challenge now is to develop and grow organically. So, the focus for the future at Sensient Technologies will be on operations. "Now that the product base is built, we expect to grow organically. If an acquisition makes sense, we will explore it," he noted. "However, we don't expect it to be our main focus anymore. We are now at the critical mass to achieve our goals."

The company has plans to grow its sales force by 25% in the next year to 18 months, and make considerable investment in upgrading its plants. It has established a sophisticated model to help maintain the quality and efficiency of the plants. In addition, it plans to work on new product development. As a result of the acquisitions, it has a sufficiently strong product base to do that.

Interestingly, the company got into inkjet because it used to sell color to the inkjet producer. Then it acquired Formulabs and one thing led to another. Now it will manufacture the inks. In some cases, it will use a customer's formulation (for larger

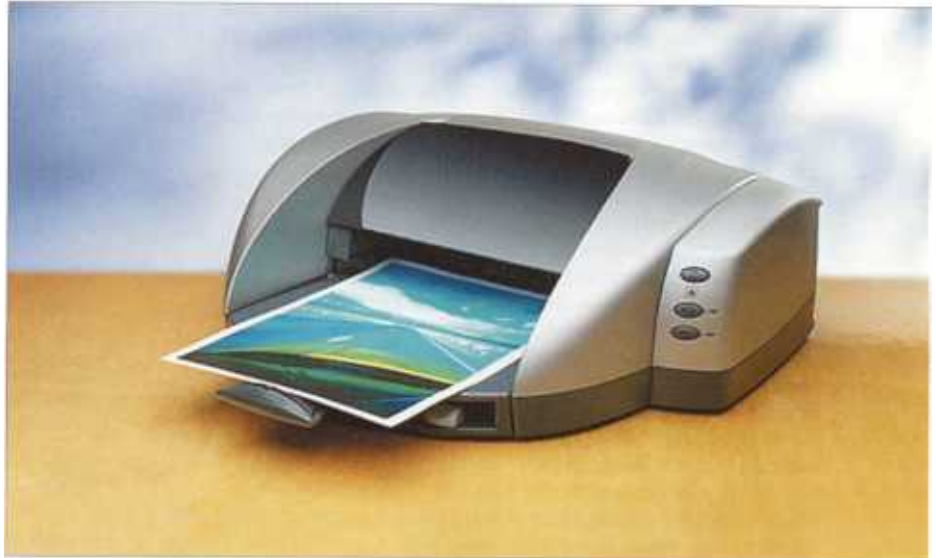
companies). In others, Sensient will use its own formulas.

In terms of competition, Manning said: "We are not afraid of competition. Our technology is as good as or better than that of other companies. Some competitors are smaller and more focused on inks and colors; the larger ones are not as focused because inkjet is such a small part of their business. In addition, we produce food-grade ink with food purification technology, which others can't offer."

One of the company's goals is to offer integrated systems, within the colors, flavors and fragrances groups. "Integrated systems are value-added," commented Manning. For example, the company sells flavor to Gatorade, as well as the color and the "cloud."

### BRIGHT FUTURE

"We are optimistic about the future because we are active in all important markets of the world," said Manning. "We can grow and create opportunities." One of those growth areas is geographical, in particular in China and Eastern Europe. Right now, the company has a foothold; it wants to expand, because the name of the game is competing worldwide. "We believe



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our Colors Group headquartered in St. Louis can produce colors competitively with any group in the world, including China and India," said Manning.

Efficiency is up from \$168,000 in sales per employee six years ago to \$270,000 today, and it's growing. Manning feels there will continue to be a proliferation of the company's product base and good return for shareholders. "We have done well in a difficult economy," he said. "We feel we will do very well in good times."

On a personal note, Manning regretted that he may not see all the growth. "It's times like these that I wish I were younger." However, he has derived a great sense of satisfaction from the transformation. "Since graduating from business school as a business professional, it's something that I have wanted to do—build a company."

Sensient Technologies is truly a new company, with its new name and a bright future. For the first time in its history, it expects revenue to exceed \$1 billion for 2003. It has been transformed from a regional, low-growth commodity business into an international high-growth business in specialty markets, through innovation and creative vision.