Sensient Technologies Corporation

2021 Fourth Quarter and Year-End Earnings Conference Call

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CORPORATE PARTICIPANTS

Stephen J. Rolfs – *Senior Vice President and Chief Financial Officer*

Paul Manning – *Chairman, President, and Chief Executive Officer*

PRESENTATION

Operator
Good morning and welcome to the Sensient Technologies Corporation 2021 Fourth Quarter and Year-End Earnings Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key, followed by zero (0). After today's presentation, there will an opportunity to ask questions. To ask a question, you may press star (*), then one (1) on your telephone keypad. To withdraw your question, please press star (*), then two (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 J. Rolfs
Good morning. Welcome to Sensient's fourth 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 fourth 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 removed the impact of the divestiture-related costs, the results of the operations divested, the impact of the costs and income related to our operational improvement plan, and the 2020 one-time employee COVID payment. We believe the removal of these items provides investors with additional information to evaluate the company's performance and improves 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 actions, and the timing of a return of more normal economic activity, including impacts on our business related to current logistic challenges. We urge you to read Sensient's previous SEC filings and our forthcoming 10-K 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
Thank you Steve. Good morning. Earlier today we released our fourth quarter results and I'm very pleased to report that we delivered adjusted fourth quarter local currency revenue growth of 11% and adjusted local currency EBITDA growth of 15%. We continue to have outstanding growth from each of our groups in the fourth quarter. Our full year adjusted local currency revenue, adjusted local currency EBITDA, and adjusted local currency EPS were all at or above the top end of our guidance and exceeded the guidance we communicated at the start of 2021.

Overall the company had strong operating and financial performance in 2021 following a very good 2020. The Flavors and Extracts Group had an outstanding year in 2021 achieving 9% adjusted local currency revenue growth and 15% adjusted local currency operating profit growth.

The group's performance follows the exceptional performance it had in 2020 of 9% adjusted local currency revenue growth and 13% adjusted local currency profit growth. The Color Group finished 2021 with 9% adjusted local currency revenue growth and 5% adjusted local currency operating profit growth. Asia Pacific reported adjusted local currency revenue growth of 10% and adjusted local currency profit growth of 22%. We completed the last of our three divestitures in the second quarter of 2021 and we completed the acquisition of Flavor Solutions during the third quarter of 2021.

Our focus on sales execution, customer service, and product delivery have been significant factors for our growth over the last few years. Our portfolio of natural flavors and colors and our robust product technologies has positioned us for continued growth. Each of our groups are delivering high sales win rates and our sales pipelines remain strong. As mentioned during our last couple of calls we continue to see a number of supply chain challenges including higher input costs such as raw materials, energy transportation, and labor. We continue to experience delays in logistics. We are managing through these issues by investing in key raw materials and holding more safety stock to support our customer lead times. We also continue to work through price increases to cover the higher costs. We expect these supply chain challenges to continue throughout 2022, but I have no doubt that we will overcome these challenges. I am very pleased with our solid on time customer product delivery.

The Flavors and Extracts finished 2021 reporting 8% adjusted local currency revenue growth in the fourth quarter and 11% adjusted local currency profit growth in the fourth quarter. This is the seventh straight quarter of mid-single-digit or better local currency adjusted revenue growth. This growth is generated across almost all product lines. The growth in the Flavors and Extracts Group is a direct result of strong new sales wins and more value-added products solutions. For the full year of 2021, the group's adjusted operating profit margin increased 60 basis points from 12.9% to 13.5%. The group is well positioned for another good year in 2022. The product portfolio is robust, and the group is executing on its strategy. I expect continued growth in our flavors and extracts and flavor ingredients product categories. The group's natural ingredients business will have a modest headwind in the first half of 2022 as the yield on the most recent onion harvest was lower than hoped for and we exceeded our sales targets in 2021. In 2022 and for the foreseeable future, I expect the Flavors and Extracts Group to deliver mid-single-digit revenue growth and operating profit margin improvement of 50 to 100 basis points annually.

The Color Group also had an outstanding fourth quarter in 2021. The group delivered 16% adjusted local currency revenue growth and 19% adjusted local currency profit growth in the quarter. We saw double-digit revenue and profit growth in both food and pharmaceutical colors and personal care. The growth in the food and pharma business was driven by new product launches and solid demand for natural colors. We continue to expand our already robust natural color portfolio to ensure we fully support our customers and their ongoing product conversion needs. I anticipate our food and pharma business will have another good year in 2022.

The personal care business had a strong fourth quarter delivering double-digit revenue and double-digit profit growth. In the first half of 2021, the personal care business continued to be impacted by COVID-19. However, in the second half of 2021, the business has rebounded nicely. The group continues to focus on product line diversification into skin care, body care, and other categories. Our expansion of the personal care product portfolio should help fuel consistent

growth for the foreseeable future. In addition to the rebound in personal care, we believe that the growth in the Color Group is a direct result of its focus on innovation, sales execution, and customer service. We continue to expect the Color Group to deliver mid-single-digit revenue growth and an operating profit margin at or above 20% in 2022 and over the long term.

Asia Pacific had an outstanding 2021. The group delivered 15% adjusted local currency revenue growth and 25% adjusted local currency profit growth in the fourth quarter. We continue to see high sales win rates as a result of our focus on sales execution, customer service, and new flavor and color technologies. In the fourth quarter of 2021, the Color had strong demand in almost all regions. I expect Asia Pacific to deliver mid-to-high single digit revenue growth in 2022 and over the long-term.

I'm very pleased with our performance in 2021. Our focus on sales execution, product diversification, and customer service are driving the growth and new sales wins we are experiencing in each group. We have seen an increase in our customers ordering in advance in response to the global supply chain challenges. This benefited our growth in the fourth quarter. We have implemented pricing actions, which I expect to have more significant impact in 2022 to offset the increases in our input costs. As a baseline, we expect we will continue to deliver mid-single-digit revenue growth in 2022 and beyond.

With the completion of our previously announced divestiture activity in 2021, our product portfolio is strong and we remain focused on our key customer markets; food, pharmaceutical, and personal care. We have very good internal investment opportunities that should drive future growth. As a result, I expect our capital expenditures to be in the range of $80 (million) to $90 million in 2022 with a large number of investment opportunity projects. We completed the acquisition of Flavor Solutions in the third quarter of 2021, and the integration of this business is proceeding as planned. We also continue to evaluate other sensible acquisition opportunities. Absent an acquisition, excess cash will be used to pay down debt, and we have the option to buy back stock. I'm very happy with our financial performance in 2021. We're at the top end of our adjusted local currency guidance for the year, and I'm optimistic about 2022 and the future of our business. Steve will now provide you with additional details on the fourth quarter results.

Stephen J. Rolfs
Thank you, Paul. Our fourth quarter GAAP diluted earnings per share was $0.65. Included in these results are approximately $0.07 per share of divestiture costs and the cost of the operational improvement plan. In addition, our GAAP earnings per share in the fourth quarter of 2021 include approximately 700,000 of revenue and 500,000 of operating expense related to the results of the divested operations. Last year's fourth quarter GAAP results included divestiture, operational improvement plan costs, and a one-time COVID employee payment which decreased last year's fourth quarter results by approximately $0.07 per share.

In addition, our GAAP earnings per share in the fourth quarter of 2020 included approximately $25.2 million of revenue and approximately $0.06 per share of earnings related to the divested product lines. Excluding these items, consolidated adjusted revenue was $339.8 million, an increase of 10.7% in local currency compared to the fourth quarter of 2020. Our adjusted local currency EBITDA was up 14.7% for the quarter and our adjusted local currency EPS was up 21.3% for the quarter.

Our cash flow from operations was down in the fourth quarter, primarily due to an increase in strategic investments in our inventory position during the fourth quarter. We remain focused on optimizing our working capital levels, and we will continue to make strategic investments in our

inventory in 2022 to support our forecasted demand and ensure we have appropriate safety stock positions as logistics and supply chain challenges persist. Capital expenditures were 61 million for 2021. We purchased approximately 492,000 shares of company stock in 2021 for nearly $43 million. Our debt to adjusted EBITDA is now 2.0 as of December 31, 2021, down from 2.4 as of December 31, 2020. Our balance sheet is in a solid position to support increased capital expenditures, attractive M&A, and our long-standing dividend.

Now turning to 2022, we expect our reported GAAP EPS to grow at a mid-teen growth rate compared to our 2021 reported GAAP EPS of $2.81. At this time, we do not anticipate any material divestiture related costs or operational improvement plan costs in 2022. We expect our local currency revenue to be up mid-single-digits compared to our 2021 adjusted revenue, and we expect our local currency adjusted EBITDA to grow at a high single-digit rate in 2022. We also expect our local currency EPS to be up high single digits compared to our 2021 adjusted EPS of $3.13.

Looking at our 2022 tax rate, we expect to be roughly in line with our rate in 2021. On a quarter-to-quarter basis, our rate will fluctuate and therefore we continue to believe that our local currency adjusted EBITDA growth is an important measure of our performance. Based on current exchange rates, we expect currency to be a headwind of approximately $0.10 for the year with most of the impact in the first three quarters of 2022. Our reported results include the impact of currency translation and as many of you are aware, the U.S. dollar began to strengthen against other foreign currencies in the fourth quarter of 2021.

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

QUESTIONS AND ANSWERS

Operator
Thank you. We will now begin the question-and-answer session. To ask a question, you may press star (*), then one (1) on your telephone keypad. To withdraw your question, please press star (*), then two (2). At this time, we will pause momentarily to assemble our roster.

The first question will come from Ghansham Panjabi with Baird. Please go ahead.

Ghansham Panjabi
Thanks. Good morning, everyone.

Paul Manning and Stephen J. Rolfs
Good morning Ghansham.

Ghansham Panjabi
Morning. You know, Paul in your comments on customers ordering in advance, can you just give us a bit more color on that, did that impact any particular segment, how much does it benefit the fourth quarter, how do you see this dynamic unfolding during the first part of next year? And then also could you disaggregate price versus volume contribution by segment for the fourth quarter?

Paul Manning
Sure. So, if you look at our revenue in Q4, we were up about 11%. A 9% or so high single digits was volume, which is to say that price was 2 percentage points roughly, so low single digits. So just on the price volume breakdown first.

Now, another snapshot of that 11% growth, you could say, alright price was a couple of percentage points. Customers stock build. In other words, customers ordering in excess of what would be their typical demand that might've been about 2 or 3 percentage points. Fairly consistent across each of the groups, if you look at the progression of price in the groups, Flavors is probably a little bit ahead and as much as a number of their anniversary dates fell before January 1st, Colors in Asia therefore you'll see a bigger impact from price beginning January 1st where a larger component of their agreements had an anniversary date of January 1st. So those are sorta of at a broad-brush kind of how that breaks down for the fourth quarter.

Ghansham Panjabi
Perfect and then as you think about guidance for 2022, you're guiding towards pretty healthy mid-single-digit top line growth and basically 2x in terms of operating leverage. Just give us off of pretty tough comps, you have had a very good run the last couple of years on an EPS basis, so what do you attribute that operating leverage to? And then the second part to that, in terms of raw material inflation, where did you end 4Q and how should we think about quarterly sequencing in 2022?

Paul Manning
Okay, so on the operating leverage I think the fundamental reason why we're getting good operating leverage there is two, its product mix and now we're starting to get price to overcome those inflationary pressures. So, on the mix front, we've been talking for many years in the company that our strategy on the Flavors and Extracts side of the business was to do that, really focus on selling what the industry would probably describe as traditional flavors. We had very good flavor ingredients. Those are important as well but really where the improvement in mix was going to come was by selling more within the realm of flavors, extracts to a lot of these B and C customers. These local and regional customers that we have described.

So I think that's a big factor, but what you're also now beginning to see is the operating leverage improving in each of the groups as well, again consistent with some of the price attainment that we're starting to see and I think we'll continue to see. So I have every expectation that as were now in Q1 and our sales are off to a very good start, and our pricing actions are well underway, completed in many cases perhaps even a majority of cases, but that will be an ongoing item for us to consider, but I think as you look at the sequence Q1 to Q4 of 2022, I think you'll continue to see a very, very nice leverage from that revenue growth that we're forecasting.

Now on your second question with respect to inflation or input costs. As you look at our total business, we would suggest that taking the equivalent of a mid-single-digit price increase, so in other words taking our total revenue and we should get about mid-single-digit price on that, we should be able to cover our inflationary pressure and maintain, perhaps even grow our gross margin. So that's our pricing goal. That would then imply that if you look at the cost side of our income statement, those costs would be up kind of mid-single-digit of cost, so revenues up by mid-single-digit on about a mid-single-digit inflationary input. So, again, the goal of gross margin will be at least maintained and so I think that would suggest that, as you saw in Q4 and in Q3, there was not as much operating leverage as we would traditionally get, but the pricing is going to alleviate that and improve that situation I think at each quarter that we move through the year.

Ghansham Panjabi
Okay, fantastic. Thanks so much. Congrats on all the progress. Enjoy your weekend. Thanks.

Paul Manning
Okay, thank you Ghansham.

Operator
The next question will come from Heidi Vesterinen with BNP Paribas. Please go ahead.

Heidi Vesterinen
Good morning.

Paul Manning
Hi Heidi.

Heidi Vesterinen
Hi. First to just clarify what you said in the last question, did you say mid-single-digit pricing or mid-single-digit inflation? Your sales guidance is mid-single-digit, so I'm just wondering what you are assuming for volumes then, so could you first clarify that mid-single-digit comment please?

Paul Manning
Yes, so if you look at on pricing it's mid-single-digit pricing, so take our revenue as the denominator in that scenario, and then mid-single-digit costs would be take our cost as the denominator in that scenario, and so since we do generate a reasonably good gross margin in the company, you see that by taking a mid-single-digit price increase, we could at least maintain the gross margin if not enhance it in some businesses. And, so then from the volume standpoint, we are off to a very, very good start in the business and new wins continue to be very good, and I can tell you with a great deal of confidence, Heidi, that, that we are going to deliver mid-single-digit revenue.

There could be some upside for sure, but there's a lot of moving parts in the market right now. There's price, some of the price is being driven by logistics costs, some of those logistics costs could decline as the year goes on. So, for example, you may have a situation with a customer where you are giving him a surcharge upon the reduction or deflationary impact on some of these transportation items. You may not be taking that surcharge later in the year. So that's why pricing may not be mid-single-digits across the board and in all phases and it wouldn't be necessary either. That could be a factor later in the year, and then of course, there's customers building inventory above and beyond their forecast that is not a forever activity that our customers are going to be doing that.

So, those could be things to consider in the future, but again, I feel very, very comfortable about mid-single-digit. We have been doing that. There could absolutely be some upside Heidi, but ultimately, I want to commit to what we can do with a high degree of confidence.

Heidi Vesterinen
Thank you, and then the next one, I guess, you touched upon margins. Specifically, in flavors and extracts you talked about 50 to a 100 basis points of margin expansion. It is quite unusual to see percentage margins increasing in times of inflation, so can you talk about the drivers there please?

Paul Manning
Very similar discussion. It's price and its mix. So longer term it's about mix, selling more of the flavors, related products selling more of our BioNutrient related products, etc., which in general tend to command a higher gross margin than some other products that we may be selling in the Flavor and Extracts group. So that's going to be the long-term fundamental driver on our journey towards a 20% operating profit margin. Very similar to the dynamic that we executed in color and

in Asia Pacific, but for the shorter term, I think certainly as inflation has hit before pricing as a general statement, we will also get improvement on the operating profit margin there as well feeding into that. So, again on this metric, I feel very, very comfortable on our ability to achieve it. So, whether pricing persists, or inflation persists, I think we'll be able to manage those two components, but I think the broader, longer-term, it's all about mix for us, and I think we've shown a level of success there that gives me great confidence that we can continue to do that well into the foreseeable future.

Heidi Vesterinen
Thank you, and then I got cut off during the Colors discussion, I wondered if you could update us on where we stand in personal care colors, please, is there more to go in makeup and do you have an indication of say where we are versus pre-pandemic levels in makeup colors? Thank you.

Paul Manning
Sure. So personal care has started to make -- in really the back half of 2021 started to make a very nice improvement rebound. I think that's going to nicely continue here in 2022. We are already off to, again, a very nice start in personal care as we look at the year so far. If you go back to kind of 2019, I would tell you that across all the category, let's just take the broad categories of makeup, hair, skin and then we can say other, which would include sun care, body care. In general, all of our categories are above their 2019 levels. Hair care definitely stands out. We've had excellent growth since 2019. There really was no significant decline there.

Skin care is up and as you know, that's an area that we've really been emphasizing in the portfolio. Really where we're still down versus 2019 is makeup, and so 2021 had a nice improvement versus 2020 that was up double-digits, but we have still not recovered to the 2019 levels. So, the positive there is as masks go away and folks start going out again, we can see makeup being perhaps a future tailwind for us as that market resumes. So, in general, there's definitely some pieces of continued success in personal care, but the one still kinda languishing or lagging a little bit is makeup, but I think signs are quite good for an improvement in that category in 2022 here.

Heidi Vesterinen
Thank you.

Paul Manning
Okay. Thank you, Heidi.

Operator
Once again, if you have a question, please press star (*), then one (1).

The next question will come from Mitra Ramgopal with Sidoti. Please go ahead.

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

Paul Manning
Yeah. Hi Mitra.

Mitra Ramgopal

Hi, I am just curious in terms of how confident or comfortable you feel in terms of being able to implement the price increases to cover the higher costs you're seeing in terms of the conversations you're having with your customers?

Paul Manning
Well, in general Mitra I feel very comfortable, but what I want everybody to understand in the world of pricing, this isn't just you take pricing and somehow everybody accepts it and everybody's leaving with smiles. There is a lot of sensitivity, there's a lot of negotiation, there's a lot of discussion that goes into that. If you're not thoughtful about your pricing, you could absolutely lose business, if you're not thoughtful about your pricing you can absolutely be in a position where you're not covering your input costs. So, these are complicated programs. You're dealing with many, many different customers in many parts of the world. Many of our products follow indexes, but many of our products do not follow indexes.

So, in general, I feel very comfortable that we're going to get there, but it's not as simple as saying, hey, we're just going to get the pricing, and so I just -- I think this may be something that continues through the course of 2022. I feel good about what we've achieved thus far, but time will tell with respect to what's going to happen in the market here.

Mitra Ramgopal
Yeah, no, that's great, and then something we are hearing from a lot of companies, especially given the tight labor market, costs really having an impact on their business. On that front, seems like you've been able to manage that pretty well, I was just wondering if you have any concerns for you as we look out at a very inflationary environment this year and maybe going forward?

Paul Manning
So yeah, I think no company in the world has been left unscathed in the pursuit of getting good labor. There's always labor. Is it good labor, effective labor, maybe a question that can vary by geography? In general, we like other companies have had challenges there, but we have substantially overcome those challenges. We've been very, very creative on the recruiting side of the house and this is a company that's about winning and being successful, and that is very attractive to a lot of people out there in the market and we've been -- we work from the office, we're very engaged, we are all about building the type of community that winners want to come to, and so I think because of that mindset and culture that we've had, we've been able to maintain very good staffing in the vast majority of our facilities.

Now that Omicron seems to be diminishing in many parts of the world, we have fewer disruptions with respect to absences and the like, but no, I think in general we've been able to work through that. It's not perfect and we certainly still have a couple of places where sure, I'd like to have a couple more folks working on a particular shift or whatnot, but yeah, we're going to continue to manage through that Mitra and I think that is not going to be a reason why I get on this call and tell you I can't deliver numbers. We will deliver the numbers and we'll work around those challenges.

Mitra Ramgopal
Okay. Thanks, and then finally just, maybe some more color on M&A, you've completed a divestiture as you did a couple of deals last year and you mentioned, that's something you're always looking on in terms of opportunities to grow the business. Just curious, in terms of maybe the pipeline or opportunities you're seeing out there and how aggressive we might expect you to be on that front?

Paul Manning
I would say we're sensibly aggressive. We need to deliver a return, but first and foremost, we need to find a company where there's a culture that we can work with work together. We got to find win-wins there, and so for me it starts with, it is a company that you may consider acquiring, have a culture that kind of sees the market and sees other dimensions of working in a similar fashion, and then from there, do we believe we can add something by acquiring that company. So, we always have a pipeline, companies maybe various stages with us, maybe we make offers and they're not accepted or maybe, as I said on a previous call, not everybody wants to sell his or her company, and so it can be a process as well, but we're continuing to look.

Look at opportunities to fulfill gaps or fill gaps in our portfolio to the extent there may be an opportunity to expand geographically through an acquisition that could be a meaningful thing for us to do. Sometimes you know what, setting up an exclusivity from a supply standpoint is every bit as good as an acquisition, and so we've got a multi variable approach to this and provided we can get things again at a sensible price where they win, we win that this could certainly be something we're talking about in 2022.

Mitra Ramgopal
Okay. That's great. Thanks again for taking the questions.

Paul Manning
Okay. Thank you, Mitra.

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

David Green
Hi Paul. Hi Stephen.

Paul Manning
Hello David.

Stephen J. Rolfs
Hi David.

David Green
Just a few questions from me. It sounds like you're seeing sorta similar exit rates or strength as you come into 2022, just wanted to get a feel for sort of the visibility that you have at the moment into the year, into the first half in terms of new account wins that may have already taken place in 2021 and just the project -- the product pipeline that you're seeing at the moment from customers, and the sort of drivers of that whether that's a sort of continuation of new customer wins, existing customers, new products, etc., that's a first question?

Paul Manning
Okay. So, the pipeline is quite good and we generated a lot of wins in 2021, and so to your point, many of those carry into 2022 and we add a very, very good January in each of the groups, and as I'm looking, I know you like this part, as I'm looking at February sales right here in front of me, they look super good too. So, I think, we're off to a very nice start. A lot of that driven by the new wins we generated in 2021.

We will obviously have some benefit from pricing, but yeah, despite the fact that I have the numbers here too in terms of product launches around the world in 2021, despite the fact that the number of product launches were down, we were able to still do quite well and there's definitely pockets of success in the markets. In other words, if you look at the North America beverage markets, the launches were up overall in the market about 5% to 6% versus 2020.

So then again, you look at Asia Pacific on the food side, launches were down about 2% or 3%. So, it's a little bit of a mixed bag in terms of customer's launch activities but I think given the diversity of our customer base and the range of our products, we can certainly build up a very nice pipeline and generate some very strong wins. That's a very big focus for us generating wins and I think many of the ones that we -- well, all the ones that we had in 2021 in the second half of the year should absolutely be feeding into this first half of the year, and I think, you'll see some very nice uplift from that.

David Green
I think something we may have talked about a bit before in terms of the customer base and the mix between large brands and smaller, medium size, are you still seeing the momentum coming through on the larger global brand still or is it more balanced?

Paul Manning
It's fairly balanced overall. As you know, our color group would tend to be dealing with more of the largest multinationals either through our food colors or our personal care, but we also have a significant presence in the local regional brands as well. Flavors tends to be more in terms of selling flavors anyway at the local and regional type customers, and so I think activity is good. Obviously, it's not good for everybody. You've heard me read off the launches for 2021, but I think we're pretty good at sniffing out the opportunities, whether it's an A, B, or C sized customer in each one of our regions.

David Green
Great. Thank you, and then maybe just to try and get some more geographic color. In APAC obviously you've seen strong acceleration there. It would be really helpful just to get more of a feel for what's driving that and is there a way for us to feel about, sorry for us to think about the potential sales or EBIT opportunity in that region specifically?

Paul Manning
Yeah. So, Asia, as you heard me say the guidance is mid to high-single-digit revenue. I think that's a very, very achievable. You saw we delivered a very nice Q4 really across most of our regions. I'm looking at the figures here right now. North Asia did quite well, and Southeast Asia did really well, so I think we're seeing broad based success and it's about selling natural colors. It's about selling flavors and really focusing on a little bit more of an underserved group of customers, so I think the prospects for Asia are really good in 2022 and beyond. We're just sorta scratching the surface. I think there's a lot more accounts and markets for us to be penetrating there.

David Green
So, hard at this stage to quantify sales or EBIT opportunity in the medium term?

Paul Manning
Well, sales opportunity is mid-to-high single digit revenue and whatever EBITDA flows from that you can take from that double digit or better on the EBITDA for Asia Pacific. I think that's a reasonable, reasonable benchmark.

David Green
Right. Thanks very much.

Paul Manning
Okay, David, thank you.

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

CONCLUSION

Paul Manning
Okay. So, we've got a couple more items Steve's going to brief you on with respect to tax and interest and corporate expense. These are for purposes of clarification and understanding as you look at 2022, so Steve, you want to…

Stephen J. Rolfs
Sure. So, I usually get these questions regarding how to model expense items. So, I'll just quickly address them. The first one would be our corporate expense. As many of you know, we've had a very heavily weighted program towards performance-based compensation, so this line item has moved around over the last couple of years. In 2021, we had an increase in non-cash stock-based compensation of about $4 million as we're resetting that to a normal level, and we have one more year really to reset that at a more normal level, so we'll see another $4 million increase in that non-cash stock based comp, and so -- if we have a good year in 2022, I'd expect our corporate expense to be in the low $50s, maybe $52 million.

The other thing I expect people will ask about is interest expense. Fortunately, the majority of our interest or our debt is a fixed rate right now, so we don't have too much exposure, but if there is a rapid pace of interest rate increases, we will see a little bit of an increase in interest expense, maybe a million dollars. If the pace is not as rapid, it'll be a little less. If there's a more rapid pace of interest rate increases, it could be a little bit more than that, and then finally, I mentioned the tax rate in the call. I said, for the year I expect to be roughly in line with 2021s tax rate, which was about 21%. I will point out that our normal run rate is about 24%, but we typically have some discrete items that provide a benefit and I expect that to be the case in 2022 as well. So, in some quarters it could be a little bit higher, but for the full year, I expect it to be about 21%.

Those were the main items I mentioned. We also mentioned foreign currency and again that's somewhat recent item. You saw the dollar strengthening across a number of foreign currencies in the fourth quarter, but I mentioned the $0.10 headwind there. So, with that, that will conclude our comments for today. Thank you for everyone for attending.

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