Sensient Technologies Corporation

Third Quarter 2021 Earnings Conference Call

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CORPORATE PARTICIPANTS

Stephen Rolfs - *Senior Vice President, Chief Financial Officer*

Paul Manning - *Chairman of the Board, President, Chief Executive Officer*

PRESENTATION

Operator
Good morning and welcome to the Sensient Technologies Corporation 2021 Third 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 be an opportunity to ask questions. To ask a question, you may press "*" then "1" on your telephone keypad. 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.

Stephen Rolfs
Good morning, welcome to Sensient's third quarter earnings call. I'm Steve Rolfs, Senior Vice President and Chief Financial Officer of Sensient Technologies Corporation. I'm joined this morning by Paul Manning, Sensient's Chairman, President, and Chief Executive Officer. Earlier this morning, we released our 2021 third 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 approves 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, including impacts on our business related to current logistics challenges. 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. Earlier today, we released our third quarter results, reported strong consolidated adjusted local currency revenue growth of 13% and double-digit adjusted EBITDA growth for the quarter. Each of our Groups contributed to our positive performance in the quarter. Flavors & Extracts Group had another outstanding quarter reporting 12% adjusted local currency revenue growth and 16% adjusted local currency profit growth.

Color Group had a strong quarter delivering 18% adjusted local currency revenue growth and 15% adjusted local currency profit growth, with our Food and Pharmaceutical Colors business and our Personal Care businesses both contributing to the Color Group's strong quarter. Asia-Pacific delivered 10% adjusted local currency revenue growth and 11% adjusted local currency operating profit growth.

Despite some headwinds related to raw materials and logistics, I'm very pleased with our results this quarter and our performance so far this year and we are well above our expectations. Our positive performance in each Group is a direct result of our ongoing focus on customer service, product on-time delivery, and sales execution, which continue to drive a very high level of new product wins for the year.

We are focused on gaining share with our customers and our sales attrition rates remain low. The overall sales pipelines are strong and continue to build. We are seeing a resumption of larger new product launches and we are optimistic that these will continue to increase in the quarters ahead.

As mentioned during our past quarterly calls, we are encountering numerous supply chain challenges. There's been an increase in certain input costs including labor, transportation, and raw materials. We're still experiencing delays in shipping and logistics. Despite these challenges, we believe our overall supply chain is strong and we can manage through these issues with pricing increases and by holding more safety stock to support continued good performance of on-time delivery and customer lead times. We expect transportation constraints and higher input costs to remain with us throughout the end of the year and well into '22, but we are confident that we will continue to mitigate both. Overall, we're generating strong growth in each of our businesses and expect this momentum to continue well into the fourth quarter and next year.

Turning to the Group results. Flavors & Extracts Group had another great quarter with 12% adjusted local currency revenue growth and 16% adjusted local currency profit growth. The performance this quarter is on top of last year's strong third quarter performance of 13% adjusted local currency revenue growth and 24% adjusted local currency operating profit growth.

During the third quarter of this year, the Group completed the acquisition of Flavor Solutions. This business brings a portfolio of technology platforms, including functional flavors and taste modulation, a library of savory flavors and good customer relationships. The integration of this business is proceeding as planned and the business contributed approximately $2.4 million of revenue to the Flavors & Extracts Group in the third quarter.

Flavors & Extracts Group experienced growth in almost all product lines during the quarter, including sweet, beverage, and savory flavors, bio-nutrients, and natural ingredients. The Group continues to benefit from its transition to more value-added product solutions, as well as a robust sales and customer service focus. The Group's adjusted operating profit margin increased 50 basis points in the quarter and has increased 70 basis points year-to-date.

We are well on track to achieve the 50 to 100 basis point improvement that we forecasted for the year and we expect good performance in the fourth quarter and into next year. The Color Group had a terrific quarter, delivering 18% adjusted local currency revenue growth and 15% adjusted local currency profit growth. The Group benefited from strong growth in Food and Pharmaceutical Colors and the Personal Care business.

Revenue in the Food and Pharmaceutical product line was up double digits in the quarter. The Group continues to see solid demand for natural colors in each of our key product lines and regions. The Group's product portfolio, production capacity, and innovation pipeline are well positioned to support this continuing demand. I anticipate our Food and Pharmaceutical business to continue its strong growth in the fourth quarter and into next year.

The Personal Care business continue to rebound, delivering double-digit revenue growth in the quarter. The Group is focused on product line diversification and we are seeing good progress on expanding our revenue in skincare, body care, and other categories. I anticipate good growth in Personal Care in the fourth quarter and next year and ongoing success in our diversification strategy.

The Asia Pacific Group delivered 10% adjusted local currency revenue growth and 11% adjusted local currency profit growth in the quarter. The Group's focus on sales execution, customer service, and new technologies related to the natural colors and flavors continue to be the main drivers for the Group's growth. The Group has also created a solid infrastructure, local technical support, and a strong local sales force across the region. During the quarter, the Group had growth in almost all regions and I anticipate the Group to continue to grow into the fourth quarter and next year.

Overall, I'm very pleased with the results of our Group so far this year. Our Flavors & Extracts Group is having another great year, as is our Asia Pacific Group. Our Color Group is achieving solid revenue growth in Food and Pharmaceutical and Personal Care. The growth in all of our businesses results from our exceptional customer service model, diverse technology platforms, and our strong new product wins.

With the completion of our divestitures this year, we're able to focus on our key customer markets, Food, Pharmaceutical, and Personal Care. We are on track for the year and are operating above our previous guidance for adjusted revenue, EBITDA, and EPS.

The strong growth we saw this quarter across our businesses came primarily from higher volumes. In looking at our volume growth, while we are likely seeing some benefit as customers are ordering ahead and building larger safety stocks, the vast majority of our volume growth is coming from new wins, share gains, and ongoing positive market trends in natural colors and flavors. We have implemented pricing actions, but the impact of higher pricing has not yet had a significant impact on our results. We expect that trend to improve moving forward.

I continue to expect the Flavors & Extracts Group to deliver mid-single digit revenue growth and 50 to 100 basis points of annual improvement to the operating profit margin for the foreseeable future. I also expect the Color Group to deliver mid-single digit revenue growth along with an operating profit margin above 20%. I expect the Asia Pacific Group to deliver mid to high single digit revenue growth over the long term.

I'm very optimistic about this year and the future of our business. Steve will now provide you with additional details on the third quarter results.

Stephen Rolfs
Thank you, Paul. Our third quarter GAAP diluted earnings per share was $0.80. Included in these results are approximately $0.04 per share of divestiture costs and the cost of the operational improvement plan. In addition, our GAAP earnings per share this quarter include

approximately $1.6 million of revenue and an immaterial amount of operating income related to the results of the divested operations.

Last year's third quarter GAAP results include divestiture and operational improvement plan costs, which decreased last year's third quarter results by approximately $0.03 per share. In addition, our GAAP earnings per share in the third quarter of 2020 include approximately $23.6 million of revenue and approximately $0.04 per share of earnings related to the divested product lines.

Excluding these items, consolidated adjusted revenue was $342.7 million, an increase of 13% in local currency compared to the third quarter of 2020. Our adjusted local currency EBITDA was up 12.9% for the quarter and our adjusted local currency EPS was up 9.1% for the quarter. The acquisition of Flavor Solutions contributed $2.4 million of revenue and an immaterial amount of operating income to our third quarter results. Our cash flow from operations was down in the third quarter, primarily due to an increase in strategic investments in our inventory position, as well as an increase in receivables due to strong sales growth in the third quarter.

We remain focused on optimizing our working capital levels and we will continue to make strategic investments in our inventory in the fourth quarter to support our forecasted demand and ensure we have an appropriate safety stock positions. We still expect our capital expenditures to be around $65 million for the year. During the third quarter, we completed the acquisition of Flavor Solutions for approximately $15 million. We also purchased approximately $9 million of company stock for 105,600 shares in the quarter, which brings our year-to-date total purchases to $32 million or 383,000 shares.

We have 1.8 million shares remaining under our share repurchase authorization. Our leverage ratio is now 2.0 times debt to adjusted EBITDA, down from 2.6 a year ago, leaving our balance sheet in a solid position to support potential acquisition, share repurchases, as well as our dividend payout.

Yesterday, we announced a 5% increase in our dividend. We have increased our quarterly dividend by 37% since 2016, resulting in a compound annual growth rate of 6.4%. 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 guidance, which 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.

We now expect our full year 2021 adjusted local currency revenue to grow at a high single digit rate, which is up from our previous guidance of a mid-single digit growth rate. We also now expect our full year 2021 adjusted EBITDA and adjusted EPS to both grow at a mid to high single digit rate on a local currency basis. Our previous guidance called for mid-single digit growth rates for both adjusted EBITDA and adjusted EPS.

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 $0.07, due to currency for the year.

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

QUESTION AND ANSWER

Operator
We will now begin the question-and-answer session. To ask a question, you may press “*” then “1” on your telephone keypad. If you are using a speakerphone, 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. And the first question will come from Ghansham Panjabi, with R. W. Baird. Please go ahead.

Ghansham Panjabi
Thank you. Good morning, everybody.

Stephen Rolfs
Good morning, Ghansham.

Ghansham Panjabi
I guess my first question--yeah, good morning. Obviously, there's a lot of inflation in the supply chain and just thinking back over time, one of the typical plays out of your customers playbook on the food side and beverage side is to basically shrink package sizes and servings as part of the price increase strategies. I guess with that context, do you see that as sort of a risk to volumes for 2022? And your comment on the potential pull-forward that you might have seen in 3Q, can you just give us some idea as to how much of a benefit you think that was?

Paul Manning
Sure. So I think with respect to package sizing, yeah, that could always potentially be a question from a volume standpoint. But I'd tell you that we've got a fairly diversified customer base, whether we're talking about Food Colors, Flavors, Personal Care, from any of the businesses. So could it be a factor of some customers? Sure. It could be, but I think what would certainly offset that is just going to be, I think, the continued momentum around larger new product launches.

I mentioned that last year 2020 versus 2019, globally, we saw about the same number of product launches. What the difference was in 2020 is that the launches were smaller or, say, line extensions or a launch in a limited market. What we're seeing right now in '21, and I think this is going to continue into ‘22, is larger broader base launches, new to the world type products in a number of different categories. So should that come to pass, this concept that package sizing, which I agree is kind of a traditional strategy used by CPGs, I think that can largely be offset by the continued momentum in these launches.

Your second question around pull forward. Yes, I mean there's certainly--customers are thinking about their supply chains, perhaps, a little bit differently than they did in the past. Certainly, there are indications in some of our markets and some of our product lines that customers are stocking themselves up at a little bit higher level than they would have traditionally. I don't think there's much of a surprise there.

We're not seeing a whole lot of that in Flavors. We're seeing more of that in Colors with some of our customers stocking up. And then Colors also has the added dimension of, say, Personal Care kind of regaining some steam in that market. So there's somewhat of a replenishment dimension to that side. But in short, on the pull forward, it was a--or I should say stocking up of

our customers. I would say there is limited impact in Flavors, more the impact is in Colors, for sure, and I would say probably very little in Asia Pacific as well.

Ghansham Panjabi
Okay, perfect. And then just as a follow-up, your comment on new business wins, are you referring to a higher share of new product introductions at the customer levels that you're gaining relative to your competitors or are these new business wins just as a function of typical customer switching suppliers? Just trying to understand what's going on in the market.

Paul Manning
Yeah, well, those are definitely the two components. It's a new to the world product, but then it's also taking advantage of the situation where maybe somebody is letting a customer down on a service level and you can go in and take some of that business. It will vary by geography and business unit what portions of the pie goes to each one of those. But certainly, overall new wins stemming from new launches of customers was very much the winning momentum behind this quarter. And I think you're going to see more of that into Q4 and in 2022 as well.

Ghansham Panjabi
Thanks so much.

Paul Manning
Okay. Thanks, Ghansham.

Operator
The next question will be from Heidi Vesterinen with Exane BNP. Please go ahead.

Heidi Vesterinen
Morning.

Paul Manning
Hi, Heidi.

Heidi Vesterinen
Hi. So the first question is top line was very strong today in Q3, but why you didn't we see more operating leverage this quarter? I thought Colors margins should be up year-on-year as Personal Care recovers due to mix, so could you explain that? And then, talking about Personal Care, perhaps you could talk a little bit more on outlook. Where are we currently versus pre-COVID levels, do you think, in each region? Thank you.

Paul Manning
Okay. Sure. So the simple answer to the first question is that pricing lags inflation in our business. And I would tell you that's pretty much the case whether you're talking about any of the divisions within Flavors, Colors, or Asia. So breaking that down a little bit more, yeah, I think like pretty much every other company right now, there is inflation in the market, whether it's stemming from raw materials or shipping, labor, any number of factors. It's very, very real. And we are passing those prices along to our customers, but it's an evolving picture.

And so I think right now, what you're seeing in Q3, is the vast majority, almost all of that revenue growth was volume. As we get into Q4, you're going to see a higher portion of that pie stemming from pricing. And so that's really just more of a function of how pricing negotiations work when

contracts, many of them which are annual, come due. And so that's really the nature of that piece.

I think operating leverage, you'll see that continue to improve, particularly in Q4, but certainly as we get into 2022. I'm very, very confident in that. And so I think that's the first piece here. And that really ultimately played into the Colors margin, which then gets into your second question about Personal Care.

Yes, Personal Care tends to command a higher gross margin, per se, on many of the products than say some other businesses would. But we have the added component, not only pricing lagging inflation, but remember our plants in Personal Care have not necessarily been fully utilized until more recently. So there's a little bit of kind of balance sheet overhang in the Q3 number that you're not going to see in Q4. So I would expect that to also improve in Q4 and that will also to contribute to a better outcome on the operating leverage side of the house.

And then, going on to Personal Care, it's interesting. We talk about it in terms of hair care, skin care and makeup, and then of course body care. We have traditionally been very, very strong in makeup. What we are seeing right now, and let me speak about Europe and Asia, first and foremost, and then I'll talk about North America and Latin America, we're seeing a very, very strong return of demand on skin and hair care products. There was some slowing in some of those customers and some of those markets, but that has come back very, very strong. North America, the same thing. But I think one of the big difference here is that makeup has really not necessarily begun its recovery as strongly as skin, hair, or body care has.

And so what that should communicated is there is forthcoming tailwinds in the makeup side of our business. I think a lot of the recovery for makeup will begin in Q4. As you look at our Personal Care business in Q3 2021, we are now above Q3 2019. So that is, to the point of your question, what is the inflection point or when is the inflection point, we're in it right now. So I think Personal Care can then really represent a very nice tailwind for us in 2022. And I'm optimistic that makeup will come back very, very strong and I think skin, hair, and body care going to continue to be very strong. We've made a lot of very good inroads in those segments during the course of COVID for sure.

Heidi Vesterinen
Thank you. So you said that you were traditionally makeup focused. How much of Personal Care is makeup at the moment?

Paul Manning
Globally, I think we're less than--I think we're between about 40% and 50%. I don't have that number right in front of me, but I can get that back to you. But order of magnitude, 40% to 50%. Higher in North America than, say, some of our other regions.

Heidi Vesterinen
Thanks. And then another question while I have you there. What did you think of Givaudan buying DDW. I thought that was an interesting move. Any comments there?

Paul Manning
Yeah. Listen DD Williamson is a very good company, very well managed, and they have some very good products. We certainly see them in the marketplace. I would tell you that their product line is really somewhat different from our product line and really where we're going in that market. And so it wasn't necessarily a good fit for us, but I'm sure it's a great fit for Givaudan.

And I'm not going to wish them well on it by any means, but certainly, I would say that we think that DD Williamson is a very good company, as is Givaudan.

Heidi Vesterinen
Thank you.

Paul Manning
Okay, thanks, Heidi.

Operator
Again, if you would like to ask a question, please press “*” then “1.” The next question will be from Mark Connelly with Stephens. Please go ahead.

Paul Manning
Mark?

Operator
Mark, your line is open. Perhaps your line is muted on your end.

Mark Connelly
Can you hear me?

Paul Manning
Yes.

Operator
We can now. Thank you.

Paul Manning
We can hear you, Mark.

Mark Connelly
Okay. Sorry about that. Okay. So obviously one of the big players in your space making a big push into B and C as a priority in their plans. Are you see significant new competitive pressure in that space? And if you are, is it changing how you're approaching those customers?

Paul Manning
Well, I think these are big markets and depending on where you are in the world and what product line you're talking about, Colors or Flavors or Personal Care, there's certainly a lot of market to be had, there's a lot of customers to pursue. And so, yeah, I would tell you that there's always competition. Is it more intense now than it was a year or two ago? That's hard to really quantify.

I would tell you, though, that we are very, very focused on our strategy and implementing our strategy and we're very focused on winning, serving customers. And so that's really--that's been kind of our formula. But I can't quantify whether the intensity of the competition has picked up per se in the B and C segment, specifically.

Mark Connelly

Okay, that's fair. And secondly, you've talked a lot about your interest in extracts and botanicals. Can you talk about the potential avenues for growth there? Is it all going to be inorganic or are there ways to build internally on the business you already have?

Paul Manning
Well, extracts and botanicals, or we could just--why don't we just say extracts, we see them as opportunities. These are products that could be sold into the flavor market as a substitute for flavor from the standpoint of a label. These can be functional extracts, which we sell to our Pharmaceutical business. We extract color from many different botanicals as well. So it's a pretty broad based component of each one of our Groups.

A lot of different types of companies in there. Many of the extracts that are out there come from very, very fragmented markets where you have players who perhaps don't come from traditional parts of the market. And so I think there's definitely--we are at our core an extraction and separation company. This is really significant parts of our technology around the world.

So, we're able to put that to work in any one of those Groups and with a large number of customers. But there is nobody with a complete portfolio. So you, Sensient and others, would always be interested in working with potentially acquiring companies that have a specific extract that they specialize in, whether it's the growing of that extract, whether it's the processing of that or the customer network and access that they enjoy, the partnerships that they have.

So there's opportunities not only for organic growth, but there's also opportunities, to your point, for inorganic growth and--and acquiring something in that space. There's been a lot of activity there over the last number of years. But it's very complementary and it more or less overlays every one of our business units today, extracts.

Mark Connelly
Very helpful. If I could just squeeze one more in, Paul, you've said in previous quarters that the weather issues that we're having in California and elsewhere, have not been a big concern. Is that still true?

Paul Manning
Well, I'm not sure I'd ever say it's never a concern. I would tell you that it's our job to mitigate those concerns and to be very forward looking in terms of contracting for land and water rights. These have become more and more scarce, as everybody certainly knows. But we certainly grow beyond just one region of California, we grow in a lot of different places to help mitigate some of those concerns.

But I think for right now, our crops are looking pretty good. Onion is looking pretty good. Garlic is looking very good. And so we expect to have a very good 2022 in that business. Yes, there are elements of inflation there that we are addressing and will address. And so I think our SNI business is going to have a really good 2022 on top of what has been a very good '21 and a very good 2020 for that business as well.

Mark Connelly
Super. Good to hear. Thanks for your help.

Paul Manning
Okay. Thanks, Mark.

Operator
And the next question will be from David Green with Boldhaven. Please go ahead.

David Green
Hi, Paul. Hi, Stephen.

Stephen Rolfs
Hi, David.

Paul Manning
Hello.

David Green
Hi, Amy. How are you doing?

Stephen Rolfs
Good.

Paul Manning
She is doing great. She is on the other line.

David Green
Okay. A few questions, sort of just a very broad one initially, which just to sort of ask which part of the business are you most excited about at the moment? And then, going into 2022 as well, what's getting you most excited?

Paul Manning
Well, I'll tell you, I get excited about every part of this business and I think the businesses that we have, these are great businesses. These have been analyzed over and over and over again for many years by me and many others. And so they are what we have been focused on.

We went through a very painful restructuring process, we sold some pieces off and so what we have today, the Food, Flavors, and Colors, the SNI business, the Bio-nutrients, our Personal Care. They are great businesses, great markets, great macro trends, technology based businesses where you can build a very defensible portfolio.

These are big markets and I think this, to the point about macro trends, there's great macro trends here. Natural color use is way up, the use of flavors and extracts in food formulations continues to be a very strong growing market. Bio-nutrients where we're dealing with fermented ingredients and other human and animal and plant nutrition markets, really, really strong opportunities there.

And then, of course Personal Care, a market really built on technology because there's a never ending performance gap between what the consumers have and what they want. So great markets all of them. And I love all my businesses, David. And I can't say I like some even a little bit more than others, I just love them all.

David Green
Thank you. Very diplomatic answer. In terms of--I guess what's giving you confidence into Q4 in the sort of visibility you have going into 2022? Is that a function of just what you see coming

through in the pipeline? Is there some phasing in terms of contracts that have come out of Q3 and they're going to be coming into Q4. So any more color you could give us there?

Paul Manning
Yes, well, those--pragmatically I feel good about Q4 because I'm sitting here looking at our daily sales of the three Groups for October and November and December, and they look really good. So that gives me really good confidence for Q4. What gives me confidence through 2022 is really, I think, our new wins. I mean, we are winning at a very, very high rate. We are very aggressively pursuing these wins in all of our segments and in all of our markets.

We have lots of ROI projects queued up for 2022 and I think we've navigated our way through COVID very, very well and I think that's--whatever happens with COVID, we're just going to keep selling. And I think that, whatever happens on the supply chain front, it's our job to mitigate that. So we're not going to find excuses in that part of the world. We're just going to keep focusing on running the business, focus on servicing our customers.

But I think, most pragmatically, I see the wins. I see the wins that are happening now and that have happened this year and are going to happen in Q4 and those carry nice momentum into 2022. Certainly, there's pricing that we could speak to, and maybe we'll give you some more details about that in Q4. But we've got great people. We have people who want to win and that's what really they're focused on. And so I think that's what gives me a lot of confidence about '22 and certainly beyond that.

David Green
And in terms of the sort of wins and the win rates you're seeing, is that sort of consistent across both Color and Flavors & Extracts or one more than other?

Paul Manning
No, I would say Colors and Flavors, very, very strong wins, pretty much, very, very similar order of magnitude and they're a touch higher than, say, Asia Pacific. So I would say the win rates are very broad based and some of that has to do with, I think, we've picked good markets and good customers. But we've also picked good salespeople and I think we incentivize them properly so that they're focused on that type of activity. But no, the wins are very, very broad based.

David Green
Great. And in terms of cosmetics and makeup, where--I apologize if you've already answered this, I was dropped--my call dropped briefly. So where are we, do you think, in that business now relative to sort of prior peak or prior levels?

Paul Manning
Yeah, to the previous question, we've really hit the inflection point on the cosmetic, the Personal Care business overall. So now, if you take apart the segments a little bit skin, hair, body care, certainly continue to have very nice growth. Makeup is coming back, but makeup was a bit lagging those other segments. So I think there's nice momentum in Personal Care into Q4 and into 2022.

David Green
Great. A couple more, if you don't mind. Within SNE, I think historically, we've sort of been talking a little bit about in terms of category, confectionery, and chewing gum having been quite weak. Are you seeing the situation there improve as we sort of come through lockdowns and vaccine rollouts become more widespread?

Stephen Rolfs
So we do see--so you are correct. Confection during the pandemic, I think because it's oftentimes an impulse item, the purchase occasions were reduced and that was the market that was hurt during the pandemic. If you look at consumer data, confection is coming back. And so that's a positive for both parts of our business. Color probably more so than Flavor, but it does seem to be coming back.

Paul Manning
And David, you'll be happy to know that gum is coming back. So that tells you that people are more sensitive about oral hygiene and their breath. So that's another positive social trend that you may observe.

David Green
I'm not sure if you guys can give us any color on this, but what--are the margins in confectionery and gum any different to the segment level?

Stephen Rolfs
We have not really gone to that level of granularity. I would say that they are pretty consistent with what we see across the food and beverage space.

David Green
Okay. And then, if there are any more questions from other people, then I'm happy to drop off and come back on.

Paul Manning
You're looking good David. It's the David show. So go ahead.

David Green
So no pressure. In terms of price increases, I think you alluded to the fact you were going to maybe give us some detail in Q4. Any more detail at this stage in terms of what kind of magnitude of price increases?

Stephen Rolfs
Well, it's really going to vary by location, business unit, geography, status of the customer, do you already have a multi-year contract with them. So a lot of different components, but we certainly always endeavor to not only cover inflation, but to cover our gross margin. So that is what we would aspire to.

David Green
And in terms of your purchasing for garlic and onion, specifically is that--so are you largely done now for 2022, or you have a good visibility your costs will be for those?

Paul Manning
Yeah. I think we have a pretty good visibility. That's not completely--not all of the onion crop has been entirely harvested, processed, and evaluated at this point, but signs are good and I think we're going to have a good run in that business in '22.

David Green
Great. And then, two final questions, if I may. Has there been any change in terms of, I mean, I think we have a thought a bit historically about a sort of complete solutions being a larger part of

the business and it's a higher, obviously, it's a higher margin product as well. Are you seeing a sort of continued shift there and change toward more of a sort of complete solutions type product?

Paul Manning
Not really. Maybe what you're referring to, I think some folks may call that integrated selling. I think for certain customers and on certain product lines, integrated selling where you're bringing, say, multiple ingredients to the sale that can be quite compelling for them. But for other customers, they're not even slightly interested in it.

And in fact, they don't want to have anything to do with it, not only from a purchasing standpoint, from a technical standpoint. So in my opinion, in the experience of this company, it is not a broad-based initiative. It is a very surgical initiative based on the needs of the customer. So that would be probably the short answer on integrated selling.

David Green
And then, my final question, you'll be pleased to hear, just on M&A. You obviously made an acquisition last quarter, so just be interested sort of any update there. And then, going forward, what your thoughts are in terms of, well I guess general use of the balance sheet, given you've been delivering quite a lot in terms of what--how do you think about optimal balance sheet? And in terms of M&A, are there any specific areas you would look at? And are those likely to be sort of small bolt-ons rather than larger deals?

Paul Manning
Yeah, so I'll mentioned the M&A piece and I'll let Steve speak to the balance sheet component. So yeah. To the first part of your question, we bought Flavor Solutions in Q3 and we're very happy. Very nice business, great people. Nice cultural alignment with Sensient. We would view that as a bolt-on acquisition in as much as that there's not a huge amount of integration activity. But the business has good products, they have good people, they have some good customer relationships, too. And so we're very, very happy and the integration is proceeding very nicely.

As you look to the future, I think to my earlier point about the businesses, I am very happy with these businesses and so each one of them has gaps, right? Every business in the world has some gaps. And by that I mean, it could be a portfolio gap, it could be a technology platform gap, it could be a geographic access gap, it could be a supply chain gap. And so to that end, you could see Sensient pursuing activity in any one of our business units and in any part of the world. So we'll keep you posted on--well, we will keep you posted by an announcement if we have a need to make here in Q4 and beyond. But yeah, any one of the businesses could be good opportunities for us to acquire.

Stephen Rolfs
And David, on the balance sheet, you've seen that our leverage has come down nicely over the last couple of years. So our debt to EBITDA is a 2.0 a year ago was at 2.6. We're really comfortable anywhere in that range and we could go higher for a bolt-on M&A opportunity. And I mentioned that we have bought back some shares year-to-date. We're very confident in the future and we have additional authorization there. So, we will continue to look at that. And again, I think we have the flexibility to do M&A. And to the extent there's not as much M&A as we like, we have the ability to buy back shares as well.

David Green
Great. Many thanks.

Paul Manning
Okay, David, thank you.

Stephen Rolfs
Thank you, David.

CONCLUSION

Operator
Ladies and gentlemen, there are no further questions. At this time, I will turn the conference back to the company for any closing remarks.

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

Operator
Thank you, sir. The conference has now concluded. You may now disconnect.