

Sensient Technologies Corporation

2025 Fourth Quarter and Year-End  
Conference Call

February 13, 2026 at 9:30 a.m. Eastern

**CORPORATE PARTICIPANTS**

**Tobin Tornehl** – *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 2025 Fourth Quarter and Year End Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's remarks, 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. Tobin Tornehl. Please go ahead.

### Tobin Tornehl

Good morning and good afternoon. Welcome to Sensient's Earnings Call for the Fourth Quarter and Full Year 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 fourth quarter and full year 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](https://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 SEC filings, including our 10-K to be filed later today 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. Now we'll hear from Paul.

### Paul Manning

Thanks, Tobin. Good morning and good afternoon. Earlier today, we reported our fourth quarter and full year 2025 results. I'm very pleased to report for the full year of 2025, we delivered 3% local currency revenue growth, 10% local currency adjusted EBITDA growth and 15% local currency adjusted EPS growth. Each of our groups had adjusted local currency operating profit growth during the year and improved their EBITDA margins. The company also improved our overall adjusted EBITDA margin by 100 basis points.

Our operating and financial performance in 2025 continues to build on our multiyear strong financial performance. While some tariff-induced customer supply chain disruptions and unforeseen weather events negatively impacted our fourth quarter results, we still reported 2% local currency revenue growth and flat adjusted local currency operating profit in the fourth quarter.

Color Group had another exceptional quarter, and the natural color conversion momentum continues to be very strong and building. Our performance this year is a direct result of our focus on sales execution and customer service as well as our broad product portfolio. We continue to prove that we are a technical leader in the specialty ingredient space, a reliable supplier to our customers. And as a result, we continue to achieve new sales wins at customers across each of our groups.

Our innovative natural colors, flavors and personal care products continue to position us for future growth and capitalize on opportunities in the markets that we operate in. This is paying off in our results. Since 2019, the company's local currency adjusted revenue compounded annual growth rate is approximately 6%. With regard to the natural colors conversion momentum that I just mentioned, the industry continues to push forward aggressively on this activity in the United States, Canada and parts of Latin America.

I will repeat what I've stated before. This conversion to natural colors is the single largest opportunity in the company's history, and we continue our preparations to capture a substantial portion of the commercial opportunities. Over the last 15 years, we have invested considerably around the world, and we have pioneered many of the industry's leading natural color technologies. We have also invested substantially in production and supply chain capacity, quality control and our commercial organizations. I feel very good about our sales pipeline, and we will continue to aggressively pursue the natural color conversion opportunities as they unfold over the next 2 years.

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 throughout this conversion process.

Now turning to Slide 7 and our Group results. The Color Group had excellent results in 2025, delivering 7.4% local currency revenue growth and 16.9% local currency operating profit growth for the year. The group's adjusted EBITDA margin improved to 23.7% from 22.1%, an increase of 160 basis points versus the prior year. This margin improvement clearly speaks to our efforts to sell technically differentiated products, control costs, execute on our pricing strategy and deliver quality new wins.

In the fourth quarter, the group saw record new sales wins and delivered 7% local currency revenue growth, but we are still only in the early stages of natural color conversions. The Group also delivered adjusted local currency operating profit growth of 7.2% in the final quarter of 2025. The Color Group remains in a great position for the future, and I'm very pleased with the progress we are making in our sales pipeline, along with the ongoing and substantial R&D and capital investments.

We expect the Color Group to get off to a strong start to the year in terms of revenue growth, but profit leverage will be challenged due to the investments in natural colors we are making to position ourselves for our \$1 billion sales goal.

Turning to Slide 9. The Flavors & Extracts Group saw a local currency revenue decline for 2025 of 1.3%, but a 3.4% increase in local currency operating profit. The Group's adjusted EBITDA margin was 16.7%, up 60 basis points versus the prior year. Flavors, extracts and flavor ingredient product lines reported 3.4% local currency revenue growth and significant local currency operating profit growth for the year. The growth in these product lines continues to be the result of our innovative flavor technologies and our emphasis on new and defensible flavor wins across North America, Europe and Latin America. The future continues to look very bright for Flavors growth in each of our regions.

Focusing on the fourth quarter, the Flavors & Extracts Group reported a revenue decline of 2.4% and adjusted local currency operating profit decline of 11.6%. The fourth quarter results were negatively impacted by severe rains in California late in the year, including what is described as unprecedented atmospheric river events. These rains severely disrupted the harvesting activities for our Agricultural Ingredients business. These weather-related impacts further compounded some disruptions to our plant. Together, these issues led to a onetime inventory loss at Agricultural Ingredients of approximately \$3 million in the quarter.

Aside from these weather and production impacts, as we stated throughout the year, our agricultural ingredients business, which consists of dehydrated onion, garlic, capsicums and other vegetables, was also impacted by lower sales volumes and significantly higher crop costs throughout 2025. As expected, we have now reached our revenue inflection point and expect a much-improved top line for Agricultural Ingredients in 2026. Overall, we expect a slower start to the year for the Flavors & Extracts Group with strengthening revenue and profit performance as we move through 2026.

Now turning to Slide 11. The Asia Pacific Group delivered local currency revenue growth of 2.4% in 2025 and adjusted local currency operating profit growth of 3.8% in the year. In the fourth quarter, local currency revenue was down 1.9% and local currency operating profit was flat, primarily due to supply chain disruptions caused by significant tariff activities. The Group's adjusted EBITDA margin was 22.6% for the quarter, up 90 basis points versus the prior year's fourth quarter. Asia Pacific Group is equipped to bounce back from some of the regional demand disruptions that it experienced in 2025. We expect this bounce back to be heavily weighted towards the back half of '26 as some of these disruptions linger into the first quarter, where we still expect flat revenue versus the first quarter of 2025.

Turning to Slide 12. I'm very pleased with the trajectory we have been on over the last 6 years. As we begin 2026, I expect consolidated annual local currency revenue to grow at a mid to double-digit rate. Significant natural color conversion sales activity will drive us to the top end of this range. The Color Group local currency revenue growth should be in the high single-digit to double-digit range.

The Flavors & Extracts and Asia Pacific Groups should both be in line to deliver mid-single to high single-digit revenue growth in 2026. Both Flavors & Extracts and Asia Pacific will start out with flat revenue and profit in the first quarter and will accelerate in the second quarter into the back half of the year. Based on those revenue expectations, I expect adjusted EBITDA for the company to grow at a mid-single-digit to double-digit rate and our adjusted EPS to grow at a mid-single-digit to high single-digit rate.

Overall, our profit leverage for the company will be challenged in the first half of 2026 as we forge ahead with the necessary investments in research and development, expansion of our production

capacity and supply chain investments to position us to maximize our natural color conversion opportunities.

We do anticipate our natural color conversion revenue to increase substantially in Q3 and Q4. Consequently, for the company, we anticipate low single-digit to mid-single-digit consolidated local currency adjusted EBITDA growth in the first half, which will turn to high single-digit to double-digit growth in the second half.

On the investment front, we are currently planning for consolidated capital expenditures of \$150 million to \$170 million in 2026. We expect to be north of \$125 million again in 2027. Our total natural color conversion-related capital expenditures are expected to be between \$225 million and \$250 million between 2025 and 2028, which will position us to capture the \$1 billion sales goal.

Beyond capital expenditures, we will continually evaluate sensible acquisition opportunities, but we do not anticipate any share buybacks during the year. We also anticipate that we will see a ramp-up in our natural color inventory throughout 2026 and into 2027 as well. Our focus is to capitalize on the natural color opportunity with a goal to significantly improve our ROIC to the mid-teens. As I've stated before, we have approximately \$100 million of synthetic color revenue today that has the potential to be converted to natural colors. These conversions to natural colors result in revenue multiples of approximately 10:1 on average to achieve similar color shade.

Turning to Slide 13. As we've done for the last several quarters, I would like to now highlight some of our innovative technologies. Currently shown on this slide is some information about 2 of our most successful natural color platforms, UberBeet and our Advanced Emulsion Technology, or AET. UberBeet is a global platform of high-performance heat stable beet solutions. These products allow food and beverage manufacturers across multiple segments to attain vivid red 40 synthetic light color by using natural ingredients.

This platform can be utilized to achieve a variety of shades from light pink to dark red velvet and can withstand baking or high heat processing. Like many of our natural color solutions, we can provide UberBeet products in many different formats from liquids to powders and customers appreciate the performance attributes while meeting their cost and use targets for conversion.

Next, I'd like to talk about our Advanced Emulsion Technology or AET. This is a platform that utilizes uniquely proprietary technology to deliver vibrant, consistent natural colors and outstanding performance across numerous applications. What makes these products unique is the ability to maintain the shade across various pH, heat and light conditions as well as to provide a degree of formulation stability that is unmatched in the industry.

The need for strong performance across various conditions is where converting from synthetic colors to natural colors can be the most complex. Our technical and application teams are incredibly knowledgeable in assisting our customers in finding the right solution to meet their needs in the most demanding applications.

In summary, our products, R&D activities and supply chain development are centered around providing safe, consistent and high-performing products that can be tailored to meet the needs of each customer across multiple applications. If you like more information on our natural color technologies, please visit our website.

Overall, I'm pleased with our financial performance in 2025. I'm excited about the growth opportunities within each of our groups. Our pipeline for natural color conversions continue to build, and I grow more confident each day in our ability to achieve our sales goal. As customers continue to refine their launch timelines, we will provide updates throughout the year in our quarterly calls. Our growth is a direct result of the execution of our strategy and seizing the opportunities in the markets in which we operate. Our product portfolio is strong, and we remain focused on our key segments within the food, pharmaceutical and personal care segments.

Tobin will now provide you with additional details on the fourth 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 clearer picture of the company's performance for investors. This also reflects how management reviews the company's operations and performance.

Turning to Slide 15. Sensient's revenue was \$393.4 million in the fourth quarter of 2025 compared to \$376.4 million in last year's fourth quarter. Operating income was \$38.2 million in the fourth quarter of 2025 compared to \$42 million of income in the comparable period last year. Operating income in the fourth quarter of 2025 includes \$6.3 million, approximately \$0.12 per share of portfolio optimization plan costs. Operating income in the fourth quarter of '24 included \$0.9 million or approximately \$0.06 per share of portfolio optimization plan costs.

Excluding the cost of the portfolio optimization plan, adjusted operating income was \$44.5 million in the fourth quarter of 2025 compared to \$42.9 million in the prior year period. In local currency, adjusted operating income was flat in the quarter. Interest expense was \$7.5 million in the fourth quarter of 2025, up from \$6.4 million in the fourth quarter of 2024. The company's consolidated adjusted tax rate was 17.1% in the fourth quarter of 2025 compared to 24.9% in the comparable period of '24. Local currency adjusted EBITDA was flat in the fourth quarter of 2025. Foreign currency translation had minimal impact in the fourth quarter of 2025.

Turning to Slide 16. Cash flow from operations was \$45 million in the fourth quarter of 2025, up from \$21 million in the fourth quarter of 2024. Capital expenditures were \$32 million in the fourth quarter of 2025 and \$89 million for the full year. Our net debt to credit adjusted EBITDA is 2.3x as of December 31st, 2025. Overall, our balance sheet remains well positioned to support our increased capital expenditures, sensible acquisition opportunities and our long-standing dividend. As Paul indicated, we'll continue to invest in our natural color production capabilities and capacities. These investments will remain elevated for the next few years, and we expect to drive favorable volume and profit growth for years to come with an eye on improving our ROIC.

Turning to Slide 17. To repeat our 2026 guidance, we expect our consolidated full year local currency revenue growth to be mid-single digit to double digits. In the first half of the year, we expect mid to high single-digit growth. And in the second half, we expect high to double-digit growth. We expect our local currency adjusted EBITDA to also be up mid-single to double-digits for the year with a breakdown of low single-digit in the first half and double-digits in the second half. We expect our local currency adjusted EPS to be up mid to high single-digits in 2026, with low single-digit growth in the first half and high to double-digit growth in the second half.

With the natural color investments Paul outlined earlier, we anticipate our debt position to increase in 2026, resulting in our interest expense for the year to be around \$36 million. We expect our tax

rate to be approximately 25% for the year. The natural color investments will lead to a short-term decrease in profit leverage in the first half of the year as we make these investments prior to the full realization of the natural conversion revenue.

For the first quarter of 2026, we estimate that local currency adjusted EBITDA will grow at a low single-digit rate. Interest expense will be around prior year's interest expense of approximately \$7.3 million, and our consolidated tax rate will be approximately 25%. Thank you for participating in the call today. We'll now open the call up for questions.

## **QUESTION AND ANSWER**

### **Operator**

We'll 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.

Our first question comes from Ghansham Panjabi with Baird. Please go ahead.

### **Ghansham Panjabi**

Hi, guys. Good morning.

### **Paul Manning**

Hi, good morning, Ghansham.

### **Ghansham Panjabi**

Good morning, Paul. Obviously, a lot going on. Maybe we could start off on that 100 million conversion opportunity you've outlined for the past several quarters at this point. How much of that, if any converted in 2025? And what are you embedding for 2026? I'm just trying to get a sense as to what the pipeline looks like. Obviously, they'll be layering in as the year unfolds as you outlined?

### **Paul Manning**

So for the 2025, we would have invoiced on the order of about 5 million in Q3 and Q4. So that's just invoiced values. So pretty modest impact to the top line right now. There's a huge level of activity in the pipeline across a whole range of customers. And so we expect, obviously, some conversions here in Q1, Q2. I would anticipate an acceleration in those in Q3 and Q4 as the deadline and as customers self-imposed deadlines come to get a little bit closer by the end of this year.

So to give you a little context of what drives that timeline, to reformulate with the natural colors, it's essentially it's a new product launch. So if you think about a large CPG or even not such a large CPG, a midsized company, there's a lot that goes into formulating a product. And so in many instances, you take a CPG who's working on a product that might be on a store shelf for the last 40 or 50 years.

So the idea that you would then go and change that formula presents a considerable risk to that big brand to that big company. And so naturally, there's a lot of testing. There's a lot of formulation work that goes into this. Converting from synthetic colors to natural colors is a very complex technical evolution, requires a lot of testing. Some of this may also require consumer testing. The brands want to ensure that the stability of the product is very good. So there may also be 6 to 12 month stability testing of the product.

So you net all those things together and you say great. But then at the same time, there's a lot of compliance questions. How do we want to label this? We have to redo our packaging. Many consumer product good companies, when they redo packaging, that could be a 6 to 12 month evolution unto itself. And so there's an awful lot of complexity that goes into these launches.

And then, of course, when you're doing this across your entire portfolio that uses synthetic colors, this is an enormous undertaking. We have observed customers where this is the work that is happening with all the folks wearing white lab coats. And so it's an enormous undertaking. It's very complex. They have to get it right. If you're a brand owner and you don't formulate this thing properly and your color looks wrong or your stability is off or there's some taste or smell associated with the product, that can have a hugely detrimental impact to your business and to your brand.

So there's a lot of care that goes into these launches. And so that's what's largely impacting the timeline. And therefore, that's why I would tell you that there'll be some activity in Q1 and Q2 for the Color Group. More activity in the back half for sure and then even more as we roll into 2027. Nevertheless, you're going to see really, really nice top line growth out of the Color Group. We feel very, very good. You'll see that right out of the gate here in Q1. I think you'll be very, very happy with the top line.

So these -- what we can expect for 2026, I think we can certainly expect to see double digit out of the Color Group. We may be surprised. Maybe there are more launches, but we don't want to disappoint folks. And so I don't want to give you an overly aggressive expectation because to some degree, I don't always control that when a CPG is redoing packaging, there's not a lot I can do to move that timeline.

And so we want to be very, very thoughtful about what we're projecting for you. But I think you'll be very, very happy with the Color Group top line right out of the gate. Now I do want to say something else about the operating leverage there, but I'll let you go on with question two, Ghansham, before I take all the airtime here.

### **Ghansham Panjabi**

Yes. That's great. I'm looking forward to being very happy. I could use that. So the FDA changed the new artificial color designation. How does that change the cadence in terms of conversion, if at all? And then just as you teed up, just the operating leverage associated with the investments, where exactly the investments go? And can you quantify to any material extent that we can adjust our models and keep the actual operating leverage in mind disaggregating between the incremental expense?

### **Paul Manning**

Sure. So I think, first of all, the FDA coming out with some guidance on the labelling. I don't think that, in my opinion, that's not really going to modify the timing of any brands that may provide a bit of clarity perhaps in some instances. So I don't think that's a material change in any of the timeline or launch dates.

To your second question about operating leverage, I'm glad you asked that one because some folks are looking at Q4 and they're saying, well, color was up 7%, but only 7% of profit. Well, we've made considerable investments throughout 2025. In order to get to the type of \$1 billion sales goal I've delivered publicly and, in this company, you need more technical people to work on all these projects, folks working on the formulations, the applications, troubleshooting with customers, helping customers scale these products up.

Many customers have to make investments in their production plants. They have to modify their current production, which is geared towards synthetic colors and therefore, having a technical person, a process engineer as well available to customers to help them scale up is an important consideration here. So we've made lots of investments there. We've made investments in our commercial organization. We've made and we've accelerated a lot of our R&D.

Now remember, up until about a year ago, even less than that, natural color conversion was sort of like it was happening, but there was no real defined time frame. So you sort of manage your R&D according to that type of market. But when there's now an imposed time frame for conversions, that suddenly puts us in a position to accelerate a lot of our R&D activity. And I think throughout this year, you're going to see us talking about some very, very interesting new technologies that we're introducing to the market that will be very, very exciting, certainly long term for the business, but even in the short term.

So it's these types of investments that we made, and this is a principal reason why you don't see that same beautiful leverage that you saw throughout most of the year for Color. You certainly saw it on the year. I mean we were still up about 17% on profit. But in Q4, you saw a little bit of that deleverage. You're going to see that again here in Q1, a little bit less in Q2, a lot less in Q3 and like a lot, lot less in Q4. So the investments continue, but the revenue continues to grow very, very nicely.

And I made it very clear to the team. We are going to invest very, very strongly. We are not going to be late. We are going to capture the vast majority of these conversion activities. And so I made the choice. I'm going to invest and I'm going to show you 7% revenue and 7% profit. I could have not invested and showed you 7% revenue and probably 20% profit or so. I don't have the exact number.

But I think everybody is going to be exceedingly happy that we did make these investments, and I think it's going to pay off and really allow us to execute very smartly. So all very intentional, all very acceptable from my standpoint, and I think it's going to pave the way for a really, really good '26 and '27 for the Color Group. Now I think that pretty much got up your two. Is there anything else there, Ghansham, that we wanted to go through?

### **Ghansham Panjabi**

Just a clarification, and then I'll turn it over. So the investments you're making, just to give us some perspective, obviously, you're ramping up spending to align with the growth opportunity, etcetera, and '26 we'll see part of that, especially in the first half, as you outlined. Will '27 be more normalized based on what you know at this point? Or will there be flow-through into '27 as well in terms of investments?

### **Paul Manning**

Well, I would think it would be better than normalized. I think it would be hyper leverage and revenue growth in '27. But I would tell you that even I'm looking here at a forecast, and you start to see this leverage unfolding as we go through the year. But you're going to see very, very strong revenue growth throughout. That's a strong indication that you want to be seeing that we're capitalizing on these conversions. But you start to see that leverage again in the back half beginning in Q3, but it really picks up considerably in Q4. So I would fully expect that leverage to build even beyond that as we get into '27 and 2028.

### **Ghansham Panjabi**

Fantastic. Thank you.

**Paul Manning**

Okay, thank you.

**Operator**

And the next question comes from Larry Solow with CJS Securities. Please go ahead.

**Larry Solow**

Great. Thanks for taking the question. Good morning, everybody. Can you give us a sense, I know you spoke about increasing confidence in terms of the \$100 million converting. Could you just give us a sense of -- it sounds like the majority of that is going to happen, it feels like in '27. So I guess from a high level, it looks like '26 is really that cost year with a little bit of revenue coming in, but your costs are -- sound like they're going to outweigh that benefit.

And then at some point, we'll hit an inflection point, either late this year or early next year, where the revenue starts to increase and your actual margin will go up. So it feels like your margin in Colors will actually be down this year, right? Is that fair to say year-over-year and then we'll start to come back up and perhaps rapidly next year? Is that a good way to look at it?

**Paul Manning**

Kind of. So I would tell you that you'll probably see EBITDA margin down the first half, maybe 100 basis points or so, something like that. Nothing to worry about. Again, it really stems from these investments. As you get into the second half, right, you would start to see the EBITDA margin improve versus prior year. We finished last year at an EBITDA margin here...

**Tobin Tornehl**

23.7%.

**Paul Manning**

Yes, 23.7%. So I think you'd probably see us in that 23% or so. So we may be down 50 to 100 basis points for the year. But again, with the revenue growth we're showing, and then there could be -- it could be more flattish. But I think what we've said is on the quest to get that \$1 billion, we're going to be in this range, the sort of 23% to 25% range throughout. You may see some, again, a little bit of a dip here in the first half, but I think the dip becomes not a dip in the second half. But we kind of remain in that ballpark 24% or so, maybe 25%, maybe as low as 23% at times type EBITDA margin. But nothing to be alarmed of and certainly a very, very healthy trend overall.

**Larry Solow**

Okay. And I'm just curious, so it sounds like the demand side of the equation, you have not lost any confidence in. On the cost side and the supply side, it sounds like clearly, you're investing a lot company specific. I'm curious just how on a macro level, has the industry been trying to adapt? Like are we seeing more crops being put out in the field? Can you give us any kind of update or any color on that side of the equation?

**Paul Manning**

Yes. No, for sure. I mean, certainly, I'm not the only one who sees these headlines in the industry. So there's a lot of folks out there growing products, not only that we work very closely with. And of course, we've expanded what they would be growing. But certainly, there's a number of additional players who've entered the crop growing part of this industry. And that's a really positive thing. I think I've mentioned this once before. When you look at the fully absorbed cost of a natural color, raw materials can be a considerable portion of that.

And you know that because you see us manufacturing in the U.S. and Europe and places like that. And nevertheless, we remain very, very profitable. So that tells you to some degree that raw materials can be a big part of the cost. So the more growers there are, the more competition that creates, the more efficiencies that creates, the better scenario that you have.

And so I would tell you that we certainly see that. We absolutely see customers have a very much better grasp on the supply chain, I think, now than certainly 9, 10 months ago. But they also understand that the supply chain is not just the raw material. That's great if you have truckloads of black carrot showing up, but what are you going to do with it?

And so that's the capital side of the equation, too, that I just gave you some numbers there, \$225 million to \$250 million to really capture this \$1 billion opportunity. And so a lot of investment there, Larry, and it's really very much within the Americas, but there's also activity within Europe. And so the capital piece is, I would tell you, every bit is important as securing the raw materials. And so that's just another dimension to keep in mind.

**Larry Solow**

Got you. And just last question, perhaps just for Tobin. So I see your guide on interest expense somewhat higher than we had thought actually increasing like \$5 million, \$6 million year-over-year. We actually had it coming down on an improved cash flow, but obviously, the investments are offsetting that. So I guess can you just sort of walk us through that? Is the increased interest and higher debt? It's mostly related to the CapEx, I guess, but it does sound like you're going to have some working capital usage as well?

**Tobin Tornehl**

Yes. Overall, our leverage ratio right now is about 2.3. We're guiding to about \$36 million in interest, which is up \$6 million, as you said, year-over-year, really due to the investments that Paul just outlined and the working capital investments.

So you'll see our debt increase this year. But overall, our leverage ratio should be below 3 by the end of the year in the high 2s, I would say. But you'll see that increase, and it's primarily due to the investments. And that's also what's impacting our EPS, which we're guiding mid- to high is because of that increased interest.

**Larry Solow**

Right. Okay. Fair enough. I appreciate the color. Thanks, guys.

**Tobin Tornehl**

Okay. Thanks, Larry.

**Paul Manning**

Thanks, Larry.

**Operator**

Again, if you have a question, please press star then one.

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

**Nicola Tang**

Hi, everyone.

**Paul Manning**

Hi, Nicola.

**Nicola Tang**

Hi. A couple of questions. Firstly, sticking on the Color side. We previously -- or you previously referred to the legislation in West Virginia as a kind of important signpost in terms of triggering conversion in the industry.

It seems like there's a lawsuit so that it might be -- end up being a bit delayed, it seems. Have you seen any change in sort of discussions with your customers around the timing of converting given this potential delay in West Virginia? That's the first one. Thanks.

**Paul Manning**

I would say as a general statement, Nicola, our customers are very committed to this conversion. And it's not because necessarily of any particular law or any other particular legislation. It's really fundamentally driven now more and more by this is what the end consumer in the U.S. and Canada wants.

And so I think the brands are responding very strongly to that. Obviously, what initiated this whole thing back a year ago was the West Virginia legislation, along with a lot of the changes in laws around school lunch programs in several states.

And so I would tell you, if you go to the FDA website, that's a very interesting summary of many of the brands, by no means all of them, but many of the brands that are committing publicly to they are going to convert and they're racing towards a January 1, 2028 deadline according to what they have said.

So no, I have not seen a whole lot of wavering on that. And I think if anything, you saw that Walmart has indicated that they want to convert even sooner than that. And so that has created a lot of activity in the market that, if anything, perhaps has moved some of those conversions to the left. And then as much as Walmart may be converting their brand sooner, that may, therefore, inspire brand managers at CPGs to attempt to move to the left as well so that they can be competitive with their brands.

So no, in short, I think every customer that I have visibility to and certainly have discussed is very committed to this, very committed to this time line. It does remain to be seen how some of them plan to roll this out. Do they start with flagship products? Do they start with perhaps not flagship products? Do they do a lot?

And then that is a little bit more of, again, why it's difficult for me to tell you precisely what a forecast would be. But as you're looking at the big picture here, you look at '26 and '27, I think you're going to see the vast majority of these things happen.

And so that's the really exciting part. So I don't want folks to get particularly, hey, this quarter, the leverage this or oh, this interest that. I need people to pay attention to the big picture. Pay attention to what's going to happen in 2026. 2026 is going to be a fantastic year. Show me another food ingredients business that's going to grow like we're growing.

And show me another food ingredients business that has the opportunity that we are presenting here and that we're being very clear about the opportunities for. And I think if you look at that for

'26 and you look at that for '27 and into '28, that's the story. It's very, very exciting. This is not some opaque. Well, maybe they'll convert. No, they're converting, and isn't that exciting.

And so I think that's really the message here. And so don't get particularly troubled by any one change of an interest rate or a leverage for one. I think the big picture for this year is it's going to be a really, really great year.

**Nicola Tang**

That's clear. On that point, I just wanted to clarify your comments on Color's top line growth. I think you mentioned an answer to Ghansham's question, double digits. Did I hear you correct? Because I think in the prepared remarks, you said high single to double digits?

**Paul Manning**

Yes. No. I think double digits, that sounds really good to me, too, Nicola. That's exactly what we want you to take away here.

**Nicola Tang**

And double digits in your mind means 10% because you talked about the guidance...

**Paul Manning**

That's right. Two digits before the decimal. That's right. So 10% or better, exactly.

**Nicola Tang**

Right. But this year, or last year in 2025, when you guided to double-digit growth in local currency EBITDA in the end, you delivered 15%. So I was just trying to understand the double digits you mean...

**Paul Manning**

Yes. I think Color we did 17%, which is technically correct. That is double digits. I suppose I can get a little bit more granular on the double digits, but that tends to be what analysts would describe as a high-level problem.

But I'd be happy to maybe become a little bit more granular about the doubles. But I would say at least 10%, and it could be better than that. But again, I don't want to disappoint anybody. So I think 10% is a really good base to start from.

**Nicola Tang**

Okay. Got it. And then just maybe to give the other two divisions a bit of airtime. How confident are you in terms of an improvement in Flavors & Extracts? And is it solely driven by the recovery in Agricultural Ingredients? Or do you also expect improvement on the Flavors side? And then I guess a similar question to Asia. You talked about this rebound in the second half, but what gives you confidence in a rebound other than just lapping the impact of this year?

**Paul Manning**

Okay. Yes. Great. So Flavors & Extracts, I think on the two-thirds of the Flavor Group, that is what we call Flavors and Flavor Ingredients, they were up nearly mid-single on top line, but substantially on the profit side of that ledger, well above that #10 on the profit growth there. So I have every reason to believe that, that continues.

Q1, I think we said that we'll be fairly flat in the Flavor Group for Q1 on revenue and profit, principally related to order timing and things of that nature. But for the year, mid-single-digit for

the Flavor Group, I feel very confident and comfortable with that, and that should translate to high-single-digit growth on the EBITDA. Now as you just noted, SAI, I think we we said we had a really tough 2025, and that was absolutely true. But I think we're at -- as I noted in the monologue there in the beginning, we have hit that inflection point. So I think you're going to see some top line growth out of that business this year, which will only contribute to that Flavor Group top line growth.

And we have a lot of work underway. We think there's a lot of cost that we can take out of that business. Most notably, we got our biggest crop ever, which is outstanding news because, as you know, with agricultural products, when you don't have the product, you don't sell the product.

And I think there have been instances over the years where we just didn't have enough. We were losing opportunities because we didn't have that. And so we've addressed that in the process of addressing that, the season ran longer and the season ran longer, and we had some rather highly unusual weather events, which I would describe as onetime in nature.

I don't think this is going to be every Q4 we're having this conversation because we've been able to make a lot of adjustments from that. So no, I think there's going to be a nice resumption back to the normal cadence you become accustomed to see out of the Flavor Group.

And then similar for Asia Pacific, yes, the whole tariff logistical nightmare that has become the tariff policy as it pertains to sections of Asia Pacific, certainly played out. You saw that in Q4. You'll see it here again in Q1. We're going to be flat in Asia Pacific on revenue and profit. But as we get into Q2, you're going to see return to what you've also very much become accustomed to revenue and profit growth.

What gives me confidence in that is that the business is not impacted by that tariff are doing exceedingly well right now. And so I think once we sort of stabilize in the logistical side of things, we're very, very happy with Asia Pacific, who, of course, as we noted, mid-single-digit top line, high-single-digit EBITDA for that group as well. So once again, I think we're going to -- we're positioned for a very nice year in that group.

**Nicola Tang**

Okay. Thank you.

**Paul Manning**

Okay. Thank you.

**Conclusion**

**Operator**

There are no further questions at this time. I will turn the conference back to the company for any closing remarks.

**Tobin Tornehl**

Okay. Thank you. That concludes our call today. If you have any follow-up questions, please contact the company. Have a great day.

**Operator**

The conference has concluded. You may now disconnect.