

US business review

www.usbusiness-review.com

NOVEMBER 2003 ■ \$4.95

Refining an Image
Why UPS revamped
its brand in 2003.

Art of Leadership
What distinguishes leadership
from management?

KENNETH P. MANNING,
PAGE 54

SECOND TO NONE

Now a global manufacturer of colors, flavors and fragrances, Sensient is focused on sustainable growth.

PRST STD
U.S. Postage Paid
Easton, PA 18042
Permit #494

PLUS: National Dentex and what your dentist knows about the economy.

SECOND TO NONE

After transforming Sensient into a global manufacturer of colors, flavors and fragrances, CEO Kenneth P. Manning is focusing on operations for sustainable growth. —LISA R. BROWN

ENGINEERING A NEW DIRECTION FOR A WELL-established, but low-growth company was a challenging commitment. But in the six years Kenneth Manning has been at the helm of Milwaukee-based Sensient Technologies, the rear admiral, who is retired from the U.S. Naval Reserve, has transformed the company into a global corporation.

“We really are in every sense of the word a new company,” says Kenneth P. Manning, chairman, president and CEO of Sensient Technologies Corp. “We developed a strategy for growth, and the only feasible way to execute it was through acquisitions. With these acquisitions, we have grown from a domestic food company, primarily of commodities, to a global company that has branched out into value-added areas and even non-food specialty systems.”

In the past six years, the company has acquired 20 companies internationally in the flavor, fragrance and color areas. As a result, the percentage of total revenue from international operations has increased to more than 50 percent.

One significant and highly visible move the company implemented to underline the changes at the company was a name change. After decades of doing business as Universal Foods Corp., the company changed its name to Sensient Technologies Corp. in 2000.

“The Sensient name conveys our new direction and translates well globally,” Manning says. “We have brought Sensient’s busi-

nesses together as a unified brand that expresses our expertise, international reach and product sophistication.”

Sensient operates 76 facilities in 30 countries. Its operations are divided into two segments: the Flavors & Fragrances Group and the Color Group.

The Flavors & Fragrances Group develops and manufactures ingredient systems for customers in the food, beverage, personal and home care industries, including makers of soaps, detergents and cosmetics. In 2002, the Flavors & Fragrances Group generated sales of \$572.2 million, or approximately 62 percent of Sensient’s sales.

The Color Group’s sales in 2002 reached \$346.5 million, about 38 percent of Sensient’s revenue. The Color Group provides specialty chemicals for industrial applications and digital imaging, including inkjet inks and display imaging systems; colors and formulations for cosmetics; and natural and synthetic color systems for pharmaceuticals, foods and beverages.

The value-added ingredients leader’s growth strategy is to add new product lines, acquire more geographic locations and establish new technical capabilities through investing in the company’s operations.

Executing through Acquisitions

OVER THE PAST SEVERAL YEARS, SENSIENT HAS BEEN TRANSFORMED from a company of separate, commodity-based organizations into a global leader in the specialty products business of colors, flavors and fragrances for both food and non-food markets.

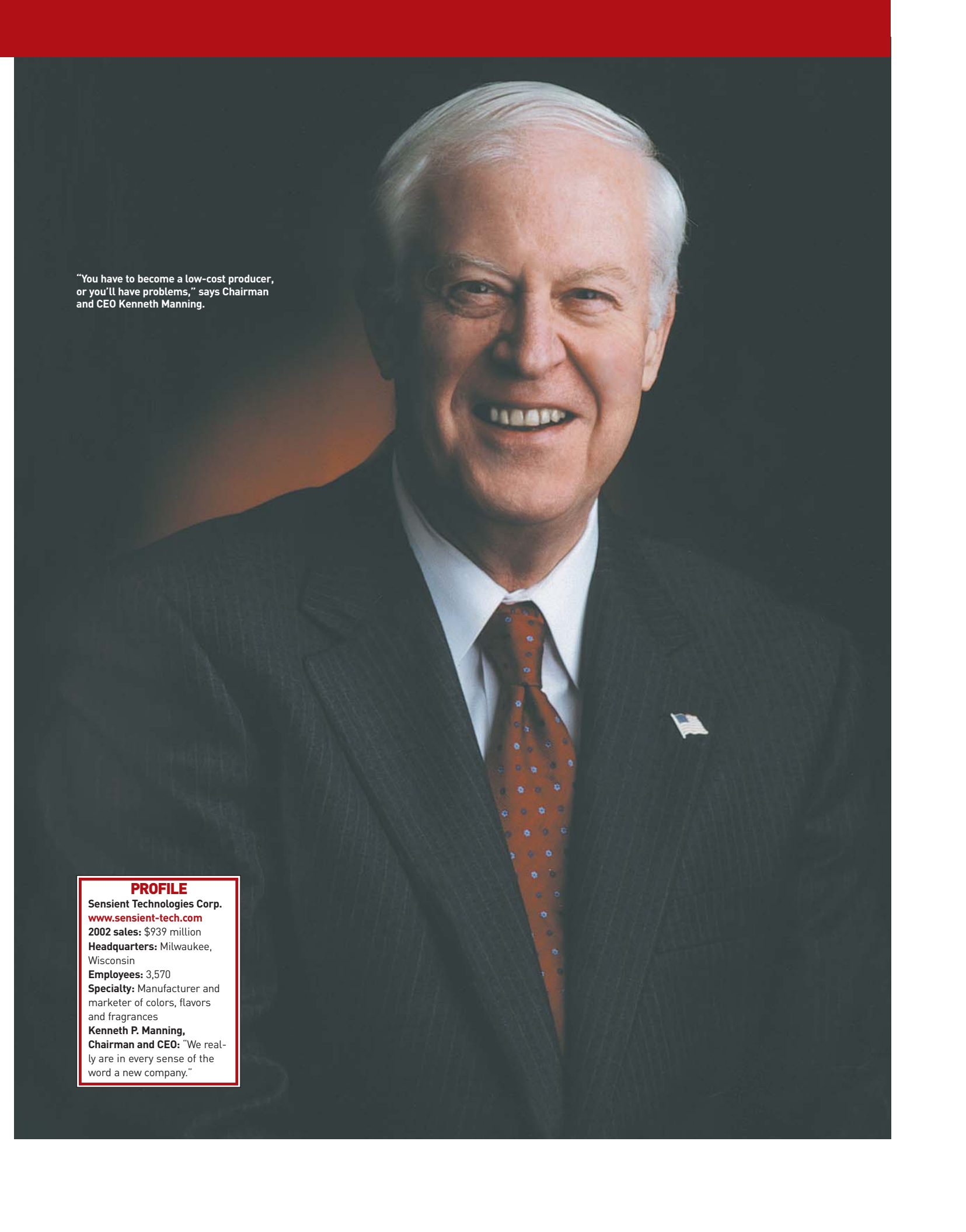
Sensient has acquired 20 companies since 1997, and it has divested itself of unprofitable business lines that were not core-related, including cheese and frozen potatoes. One of Sensient’s most visible moves was the \$122 million sale of Red Star Yeast, which was completed in 2001.

In July, Sensient acquired Formulabs Iberica SA, located near Barcelona, Spain, a manufacturer and marketer of specialty inks, primarily for inkjet applications. The Formulabs Iberica SA purchase was intended to strengthen the company’s presence in inkjet inks in Europe and the Asia-Pacific region. This is the latest in a series of acquisitions that have bolstered the company’s inkjet inks product line.

Other recent acquisitions illustrate Sensient’s commitment to expanding worldwide, as well as into key non-food markets. They include:

- Swiss company ECS Specialty Inks and Dyes. The \$12 million company is a primary supplier of advanced inks used in special-▷



A professional headshot of Kenneth P. Manning, an older man with white hair, smiling. He is wearing a dark pinstriped suit jacket, a white dress shirt, and a red tie with a small blue and white pattern. An American flag pin is visible on his left lapel. The background is dark and out of focus.

"You have to become a low-cost producer, or you'll have problems," says Chairman and CEO Kenneth Manning.

PROFILE

Sensient Technologies Corp.

www.sensient-tech.com

2002 sales: \$939 million

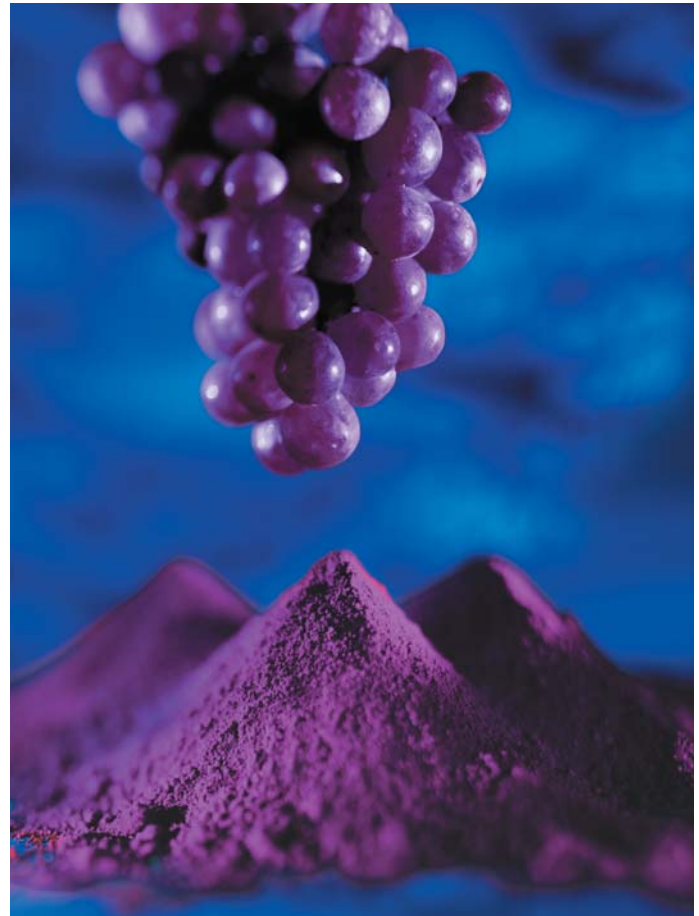
Headquarters: Milwaukee, Wisconsin

Employees: 3,570

Specialty: Manufacturer and marketer of colors, flavors and fragrances

Kenneth P. Manning,

Chairman and CEO: "We really are in every sense of the word a new company."



Sensient's Flavors & Fragrances Group develops and manufactures ingredient systems for customers in the food, beverage, personal and home care industries.

▷ ty printing in Europe. When the deal was announced in March 2002, Manning called it “one more example of the success of our acquisition program, and [of] our ability to combine a series of smaller technical companies into a significant business with worldwide reach.”

- The flavors and essential oils operations of C. Melchers GmbH & Co. The \$14 million German company is a leading supplier of flavors for coffees and teas, as well as essential oils, aroma chemicals, and other formulations for flavor, cosmetic and fragrance applications. The company has facilities in Europe, China and the United States.

- SynTec GmbH, a manufacturer of specialty dyes and chemicals for the imaging industry. “We now have a presence in the laser imaging market that complements our leading position in ink jets,” Manning commented after the acquisition.

“We will be able to offer a common customer group additional products and technologies,” he continued. “SynTec expands our technical capabilities in highly purified organic chemicals and provides access to several rapidly expanding markets, including electrophotography and OLED.”

Today, Manning says the company’s entrée into specialty inks in the past several years continues to hold significant promise for Sensient.

“We started off very, very slowly in inkjet inks with a base of about \$1 million in sales,” Manning describes. “Now sales have accelerated to well over \$30 million. In addition, with the

increasing use of digital photography, our inks are becoming even more important.”

“We are particularly happy with the success of our newer areas of cosmetic colors and digital inks,” Manning maintains. “We continue to promote more sophisticated color solutions such as our patented aqueous dispersion, and we are broadening our technical services offerings in our color service lab in St. Louis in order to provide unique and greater technical support to our customers.”

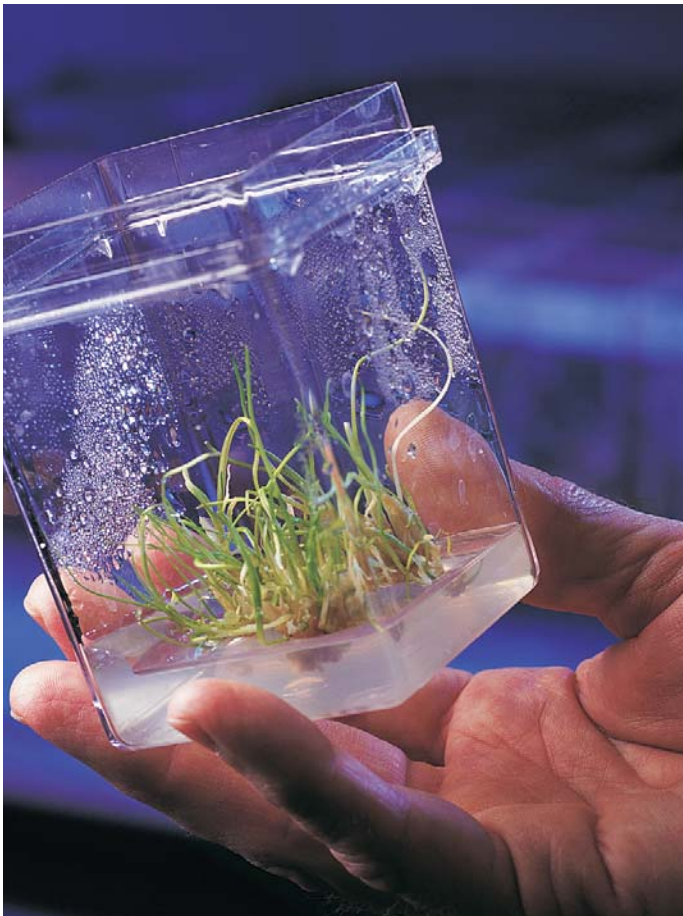
Sensient’s acquisitions were crucial to its transformation and will remain part of Sensient’s overall growth strategy, but the primary focus has now shifted to operations.

“Through these acquisitions, we have become a global company with employees around the world,” Manning says. “What we have to focus on in the future is sustainable growth through our operations.”

Investing in Technology

SENSIENT WILL CONTINUE TO INVEST IN FACILITIES INTERNATIONALLY to ensure its buildings and technology reflect the world-class nature of the company and brand. Sensient has acquired new buildings for Sensient Flavors-Europe headquarters near Milan, Italy. In Bremen, Germany, Sensient purchased a facility to consolidate new and existing capabilities.

Sensient is investing several million dollars in a world-class headquarters and laboratory research facility for its Color



Sensient's Color Group provides specialty chemicals for industrial applications and digital imaging, including inkjet inks and display imaging systems.

Group in St. Louis.

The company also has made a significant investment in an aroma chemical plant in Granada, Spain, which is already starting to pay off, according to Manning.

"A big part of it is having efficient equipment," he says. "We use the most efficient and technologically advanced equipment. You have to become a low-cost producer, or you'll have problems. State-of-the-art facilities and equipment are a crucial factor in cost-efficiency."

Investing in People

INVESTMENTS IN EQUIPMENT ARE IMPORTANT, BUT THE COMPANY spends equal attention on investing in personnel. Sensient has developed a sales training program that, according to Manning, is beyond compare in the industry. "It's the best in the industry," he says, "and every one of our salespeople has gone through the training."

At Sensient, sales training begins with the nuts and bolts of sales skills, including working with experienced salespeople making calls on customers. The regimen also provides specialized management training, which Manning believes most companies neglect. "Our sales managers learn time and territory management and how to manage a sales force," he says.

The sales training isn't a one-time opportunity. It spans the employee's career with Sensient over a cycle of several years.

Sensient has doubled the company's color food and beverage

sales force with salespeople who have extensive product training experience.

"This gives us the strongest sales force in the market," Manning continues.

Sustainable Growth

SUSTAINABLE GROWTH IS SENSIENT'S PRIMARY FOCUS. THE company's strategy is to continue to promote more sophisticated color solutions and to provide unique and greater technical support to its customers. "This is a support service that none of our competitors have been able to match in the past and they will have even more difficulty keeping up with us in the future," Manning predicts.

In October, Sensient announced that it achieved eight consecutive quarterly revenue increases. Revenue in the third quarter ended increased 3.9 percent to \$247.3 million from \$238.0 million reported for last year's third quarter.

Revenue for the nine months ending Sept. 30, 2003, increased 7.8 percent to \$744.3 million, up from \$690.7 million for the same period last year.

With acquisitions providing a strong business base, Sensient Technologies has reinvented itself for the future.

"We are continuing our program to build our sales base and encourage our customers to use our more sophisticated products," Manning says. "I believe our expertise cannot be matched by our competitors." ■



Sensient Technologies Corporation

777 East Wisconsin Avenue

Milwaukee, WI 53202-5304

www.sensient-tech.com

1-800-558-9892