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# SENSIENT TECHNOLOGIES CORPORATION



## A Conversation with Kenneth P. Manning, Chairman and CEO of Sensient Technologies Corporation

**SENSIENT** Technologies Corporation, headquartered in Milwaukee, Wisconsin, has 77 locations in 30 countries across the globe and revenues of nearly \$1 billion. It sells its flavours, fragrances and colour systems in 150 countries.

Sensient's Chairman and CEO Kenneth P. Manning, has totally transformed and repositioned the company in only seven years.

*Screen Process & Digital Imaging* recently interviewed Mr. Manning to gain insight into the why and how of this organization's technical leadership as well as his role in that transformation.

### **SP&DI: How did you transform a faltering domestic food-stuffs company into an international company providing sophisticated colour, flavour and fragrance systems?**

**Kenneth P. Manning:** When I became CEO in 1996, we had an extremely mature commodities food business with several unprofitable business lines, such as yeast, which we'd been making and selling since the 1880s.

I started looking beyond these products for potential growth areas and recognized that we needed to repurpose our food colours and flavours into nonfood areas.

I developed a matrix to take our company into growth areas, building on our core capabilities, and determining how to move forward and diversify into nonfood areas. For example, food colours are the raw materials for inkjet inks, which are now an extremely successful product for us.

Inkjet inks are only part of an extensive Technical Colours business in the Colour Group that includes the manufacture of other technical colours, specialty chemicals for digital imaging and photographic chemicals. Other areas in which we've expanded our original capabilities include producing pharmaceutical colours and coatings; advanced flavours, such as top notes; and hair dyes and fragrances for cosmetics.

Today, we are a completely new company that emphasizes value-added technologies and specialty products with excellent potential. Six years ago, Sensient's largest customer was a bakery; today, a desktop inkjet print company is our largest customer.

### **SP&DI: How did you choose which companies to acquire?**

**KPM:** During the strategic planning process, I saw that we couldn't develop these new businesses with our historical capabilities. The only way to move forward was through acquisitions. We needed skilled people and facilities with capacities that we did not have internally.

We needed to acquire at least 12 companies in areas that reflected our commitment to expand into nonfood areas. Over the past seven years we have made 20 acquisitions, each of which was carefully weighed to ensure that it complemented our direction for the business. Almost all of the companies were privately held and many of these entrepreneurs are still with us today.

To finance these acquisitions, we sold off unprofitable business lines, such as our frozen French fries business and Red Star yeast. When we sold our yeast business in 2001, the price for this product was the same as during the Great Depression in the 1930s. Today, the price of yeast is even lower.

We moved from products in mature markets with no future to new market segments with huge potential growth.

### **SP&DI: What kind of acquisitions did you look for?**

**KPM:** By and large, we have made strategic acquisitions in the specialty areas in which we sought to excel and in the countries in which we sought to expand.

In the inkjet inks area, for example, our acquisition last July of a company in Barcelona, Spain, greatly expanded our international markets for inks. Other similar acquisitions include a producer and marketer of inks for specialty printing applications in Lausanne, Switzerland, and a company in Leipzig, Germany, that is on the cutting edge of thermal transfer sublimation processes.

These acquisitions opened several new markets and new product capabilities in Europe and the Asia Pacific region.

### **SP&DI: What has fueled Sensient's geographical expansion?**

**KPM:** When I became CEO, we were primarily a U.S. company with some revenue generated from Europe. I recognized that



there were significant opportunities to expand globally. Now, over half of our sales are generated outside the U.S.

Our numerous foreign locations help us serve companies that demand a supplier with global reach. Our international workforce allows us to meet the specific needs of customers in a wide variety of differing geographic markets.

I am a firm believer in having a multicultural management. Nearly all our foreign operations are run by nationals within those countries and two of our three major divisions are run by U.K. nationals.

Expanding further into emerging markets is one key to future growth. China is a developing market for our products since disposable income is growing, and with it, a demand for Western products. Eastern Europe is also a promising area, with Poland, Romania and the Ukraine of particular interest.

We are considering substantial expansion in China. We are building a bigger flavour facility in Qingdao, China, as well as expanding flavours and technical colours capabilities in other plants in China, including Guangzhou.

**SP&DI: We have heard that you have a new inkjet product that combines techniques from various Sensient units. Can you tell us about it?**

**KPM:** One innovative new technique combines our food expertise with inkjet technology through the collaboration of two different areas. Sensient Imaging Technologies in California and Sensient Food Colours in St. Louis have developed a way to print our FDA-approved colourants directly onto foods to create written messages or detailed pictures.

This technique uses a very high speed inkjet process to mass produce custom-printed foods, like cookies or potato chips, for large manufacturers. We see a great deal of potential with this new and exciting process.

Our inkjet and related colour businesses have turned out to be quite successful for us – the Colour Group accounts for nearly \$350 million of our revenues. Technical Colours is one business area that is driving our current growth.

**SP&DI: How has the company modernized its plants to ensure that it is competitive?**

**KPM:** Sensient has developed a sophisticated model to maintain the quality and efficiency of its plants. We have invested several million dollars in a world-class headquarters and laboratory research facility for our Colour Group in St. Louis, Missouri. It is now three times larger than previously, and highly automated, featuring state-of-the-art equipment. It is one of the largest and most efficient facilities of its kind in the world.

In addition to our U.S. facilities, we invest in facilities internationally to ensure that our buildings

and technology reflect the world-class nature of our company and brand. We have 28 facilities in Europe alone, including Spain, Italy, Switzerland, Germany, the United Kingdom and France. In the Asia Pacific region, we have made investments in flavour facilities in China, Australia and New Zealand.

Also, near Milan, Italy, we have acquired new buildings for the Sensient Flavours - Europe headquarters; and in Bremen, Germany, we have purchased a facility to consolidate new and existing capabilities.

Our greater efficiency is reflected in the increased productivity of our employees. In 1996, sales per employee were \$168,000; today it is up to \$266,000 per employee.

**SP&DI: What's your vision for Sensient's future?**

**KPM:** Sensient will continue its emphasis in high growth areas, such as digital imaging, photographic chemicals and pharmaceutical colours and coatings. Also, we are expanding our aroma chemical capabilities.

We don't plan to actively seek new acquisitions in 2004 although we would consider acquisitions that offer a compelling strategic advantage, such as unique technology or a significant position in a new geographical area. We are examining strategic alliances in the product development and distribution areas.

Technology is a crucial factor in maintaining our position as a leader in the industry. We see substantial growth opportunities relating to digital imaging and flat panel display technology. Products available in the display imaging market today, such as flat panel screens for TVs and computers, are using third-generation technology. We've acquired a company in Germany that specializes in fourth-generation display technology. This company has significant expertise in producing the specialty chemicals used for organic light-emitting diodes (OLEDs).

Sensient will continue its product-driven approach in each of its three groups. Our new product development is based on an in-depth knowledge of customer needs. We find solutions to customers' product development problems with value-added technologies and ingredient systems. Every product we produce is fundamentally a custom product. The company has more than 30,000 formulas for the food and beverage industry and about 3,000 formulas in the colour area.

In less than a decade, we have been able to successfully integrate our acquisitions into a single global business leader under the Sensient name. We have a unified brand that clearly exemplifies our direction.

**For more information about Sensient, [www.sensient-tech.com](http://www.sensient-tech.com).**



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