Sensient Technologies Corporation

Q2 2021 Earnings Conference Call

Friday, July 23, 2021, 9:30 AM Eastern

CORPORATE PARTICIPANTS

Steve Rolfs - *SVP & CFO*

Paul Manning - *Chairman & CEO*

PRESENTATION

Operator
Good morning, and welcome to the Sensient Technologies Corporation, 2021, Second Quarter Earnings Conference Call.

All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key, followed by "0". After today's presentation there will an opportunity to ask questions.

To ask a question, you may press "*", then "1" on your touchtone phone. To withdraw your question, please press "*", then "2". Please note, this event is being recorded.

I would now like to turn the conference over to Mr. Steve Rolfs. Please go ahead, sir.

Steve Rolfs
Good morning. Welcome to Sensient's second quarter earnings call. I'm Steve Rolfs, Senior Vice President and Chief Financial Officer of Sensient Technologies Corporation. I am joined, this morning, by Paul Manning, Sensient's Chairman, President and Chief Executive Officer.

Earlier this morning, we released our 2021 second quarter financial results. A copy of the release and our investor presentation is available on our website at sensient.com.

During our call today, we will be explaining the differences between our GAAP results and our adjusted results. The adjusted results for 2021 and 2020 remove the impact of the divestiture-related costs, the operations divested, and the impact of the costs related to our operational improvement plan.

We believe the removal of these items provides investors with additional information to evaluate the company's performance and improve the comparability of results between reporting periods. This also reflects how management reviews and evaluates the company's operations and performance.

These non-GAAP financial results should not be considered in isolation from or as a substitute for financial information calculated in accordance with GAAP. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures is available in our press release.

We encourage investors to review these reconciliations in connection with the comments we make this morning.

I would also like to remind everyone that comments made this morning, including responses to your questions, may include forward-looking statements. Our actual results may differ materially, particularly in view of the uncertainties created by the COVID-19 pandemic, governmental attempts at remedial action, and the timing of a return of more normal economic activity.

We urge you to read Sensient's previous SEC filings and our forthcoming 10-Q for a description of additional factors that could, potentially, impact our financial results. Please bear these factors in mind when you analyze our comments, today.

Now, we'll hear from Paul Manning.

Paul Manning
Thanks, Steve. Good morning. This morning, we released our second quarter results. Each of our groups delivered solid adjusted revenue and operating and adjusted operating profit growth in the quarter.

Our Flavors & Extract Group had another outstanding quarter, reporting 9% adjusted local currency revenue growth and 13% adjusted local currency operating profit growth.

Our Personal Care business rebounded substantially, contributing to the Color Group's 7% adjusted local currency revenue growth and 5% adjusted local currency profit growth.

Asia-Pacific had another strong quarter, delivering 11% adjusted local currency revenue growth and over 22% adjusted local currency operating profit growth. On a consolidated basis, we reported 9% consolidated adjusted local currency revenue growth and mid-single-digit adjusted EBITDA growth in the quarter.

I'm pleased with our results for the second quarter and for the first half of this year.

Last week, we completed the acquisition of a company called Flavor Solutions. This business brings a number of technology platforms and savory flavors, shelf-life extenders, and taste modulations, and it expands our portfolio for clean label flavors. This acquisition aligns with our goal to continue to grow our value-added flavor technologies.

We continue to look at other acquisition opportunities that support our strategic initiatives within our core product lines of food, pharmaceutical excipients, and personal care.

In each group, our new sales wins, sales pipeline, and sample activity continue to be strong, and they are good bellwethers of future product development activity and launches.

We're also seeing increased in-person customer visits in many of our markets, and we anticipate that these visits will continue to increase, as companies return to in-person work.

As mentioned during our first quarter call, we are encountering an increase in supply chain challenges, but we continue to manage through these matters. We're also seeing an increase in certain input costs, including raw material and transportation, and we expect these costs to remain elevated for the remainder of the year.

COVID-19 continues to impact certain geographic regions and product lines. Despite the varied impacts of COVID-19 throughout the world, our food colors and flavor product lines continue to see robust growth.

As expected, and discussed during our last quarterly call, our Personal Care business has begun to strongly rebound in the second quarter.

In pharma, we see headwinds, due to tough 2020 comparables in our nutraceutical and pharmaceutical product lines.

Overall, I'm pleased with the growth across the company and the more recent improvements in our Personal Care business, which I anticipate to continue to improve in the second half of this year.

Turning to the group results. Flavors & Extract Group had another outstanding quarter with 9% adjusted local currency revenue growth and 13% adjusted local currency profit growth. This growth is on top of the strong quarter the group achieved in last year's second quarter.

During the second quarter, the Flavors & Extract Group generated strong growth in almost all product lines. We are benefiting from a robust sales and customer service focus and a continued transition to more value-added product solutions.

The group's adjusted operating profit margin increased 50 basis points in the quarter, compared to last year's second quarter. We are well on track to achieve 50-100 basis point improvement to operating profit margin, this year.

Noteworthy within the Flavors & Extract Group is our ice cream product line. This product line continues to grow in both the U.S. and Europe, as a result of its integrated product sales and strong application capabilities. We continue to invest in this product line, and I'm optimistic about its future growth prospects.

Our Savory business is also having an outstanding year. This business continues to grow and win new sales opportunities, as a result of its strong flavor technologies and exceptional customer service. Our Savory business is well positioned in the market, and I expect it to have a strong year and future.

The Color Group had an exceptional rebound this quarter, delivering 7% adjusted local currency revenue growth and 5% adjusted local currency profit growth. The group benefited from success in both Food Colors and Personal Care.

Revenue in the food and pharmaceutical product line was up mid-single digits for the quarter. The group's focus on sales execution and customer service, as well as its strong technology platforms, positions us to capitalize on the consumer demand for natural colors, while continuing to maintain our strong synthetic colors business.

The food and pharmaceuticals business had good growth in almost all geographies and has experienced improvement in Europe and Latin America, areas in which we had seen softer markets in recent quarters.

Revenue within the Personal Care business was up double digits in the quarter. As noted during our last quarterly call, we are seeing a recovery within this business and anticipate continued improvement in the second half of the year and into next year.

As people return to travel and other social activities, I continue to be optimistic about the improvement within our Personal Care business.

The Asia-Pacific Group delivered 11% adjusted local currency revenue growth and 22% adjusted local currency profit growth. The group continues to drive revenue growth in almost all regions. This growth is a result of our focus on customer service, new sales wins and utilization of our technology platforms.

The group's operating profit growth and margin improvements are a direct result of volume growth.

We delivered another good quarter and strong first half of the year. The markets we have chosen to compete in, our recent divestiture activity, our robust customer service model, and our technology platform are each providing the foundation for growth with our customers.

We are winning new sales opportunities and our sales pipelines remain very healthy. We are well on track for our full year guidance, and we are currently operating at or above the top end of this guidance.

Over the long term, I continue to expect Flavors & Extracts to deliver mid-single-digit revenue growth and 50-100 basis points annual improvement to operating profit margin, over the foreseeable future.

I also expect the Color Group to deliver mid-single-digit revenue growth, along with an operating profit margin at or above 20%. And I expect Asia-Pacific Group to deliver mid-single to high single-digit revenue growth, over the long term.

We continue to remain very optimistic about the year and the future of our business.

Steve will now provide you with additional details on the second quarter results.

Steve Rolfs
Thank you, Paul. Our second quarter GAAP diluted earnings per share was $0.61. Included in these results are $7 million, or approximately $0.16 per share of costs, related to the divestitures and the cost of the operational improvement plan.

In addition, our GAAP earnings per share this quarter include approximately $2.2 million of revenue, or $0.01 of cost related to the results of the divested operations.

Last year's second quarter GAAP results include a gain related to the reclassification of accumulated foreign currency translation, as a result of the sale of the Inks business and other divestiture-related costs.

The combination of these items were included within the divestiture and other related costs, which increased last year's second quarter net earnings by $1 million, or approximately $0.02 per share.

In addition, our GAAP earnings per share in the second quarter of 2020 include approximately $28.2 million of revenue and an immaterial amount of net earnings related to the divested product lines.

Excluding these items, consolidated adjusted revenue was $333.6 million, an increase of 9.1% in local currency, compared to the second quarter of 2020. Our adjusted local currency EBITDA was up approximately 6% for the quarter, and our adjusted local currency EPS was up 8.6% for the quarter.

Our cash flow from operations was down in the second quarter, primarily due to an increase in sales activity in the second quarter of 2021 and the resulting use of cash to fund our working capital in the current quarter.

While we are currently making strategic investments in our inventory positions to support our forecasted growth, we continue to remain focused on optimizing our working capital levels.
In terms of capital expenditures, we continue to expect our spend to be around $65 million for the year.

During the second quarter, we bought back approximately $11 million of company stock. As Paul stated earlier, we completed the acquisition of Flavor Solutions last week, and we are actively reviewing other potential acquisitions.

Our leverage ratio is now two times debt-to-adjusted EBITDA, down from 2.7~~%~~ a year ago, leaving our balance sheet in a solid position to support potential acquisitions, share repurchases, as well as our dividend payout. The company will continue to be prudent in our approach to our capital allocation strategy.

Based on current trends and the current tax law, we are reconfirming our previously issued GAAP EPS, adjusted EPS, and adjusted local currency EBITDA guidance. As Paul stated earlier, we do believe we are operating near the top end of this guidance.

Our GAAP EPS guidance calls for mid-to high single-digit growth, compared to our 2020 reported GAAP EPS of $2.59. Our full year guidance for 2021 includes approximately $0.25 of divestiture-related costs, operational improvement plan costs, and the impact of the divested businesses.

On an adjusted basis, our EPS guidance for the year calls for mid-single-digit local currency growth, compared to our 2020 adjusted EPS of $2.79.

Based on current corporate tax law, we expect our adjusted tax rate to be approximately 22% for the last six months of 2021. We now expect our 2021 adjusted local currency revenue to grow at a mid-single-digit rate. This is up from our previous guidance of a low to mid-single-digit growth rate for 2021.

We continue to expect our adjusted local currency EBITDA to grow at a mid-single-digit rate.
Given current proposals related to changes in the corporate tax law, we continue to believe that our adjusted local currency EBITDA metric, instead of EPS, provides a more reliable measure for our underlying business growth.

Our reported results include the impact of currency, and based on current exchange rates, we expect our earnings to benefit by approximately $0.10, due to currency for the year.

Thank you for your time, this morning. We will now open the call for questions.

Operator
We will now begin the question-and-answer session. To ask a question, you may press “*”, then “1”, on your touchtone phone. If you are using a speaker phone, please pick up your handset, before pressing the keys. To withdraw your question, please press “*”, then “2”.

At this time, we will pause, momentarily, to assemble our roster.

Our first question comes from Ghansham Panjabi with Baird. Please go ahead.

Ghansham Panjabi
Hey guys, good morning.

Steve Rolfs
Good morning, Ghansham.

Paul Manning
Good morning.

Ghansham Panjabi
Yeah, so just in context, as we kind of cycle through the back half of the year, we're seeing an increase in mobility in certain parts of the world, including the U.S., some lockdowns in Asia. A lot of companies have talked about raw material scarcity, there's an extreme weather event on the West Coast, and so on.

So, can you sort of update us on, A, your sort of updated outlook on volumes for the three segments as we cycle into the back half of the year? And then also, on the raw materials side, what are you seeing at this point from a raw material inflation standpoint?

Paul Manning
So, I think for the back half--your first question, the back half looks very good for us in each of the groups. I think that certainly, there are certain--well, there are geographies that are far more open than others. But in all cases, we see product launches continuing. We see good customer activity.

Fundamentals of our business remain very good. Whether there's a pandemic or not, folks need to eat, they need to drink, and in many cases, they continue to use personal care items, as well.

So, I think that trend is always going to be solid for us, but there's certainly a sufficient activity in each of our markets that I feel very good about the back half of the year. I feel very good about the mid-single-digit growth rate.

Volumes look good. In fact, most of the growth in Q2 here, and in Q1, has been volume-related.

To your point about raw material, a hallmark of our business is that input costs can go up, but we have a very strong ability to price those input costs into the market. And so, in some cases, we perhaps may even reformulate a product. But in the vast majority of cases, we can take pricing and cover our costs and, in fact, we can take pricing and cover our margins, has tended to be how the company has operated, over the years.

So, I wouldn't tell you that this--what we're in right now would be any different from any other point in our history. From our standpoint, there's some very obvious increases in propylene, glycol, and coconut oil, and soy, and things of this nature. I don't really believe a lot of those are permanent. I think some of these will regress back to the mean. But certainly, there's inflation with respect to transportation.

But again, these are things in--they're a little bit more abnormal than normal, but businesses always have to contend with input costs coming up.

So, we feel very, very confident in the formula that we use from a pricing standpoint, and I feel very good about the back half. And I do not believe inflation is an issue for this company, as we move forward.

Ghansham Panjabi
And then just my second question on the contribution margins. I mean, just looking at color, just looking on Slide 13, local currency adjusted revenues, plus 7%, and operating income, up 5%. And why wasn't it more substantial, just given that Personal Care is coming back for you?

Paul Manning
Yeah, so that's a great question. There should be more operating leverage, as we go into the back half of the year. A couple of factors there.

The big one is that Personal Care volumes have really just been down for about the last year. So, without getting into accounting gobbledygook, you can just see that as lower utilized plants, but we were hitting the inflection point kind of as we speak, maybe even a little bit at the end of Q2.

So, you'll see a much bigger uplift from the growth in Personal Care to the profit line, as we get into the back half of the year.

And then as we go through our pricing, the timing between input costs going up and pricing being effective, there's oftentimes a little bit of a gap there.

So, that might have compressed the margin a point or two. But I would tell you that the bigger impact there on Personal Care is just the less than normally utilized plants carrying in. But you can project that out pretty cleanly and see as we get into Q3 and Q4, that the operating leverage will be quite a bit better in the Color Group for the rest of the year, and then, of course, driving us to maybe even beyond the 20% OP margin.

Ghansham Panjabi
Thanks so much.

Paul Manning
Okay, thank you.

Operator
The next question is from Mark Connelly with Stephens. Please go ahead.

Mark Connelly
Thanks. Paul, can you talk a little bit--can you talk a little bit about product development relative to normal and what customers are saying. You did mention the increased sampling. But we're still seeing categories like food service holding back on introducing new products.

So, maybe you could help us understand sort of the early and sort of later stage, how that feels like it's coming back?

Paul Manning
Yeah, so general comment. If I were to compare 2020 to 2019, you would see that the total number of launches in places like the U.S., in Europe, the total number of launches were about

the same. So, if companies launched X number of products in 2019, they also launched like X number of products in 2020.

And so, what really the dynamic that changed there is who is making the launches. And we saw a disproportionate number of launches from more of those local and regional customers, what I call the B and C folks. There were more launches coming from that group of customers than the larger, whatever you want, A, multinational type customers.

So, that dynamic continued into 2021. I mean, certainly, there's been some improvement there, more launch activity, or certainly indications at other multinationals of increased launch activity, as we get into 2021. But that's probably the biggest dynamic at play there.

But I would tell you that there's certainly more activity. Many of these largest companies are--we see more activity with their employees coming back to their labs to develop products. It was very, very hard for many of them to do that in the last year, as many of the folks were at home.

But we see that improving in the U.S., we see that improving in parts of Europe, we see that improving in parts of Asia-Pacific as well. China, for all intents and purposes is open for business, and there's pretty much nearly universal access to customers and customers coming to us.

So, if you look at that as a continuum, and as much as China faced much of COVID in the early stages, it provides maybe a good template for what we could expect to see in other parts of the world.

Mark Connelly
That's helpful. And just a second question. The weather that Ghansham mentioned, are you concerned about the impact on your dehydrate natural products business? Do we have to worry about whether extremes creating more volatility there?

Paul Manning
Well, weather moves in cycles. And so, we've had to respond to that for decades in that business. And so, like any agricultural company, you have times where the yield is what you expect, and sometimes it's a little bit more, sometimes it's a little bit less.

And so, the early indications for this year's crops are good in terms of yields. And so, yeah, we grow in a fairly broad area.

So, while there may be drought-like conditions in some other parts where we're growing, may be just fine.

And so, I think the footprint for where we're growing is diversified enough, at this point, that I would not be ringing any alarm bells for our business there. And as much as we talk about the other parts of our business, say, natural colors, for example, or extracts, where we're either growing or working with contract growers, there again, having a diversified growing base has been a big, big part of our strategy for many years, for this very reason.

So, I think we're very well prepared for it. And again, I think the biggest factor there is the footprint could really safeguard against any really catastrophic weather event that we could face.

Mark Connelly
Sure. If I could just squeeze in a quick one for Steve. Last quarter, we had a couple of unusual impacts on cash flow with the incentives. Is there anything like that this quarter or that we should be thinking about for the second half?

Steve Rolfs
No. So you're right. Year-to-date, if you look at our cash flow, it is down partly because of the incentive payments early in the year versus last year. But the main impact you see in this quarter is just with the rising sales, a little bit of working capital usage, particularly in receivables.

So last year, Personal Care sales were declining. This year, they're increasing. So that is the main factor. And I don't have any things to call out other than that for the rest of the year.

Mark Connelly
That’s good news. Thank you very much.

Paul Manning
Okay, thanks, Mark.

Operator
Your next question is from Heidi Vesterinen with Exane BNP. Please go ahead.

Paul Manning
Hi, Heidi.

Heidi Vesterinen
Good morning, hi. My first question on your upgraded top line guidance. Which segment is driving this? And is this driven by volume, or price, or both? That's the first question.

Paul Manning
Okay. So, I would tell you, it's pretty broad-based. We're seeing good growth in flavors, in natural colors. We're seeing it in Personal Care. I would say Personal Care is probably going to be a little bit higher than the others, at this point, because there's a fair amount of recovery built into that number.

Up until now, it's really been volume. I would suggest that there was very little price impact in the first half of the year. But as we get into the second half, it's going to be volume and price that's going to be driving that top line.

Heidi Vesterinen
And digging into Personal Care, so you sound very upbeat on the outlook. Can you talk about what you're seeing in each region? And do you have a view on when we might get back to pre-pandemic levels in each region, please?

Paul Manning
So yeah, the regions have kind of been in very interesting cycles. We have seen--and we break it up really into four. We talk Latin America, Europe, Asia, and North America.

The strongest recovery we're seeing, right now, is in Europe and North America. We're seeing a very, very strong recovery in color cosmetics and in hair care. I think skin care has been pretty steady, throughout, for those regions.

Latin America has been a very strong factor--a growing factor for us. They had an outstanding year, last year. And so, we're seeing a little bit of the slowdown now really driven a lot by COVID activity. So, even though COVID was alive and well in the region in 2020, we were able, and our customers were able, to really manage through that very well. And we had a very, very strong year there.

Now, we're starting to see more of those impacts from COVID on our customers on the populations. And so, growth has sort of tapered off a little bit in Latin America for the moment.

But Asia, a lot of it depends on the country. I mean, overall, they did okay, last year. They took a little--but they can take ups and downs depending on what lockdowns may be in place in Asia. And that's what's really driving a lot of the topsy turvy outcomes here in Asia is that lockdowns will go away and then they'll come back, and then they'll go away, and they'll come back again.

But overall, I think Asia should be in a pretty good position for the back half of the year. But the short answer, again, is largely Europe and North America is going to lead the outsized growth in the back half of the year.

Latin America, I hope they will kind of weather through some of their COVID storms and resume to be in a much better position, as we get into 2022. And then Asia, really, again, it could be up, it could be down a little bit.

But net-net, for Personal Care, we're having a very good second half. Now that we've got better utilization on the plants, you're going to see better operating leverage coming out of that group, as well. And that's going to feed a lot of the top line and the bottom-line growth for the Color Group.

But I don't want to discount the very nice growth we're also having in natural colors as well, which is going to continue to drive this growth.

Heidi Vesterinen
Thank you. And then as a final one, when we look at flavor extracts and flavor ingredients, very nice double-digit growth. Could you give some color on the three parts?

Paul Manning
Sure. So, you're right, Flavors has--traditional flavors, your traditional sweet, savory, beverage, up double digits, and more or less in most regions, we're doing very, very well there. We continue to emphasize that part of our product line.

Our ingredients were up, it looks like right at--I'm looking at the sheet right from me, kind of high single digits. And then within our SNI, we were looking more like about mid-single-digit growth. So overall, that put us in the high single-digit category, as you're gathering from that, pretty good growth across the board.

But we've got a lot of work to do. There are a lot more customers we can sell to, there's a lot more wins we're going to capitalize on, and so I feel very, very good about their growth prospects, moving forward.

Heidi Vesterinen
Thank you.

Paul Manning
Okay, thanks, Heidi.

Operator
Again, if you have a question, please press “*”, and then “1”. The next question is from Mitra Ramgopal with Sidoti. Please go ahead.

Mitra Ramgopal
Yes, hi. Good morning, Paul, and thanks for taking the questions.

First, I just want to follow back up a little more on the Personal Care side. I know you're very upbeat in terms of outlook there. And the one thing I think is a concern for some is with the surge of delta variant.

Places like New York, etc., has already had a difficult time, people been to the office, etc. This might sort of prolong that. And I'm just wondering if we do have that kind of a situation, if you still feel very upbeat or bullish in terms of that business recovering even faster than you've seen, so far?

Paul Manning
Well, I don't want to get into a public policy commentary about how governments may respond to the delta variant or any other changes in COVID. But I think there is a critical mass of countries, customers that I think that will drive a lot of this growth.

Really, as you look at 2020, I mean, we really kind of bottomed out in that business. But now with--yeah, big parts of the world opened and other parts opening or open enough that consumers are using these products, I feel good about that.

Now Asia is a bit of a--there’s a little bit of what you're getting at, there. As lockdowns come and go, that can certainly impact the market, and we have seen that in Asia. But in my opinion, Europe, and the Americas, maybe more specifically North America, I think that momentum is going to continue.

And as we look at our pipeline, as we look at customer launch activity, sample requests, they are all pointing in that direction of good back half, good first half of 2022. And so, as I'm sitting here today on July 23, that's kind of the way I'm seeing the world.

We continue to diversify this product line, as well. You may recall that, historically, we had a very, very strong part of our portfolio was color cosmetics. But over time, we've really diversified more into hair care, skin care, oral care, even bath- and shower-type products.

And so, I think we continue to diversify the business. Those product lines, some of them did actually quite well during 2020, because they weren't incumbent on somebody socializing and being outside, skin care, for example.

So, I would tell you that for all those reasons, I think the back half is going to be as good as I'm thinking it is.

As I sit here and well, I can tell you what daily sales look like right now, Mitra. I've got it right in front of me, and it looks good. It looks good for July, and it looks good for August, and it looks good for September.

So yeah, that's what gets--so, the confidence is very well founded in looking at the numbers and seeing what the customers' activity is.

Mitra Ramgopal
Okay. No, that's great. And then just I think you might have mentioned this earlier, but as it relates to the supply chain challenges as some companies have communicated, for example, demand is not the issue. Just getting the product out to just a shortage in terms of trips or getting sort of to move the product. Just wondering if you have any of those issues on your end.

Paul Manning
Okay. Yeah, so, on the--sorry, I was just your call--you came in a little bit broken on that one. But I think your question is overall supply chain. It's hard to get stuff, it's hard to get carriers, you're reading a lot of the stuff in the paper.

But yeah. Hey, listen, friction is part of managing a business. And we expect our managers and the folks who are running our plants and our supply chains to deliver the goods. And whether it's tough times or easy times, you've got to deliver the goods or you're not working in the right place.

And so, our expectation and our focus around on-time delivery and meeting our customers' expectations has not faltered. It's a big part of why we won a lot last year, and why we're winning a lot, this year.

And so, we expect our businesses to manage through that. In some cases, we do that with additional safety stock. In other cases, we--let's just say, there's a lot of ways that you can manage your supply chain to meet your customers' expectations.

And so, sure, it's tough out there. But you know what, that's why we have people in leadership positions to overcome those. And I would tell you that we're overcoming those, very well. And there are--you read about labor shortages. Well, you know what? Recruiters recruit.

And whether it's hard or easy, if you're any good as a recruiter, you're going to be able to recruit in any environment. And if you're good as a plant manager, you're going to be able to produce in any environment. And those are the expectations we have of our employees. We have very high expectations, and they meet them.

And so, I feel good about our ability to navigate through whether it's inflation, whether it's shipping challenges, whatever it may be, we work from the office, we operate with a lot of dedicated employees, and for us, it's about results.

And so, I think that culture permeates all of our locations and all of our business lines. And so, our employees know the expectation is you deliver the goods to the customers. No excuses. And this time is a perfect example of putting that into practice.

Mitra Ramgopal
Okay. No, that's great. And then finally, just if you could provide maybe a little more color on the Flavor Solutions acquisition. Now with the divestitures pretty much behind you, the appetite for being even more aggressive on that front and if it's going to be more technology driven like we saw with Flavor Solutions.

Paul Manning
Yeah, Flavor Solutions is--there's a lot of things we like about it. It's about $10 million in revenue. It helps us to extend some of our technology platforms. As I've said many times before in these calls, there's no flavor company in the world that has a lock on every taste modulation technology.

So, for example, flavor company X may have a really good sweetness enhancement for this particular drink, but that doesn't mean it works in every sweet-related application. And so, the ability to have complementary technologies and an expansive list of solutions really is what makes you a good flavor company.

And so, Flavor Solutions adds to our capabilities, there. They have a very nice library of reaction flavors. They have very good customer relationships.

We oftentimes think it's only the big flavor companies that have access to really good customers, and that's just simply not the case. And so, Flavor Solutions has built up some really good customer relationships over the years, and they're able to deliver very good products to them, too. So, a couple of reasons why we like them.

And of course, as I've always said, we want something that we can integrate without a lot of headache and cultural issues. There's a very strong cultural connection. I think we very much see the importance of managing and we see the importance of putting our customers first, and those things are very, very clear in both sensing and flavor solutions.

And so, I feel very, very good about flavor solutions. I've also said in the past about acquisitions, we want to make them reasonable. They should be purchased for reasonable multiples, and you can integrate them, and you can build upon your business, and I think it checks the box on each one of those expectations that we have.

And so then looking forward, sure, I've got a pipeline of businesses that we're interested in and maybe we'll have more to talk about, later in the year.

But again, we're not going to rush things and we're not going to do anything that doesn't make sense, strategically or financially, for the company. So, we're going to maintain our discipline, there.

But sure, we may have some other things to talk about, as we move into the future.

Mitra Ramgopal
Okay. No, that's great. Thanks for taking the question, and before I go, congrats on the Bucks. Great season.

Steve Rolfs
Congratulations on the Bucks.

Paul Manning
Yes. Thank you. I can't say I had much to do with that, but I enjoyed watching them on TV.

Mitra Ramgopal
It's nice to enjoy it. There you go.

Paul Manning
Okay, thanks, Mitra.

Operator
The next question is from Leigh Ferst with HighTower Advisors. Please go ahead.

Leigh Ferst
Good morning.

Paul Manning
Good morning.

Leigh Ferst
I have a follow-up question about inflation. I understand you can usually pass along inflation in the form of price, and I understand it's a moving target with the supply chain, right now. But is there any ingredient or any price point where you would get concerned that you could not pass on price and protect your margins?

Paul Manning
Yeah, I'm not going to tell you that 100% of products to 100% of customers lands in the place that both parties are happy with.

And so, in some cases, I think another hallmark of our business is we have the ability to formulate something different, formulate an alternative to what we've been using. That can certainly be the case.

But I think, overall, we're going to--I think we're going to land in a good spot, here. I've got a great deal of confidence with that. Again, that's born of actually seeing what's happening in the market, seeing what our performance has been with pricing over the years.

So, I don't think there's anything out there that's really going to be a problem.

There's no one raw material to this company that's going to bring us to our knees. And so, that's yet another great feature of these ingredient businesses is you have a highly diversified raw material supply base, which also provides some level of insulation in the face of pretty broad-based inflation.

So, in short, we're managing through this, and I don't have any concerns about our ability to manage through this, just as we've managed through many of these before now.

Leigh Ferst
Thank you. And in terms of the acquisition, can you give us any more insight into their end markets or end products that they're complementary to what you're doing already, or if there's something new? And also, what is the deal environment? Is there more competition for acquisitions, right now?

Paul Manning
Sure. So, I think speaking about Flavor Solutions, I mean, a lot of the technology--the complementary technologies in the realm of taste modulation. So, things that help you have sweetness without using as much sugar, for example, help you have that salty sensation without as much salt actually being used.

So yeah, they would provide some enhancement to, for example, our savory flavors platform. So that would be an example for you.

With respect to other companies that could be on the horizon or could be something that we're interested in, yeah, I mean, a lot of companies, there are auction processes, but in other companies, you forge a relationship, over time, that may then lead to an acquisition.

In some cases, you may not acquire, at all. You may just license because then you get what you need, without going through the dynamics of an acquisition.

And so, I wouldn't tell you that it's any more or less competitive now to buy a company than it was a couple of years ago. It's really just a matter of whether a seller is interested in selling. Not every company is for sale, contrary to some folks who believe that that is the case.

Many companies are family owned for many generations, and they have no interest, whatsoever, in selling to anybody at any price. But then there are many others that it's a matter of timing and it's a matter of a win-win on a, from a financial standpoint.

So yeah, I wouldn't say there's anything, necessarily, unique about this time in place with respect to the types of businesses that we are looking at. Maybe others have a different opinion on that, but that's just what I have seen for the last year.

Leigh Ferst
Thank you.

Paul Manning
Okay, Thank you.

Operator
There are no further questions, at this time. I will turn the conference back over to the company for any closing remarks.

Steve Rolfs
Okay. Thank you very much for your time, this morning. That will conclude our call.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.