Sensient Technologies Corporation

2026 First Quarter Earnings Conference Call

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CORPORATE PARTICIPANTS

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PRESENTATION

Operator
Good morning, and welcome to the Sensient Technologies Corporation 2026 First Quarter Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

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

Tobin Tornehl
Great. Thank you. Good morning. Welcome to Sensient's earnings call for the first quarter of 2026. 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 2026 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 improve 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 the deck. Now we'll hear from Paul.

Paul Manning
Thanks, Tobin. Good morning, good afternoon. Earlier today, we reported our first quarter results. We've gotten off to a very strong start to 2026, delivering 7% local currency revenue growth, 10% local currency adjusted EBITDA growth, and 14% local currency adjusted EPS growth. These results exceeded our early expectations and position us nicely for the year.

We continue to have particularly strong results from the Color Group, which delivered 12.3% local currency revenue growth and 13.2% local currency operating profit growth. Commercial activity around natural color conversions continues to be very strong and the momentum is building.

Flavors & Extracts Group also had a solid quarter, delivering 1.7% local currency revenue growth and local currency operating profit growth of 5.1%. Asia Pacific Group contributed local currency revenue growth of 4.7% and local currency operating profit growth of 14.5%. Each of our groups has had a nice start to the year.

During the first quarter, we generated strong new sales wins across each of our groups, and our sales pipelines continue to grow to support our revenue expectations. While we are seeing particularly high win rates in natural colors, our innovative product portfolio is also fueling success in each of our other businesses.

Our customer service levels remain exceptionally high. And despite a sluggish overall food market in many geographies, we believe we are well positioned to continue our sales wins success. As I mentioned on previous calls, the preparations for the wholesale conversion of synthetic colors to natural colors in the United States remains our priority and current strategic focus.

We are not seeing any slowdown in conversion activity, and I will reaffirm what I previously stated that the U.S. conversion to natural colors is the single largest opportunity in Sensient's history. We are continuing investments around the world to increase our production capacity and to optimize our product portfolio.

We also are building -- continuing to build a resilient supply chain to provide the botanicals necessary to produce natural colors and to support the needs of our customers in alignment with their launch dates. These investments will support and position us for our $1 billion natural color sales goal.

As we advance further with customers on application support, they are also confirming that while natural colors may cost more than synthetic options, the cost impact remains manageable since natural colors are still a relatively small part of overall ingredient costs in most product categories.

First quarter had no shortage of newsworthy developments in trade, tariffs and geopolitics. We are continually monitoring these situations, but would like to provide some information around the conflict in Iran. We do not have any significant operations in the Middle East, and we are working to mitigate any potential supply chain risks that may result from the overall increase in fuel and certain commodity prices.

In past circumstances, like COVID and the invasion of Ukraine by the Russians, we have proven our ability to adjust prices where necessary and to minimize our financial impact and any major disruptions to our customers. This continues to be my expectation with the war in Iran.

Now turning to Slide 6 and our group results. Color Group had an excellent first quarter, delivering 12.3% local currency revenue growth and 13.2% in local currency operating profit growth. The group's first quarter adjusted EBITDA margin was 24.4%, flat to prior year despite our increased investments in support of the natural color conversion opportunity, the group continues to sell technically differentiated products, control its costs, execute on pricing strategy, and deliver quality new wins.

We are starting to see an uptick in customer orders for conversion of their synthetically colored products in the U.S., and the pipeline to $1 billion continues to look very promising. I now expect the Color Group to deliver double-digit local currency revenue growth in 2026. Previously, I expected high single to double-digit growth. I continue to expect the natural color conversion sales to build as the year progresses.

As the sales build, I expect profit leverage to improve as well. Profit leverage in Q2 and Q3 for the Color Group will be similar to the relationship in Q1. Overall, the Color Group got off to a tremendous start to 2026 and remains on a great trajectory, and I'm very excited about the future ahead of us.

Turning to Slide 7. Flavors & Extracts Group saw local currency revenue growth in the first quarter of 1.7% and an increased local currency operating profit growth of 5.1%. The group's adjusted EBITDA margin was 17.2%, up 30 basis points versus the prior year's comparable quarter. The results exceeded our expectations in the first quarter. The group continues to optimize its cost and focus on new and defensible flavor wins, and these factors have fueled the favorable profit leverage. Overall, we expect Q2 to be similar to Q1 with strengthening revenue and profit performance as we move through 2026.

Now turning to Slide 8. Asia Pacific Group had a nice rebound in the first quarter, delivering 4.7% local currency revenue growth and 14.5% local currency operating profit growth. The Group's adjusted EBITDA margin was 26.1%, up 220 basis points versus the prior year's first quarter. Overall, the Asia Pacific Group got off to a substantially faster start than we anticipated and is set up nicely for the future.

The regional demand constraints that the group has experienced over the last few quarters improved in Q1. Plus, we generated strong new sales wins. Pending resolution of the Iran war, I continue to expect improvement throughout the year with greater sales and profit improvement in the back-half of 2026.

Now turning to Slide 9. Regarding our full-year guidance, we are increasing our local currency ranges for the year. We now expect our local currency revenue to be up high-single to double-digits. Our previous guidance was for mid-single to double-digits. We now expect local currency adjusted EBITDA and EPS to grow at high-single to double-digit rates.

Our previous guidance called for mid-single-digit to double-digit local currency adjusted EBITDA growth and mid-single to high-single-digit local currency adjusted EPS growth. On the capital allocation front, we still expect consolidated capital expenditures of $150 million to $170 million in 2026 to ensure that we are prepared for the forthcoming natural color conversion activity and that we can achieve our $1 billion sales goal.

As I mentioned last quarter, we expect to spend between 225 million and 250 million on natural color capital over the next couple of years. We continue to anticipate an increase in our natural color working capital and maintain our goal of significantly improving our ROIC to the mid-teens over the next few years. Beyond capital expenditures, we will continually evaluate sensible acquisition opportunities, but we do not anticipate any share buybacks at this time.

Now, before I turn the call over to Tobin, I'd like to provide some information on a couple of our innovative technologies. Shown on Slide 10 is some information about two of our popular natural color platforms. Avalanche is a global portfolio of clean-label alternatives to titanium dioxide. We're also showing a range of extrusion-stable natural colors that are ideal for use in production processes utilizing high heat or pressure.

Titanium dioxide is a whitening agent commonly used in baked goods, frostings, confections, and makeup applications. In recent years, there has been a growing demand from our customers to remove titanium dioxide from their products. This demand has been driven by bans or regulation changes across the globe. It's quite difficult to replace TiO2 due to its exceptional performance characteristics and cost-effectiveness.

Our Avalanche portfolio addresses the market need for white products and is designed to best match the performance of titanium dioxide. The portfolio is robust and continues to grow as new technical application challenges arise.

Next, I'd like to highlight our extrusion-stable natural color offerings. They have been developed for maximum stability and performance in high-heat or pressure process. For example, extrusion is commonly used to make breakfast cereals. Several large retailers and CPG companies have made announcements about their commitment to rapidly remove synthetic dyes from this category and, therefore, remains a priority for us.

If you'd like more information on any of our natural color technologies, please visit our website. Since 2019, the Company's local-currency adjusted revenue compounded annual growth rate is approximately 6%. Our growth in the first quarter is above that historical rate, and I'm quite pleased with the trajectory we are on for 2026 and beyond.

I'm excited about the growth opportunities within each of our groups. Our pipeline for natural color conversions continues to build, and I'm pleased with our progress toward our overall revenue goal. We believe long-term investors are well-positioned to benefit substantially from our execution.

We will continue to emphasize investment in research and development, production capacity, and a resilient supply chain in order to be ready to support our customers. The growth we are experiencing is a direct result of the execution of our long-term strategy seizing the opportunities in the markets in which we operate. I remain optimistic about 2026 and the future of our 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 adjusted results. The adjusted results for 2025 remove the cost of the Portfolio Optimization Plan. While we do not have any Portfolio Optimization Plan costs in our 2026 first quarter results, we believe that the removal of these prior-year cost produces a clear comparative picture of the Company's performance for investors. This also reflects how management reviews the Company's operations and performance.

Turning to Slide 12. Sensient's revenue was $435.8 million in the first quarter of 2026, compared to $392.3 million in last year's first quarter. Operating income was $66.7 million in the first quarter of 2026, compared to $53.5 million of income in the comparable period last year.

Operating income in the first quarter of 2025 included $2.9 million, approximately $0.05 per share of Portfolio Optimization Plan costs. Excluding the cost of the Portfolio Optimization Plan in the prior-year, adjusted operating income was up 12.2% in local currency in the first quarter of 2026, compared to $56.4 million in the prior-year period.

Interest expense was $7.9 million in the first quarter of 2026, up from $7.3 million in the first quarter of 2025. The company's consolidated adjusted tax rate was 24.9% in the first quarter of 2026, compared to 25.3% in the comparable period of 2025. Local-currency adjusted EBITDA was up 10.4% in the first quarter of 2026. Foreign currency translation had approximately a $0.06 benefit on EPS in the first quarter of 2026.

Turning to Slide 13, cash flow used in operations was $14 million in the first quarter of 2026. Capital expenditures were $29 million in the first quarter of 2026. And as Paul indicated, we continue to anticipate our capital expenditures to be between $150 million and $170 million for the full-year of 2026.

Our net debt to credit adjusted EBITDA is 2.4x as of March 31, 2026. As we communicated last quarter, we expect higher investments in inventory throughout the year to prepare for increased natural color conversion revenue. That is expected to increase further with our leverage ratio entering the upper twos later in the year.

Overall, our balance sheet remains well positioned to support our capital expenditures, sensible acquisition opportunities and our long-standing dividend. As Paul indicated, we continue to invest in our natural color production capabilities and capacity. These investments will remain elevated for the next few years, and we expect to drive favorable volume and profit growth for years to come.

Turning to Slide 14, revisiting our 2026 guidance. Based on our first quarter results, we now expect our local-currency revenue to be up high-single to double-digits. Our previous guidance was for mid-single to double-digits. We now expect local-currency adjusted EBITDA and EPS to grow at a high-single to double-digit rate.

Our previous guidance called for mid-single to double-digit local-currency adjusted EBITDA growth and mid-single to high-single-digit local-currency adjusted EPS growth. We continue to expect acceleration in revenue and EBITDA growth in the second half of the year.

We expect our second quarter interest expense to be approximately $9 million, and we expect our second quarter adjusted tax rate to be approximately 25%. Based on current exchange rates, we still expect the impact of currency on EPS to be immaterial for the year. Thank you for participating in the call today.

We'll now open the call up for questions.

QUESTION AND ANSWER

Operator
[Operator Instructions] And the first question will come from Ghansham Panjabi with Baird. Please go ahead.

Ghansham Panjabi
Hi, guys. Good morning.

Paul Manning
Hi, Ghansham. Good morning.

Ghansham Panjabi
Morning. Paul, it sounded like the first quarter came in better than you thought. Just maybe give us a bit more color, pun intended, I guess. And what drove that? Was there just faster

conversion of customers? Was there a bigger contribution from load-in benefit as it relates to inventory build, et cetera? Just give us a bit more perspective on that.

Paul Manning
Well, the simple answer is we got more wins than we thought. Not only natural color wins in the general business, the base business, but also more natural color conversions than I had anticipated. So that would be one. I think we saw a nice set of wins out of Asia Pacific. And in addition to that, we didn't see as much of that tariff distortions that I was concerned about on the last call; so that ultimately moderated a bit as well. And then in Flavors, again, new wins, I think, was the driving factor there. I mean, price is sort of on the low-single-digit side of that 7% overall consolidated revenue that came in line with what I had anticipated. But yes, the short answer is wins.

Ghansham Panjabi
Perfect. And then as it relates to the cadence of growth in that segment as the year unfolds. I mean, obviously, a very strong start to 1Q. Yet you don't have full control in terms of business wins, etcetera, but presumably, you have some view on backlog, etcetera. How should we think about the cadence of that as it relates to 2Q through 4Q, specific to your overall guidance for that segment?

Paul Manning
Well, I think overall, Q2 will look pretty similar to Q1, in fact, in each of the groups. I'd like to see a little bit more top line out of Flavors; you'll see that in Q2 and as we go through the year. But yes, I think there'll be similar on the Color Group side of things. Barring some unforeseen larger conversions than I would tell you that I see right now, Q2 should look a lot like Q1, and then, of course, we would expect to see more and more of this building as we get into the back-half of this year and certainly as we get into 2027.

I think right now, with customers, many of them are getting into the phase of, okay, they've done a lot of the reformulation work, if not all of the reformulation work. And then it's a matter of getting the rest of their ducks in a row, whether it's consumer test-marketing, regulatory reviews, aligning their production plans, scaling up these products, preparing for their eventual production of the natural colors.

I think now we're getting into the phase where we may get a little bit more clarity from some on launch dates. But I think here, again, the short answer Q2 will look a lot like Q1. Q3 will look fairly similar to Q2 and Q1, but I think Q4 is where you'll see perhaps a more decided inflection point in natural colors. But I think ultimately, for the year, yes, we feel really good about where we are for each of the groups in terms of what they should deliver.

Ghansham Panjabi
Okay. And then just one final one. On the TiO2 opportunity set, can you sort of frame that for us as it relates to how big that is in terms of the addressable market, etcetera? And is that part of the $1 billion sales threshold that you're focused on in terms of natural colors? Or is that separate from that? Thank you.

Paul Manning
Yes, that's a great question, Ghansham. I would tell you that may be the single most challenging program, but the irony of that is titanium dioxide, from a regulatory standpoint, is actually considered natural colors. So, I hadn't contemplated that in the $1 billion, but if I'm getting the $980 million, I need a little push over the edge, I may count that in, but I'll let you

know about that. But no, I think this is one of those that -- and you'll see more and more of this, too, right? As you convert to natural colors, there will be the next wave of regulatory expectations, right? So titanium dioxide is one of them.

We've been working on this for a number of years. This came out really, Europe was first in sort of decrying the use of titanium dioxide, not only in food products, but also personal care products. And then the U.S. has sort of followed in the wake of that. I would say it's a conversion that's a little bit more in its infancy compared to the broader-based natural color conversion -- but no, I think this could be a nice add-on, but I have not factored that into the $1 billion.

Ghansham Panjabi
Got it. Thanks so much and congrats on the progress.

Paul Manning
Yeah. Thank you.

Operator
The next question will come from Josh Spector with UBS. Please go ahead.

Josh Spector
Yeah. Hi, good morning. I wanted to follow up just on the color's growth, I'd just be curious, where is your confidence at today versus three months ago around the timeline. I mean, a lot of investors are concerned that things could slip because your customers will be facing a lot of cost pressures in different areas. So obviously, 1Q was good. You're talking about new wins, but the stuff you thought would convert and move in the second half -- is that going faster or slower? Any details there to help us understand the cadence would be helpful.

Paul Manning
Josh, I pay attention to the timeline very much at the macro-level, right? The expectation -- there are two really key dates here that I think the market has been moving towards; January 1st, 2027, which is essentially the Walmart deadline for having natural colors in its brand names throughout its stores in the U.S. And then the other noteworthy timeframe that folks have been honing in on is January 1st, 2028. So, I think largely, customers remain on track with those. I'm very exceedingly confident. I think my confidence level now, versus three months ago, I'm still very confident. I don't see -- I talk to a lot of customers.

We're dealing with just about any customer you've heard of, you could say, we've got a vast pipeline across big customers, middle-sized customers, and small ones. And so we can say this with a great deal of authority, there is no slowdown at any of these customers. And there is no deviation from, well, maybe I won't do this, maybe I will, said by no one that I've interacted with in the last six months. And so I think that the organizations are committed. You can go to the FDA website. I think there's a couple of dozen household names that have pledged this already on the FDA and to the American public that they will do this. So yes, I continue to remain very confident.

Now, what is the precise distribution of, do we get 5% this month and 8% in the next month. Yes, that one's a little bit harder and quite frankly, possibly even unknowable to a large degree. But I think that customers are honing in on their launch dates. Bear in mind that some of these brands have dozens, if not more than 100 products that they're attempting to convert; that's a massive undertaking. These are all new launches. They require new packaging. They require new formulation, production scale-up. In some cases, customers need to implement capital in their plants to process it differently.

So, a lot of moving parts. Customers aren't being reluctant and they're not well. Maybe, I'm not going to do this. No, they need to do it right, and that takes time. And so, we should not expect some massive conversion in these very early days. I think we're pacing very much at the pace that I would expect, and it's one that would accelerate as we get, again, closer to these deadlines because every customer that I have evaluated and spoken to, and there's a lot of them, they're very committed to this.

Josh Spector
Thanks, no that's all very helpful. I did want to ask on margins and color. I mean, if I go back to last call, you were talking about the year margins being down about 50 basis points. You were flat in first quarter. It sounds like from your comments earlier, you're thinking you're maybe flattish in 2Q, 3Q, correct me if I'm wrong, and you sound like you're up in fourth quarter. So, are margins up there? And just what does that mean in terms of the OpEx investments? Is that embedded in there through the year? Is that slower? And I'll throw one more in; if you're able to quantify what those OpEx investments are that you're going to grow into next year, that would be helpful as well? Thank you.

Paul Manning
Yes. So EBITDA we were flat for the quarter. As I noted in the comments, that's a bit better than I had anticipated. Really, the moving parts here are, you mentioned it, the capital expenditures, and when, as I like to say, metaphorically, the little green light goes on, which is to say the equipment is up and running and producing product, and now you're depreciating it. So that is a variable. And then you're balancing that variable with you've got ongoing investments to ensure that we have the right personnel in place and we have the right engineers and we're doing the right testing and a lot of the other R&D, applications, and processing engineering that goes into these conversions, right? So, we made a lot of those investments, that's a second factor.

And then you're balancing that with the inflow of revenue. And so if the capital is done before the sizable revenue comes in, which I'm not particularly, that I don't have a problem with that. I'm okay with being early on capital. So, that's where you may see a little bit of a headwind on that leverage. But in instances, where our customers maybe move a launch to the left, or a bigger launch happens, then that would balance a lot of that expenditure out and, therefore, provide a little bit of a tailwind to the EBITDA margin. So, I think net-net for the year, we will be flattish on the EBITDA in the Color Group. I would expect us to be up in Asia. I would expect us to be up in Flavors for the year.

But Color, you got the variables, you're exactly right. And it's just a matter of how does the revenue flow and how do we progress along with our investments. And again, it may be a quarter or so that were early by. And I would consider I would be thrilled I was early on capital implementation, I had a bunch of folks sitting around waiting for products to come in. I can't think of anything more exciting in this moment than something like that.

Josh Spector
Got it, thank you.

Operator
Our next question will come from Larry Solow with CJS Securities. Please go ahead.

Larry Solow
Good morning, Paul and Tobin. Congrats on a nice start to the year.

Paul Manning
Hey Larry.

Larry Solow
Hey thank you. So, I guess, just kind of said another way, just asking those questions another way. Obviously, the quarter was a little bit better across segments, but in color, too, the margin was a little bit better. It feels like and I think you're adjusting your margins a little bit. I guess, flattish on color side, you expect a little bit of a pressure, I think, last quarter. So, is the change, basically, it sounds like revenue is a little bit faster, coming in conversions are a little bit faster. No change on the expected investment this year. Is that kind of a good way to summarize what's happening in color just for the year?

Paul Manning
Yes, I think that's about right. Yes, revenue was a little bit better than we thought, and I think that, and that went a long way. I think that going back to the previous question. Yes, I think some of this is, it's all about the timing. And so again, you may have a quarter where it's not such a smooth slope on some of these variables. But yes, you're absolutely right. I think we did better than we thought. And so therefore, the EBITDA was not down as I had thought it might be. It was more flat.

And yes, I think that's a real positive outcome. I think it's indicative of a couple of things, though, too, right? Not only wins, but it's high-quality wins. And I think one of the things that I've talked about over the years, the point among many that distinguishes Sensient is that we really pursue those natural color opportunities that are very strongly performance-based applications.

Natural colors are exceedingly challenging in most formulations, but in others it's a little bit more mundane and then those are the ones that we tend to perhaps spend a little bit less time with. And so when you focus on the more technically challenging, those tend to be, I suppose, more positive on the gross-margin front than, of course, the more mundane. So, I think the mix is going to continue to play a good factor here. And I think perhaps in my own mind, the mix was a bit better than I thought it would be right out of the gate in Q1.

Larry Solow
I appreciate that. And just like on the sort of more kind of hard to call it long term because it's only a couple of year outlook, right, where you give the January 1, '27, more importantly that's for Walmart, which I know is a nice percentage of just products in the United States. But January 28, obviously, is the kind of deadline or soft deadline. Clearly, I don't think you expect everybody to be able to convert, right? Just impossible?

So, I'm just curious, are companies getting more competitive, more -- maybe not anxious, but just trying to solidify their plans sooner than the next guy because it feels like it's going to be a little bit of a game of musical chairs in terms of if the full supply chain is not ready for the conversion. Maybe only some could convert. I'm just trying to get any kind of color, no pun intended on just how that's progressing as you get kind of closer to these dates?

Paul Manning
Yes. I would tell you that the bulk of the activity is going to be in 2027, but a significant amount of the activity, as you just saw here in Q1 is going to be here in 2026. So, I gave you some of the factors that may impact the timing of these launches. But there's also the phenomenon of competitors, right? So, if a competitor in this category converts to natural colors and he does it sooner than his competitor would. You could expect that the competitor may want to more rapidly move in that direction as well.

There is ultimately in markets, what I like to refer to and you can read about this one, too, there is a tipping point. There's a critical mass of activity; maybe it's 20%, maybe it's 30% of a market that it moves in this direction and then it moves very rapidly towards the end result. And so part of what we're preparing for is that possibility that it may start off where you get 10% and 15% is converted and then you get up to about 20% and then it moves very rapidly in that direction.

Now, whether you want to call that a tipping point or just folks all pursuing the similar deadlines, one way or the other, I think everybody gets there. But yes, you're right. This is a matter of guiding your customers like, hey, folks, you can't all convert in Q4 2027, and you don't want to either. So, I looked at a customer's launch-plan just the other day and they had it all kind of metered out over the course of the year, this product category here and this product there and right?

So I think customers are really forming these plans up very, very, very nicely. And they've got a lot of risk in terms of their timing, they need to achieve their deadlines as well. Yes. I think the more we go into this direction, I mean, eventually, it just has to happen by virtue of the expectation of the market. But I think you may -- you could see more dramatic conversions sooner than we had thought because of some of that competitive activity.

When your competitors do it, and you're not, that's generally not a good thing for you and being a CPG competitor. So, that remains to be seen. That's a bit of an uncharted territory, but then again, that's why we're like -- we're hitting it hard, Larry, on capital. We're hitting it hard on the supply chain. We are hitting it hard on stress-testing this business, right? So, I think we're going to be ready.

Larry Solow
Great. Now, I could just slip one more. I think a few weeks ago, I think my question is more on the FDA and their activity or their involvement. I know a couple of weeks ago, think they delayed some approvals of -- I think they were more genetically-engineered natural colors. So, potentially, these were competing products that you probably wouldn't want to be approved either but -- and I guess in theory engineered is maybe not "natural", but I guess my question is, is the FDA just getting more involved putting on with the natural and the evolvement of natural colors or is it still more just -- I know they put out these recommendations and all last year. I'm just curious what's going on the FDA side and the supply chain next?

Paul Manning
Yes. So, colors is -- let me start at 100,000 feet and I'll tell a little story here, just to give everybody on a line a little bit of background. At 100,000 feet, colors are ingredients that have to be approved for use in food. So you may have heard other terms like GRAS; this is under a lot of controversy right now and in some corners, but colors actually have to go through a full-throttle -- full throated, whatever you'd like to say, approval process with the FDA. And this approval process could entail tox-studies, it could entail any number of tests, lots of data, ultimately a lot of time and money to get a color approved in the United States.

Now, what has happened over the years is many have been approved. There are many approved, but there will be more and more that will get approved in the future. Now, sometimes these approvals it may be the use of this natural red, and I'm going to get it approved for use in soda, but it's not approved for use in candy. That may be a separate set of testing and evaluation by the FDA. So, when you look at these approvals, you have to note what applications in food that they are approved for, and so it's a very, very interesting process. It's very unique. It's very unique, and I would almost argue exclusive to colors that every one of these has to be approved by the FDA.

So, along the line, right? And you're seeing a lot more activity. So to your question, is the FDA more involved? Yes, because there's a lot more of what they call, petitioning to use a new natural color in the market. And so from time to time, or at least maybe the one you're referring to, there was a beetroot that was being challenged. Sometimes entities may challenge the use of that natural color in a segment, or they may challenge the name of that natural color, or they may challenge some other facet of the approval at the FDA.

I wouldn't consider this to be unusual to any great degree. Long story short, there's a lot of natural colors that are approved. We've got a good toolbox that we can work from. But it's not a complete toolbox. And so we very much get involved with the FDA in submitting raw materials that we could use for colors as well. So, very much a very active process right now for sure. And that's all public information. So, if you ever wanted to go and check that out, you could see what's actually in the FDA's funnel on natural colors.

Larry Solow
Okay. Thanks, Paul, appreciate it.

Paul Manning
Okay. Thanks, Larry.

Operator
[Operator Instructions] Our next question will come from Nicola Tang with BNP. Please go ahead.

Nicola Tang
Hi everyone.

Paul Manning
Hi, Nicola.

Tobin Tornehl
Hello.

Nicola Tang
Hi there. First one is a quick, simple one. I was wondering if you could give us an update on the revenue related to the conversion of synthetic colors, I think last quarter, you're at about $5 million. Just wondering, if you can give an update as of this quarter.

Paul Manning
Sure. So yes, just to recap for all, everybody else on the line here. So, couple of numbers we talk about, right? We talk about our $1 billion sales goals, and that's derived from, we have

about $100 million of synthetic colors, and we think that will convert at about 10 to 1. So, that's a $1 billion is what we're chasing.

The back-half of last year, we invoiced specific towards that goal, this natural color conversion, about $5 million. That was what was invoiced. Now when you take that back-half and you take Q1 of this year, now we've invoiced about $20 million or so towards that goal of natural colors.

So, stated in a different way, you look at the Colors growth was about 12%. You can do the math here, but about half of that was the base business just continuing to do really well. And the other half was this incremental derived from these natural color conversions. But order of magnitude over the last 9 months, it's been about $20 million of invoiced in natural color conversions in the U.S.

Nicola Tang
That's great. Thank you. Second question, I just wanted to ask a bit more about the reported EPS guidance, just thinking more in absolute numbers. So at the midpoint, you're upgrading your EPS guide by about $0.10. But the beat actually, when I look at Q1 versus certainly consensus expectations was more like $0.20. So actually, to me, it looks like although you've upgraded your guidance on all the metrics, it's actually an implied downgrade on the rest of the year.

So, I was wondering if you could help me, am I misunderstanding, or are there reasons why you're, maybe there was some pull-forward in Q1 or maybe you're taking a more cautious outlook based on just general macro in the Middle East, as you mentioned? Just wondering if you can help me understand the new EPS guidance.

Paul Manning
Okay. Let me, I'll give the first part a stab, and then I'll turn it over to Tobin. He loves this question. So you know EPS, so yes, we raised our guidance. And I always like to start with revenue, we've got a very strong ability to control that figure, right? Customers may delay a launch or move a launch or they may do this or that. But in general, across an Organization, this large, we like to think we have a strong control over revenue, and we can predict that fairly well, ditto for EBITDA. And so you see a nice raise on each one of those.

As you get below EBITDA, that's where you then start to have to factor in things like interest and tax and then things we don't control like FX and other potential below the EBITDA line factors. And so, that's where the EPS figure can get somewhat separated from the neat leverage that you see between revenue and EBITDA that you therefore expect on EPS. So, I think in short, interest is up substantially, and I'm going to let Tobin to answer that. But there's a couple of other factors in there, too.

Tobin Tornehl
Yes. I think, and we kind of talked about it a little bit in our prepared comments, but you know, throughout interest was up in the first quarter of $7.9 million versus $7.3 million last year. And we expect that to continue throughout the year, given the investments that we're making in natural colors. From the capital and then as Paul mentioned, from people and R&D and everything. So, we expect our overall interest expense to be up about $6 million throughout this year and that will progress on a quarterly basis as we kind of move forward. So, you have that increasing. Our leverage ratio right now is about 2.4.

In our comments, I mentioned, we expect that to climb as well as our debt increases throughout the year. So, we will be in the higher-2s from that point. Tax rate, we're about 25% in the first quarter. We're guiding for 25% this next quarter and roughly about 25% for the year. So, you have those components. FX was a benefit, as I mentioned in the prepared comments, about $0.06 in this first quarter.

Exchange rates are all over the place right now, given what's going on in the world. I would say that in the back half of the year, that would become more of a headwind. But overall, FX should be about immaterial when you look at it for the year. So -- when you look at it, we did increase our EPS guidance from where we were in Q1. So right now, we're at high single-digit growth and double-digit growth. So that's kind of where we are at this point.

Nicola Tang
And then just going back on the previous -- you answered the previous question, I was just reflecting on it. When you said $20 million invoiced, is that with reference to the $100 million revenue -- synthetic revenue or the $1 billion overall revenue opportunity?

Paul Manning
The $1 billion.

Nicola Tang
And then the final question would be just around raw materials. You mentioned you don't have significant direct exposure to Middle East, but I think there's a general view that input inflation or maybe more input inflation, particularly on the synthetic side. I was wondering what you're expecting in terms of inputs this year? Are we mainly talking about synthetics? Or should we be thinking about certain naturals within your supply chain, which are either sourced I don't know, from the Middle East or from Asia or something where there might be a potential disruption either in terms of cost or availability?

Paul Manning
So, in short, we believe that there is a sufficient amount of inflationary inputs that we're going to need to take pricing to address that. This would be sort of low-single-digit magnitude. So, not unlike again, where we've done this in other instances of tariffs and wars and pandemics and the like. We would anticipate taking pricing there.

The biggest factors here, there's certainly the logistical inflation substantially derived from energy and petroleum more specifically. So we face that. There's an impact of packaging, as many of those raw materials have petroleum-based inputs. And then of course, as many in the media are fond of saying, petroleum-based synthetic colors, of course, therefore, you realize that a couple of those synthetic colors are indeed derived.

Of course, then again, many things in nature are derived from that as well. But that aside, we would expect to see more on the raw material side of synthetic colors for food and for personal care that we would need to address. For natural colors, it would come sort of fertilizers and other input costs we see rising, so, those would have an impact on natural colors.

But a lot of these costs for harvest are built into the next year's harvest oftentimes. You hear me talk about that with our raw materials or with our agricultural business. So, in short, there's many of these different factors, but I think we can address this, and we will address this with a modest amount of price increase that we would expect to give principally focused in synthetic colors for food and personal care, but also anything related to logistics, which is effectively all inbound and outbound freight.

And then, of course, a couple of others -- you'll hear propylene glycol is another one that's been heavily impacted by the war. So, that's how we kind of see it playing out right now. And even if the war were to stop, there's still a sufficient enough backlog in other sources of inertia here that the inflation is coming, if it hasn't already, and so we're going to need to address that.

Nicola Tang
Okay. That's perfect. Thanks so much.

Paul Manning
Okay. Thank you.

Operator
The next question is a follow-up from Josh Spector with UBS. Please go ahead.

Josh Spector
Yeah, hi. Just a small follow-up and actually related to what you were just talking about, is just as you look at your 2Q guide, are you baking in anything in terms of a negative impact from transport, logistics costs, etcetera? Or are you assuming your pricing offsets that more or less in real time?

Paul Manning
I'm not assuming any bad, and I'm not assuming any good. So, I didn't assume the inflation because at this point, it's fairly modest and some of it is, quite frankly, deferred. But I'm also not assuming any pricing in Q2 either from a guidance standpoint.

Josh Spector
Okay. Thank you.

Paul Manning
Okay. All right, thanks, Josh.

Conclusion

Operator
And that concludes our question-and-answer session. I would like to turn the conference back over to Mr. Tornehl for any closing remarks. Please go ahead.

Tobin Tornehl
Okay. Thank you for your time today. That concludes our call. If you have any follow-up questions, please feel free to reach out to the company. Have a great weekend.

Operator
The conference has now concluded. You may now disconnect.