Sensient Technologies Corporation

2025 First Quarter Conference Call

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CORPORATE PARTICIPANTS

Paul Manning – *President and Chief Executive Officer*

Tobin Tornehl – *Vice President and Chief Financial Officer*

PRESENTATION

Operator
Good morning, everyone, and welcome to the Sensient Technologies Corporation 2025 First Quarter Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal conference specialist by pressing the 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 and one on your touchtone telephones. To withdraw your questions, you may press star then two. Please note today's event is being recorded.

At this time, I'd like to turn the floor over to Mr. Tobin Tornehl. Please go ahead, sir.

Tobin Tornehl
Good morning. Welcome to Sensient's earnings call for the first quarter of 2025. I'm Tobin Tornehl, 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 2025 first quarter results. A copy of the earnings release and the slides we'll be using during today's call are available on the Investor Relations section of our website at sensient.com. During our call today, we will reference certain non-GAAP financial measures, which remove the impact of currency movements, cost of the company's portfolio optimization plan and other items as noted in the company's filings. 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.
Non-GAAP financial results should not be considered in isolation from or 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 and slides. We encourage investors to review these reconciliations in connection with the comments we make today.

I'd 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 and our forthcoming 10-Q for a description of additional factors that could potentially impact our financial results. Please keep these factors in mind when you analyze our comments today.

We'll start on Slide 5 of our deck. Now we'll hear from Paul Manning.

Paul Manning
Thanks, Tobin. Good morning and good afternoon. Earlier today, we reported our first quarter results. I'm pleased that we started the year strong, delivering 4% local currency revenue growth, 10% local currency adjusted EBITDA growth, and 11% local currency adjusted EPS growth. These results align with our expectations and position us to deliver on our full year guidance.

As we continue to build on a strong 2024, our performance is a direct result of our continued focus on sales execution, customer service and commercialization of new technologies. In the last 90 days, we have experienced some profound changes.

First, and most notably, bans on synthetic colors in the United States. As I've said before, this is an outstanding development and is the most significant revenue opportunity in Sensient's history. A second

noteworthy development in the last 90 days is the US implementation of a series of tariffs. Based on current information, we expect the impact of tariffs to be around $10 million annually. We believe we'll be able to address the impact of tariffs by taking price. In the face of these regulatory developments and trade and tariff uncertainty, we remain committed to our strategy, and we believe we are well-positioned to grow our business long term.

During the quarter, we generated strong new sales wins across each of our groups, and our sales pipelines continue to support our growth expectations. The continued sales wins momentum is a result of our innovative product portfolio, which has a wide array of natural flavors and colors, as well as personal care products.

We are seeing particularly strong new wins in natural colors and a synthetic color conversion pipeline that continues to grow daily. Furthermore, our customer service levels remain robust, and we are well-positioned to capitalize on these substantial market trends.

As I mentioned, the current trade and tariff landscape has introduced additional complexity and certainty to our businesses. This situation remains dynamic. We will continue to position our supply chain organization to minimize any disruptions to our customers and to optimize the flow of goods. I would also emphasize that we continue to focus on optimizing our cost structure throughout our groups. Our portfolio optimization plan remains on track to be completed by the end of this year, and we still anticipate annual cost savings of approximately $8 million to $10 million.

Now, turning to Slide 6 and our group results. The Color Group began 2025 with excellent first quarter results, delivering 8.2% local currency revenue growth and 13.5% local currency operating profit growth. The group's first quarter adjusted EBITDA margin improved to 24.4%, from 23.2%, an increase of 120 basis points versus the prior year.

In the first quarter, the group saw strong growth across all product lines and is benefiting from its strong new sales wins, particularly in natural colors. The Color Group is progressing nicely, and we have an outstanding future ahead of us.

Turning to Slide 7. The Flavors & Extracts Group delivered 1.7% local currency revenue growth and 6.2% local currency operating profit growth in the quarter. The group's adjusted EBITDA margin was 16.9%, up 70 basis points versus the prior year's comparable quarter. The flavors, extracts and flavor Ingredients product lines reported very strong new sales wins, which drove the group's strong operating leverage improvement.

The natural ingredients product line, which consists of dehydrated onion, garlic, capsicums and other vegetables, saw a decrease in sales during the quarter, primarily due to a challenging prior year comparable and lower demand stemming from a number of factors. We anticipate the lower volumes and higher costs to persist throughout most of the year for the Sensient Natural Ingredients business.

On a positive note, the business continues to substantially optimize its manufacturing process, and this will improve our cost position significantly for the next crop year. Also, the impact of tariffs on imported Chinese dehydrated products that compete against our US grown products has the potential to improve demand as companies evaluate their ongoing purchasing activities. Despite these dynamics in the Natural Ingredients business, I expect the Flavors & Extracts Group to deliver solid results for the year.

Now turning to Slide 8. The Asia Pacific Group had a solid first quarter, delivering 4.8% local currency revenue growth and 7% local currency operating profit growth. The group's adjusted EBITDA margin was 23.9%, up 50 basis points versus the prior year's comparable quarter. The group continues to experience

growth in almost all regions, primarily driven by new sales wins.

Turning to Slide 9. We remain committed to our guidance for the year. As we previously communicated, we expect consolidated annual local currency revenue to grow at a mid-single-digit rate. We expect this revenue growth to deliver mid to high single-digit local currency adjusted EBITDA growth, which should result in high single-digit to double-digit local currency adjusted EPS growth for the year.

While we navigate the shifting tariff landscape and general market volatility, we believe that our annual versus quarterly consolidated guidance provides a better understanding of the state of the business.

On the capital allocation front, while we had previously indicated that excess cash would be used in 2025 to buy back stock, we now feel, as a result of the accelerated natural color conversion activity and regulatory timelines that I'll speak about shortly, it is more prudent to increase our capital expenditures for the year and to defer any buyback program to a later date.

We previously had expected capital expenditures to be between US$70 million and US$80 million, and we now expect capex to be between $80 million and $90 million. We feel that these internal investment opportunities will drive growth and position us well in the current environment.

Given the sudden legislative change on natural color conversions in the United States, we anticipate our capital expenditures to remain elevated for the next several years, as we continue to invest in our natural color capabilities. Beyond capital expenditures, we will continue to evaluate sensible acquisition opportunities.

Now, before I turn the call over to Tobin, I'd like to revisit some of my commentary from the last call with regard to the news headlines around synthetic and natural colors. Turning to Slide 10. As discussed during the last conference call, several US states and the federal government have taken action to ban all or certain synthetic colors. Ultimately, we believe that a ban in one state will lead to a ban across the US, since it is unlikely that CPGs will manufacture product for a specific state.

Various state deadlines for the removal of synthetic colors from school meals have been set as early as August 2025. Also, the FDA has banned RED 3 with an effective date of January 2027. The state of West Virginia's complete ban on synthetic colors goes into effect on January 1, 2028. In addition to the conversion in the US, we believe that this change will also drive substantial conversion activity in Latin America.

As I have said repeatedly, the conversion from synthetics to naturals is the largest revenue opportunity that we have seen in our company's history. In the United States and selectively throughout Latin America, our synthetic colors revenue for the food and beverage market is approximately $110 million. With a conversion factor of about 10:1 on revenue in order to maintain the same color shade, there is a significant opportunity for Sensient to outpace our midterm outlook on natural colors in the coming years.

Turning to Slide 11. The conversion from synthetic to naturals does not come without its challenges for Sensient and our customers. We have dedicated resources working with our customers on everything from product design and formulation development to customer facility investment considerations and crop planning. We are investing in further botanical seed development, expanding our supply chain to diversify our crops in our growing regions, and investing in our processing capabilities to ensure our manufacturing capacity is able to support the increased demand in the years to come.

It is important to note that while some synthetic colors can be replaced relatively quickly, other conversions require a longer lead time to scale crops to the levels that would support the conversion. Our

teams are busy working on production capital and supply chain expansion to help our customers prepare for this conversion, and we continue to expand our natural color portfolio.

To that end, I'd like to turn to Slide 12 and highlight two natural color innovations stemming from our multiyear research and development program. First, we are excited to announce a new natural blue color, Marine Blue Capri. This new product answers the need for a low pH, light stable bright blue for the beverage market that provides a replacement for synthetic color Blue 1.

Marine Blue Capri can also be used to achieve greens, closing a major gap in the natural color rainbow. Once thought to be the holy grail of the natural color conversion market, we have met this challenge after more than 10 years of research and development in our labs in the US. It is one of the most significant technological breakthroughs that we have achieved as a company.

Second milestone launch is Sienna Fortis. This product launch allows our customers to achieve a natural dark brown shade replacing Class III and IV caramel color. Delivering this product to the market allows customers to remove Caramel color from their product in order to avoid a Prop 65 labeling requirement in California.

In addition, with cocoa prices rising dramatically, this product allows customers to reduce cocoa usage and avoid all of the related sustainability concerns with that crop while maintaining a consistent visual appearance in their product. With the current tariff environment, this solution also offers a cost-competitive alternative. We're very excited about these new product launches and the opportunities that these and the rest of our robust natural color portfolio affords Sensient at this pivotal moment in the market. If you'd like more information on natural color technologies, please take a look at our website.

Overall, I am pleased with our financial performance in the first quarter. I'm excited about the growth opportunities within each of our groups. The growth we are experiencing is a direct result of the implementation of our strategy and the opportunities from the markets we have planned for and prioritized. I remain optimistic about 2025 and the future of the business.

Tobin will now provide you with additional details on the first quarter results.

Tobin Tornehl
Thank you, Paul. In my comments this morning, I'll be explaining the differences between our GAAP results and our non-GAAP or adjusted results. The adjusted results for 2025 and 2024 remove the cost of the portfolio optimization plan. We believe that the removal of these costs produces a clear picture of the company's performance for investors. This also reflects how management reviews the company's operations and performance.

Turning to Slide 14. Sensient's revenue was $392.3 million in the first quarter of 2025, compared to $384.7 million in last year's first quarter. Operating income was $53.5 million in the first quarter of 2025, compared to $49.4 million of income in the comparable period last year. Operating income in the first quarter of 2025 includes $2.9 million, approximately $0.05 per share of portfolio optimization plan costs. Operating income in the first quarter of 2024 included $2.8 million or $0.06 per share of portfolio optimization plan costs.

Excluding the cost of the portfolio optimization plan, adjusted operating income was $56.4 million in the first quarter of 2025, compared to $52.2 million in the prior year period, an increase of 10.3% in local currency. Interest expense was $7.3 million in the first quarter of 2025, compared to $7 million in the first quarter of 2024.

The company's consolidated adjusted tax rate was 25.3% in the first quarter of 2025, compared to 26.1% in the comparable period of 2024. Local currency adjusted EBITDA was up 10.1% in the first quarter of 2025. Foreign currency translation reduced EPS by approximately $0.02 in the first quarter of 2025.
Turning to Slide 15. Net cash used in operating activities was $9 million in the first quarter of 2025, primarily due to higher incentive-based compensation payments. Capital expenditures were $16.9 million in the first quarter of 2025. And as Paul indicated, we now anticipate our capital expenditures to be between $80 million and $90 million for the full year.

Our net debt to credit adjusted EBITDA is 2.5 times as of March 31, 2025, down from 2.6 times at the same time last year. Overall, our balance sheet remains well-positioned to support our capital expenditures, sensible acquisition opportunities and our long-standing dividend. And in the future, any excess cash will be used to buy back stock or pay down debt.

Turning to Slide 16. Revisiting our 2025 guidance. We continue to expect our consolidated 2025 local currency revenue to be up mid-single digits. We expect our local currency adjusted EBITDA to be up mid- to high single digits, and our local currency adjusted EPS to be up high to double digits in 2025.

We expect our interest expense to be slightly higher than the $28.8 million of interest expense recorded in 2024, and we expect our adjusted tax rate to be approximately 25.5% for the year. Both our interest expense and tax rate will fluctuate quarter-to-quarter. And as a result, we continue to believe our local currency adjusted EBITDA growth is an important measure of our performance.

Based on current exchange rates, we now expect the impact of currency on EPS to be approximately a $0.02 headwind for the year. Considering our GAAP earnings per share in 2025, we expect approximately $0.15 of portfolio optimization plan costs. We now expect our GAAP EPS in 2025 to be between $3.13 and $3.23 per share, compared to our 2024 GAAP EPS of $2.94 per share.

As you have all seen, the tariff situation is incredibly dynamic. As Paul mentioned, we are mitigating the impact of tariffs with price. When and if any new tariffs come into effect, we will report on that effect after the fact.

Given the evolving situation, we believe that focusing on our full year guidance is prudent due to the changing tariff picture and timing of pricing actions. With regards to the specifics on the second quarter, our current estimates would indicate an adjusted tax rate of approximately 25.5%, interest expense in line with prior year second quarter and the impact of currency on the EPS to be immaterial.

Thank you for participating in the call today. We'll now open the call up for questions.

Question-and-Answer Session

Operator
Ladies and gentlemen, we will now begin the question and answer session. To ask a question, you may press star and then one on your touchtone telephones. To withdraw your questions, you may press star and two. At this time, we will pause momentarily to assemble the roster. And our first question today comes from Ghansham Panjabi from Baird. Please go ahead with your question.

Ghansham Panjabi
Hi, guys. Good morning,

Paul Manning
Hey. Good morning, Ghansham.

Ghansham Panjabi
Good morning. Paul, I just want to go back to your comment about the growth opportunity set as it relates to natural and the significance of that. The same would also be true, I guess, for your competitors and presumably, their competitive response from a capacity standpoint will be significant as well. So can you just lay out for us your specific moats for that product line, and also your ability not only flex production on your end, but also manage the upstream supply chain to be able to support customer growth for what looks like a very long tail period.

Paul Manning
Sure. So just to kind of frame it up and to reiterate a comment I made in the previous comments, the opportunity we're looking at here between the US Sensient business and the Latin America Sensient business, we have about $110 million of revenue. So $110 million from synthetic. So the opportunity is to convert that. If you convert that at approximately 10 times the ratio, you would say 110 times 10. And then you'd obviously subtract out the $110 that was synthetic because, of course, that goes away. So in essence, you're cannibalizing your product line but at a substantially higher ratio. So I think just to kind of frame up the nature of the opportunity in the US and parts of Latin America, so we have that to begin.

Now, one of the single biggest challenges in natural color conversions is the technical application side. Whereas one could squeeze a fruit into a glass and observe a change in color, that's not exactly how that works in an application. When you're dealing with an application, you have all sorts of other ingredients that could react inadvertently with a natural color. You have the natural color could provide different outcomes in that formula. You may have problems with the color retaining its shade because of a high heat situation. Natural colors are very, very sensitive to things like light and heat and acid, or what we would call pH.

Synthetic colors are not really susceptible to any of these factors. You add on to that, natural colors have a much more limited shelf life compared to synthetics. And so the technical challenge can be rather pronounced. And I think one of the things that has distinguished Sensient over the years, and when folks ask me, well, what exactly makes Sensient colors different from its competition?

I would tell you, first and foremost, it's our ability to formulate natural colors across a whole range of product applications and to deliver a whole range of shades across those applications. And within these applications, not only do you have the complexity of formulating that can of soda or whatever that product may be, but then somebody has to manufacture that.

So the manufacturing process can be quite challenging. And so these are a lot of the challenges that our customers would face. So our ability to help them overcome those by formulating. So there's a part of this market where, yeah, you could go buy some natural botanical and buy it by the ton and sell it by the train carload and some customer may buy that. But that's not necessarily the biggest part of the market.

The biggest part of the market is the market that has these formulation constraints and challenges, has these production constraints and challenges. And so it has been our ability to successfully help our customers through that process that has distinguished us probably most significantly.

Now, as you get these natural raw materials, so answering getting to the point about your supply chain, products are grown all over the world, all different parts of the world. And like a fine wine, there are differences. There are differences in the crops year after year, region across region. And these differences manifest themselves as shade differences, stability differences.

And so there, again, it's our ability to standardize that process for our customers so that that red is the

same red year after year after year and regardless of where they may sell it and the storage conditions that they may have. So there, again, our integrated supply chain, our vast supply chain is a distinguishing feature for Sensient.

But then probably the last piece here is as you take that product and you manufacture it. So as you take that botanical, whatever it may be, a fruit or vegetable, you extract the color from that and then you manufacture that for your customer, there's a lot of technology know-how, intellectual property, whatever you'd like to call it, associated with the manufacture of natural colors as well. So this is why we're calling for additional capex expenditures, so we can continue to invest very strongly there.

But the ability to extract a color, you can extract a product in a high school chemistry lab. I did it when I was 16. But that's not really what we're talking about here. The nature of this extraction is one of sequencing extraction, using the correct solvents, being able to retain a certain amount of color and then it's a lot of the physical manipulation of the product through proprietary manufacturing techniques that here, again, all those things come together to enable us to really help the customers' formula to be a great success on the store shelves.

And so capex, we spoke to that. Supply chain, that is an ongoing. That is a big challenge. That is the single - I would tell you that number one challenge of natural color conversions is stemming from the complexity of the supply chain and the magnitude of the change that we're talking about. And so I think this is where our investments over time are going to play out quite well.

So we've been talking about the conversion to natural colors for more than 15 years in this company. And so we're very, very excited about this because I think we've prepared really well. We spent tens of millions of dollars here and I think we're very, very excited, and I really like my chances against the rest of the competition in the market.

Ghansham Panjabi
Okay. Thanks for that. And then just as a follow-up, historically, you've been targeting smaller customers in the context of your company size and some of the larger peers, etc. With your position in natural, is that going to be different going forward? And I just want to relate that to the market share wins you called out specific to the color segment.

Paul Manning
Yeah. So it's a great question. So some of the answer here is going to depend on the timeframe. So right now, the only definitive timeframe that I can speak to is January 1, 2028, from the state of West Virginia effectively ban synthetic colors. So between now and then, it's our ability to secure a supply chain, have adequate capital manufacturing resources available, and of course, a sufficient range of technical solutions.

So I think our chances are quite good there. And so first order of business is take the $110 million that you have and convert that. You could probably estimate that our market share is about a little bit less than half, perhaps a bit more less than half, so say, 35% to 40%. So our ability to take additional share of the market will be determined by, okay, our ability to deploy that supply chain and capital, but it's also going to be based on that timeframe.

And so if the conversion timeframe is 1 year or 18 months or if it gets accelerated, then you obviously have to make more choices. You have to ration because there's a finite amount of supply chain available. If the timeframe is extended, it's 4 years or something, perhaps one could argue is more practical, then you'd have a bit of a different answer. But in either case, I think, obviously, we love all of our customers. We love some a little bit more than others. And I think it is those that we clearly will need to prioritize. But

I think we have made a lot of money in this business by representing lots of different customers at various stages of their, whether they're startup or established.

So, here again, we've invested a lot across the resources of the company. And I think if the supply chain piece can come together, I think there could be potentially considerable market gains for Sensient on the market share side of the ledger here.

Ghansham Panjabi
Okay. And just finally, for the color segment specific to 2025, what are you estimating in terms of core sales growth? And how do you disaggregate that between volume and price? And just separately, as it relates to the $10 million tariff impact, which specific raw materials are being impacted? Thanks again.

Paul Manning
Sure. So I think our consolidated guidance for the year remains mid-single digit. I think you'll see whether it's Colors, SNI, Flavors, Asia Pacific, there's pluses or minuses of those. And so I think what we've said for color for the year, mid-single, could there be upside? Well, there sure as heck was upside in Q1. Some of that upside will be dictated as to what customers really attack this conversion faster. So some want to move it to next quarter or even Q4, that could provide some upside, obviously.

But our guidance at the time we made our guidance did not contemplate any major legislative shifts moving these numbers to moving these conversion dates to the left. So that's a little bit harder to predict, but I think our expectation is mid-single for the company for revenue, mid- to high on EBITDA and then, of course, high to double digit on EPS. So we feel very, very good about that.

Predicting that at any one quarter, always a tricky game. But I think we should feel really, really good about the Color Group for 2025, and well beyond that, too. But I also think we should really feel good about the Flavors Group. When you look at the growth of traditional Flavors, 6% to 7% top line, and when you do the algebra to realize that at the group level, we were up by 6%, but SNI was down in revenue, you'd come to the quick conclusion that Flavors EBITDA growth was substantially in the double digits versus prior year.

So we're really liking what I'm seeing out of the Flavors Group. We are really, really executing quite nicely there. And again, this key strategic area of traditional flavors. So I think that's good. And I think Asia Pacific will continue to be a really strong contributor to the top line and bottom line growth. You saw that color and Asia are each running at about 24 or beyond in EBITDA margin. I think that's pretty good. I think Flavors is going to be well on its way, and I foresee some really nice conversions, some really nice wins in Flavors as we move through the rest of the year.

And I also anticipate substantial reduction in crop costs coming out of SNI starting in sort of mid to late Q4. That's going to be a beautiful outcome for that business as we get into the very, very end of this year and throughout '26 and beyond.

Now, tariffs, we estimate the impact is about $10 million of costs. Tariffs are taxes. And so taxes are just another name for costs. And so we are even, as we speak, going out with pricing on that to recover those costs. As you know, from our performance during COVID, we were quite good at taking pricing, quite effective with that. And so I feel very good that we will recover that.

So I'll provide that update today, and we will provide another update in July as to our ability to successfully execute on that, but I feel it's quite good, but we naturally can't give updates after this call about how well our pricing is going on tariffs. But rest assured that we feel very confident that we will recover that. Now, Tobin can speak to some of the other details of the magnitude of the tariffs that you might find interesting

here.

Tobin Tornehl
Yeah. Just to touch on what Paul said, that $10 million of tariff impact is on an annual basis. That represents approximately about 1% of our cost of goods sold, and roughly about 2% of our total raw material costs on an annual basis.

Paul Manning
And the impact, Ghansham, is a bit higher in Color than in Flavor. Maybe two-thirds of that impact is Color, one-third is rest of the businesses. But again, we feel like we can address that.

Ghansham Panjabi
Okay, terrific. Thanks so much,

Paul Manning
Okay. Thank you.

Operator
Our next question comes from Nicola Tang from BNP Paribas. Please go ahead with your question.

Nicola Tang
Hi, everyone.

Tobin Tornehl
Hi, Nicola.

Nicola Tang
Hi. A very quick first one following up on the tariffs. Just to check, is the $10 million solely related to raw materials, or is it also related to tariffs on some of your finished goods?

Tobin Tornehl
Yeah, that relates to everything at this time. And that's across our total company. So exactly. Raw materials and finished goods.

Paul Manning
But the biggest impact is, in fact, raw materials. And so, as you know, our capital footprint is designed that we manufacture in the countries that we sell to. So for example, we manufacture in the US for the US. We largely manufacture in China for China. So we don't necessarily have this model where we've exported manufacturing to lower-cost regions to then import it into the US or Europe. We don't do that.

But unfortunately, the tariff taxes raw materials. So we naturally don't source all of our raw materials or components from the US. That's impossible, impractical and that would be illogical for us to do that. And so as a result, we do import certain raw materials, but the finished goods for the United States are made in the United States, and I think that's been kind of the way we rolled for many, many decades now.

Nicola Tang
Great. That's very clear. Thank you. And I think in the prepared remarks, you talked about the kind of market being somewhat dynamic. And I appreciate the visibility is low. But I was wondering if you could share some color on what you're seeing in terms of volume trends across key geographies or key end markets, however you think it makes sense to talk about it. Just trying to understand the underlying demand trends and whether or not we're seeing a slowdown, particularly in the US, given the tariff

uncertainty.

And maybe tagging on to that, do you think that any of the positive volume momentum that you saw in Q1 might have been related to customers prebuying ahead of tariffs?

Paul Manning
Okay. So let me take volume. At the macro level, which I know we share those. As we look at the US food market, kind of a flat market, maybe up slightly on volume. You may recall for a number of years there, the market was down from a volume standpoint, and that the revenue that you were seeing from many food companies was really just pricing.

So being in a neutral market, I see that as a high positive because, again, we've been working with a minus 1%, to minus 2% market growth in the US. So in Q1, we saw a largely flat market on volume. Yeah, there were some categories that were quite interesting and surprising, some that were down, some that were flat, but net-net, flat.

As you look at Europe, similar, a slight maybe 50 basis points better in volume growth in Europe versus the US. As you get beyond that, obviously, the data is a little bit different, a little bit harder to get. It's not as systematic as, for example, you would see in Europe and the US. And so it's mostly anecdotal. And so to that end, I would tell you that volume in Asia, customer volume is still a positive. Even when people talk about China, certainly, there's volume growth there, particularly in the personal care side of the business. So those are good.

So our growth in the company outside of SNI, yeah, I think you pretty conclude that it was pretty decent to really good volume growth across the board. So that's really nice. And you saw that play out in the really nice operating leverage we got.

Now, your question about the Q1 momentum was that, in part, fueled by somebody's desire to prebuy or stock up. The only place where I've seen a substantial dynamic like prebuying or delaying buying would be kind of in our SNI business. And this is the one business where we do, in fact, largely compete with imported products, in this case, from China.

So yeah, we saw a whole number of folks either stock up a bit in Q4, or they're not buying now because they want to just kind of see if this tariff thing passes before they had to make another purchase. I'm sure some did prebuy a little bit in Q1, but we don't really see that beyond SNI. And even there, again, it's episodic, and it's hard to really draw a definitive conclusion. But I think that you see a whole combination of these types of buying behaviors.

And so, if anything, I would tell you, if I had to pick one of those options, I think most customers were kind of holding off buying to let this tariff thing blow over or resolve itself a little bit more. But yeah, but in short, I don't think that generated much in the way of incremental momentum. Truth be told, it probably created more of a headwind in SNI than anything else.

Nicola Tang
Interesting. Thanks. And then maybe the final one on your new capex guidance and your comments on higher capex for the next few years, bearing in mind the kind of natural colors dynamics. Can you give us a bit more color on what exactly you'll be investing in? Is it more around capacity, or is it more around developing the supply chain, to your point on this being one of the biggest challenge for the sort of colors conversion story? And would this be mainly in the US, or does it still make sense to invest in capabilities outside of the US, despite the tariffs given what you said about colors like fine wine and the pH point?

Paul Manning
So let me make a few comments, and then Tobin loves this topic. So I'm going to let him make some comments there, too. Yeah, a lot of the capex is going to be oriented towards additional capacity. And yes, in some cases, it's going to go to the US because this is a US-driven demand. In fact, probably you could think that the majority would go there.

But we really kind of have a much more integrated manufacturing footprint in mind for something like this. Because you're processing these raw materials all over the world, so in some cases, it makes sense to extract and process it closer to the source. And then you would, on a finished good basis, maybe you do that in the US But then again, maybe you do that in Italy or maybe you do that in Brazil. And so again, this is about optimizing the supply chain.

But yeah, probably most of the capex would be US bound. But in some cases, you could see it make more sense to do this in another part of the world at some stage of the processing.

Tobin Tornehl
Yeah. And just to touch on that, we did increase to $80 million to $90 million from the $70 million and $80 million we were anticipating at the beginning of the year. So we anticipate that that will kind of be the level as we move forward this year.

Now, given the natural color landscape in the coming years, we do anticipate that we'll be at an elevated level going forward into future years. And we believe that is going to be a very good use of our cash and our capital as we move forward. So does that answer your question, Nicola?

Nicola Tang
Yeah, it does. Yeah, yeah. Thanks so much.

Paul Manning
Okay. Thanks, Nicola.

Operator
Once again, if you would like to ask a question, please press star and then one. To withdraw your questions, you may press star then two. Our next question comes from David Green from Boldhaven. Please go ahead with your question.

David Green

Hi, Paul. Hi, Tobin.

Tobin Tornehl
Good morning.

Paul Manning
Good morning, David.

David Green
Good morning. Yeah. Just first question for me. Obviously, you talked about the initial slowdown at the beginning of the year where you said there just seemed to be a kind of air pocket, and then an acceleration that started to come through in February and March. I just wondered if you could give us a feel for the sort of constant currency growth in terms of how that potentially progressed sort of January through to February and through to March, and to give us a bit of a feel for the exit rate.

Paul Manning
Let me think about that one. So yeah, January started slow. And I guess February and March were big enough to net 4%. Maybe your question is about what was going on with customers and their mindset, and why were they slower in January. I would tell you that that's not an unusual phenomenon in any year. January is not necessarily indicative of much. You could have a bad January and a great year. You could have a great January and a not great year.

And so there's a lot of things that go on behind the scenes of our customers, macroeconomic trends they may be looking at. They may be pausing some launches because of consumer feedback or economic reads that they have. And so that may defer some of the wins that we would have ordinarily had in any other month. But yeah, there's just a special sensitivity about January.

I don't know if folks come out of Christmas and had a lot of cookies and cake and they're just kind of recovering a little bit. Or is there something more substantive going on in the market? It's a tougher one to kind of figure out. And so I think this January, you could certainly look to some of the commentary being made about tariffs, some of the commentary made about how production needs to shift. I think there was a lot of worry, rightfully so. There were a lot of questions, rightfully so.

Launching products is a risky proposition. And what a CPG doesn't want to do is take on unnecessary risks by forcing a launch date because that was what was on the calendar. So it's not unusual for them to sort of defer things a bit in light of some of that news. So perhaps that's what happened more broadly in January. But I think February and March was able to overcome that dynamic and net where we got to at the mid-single digit.

David Green
And can you give us any more—I appreciate that. Can you give us any more feel for what the exit rate would have been in March?

Paul Manning
Probably something higher than 4%. I don't have March sitting in front of us.

Tobin Tornehl
Yeah. No, we don't have that in front of us. I'd say overall, we guided 3% to 5% in Q1 and came in at 4%, right where we—

Paul Manning
Yeah. And the other thing, too, David, is the months, it's never linear. Some of our customers, they have quarterly targets they have to achieve as well. And so that can oftentimes create different distortions versus what's actually happening in the market. So yeah, I think it's harder to draw a conclusion about any one month in the grand scheme of things.

And so I think, based on everything we're seeing right now, I think we're feeling really good about mid-single digit for the year. And there's going to be pockets. There's going to be one month that's like, wow, this is great. And the next month, oh, no, and then there's stuff in between. And that's just the nature of running a business. And so you got to kind of keep your wits about you and say, hey, what's the long game here? And the long game is have the right strategy, go after the right customers, focus on wins and customer service, coaching and developing your people and just do your thing. And that's kind of what we're doing.

David Green
Great. And I think there was an initial comment on the last set of numbers around the scope for sequential improvement in top line as we continue to go through the year. Is that something that still holds?

Tobin Tornehl
I would say that, given the dynamics in the market, I would look at our full year guidance of mid-single digits, as Paul just indicated. I would use that as opposed to any 90-day period. But we feel very confident on our mid-single digits and our full year guidance. So that's what I would focus on, David, for this year.

David Green
And I'm assuming no real change in terms of the price volume mix within the top line growth, which is sort of pricing at around low single digit.

Tobin Tornehl
Yes, that's fair. Yes. Yes, pricing is not that material.

David Green
Okay. And I guess just final one for me, just around the colors narrative. The colors that have been talked about more publicly are, so in addition to Red 3, you've now got citrus Red number 2, Orange B, and then they've said a sort of another 6 dyes by the end of 2026. I'm just trying to get a feel for what percentage of the sort of total synthetic color universe that represents or whether there's sort of incrementally much more to go for after that. And then just really trying to think about when potential legislation gets implemented on a federal rather than the state level? And any thoughts on timing around that?

Paul Manning
Well, since you know I like to tell the truth, I must admit that I didn't even know what citrus and Orange B synthetic colors were, and we're the largest food manufacturer of synthetic colors in the world. So those are very much kind of orphan and at the margin type products. The big dogs are the Red 40, the Yellow 5, the Yellow 6, and then there's kind of everything else, the Blue 1, the Blue 2.

And so synthetic colors, it's very interesting because, as you know, synthetic colors are legal everywhere in the world, even in Europe. You might have consumed some synthetic colors this morning, David, and you might not even have known it. But they're everywhere, and I think they'll continue to be everywhere. But clearly, the future is natural colors and substantially so.

So timeline is a different matter. The one that we know for a fact, or the ones that we know for a fact, the Red 3, as you noted, the California school lunch ban, which I believe is January 1, 2027. And then, of course, the state of West Virginia, January 1, 2028. I know there's been talk and suggestions of other dates. Those are the only ones that we believe, or I can see at this point, as I look at the headlines and the like and the rule changes, that is the only definitive date. Could that change? Sure. Could that be accelerated? Sure. Could that be elongated? Sure.

And so again, just based on what we know, that's the one date, and anything else may be reference or a suggestion. I think companies have kind of come to the conclusion that they have their timeline for when they want to convert. Some want to convert this year, some want to convert next year.

So it remains to be seen really how these deadlines might change a bit. But again, those are the definitive ones that we can all speak to.

David Green
Great. Many thanks.

Conclusion

Paul Manning
Okay. Thank you, David. Now, before I think we end, Tobin has got his sort of end of the call, some guidance that you folks may find very useful. So Tobin, do you want to do that, and then we'll finish up here?

Tobin Tornehl
Yeah, sounds good. So before we end, I'd just like to reiterate some of the comments we made about Q2 and the estimates that we want to make sure everyone is aware of. So we do expect our tax rate to be approximately 25.5% in Q2. Interest expense, we expect to be in line with prior year's interest expense for the second quarter. And given the dynamics with everything that's occurring with currencies and foreign exchange rates, we expect the impact to be immaterial in Q2, based on what we're seeing right now.

So that's it for today. Thank you for participating in our call. If you have any follow-up questions, please contact the company.

Operator
Ladies and gentlemen, with that, we'll be concluding today's conference call and presentation. We do thank you for joining. You may now disconnect your lines.