Sensient Technologies Corporation

2022 Second Quarter

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CORPORATE PARTICIPANTS

Stephen 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 2022 Second Quarter Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing your star key followed by zero. After today's presentation there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone. To withdraw your question, please press star then two. 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 Second Quarter Earnings Call. I'm Steve Rolfs, Senior Vice President and Chief Financial Officer of Sensient Technologies Corporation. I'm joined today by Paul Manning, Sensient's Chairman, President, and Chief Executive Officer.

Earlier today, we released our 2022 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. We did not make any adjustments to our GAAP results for 2022. The adjusted results for 2021 removed the impact of the divestiture-related costs, the results of the operations divested, and the impact of the costs and income 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 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 the 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 today.

I would also like to remind everyone that comments made during this call, including responses to your questions, may include forward-looking statements. Our actual results may differ materially from those that may be expressed or implied due to a wide range of factors including those set forth in our SEC filings. We urge you to read Sensient's previous SEC filings, including our 10-K, our first quarter 10-Q, 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 and good afternoon. We had a great second quarter with each group reporting outstanding revenue and operating profit growth. This growth was in line with our expectations and occurred in almost all of our businesses across the company. We achieved our eighth straight quarter of mid to high single-digit revenue growth, and our consolidated adjusted local currency EBITDA growth this quarter exceeded 25%.

Our performance this year follows a great year we had in 2021. Our top-line growth is a direct result of our focus on sales execution, technical support, and product delivery. We continue to deliver a high level of sales wins while working to expand our already strong sales pipeline. We have proven to be a reliable supplier to our customers, and with our exceptional technical support and robust product portfolio, we are well positioned for continued growth in the future.

As we've discussed on prior calls, we're still experiencing increases in our input costs including raw materials, transportation, energy, and labor, along with logistical delays. We're addressing the input cost of pricing actions and we are addressing the logistical delays by maintaining a higher inventory position. We expect these higher cost and supply chain challenges to continue throughout 2022 and into 2023.

There is a lot of uncertainty in the global economy, as well as a concern about a potential recession. Despite this uncertainty, our sales order patterns remain strong, our customer sample activity is healthy, and we remain actively engaged with our customers. I remain optimistic about the balance of the year and the future of our company.

Turning to our group results. The Color Group had a spectacular second quarter. The group delivered 22% adjusted local currency revenue growth and 24% adjusted local currency operating profit growth. Operating profit margin in the second quarter was 20%.

Food and Pharmaceutical Colors and Personal Care both delivered double-digit local currency revenue and double-digit local currency operating income growth in the quarter. A portion of the group's revenue increase was driven by a high single-digit price increase.

The Food and Pharma businesses have performed very well in the first half of the year. The business has a high level of new sales wins as a result of its innovative natural color portfolio and its focus on customer service. I believe the business is well positioned for future growth.

The Personal Care business delivered double-digit local currency revenue and double-digit local currency operating profit growth in the second quarter. The business continues to rebound well from the impact of COVID-19. We are focused on building safety stock to support this rebound and the projected growth in this market. The business is focused on continued product line diversification into skin and body care, as well as other categories, is a key part of the business's current growth and also provides the foundation for growth in years to come.

With an outstanding first half, the Color Group is now on track for the year to deliver double-digit revenue growth and an operating profit margin at or above 20%. Our previous guidance called for mid to high single-digit revenue growth in 2022. Over the long term, I expect the Color Group to deliver mid-single digit revenue growth and an operating profit margin at or above 20%.

The Flavors and Extracts Group also had another strong quarter delivering 9% adjusted local currency revenue growth and 24% adjusted local currency operating profit growth. This is the ninth consecutive quarter of mid-single digit or better adjusted local currency revenue growth.

Our operating profit margin this quarter was 15.9% up 210 basis points versus the prior year. The higher adjusted local currency revenue growth in the group was primarily a result of volume growth and pricing in Flavors, Extracts, and Flavor Ingredients, as well as favorable pricing in Natural Ingredients.

Flavors, Extracts, and Flavor Ingredients business had another nice quarter delivering double-digit revenue growth. As mentioned during our last few calls, the Natural Ingredients business has faced a volume headwind in the first half of 2022 as we await the new onion crop. The 2022 onion harvest is

currently underway and we do expect improvement in the supply of onion as the year progresses. Overall, the group's pricing was up 10% for the quarter.

The Flavors and Extracts Group had a great first half of the year. I now expect the group to deliver high single-digit revenue growth and operating profit margin improvement of approximately 100 basis points this year. Previously, we had estimated a mid to high single-digit revenue growth and a 50 to 100 basis point operating profit margin improvement.

The growth in the group's operating profit margin was a result of more sales wins, a focus on more value-added product solutions, a lower overall cost structure as a result of the group's past restructuring and divestiture activities, and recent pricing actions. The group is well positioned for the future. Over the long term, I still expect the Flavors and Extracts Group to deliver mid-single digit revenue growth and an operating profit margin improvement of 50 to 100 basis points annually for the next couple of years.

In Asia Pacific, on an adjusted local currency basis, the group achieved its fifth consecutive quarter of high to double-digit revenue growth and its sixth consecutive quarter of double-digit operating profit growth. The Asia-Pacific group delivered 23% adjusted local currency revenue growth and 43% adjusted local currency operating profit growth. The operating profit margin in the second quarter rose 280 points to 20.7%.

The group grew revenue by double digits in almost all regions. A portion of the group's revenue increase was driven by a mid single-digit price increase. The group continues to achieve a high level of new sales wins, and is benefiting from the capital and technical investments we have made in the region. The group is now on track to deliver double-digit revenue growth for the year. Our previous guidance called for a mid to high single-digit revenue growth in 2022. Over the long term, I continue to expect the group to deliver mid-single digit revenue growth.

Our growth is fueled by our high level of new sales wins across the company. These new wins span a range of product categories and offerings including natural color conversions, ice cream flavor solutions, specialty natural ingredients blends, and beverage flavors. Our focus on product technologies and technical support is a critical component of these new sales wins.

Our ability to help our customers develop great new products is the foundation for our growth now and into the future. We've had a great 2022 so far. We are well on track to meet and potentially exceed our full year guidance. I remain optimistic about the year and the future of our business.

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

Stephen Rolfs
Thank you, Paul. Sensient's second quarter GAAP diluted earnings per share was $0.92. As I mentioned in our opening remarks, we do not have any adjustments to our GAAP results for the second quarter of 2022. Last year's second quarter GAAP results included divestiture and operational improvement plan costs which decreased last year's second quarter results by approximately $0.16 per share. In addition, our GAAP earnings per share in the second quarter of 2021, included approximately $2.2 million of revenue and $0.01 of costs related to the results of the divested operations.

Our adjusted EPS in the second quarter of 2021 was $0.79. Excluding these items in our 2021 results, our consolidated adjusted revenue in the second quarter of 2022 grew by 14.9% in local currency to $371.7 million. Our adjusted local currency EBITDA was up 26.7% for the quarter, and our adjusted local currency EPS was up 21.5% for the quarter. Foreign currency exchange rates decreased adjusted earnings per share by approximately $0.04 in the second quarter.

We continue to make strategic investments in our inventory position, which is the main reason for our lower cash flow from operations in the quarter. We continue to invest in inventory to support the high demand we are experiencing and to ensure we have appropriate safety stock positions as supply chain and energy challenges continue.

Capital expenditures were $19.7 million for the second quarter. We continue to expect our capital expenditures to be near $90 million this year. Our debt to adjusted EBITDA is 2.0. Our balance sheet remains well positioned to support our capital expenditure spend, attractive M&A, and our long-standing dividend.

Regarding our 2022 guidance, we are maintaining our reported GAAP EPS guidance to increase at a high-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.

On an adjusted basis, we are raising our revenue guidance to be up high single digits in local currency compared to our 2021 adjusted revenue. Our previous revenue guidance called for mid to high single-digit growth in local currency.

Our 2022 adjusted EBITDA and EPS guidance both call for a high single to double-digit growth in local currency. We also expect our interest expense to be higher in the second half of 2022 versus 2021 and our tax rate to be approximately 24% for the full year. As Paul mentioned earlier, we do believe we are operating at or above the top end of this guidance.

Based on current exchange rates, we now expect currency to be a headwind of approximately $0.17 for the last six months of the year and $0.23 for the full year of 2022. Previously we had expected a headwind of approximately $0.06 for the last six months of the year and $0.12 for the full year of 2022. This change in exchange rates impacts our reported GAAP results, however, the local currency adjusted guidance I just provided is not impacted by this currency headwind.

Thank you for participating on the call today. 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 on your touchtone phone. To withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster. The first question will be from Ghansham Panjabi from Robert W. Baird. Please go ahead.

Ghansham Panjabi
Thank you. Good morning, everyone. Just in terms of the Color segment, which has obviously seen a very strong rebound in volumes, I think you were up well into the double digits in the second quarter, comparisons are going to get a bit more difficult 3Q onwards. So, can you give us a sense as to what you're embedding for volumes in that segment during the back half of the year?

Then, just more broadly, Paul, maybe for not just Color but also Flavors and Extracts, the global consumers starting to exhibit some level of elasticity just given the extent of inflation and so on. How has that sort of manifested as it relates to your conversations with your customers as it relates to new product development?

Paul Manning
So, for the first part of your question, we expect volume to be up in the second half in the Color Group. I think the success we've had certainly at the first half of this year and last year is very broad-based, natural colors, synthetic colors, personal care. Each of our businesses has done quite well on a lot of different dimensions, and so we feel very, very confident that we can continue to grow that volume.

It's noteworthy that Cosmetics, the makeup segment, which I've talked about for the last couple of years since COVID, that is just now kind of getting back to the level that we were going into COVID, so that gives me confidence that the volume can continue to grow. Our ongoing success in Natural Colors and our wins that we're generating there continues to give me confidence that we can grow volume, and then of course, you can apply much of this logic to the other groups as well.

As far as the global consumer is concerned, you're right. There's certainly been indisputably a downturn in new product launches for 2022. As we measured it during 2020-2021, new product launches overall were essentially flat to 2019, but 2022, again as we measured it, has really been the first series of reductions in new product launches in the markets that we're serving, and that's broad-based across a number of different categories.

So, I think that that is definitely something that we watch very carefully, but I would tell you that our pipeline is very, very strong. Our commercial staffing is very, very good, and our pricing has been very, very effective and successful up until now.

So, yes, I have a great deal of confidence that we're going to continue this trend as I look over here at our daily sales for Q3, which I have right in front of me, and they continue to be quite strong. Not only is it from the pricing that we've taken, but it's also above and beyond that the volume growth that we're also generating.

Ghansham Panjabi
Got you. That's very helpful. Then, in Flavors and Extracts, the issues with natural ingredients specific to onions, does that mean revert at some point as availability improves, or is that the business that you lost during 2Q or maybe the quarter prior? Is that just lost business, or do you see that sort of mean reverting higher? Then, related to that as it relates to cost inflation, can you just update us as to how you're tracking 2Q and also your embedded expectations for the back half of the year?

Paul Manning
Okay, so yes, in SNI we had kind of preview for a few quarters that the certainly, the first half of this year there was going to be a little bit of a volume constraint there. We sold more than we thought we were going to sell in 2021, sort of a catastrophic success I suppose you could call that, and then as we got into 2022 that obviously continued, that successful series of wins with customers.

The harvest is underway. I think things are looking good, so we certainly expect that situation in SNI, as we previewed, to improve in the back half of the year. So I wouldn't necessarily say we lost business in the first half of the year. I think that I can look at our attrition rates throughout each of our businesses and in SNI for the first half of this year, and I would tell you that our attrition rates are quite low, in fact.

So, I feel very, very good as that volume comes to be in a salable state for us, it's about the crop volume, that we're going to have a very nice SNI year as we get into the end of this year and certainly as we get into 2023.

There is still a very, very large market out there for us to generate new wins from in the US, in Asia-Pacific, and a lot of different regions. So, I see a lot of good long-term prospects in that business, and I

think we have a very good approach to managing that crop moving forward with respect to ensuring that we get what we expect to get regardless of what yields may generate in any one field.

With respect to the inflation comment, if I understood you correctly, Ghansham. I think you're really getting at if we still seeing it and do we intend to continue with pricing. I think the short answer is we continue to see inflation, although the positive there is I have seen it moderate in certain categories. I have seen it run unabated in others. I think net-net, though, I'm optimistic that we may be approaching a peak in terms of the inbound inflation, at least on say raw materials. There is a lot of exceptions to that comment I just made, but I think we are optimistic we can continue to manage that with pricing.

So, we have been very, very close with our customers on this, and a lot of communication on the topic. Pricing is not an easy thing to execute. It's not like you say, "Well, just go take pricing guys." You can't just go take pricing, guys, because if you do this incorrectly and haphazardly you're going to lose a lot of business and irritate a lot of customers, so there is a process that we use that I think we're going to continue to use as needed moving forward, and I feel very confident that it's going to continue to manifest itself in an improved economic situation year-over-year.

Ghansham Punjabi
Okay. Very thorough. Thank you so much.

Paul Manning
Okay. Thanks, Ghansham.

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

Heidi Vesterinen
Good morning. First question. I'm wondering why you didn't upgrade your constant currency profit guidance after such a strong first half. You talked a bit about Q3 already, and you sound very optimistic. So, why the caution? Is there something that worries you? That's the first question. Thanks.

Paul Manning
I think our profit guidance is high single to double-digits, and I think certainly there is a broad range that could be described as double-digit. I guess that could go all the way up to about 90% growth. So, the lower end continues to be high single digits. I feel very confident about that, but certainly there is a very expandable dimension to double digit.

I think when you get into the double digits, it gets a little bit that difficult to describe, whereas you have low single-digit, mid single-digit, and high single-digit for single integer growth rates. When you get into the double integer, there is no such analogy that I'm aware of.

So, I guess the short answer is, we feel really good about profit. I feel really good about our probability of achieving within the high-single to potentially very high double-digit growth, and so I think maybe it's harder to show levels within double digit that would communicate our confidence, but I would tell you that we feel very, very good about that.

Heidi Vesterinen
It sounds like you're more optimistic than last quarter actually. It's not obvious in the double-digit because it's the same term, but as you say, it's a broad range. Okay, that's helpful. Then, maybe to follow up on the earlier question on pricing and inflation. I think last time you had said the assumption is mid single-digit, so what's your current thinking on those two points? Is it still mid single-digit?

Paul Manning
I think it's—yes, as you go by I'm looking here by region. Again, we do this on cost of goods sold. So, we talk about pricing on the basis of revenue, and we talk about costs on the basis of cost of goods sold. So, for example, I mentioned that Colors had sort of a mid to high single-digit price increase, and that was on high single to double-digit input costs, and that would be at Q2. Year-to-date is a little bit more like high single.

So, I think it's probably gone up a touch since the last quarter where we were more kind of mid single-digit across the board. Now it's more like, I'd say, on average, high single-digit increase in input costs which would necessitate where we are on pricing kind of a high single-digit price increase to ensure we are working to maintain, if not even improve, our gross margin in each one of the groups. I think you saw that play out. Each one of the group's operating profit margins were up by very impressive levels.

So, I would think that as we go into Q3, I wouldn't anticipate Flavors is going to be up 210 basis points again, and I think though that color can be in that 20, an Asia-Pacific and be in that 20-plus category but Flavors continues to make a very nice improvement in that OP margin. So, we certainly feel really good about their chances of achieving that improvement this year as they have in each of the last couple of years.

So, yes, I think in short, Heidi, it's probably the input costs have gotten a little bit greater, and I think this is very, very much, I'm hoping, the sort of peak of where we could expect these input costs to go.

Heidi Vesterinen
Thank you, and maybe a final one before I pass it on to the next person. So, in Color, I think the volumes were up double-digit. Can you explain again how you achieve that? The market is not growing at double-digit rates, right? So, was there like a big conversion project or anything specific that we should be aware of?

Paul Manning
Well, you're right. The market is actually down in the vast majority of categories nowadays. Whereas categories may be up on a sales dollars, the majority of that we track are down on a unit basis or volume basis. So, yes, even in that negative environment, Colors executed a double-digit volume increase, and they did really well. They're really focused commercially, they're very focused on their customers and their pipeline, and they have a very disciplined approach to selling. We still think it's important to go to customers, and so we're very focused on customers and customer service.

Yes, there have been some meaningful conversions of synthetic colors. There has also been a lot of meaningful wins that I think we've been able to capitalize around the world, and so yes, I think their execution has been absolutely outstanding.

Heidi Vesterinen
Thank you. I'll get back in line.

Paul Manning
Okay, thanks, Heidi.

Operator
The next question is from Mitra Ramgopal with Sidoti. Please go ahead.

Mitra Ramgopal
Yes, hi, good morning, and thanks for taking the questions. I just wanted to follow up first on pricing. I'm

just curious, obviously you've had great success implementing increases to offset higher input costs, but just curious if you've had customers potentially walking away because they just disagreed to pricing concessions.

Paul Manning
Yes, I think overall, we've been very successful. The definition of success is that you can implement why you need input, and the customer can understand why that that increase is necessary, and your customer can still be successful in his product line.

I think fundamentally the economic insight, when you look at the food ingredients business, companies like Sensient, is that our products are very impactful to the customer's finished formulation and its finished product, but they're not the leading cost drivers of its finished product. Said more plainly, Colors don't necessarily cost a lot compared to other ingredients, Flavors don't necessarily cost a lot compared to other ingredients, and so I think that gives us a some level and some degree of flexibility, but again, you have to find a situation that's going to work for your customer because you said it perfectly, otherwise you're going to start losing business.

You go there with an arrogance in your face, you have to take it, this is what's happening. If you don't provide information, you may not lose it today, but you're going to lose it at some point, and you're certainly going to lose at longer term if you don't de-escalate some of that pricing in the face of some deflationary environments for some of the commodities that in some cases we're actually already seeing.

So, pricing is a very dynamic situation, and you have to be very, very close to your customers on this. This isn't something you just go send a letter and, hey everything should work out. It takes a lot of time, and it takes a lot of effort, and so I think we've done that very, very successfully in each of our groups because we've taken that type of approach.

Mitra Ramgopal
That's very helpful, thanks. Then, on the Color segment, you talked about diversifying it. It's a lot of categories skin care, body care, et cetera. I was curious in terms of how you plan on achieving that. Is it going to be products developed organic, or will M&A would be a part of that, too?

Paul Manning
Well, I suppose the answer is it could be both. For right now, for the here and now, what it's been is largely in organic effort stemming from the fact that there is a lot of customers out there that we can continue to be successful with. There are a lot of new customers out there for us to grow with. We have a continued very good new product introduction program in the group where we are adding interesting performance-driven, regulatory-friendly types of products to arm our customers so that they can be successful in the market.

So, I think largely the effort in Personal Care is going to continue to be organic for the time being. As the M&A market changes, we'll see. These markets move in cycles. This has been a long cycle. Perhaps there's a cycle where certain things, not only within Personal Care but in food ingredients in general, can be had for a reasonable multiple. Inorganic may become a bigger part of that picture, but I think for the short term, in Personal Care, I would anticipate it's largely going to be an organic effort.

Mitra Ramgopal
Okay. That's great. Thanks, and then just one more broadly on M&A. It's been a year or so since you acquired Flavor Solutions. Just curious in terms of the M&A pipeline. What are you seeing as it relates to maybe valuations and opportunities given the volatile environment we're seeing?

Paul Manning
Well, I guess, there are sort of two halves of that coin, Mitra. On one half, if you can find the right type of company, establish a good relationship with that company, and really find a win-win where they can be rewarded for their great business that they've built, and you can be rewarded with a reasonably and logically priced asset that you can then grow and invest in further, well that's a great one, and so I think FSI was a very good example of that for us last year. We have several of these in the pipeline.

Now there's another part of that coin, too, which in my opinion, is a little bit of a different picture. These are businesses where EBITDA is being carved out of thin air and added mysteriously to bottom lines, and then applying a rather generous multiple creating a situation where, in my opinion, it's very easy to overpay for a business nowadays.

So, I think with interest rates rising and perhaps a return to fundamentals in our future, I could think maybe there's a little bit less of that in our future, but I still think there's some of that out there, but we are very much focused.

We're kind of fairly straightforward. We stick to our knitting. We stick to the fundamentals and revenue and profit and sort of make valuations accordingly, things that are technically driven that can fit into our portfolio that we can invest in that are good cultural fits. That's a high threshold, but we want to get it right. I think our investors, our shareholders would like us to do that. I think my employees would like me to do that, too, that we can actually acquire something that we can integrate, grow together, and have a seamless transition. So, it's a tough set of criteria that I have there, but I think that's the right criteria for the long term.

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

Paul Manning
Thanks, Mitra.

Operator
Once again, if you have a question, please press star then one. The next question is from David Green from Boldhaven. Please go ahead.

David Green
Hi, Steve. Hi, Paul.

Paul Manning
Hello, David.

Stephen Rolfs
Hi, David.

David Green
A couple from me. Much appreciated. On the F&E side, you had talked about the headwinds in terms of onion and onion supply, and from memory, the headwind in Q1 was about 500 basis points. I was just wondering for Q2 specifically, what that headwind now looks like. Is it sort of slightly diminished, and any indication you can give us on what kind of headwind that might have been in the second quarter?

Paul Manning
Yes, I would say Flavors and Extracts, you kind of look at what we call the traditional flavors, the flavor

ingredients, and SNI. So those are sort of the three pieces of the pie that we discuss in the Flavors and Extracts Group. The Flavors and Extracts and Flavor Ingredients had very nice revenue, had volume growth. I think they did quite well. The SNI piece, as we mentioned, was overall a little bit of the volume headwind there for the group, again, stemming from the timing of the crop and the factors that I mentioned earlier.

So, I think that picture improves here into the second half of 2022. Having more products, I think we would then see overall for the Flavors Group an improving situation on the volume front in a continued very strong and robust top line growth.

I think, ultimately, it's kind of a first half, second half; second half improving which would then ride very nicely into 2023. We would be in a much more favorable crop position in the first half of 2023, obviously, versus the first half of 2022. So in theory, you'd be thinking about that as a potential nice tailwind for them next year.

David Green
So, any sort of color on that headwind that might have been in the second quarter from SNI specifically?

Paul Manning
No, nothing beyond what I said. I mean it's really a headwind generated from the catastrophic success we enjoyed last year with it and just waiting for God to run his course on growing onion, I guess.

David Green
Great, thank you. I guess I'm just sort of trying to understand the moving parts for the second half in terms of what you've delivered in the first half, in terms of constant currency growth. So you're 11.6%, and then your guidance is obviously for high single-digit top-line for the full year. That obviously implies a fairly significant deceleration in the second half. Any reasons for that, or it's just uncertain conditions and the need to be a little bit conservative?

Paul Manning
Well, I think I kind of gave you some early reads on Q3. As I look here again at July, August, September, things look pretty good across each of the groups. So, there's no waning in my confidence for Q3. I guess in about another week or two, we'll get an even better read on Q4.

So, no, I don't think there's a tremendous diminishment in anything in the second half. I think our pricing will continue. Certainly, we'll lap some of the pricing of the modest amount that we put in place last year's second half, but I think with the volume situation improving in the Flavor Group, as I described, the continued very nice volume growth in Colors, the very nice volume growth in Asia, along again with their pricing improvements, yes I think it's going to be a really great second half.

Again, high single-digits to double-digits, there's a very big universe of double-digit numbers out there, and so I don't want folks to get hung up on why we didn't raise profit guidance. How do I raise double-digit? Like really big double-digits versus medium? We don't really have that division. So, let's just say we feel really good about the back half, I feel great about the back half, and I think you're going to be very, very happy.

David Green
Thank you, and just a couple of more very quick questions, if I can. Color obviously had a very strong quarter again, and you specifically called out pharmaceuticals and cosmetics as drivers there. Any more sort of color on those specifically in terms of is that new wins or any other specifics?

Paul Manning
Yes, so let me just correct that a little bit. The Color Group showed broad-based growth. So, we're talking food colors and whether you're talking about natural colors, synthetic colors, coloring foods, we had broad growth. Personal Care, we had broad-based growth across products, geographies, etc., and then of course, pharma which we group with the food colors, well, that tells that story.

So, yes, very, very good growth across the board from new wins, growth in existing customers, new customers, a little bit of that coming from pricing, but yes, there's great momentum in Colors, that's for sure. Again, I think that we're set up very, very nicely for the back half and into 2023. I think there's a lot of good momentum going into 2023 for the company across each of our groups.

David Green
That's great. Then, just final question for me was on, I mean you mentioned that it was very interesting that the Cosmetics is now back to pre-COVID levels. I was just interested to find out if there are any other parts of the business that are still below?

Paul Manning
No, and even within Cosmetics, it was just the makeup segment, which is about half the revenue of the Personal Care piece, but that was really the one big kind of COVID-lasting legacy part of our business. I think the other businesses, as you've seen over the last few years have weathered COVID exceedingly favorably. Flavors, Colors and then the balance of the Personal Care business. So, no, I think that's the only one.

David Green
Perfect. Many thanks.

Paul Manning
Okay. Thanks, David.

CONCLUSION

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

Stephen Rolfs
Thank you very much, everyone. I made some comments towards the end of the script regarding some guidance, and I would ask as people update your models for the second half of the year, please keep those in mind. I'll just repeat those quickly.

For the full year, we expect our tax rate to be at about 24%. I commented on interest expense. So, in the first half of the year, interest expense was down versus prior year, but with the raising rates in the second half of the year, we do expect interest expense will be above the prior year level by about $3 million. We expect to finish the year on interest expense at about $15 million.

Then, the last comment I made was, of course, on foreign exchange. Most people are familiar with the strengthening of the dollar. We had previously expected a $0.12 headwind; we now expect a $0.23 headwind. So, that incremental $0.11 headwind really all falls in the second half of the year, and so I would just ask that people keep those three things in mind.

We thank everyone for your time this morning. That concludes our call.

Operator
Thank you. The conference has now concluded. Thank you for attending. You may now disconnect your lines.