Sensient Technologies Corporation

2026 Third Quarter Earnings Conference Call

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CORPORATE PARTICIPANTS

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

Tobin Tornehl – *Vice President and Chief Financial Officer*

PRESENTATION

Operator
Good morning. Welcome to the Sensient Technologies Corporation 2026 Third Quarter Earnings Conference call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero.

After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone. To withdraw your question, please press star and 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, sir.

Tobin Tornehl
Good morning. Welcome to Sensient's earnings call for the third 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 third 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 from our 2025 results, 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 as a substitute for financial information calculated in accordance with GAAP. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures is available in our press release 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 the presentation on Slide 5. Now we'll hear from Paul.

Paul Manning
Thanks, Tobin. Good morning and good afternoon.

Before I begin, I would tell you that given that we're joining you today from Milwaukee, Wisconsin, I'd like to open by congratulating the Milwaukee Brewers on their first-ever World Series championship on Wednesday evening. It was a truly dominant October run for the hometown team.

Earlier today, we reported our third quarter results. We delivered 10% local currency revenue growth, 15% local currency adjusted EBITDA growth, and 18% local currency adjusted EPS growth in the third quarter. These results build on our excellent first half and set us up for a strong finish to 2026.

Color Group continues to deliver exceptional results with 17% local currency revenue growth and 21% local currency operating profit growth. We remain focused on supporting our customers through their natural color conversion, and the momentum continues to build as they approach their conversion launch dates.

Flavors & Extracts Group also had a solid quarter, delivering 3% local currency revenue growth and 9% local currency operating profit growth.

The Asia Pacific Group had an outstanding quarter with local currency revenue growth of 15% and local currency operating profit growth of 32%. Each of our groups delivered strong results in the first half and continued on that trajectory in the third quarter.

During the third quarter, we continued to generate strong new sales wins across each of our groups. These sales wins are a direct result of our innovative product portfolio, exceptional service levels, and focus on customer collaboration. We're delivering particularly high win rates in natural colors as we see strong conversion activity, and newly converted natural color products continue to enter the market. In fact, 85% of all new launches in the U.S. in the third quarter were naturally colored. We expect that figure to keep growing. At the same time, customers are actively working to convert their existing products to natural colors, and our sales pipeline continues to grow as we push towards our $1 billion conversion sales target.

We are leveraging our outstanding technical and commercial teams along with the substantial R&D, capital, and supply chain investments we have made over the last 15+ years. The conversion momentum continues to build, and there has been nearly a 10% decline in total FDA synthetic color certifications over the last 12 months. This is a truly noteworthy indication of the natural color conversion progress. Customers are de-stocking synthetic colors and replacing them in earnest across their portfolios. I would anticipate a continued decline in synthetic colors going forward. Eventually, nearly all of our synthetic colors produced in the United States will be directed at Latin America and Asia Pacific customers.

During the third quarter, the Color Group recognized approximately $30 million of new natural color conversion revenue. This $30 million is in addition to the $45 million of natural color conversion revenue that we cumulatively recognized through the second quarter. We expect a substantial number of conversions in 2027. This expectation is based on wins already achieved, plus our customers' projected natural color conversion launch dates. We also estimate the conversion activity to continue into 2028, such that we approach our incremental $1 billion run rate as we exit 2028. While our business focus remains substantially on natural color conversions, we continue to generate strong win rates across the globe in our other food, personal care, and pharmaceutical product lines.

Now, turning to Slide 6 and our group results. Color Group had excellent third quarter results, delivering 17% local currency revenue growth and 21% local currency operating profit growth. The group's third quarter adjusted EBITDA margin was 25.1%, up 40 basis points compared to the prior year. The group continues to make progress on its investments in natural colors, primarily in production capacity, working capital, and R&D. We expect these investments to continue into the foreseeable future. We are aggressively pursuing these initiatives to achieve our $1 billion natural color conversion sales target.

The group remains focused on selling technically differentiated natural color products, controlling costs,

executing pricing where necessary, and most importantly, delivering quality new wins. We are seeing acceleration in customer orders for conversions of their synthetically colored products in the U.S. The conversion is happening.

As we approach the final quarter of the year, I continue to expect the Color Group to deliver local currency revenue growth in the high teens for 2026. Overall, the Color Group is having a fantastic year and remains on a great sales trajectory.

Turning to Slide 7. Flavors & Extracts Group saw local currency revenue growth in the third quarter of 3% and local currency operating profit growth of 9%. The agricultural ingredients business, in particular, had nice volume growth in the quarter. The group's adjusted EBITDA margin was 18.5%, up 80 basis points versus the prior year's comparable quarter. The results align with our expectations for the third quarter.

The group continues to focus on new and technically differentiated flavor wins and optimizing its costs. These factors have fueled a favorable profit leverage that we expect to continue into 2027. Overall, for the Flavors & Extracts Group, we expect local currency revenue growth of mid-single digits for the year.

Now, turning to Slide 8. The Asia Pacific Group had an outstanding third quarter, delivering 15% local currency revenue growth and 32% local currency operating profit growth. The group's adjusted EBITDA margin was 27.5%, up 330 basis points versus the prior year's third quarter. The Asia Pacific Group continued to generate strong new color and flavor sales wins across all geographies. I now expect the group to deliver low double-digit revenue growth for the full year.

Turning to Slide 9. Regarding our full-year guidance, our growth expectations remain consistent with our previous guidance. We continue to expect our local currency revenue to be up high, single to low double digits, and our local currency adjusted EBITDA and EPS growth in the mid to high teens for the year.

On the capital allocation front, we expect consolidated capital expenditures to be around $160 million for the year. We continue to expect to spend around $250 million for natural color capital, with the majority in 2026 and 2027. We also continue to anticipate an increase in our natural color working capital requirements as we build our supply chain. We are absolutely committed to delivering $1 billion in incremental natural color sales. We are fully engaged on this multi-year plan to add the necessary capacity and allow for further potential growth in the future. Beyond capital expenditures, we will evaluate sensible acquisition opportunities, but we do not anticipate any share buybacks in the near term.

Before I turn the call over to Tobin, I would like to profile some of the consumer research that our Color Group has conducted to reinforce the Value of Color. This is shown beginning on Slide 10. To provide a little background, Sensient's Value of Color series is a large-scale research initiative spanning several years. It quantifies how food color drives consumer perception, preference, and purchasing behavior. To date, this multi-phase research has engaged over 12,000 consumers in the United States, testing more than 70 consumer products across seven major food, beverage, and pet food categories to help deliver actionable color insights for our customers.

Turning to Slide 11, you can see an example of some of the findings from the research, specifically focused on breakfast cereal. Color has a powerful influence on how people perceive the taste of food, and there is a clear linkage between color vibrancy and variety and the consumer's perception of flavor intensity. The critical point of this research is that color has a powerful influence on how people perceive the taste of food.

As a result, when considering the impacts from natural color conversions, it is imperative that food and

beverage brands maintain as much consistency in the appearance of their products to minimize the risk of a perceived change in flavors. In other words, for brands to win, they should match the synthetic color to drive taste and quality expectations. Analyzing our pipeline, the vast majority of our customers are striving to match the synthetic colors. There are very few instances where customers plan to remove color or use a dull, less vibrant color match.

Another insight which became apparent through the data gathered was that consumers are willing to pay more for natural colors within the cereal category. They also associate quality with the visual appearance in their bowl. Additionally, we concluded that natural color use continues to increase purchase intent across all categories.

This research has reinforced much of what I have said before regarding the importance of maintaining color consistency, quality, and vibrancy. Our R&D efforts continue to be focused on removing performance gaps that exist between synthetic and natural colors. If you'd like more information on any of our natural color technologies, please visit our website.

Overall, I'm very pleased with our financial performance in the third quarter. I'm excited about the growth opportunities within each of our groups, and I'm looking forward to the continued progression towards our natural color sales target. The growth we are experiencing is a result of our execution of our long-range strategy, and I remain optimistic about the rest of 2026, and I expect 2027 and 2028 to be outstanding years for our business.

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

Tobin Tornehl
Thank you, Paul. In my comments this morning, I'll be explaining the difference between our GAAP results and our non-GAAP or adjusted results.

The adjusted results for 2025 removed the cost of the Portfolio Optimization Plan. While we do not have any Portfolio Optimization Plan costs in our 2026 third quarter results, we believe that the removal of these prior year costs produces a clear comparative picture of the company's performance for investors. This also reflects how management reviews the company's operations and performance.

We'll start on Slide 13. Sensient's revenue was $455.8 million in the third quarter of 2026, compared to $412.1 million in last year's third quarter. Operating income was $72.4 million in the third quarter of 2026, compared to $57.7 million in the comparable period last year. Operating income in the third quarter of 2025 included $3.3 million, approximately $0.09 per share of Portfolio Optimization Plan costs. Excluding the cost of the Portfolio Optimization Plan in the prior year, adjusted operating income was up 18.6% in local currency in the third quarter of 2026, compared to $61 million in the prior year period.

Interest expense was $8.3 million in the third quarter of 2026, up from $7.3 million in the third quarter of 2025. The company’s consolidated adjusted tax rate was 24.6% in the third quarter of 2026 compared to 23.8% in the comparable period of 2025.

Local currency adjusted EBITDA was up 15.4% in the third quarter of 2026. Foreign currency translation had no impact on the EPS in the third quarter of 2026.

Turning to Slide 14. Cash flow from operations was $40 million in the third quarter of 2026. Capital expenditures were $38 million in the third quarter of 2026, and as Paul indicated, we anticipate our capital expenditures to be around $160 million for the full year. Our net debt-to-credit-adjusted EBITDA is 2.3x as of September 30, 2026. As we communicated the last couple of quarters, we also expect higher

investment in inventory throughout the year to support the increased natural color conversion revenue. Debt is expected to continue to increase further with our leverage ratio remaining around its current level.

Overall, our balance sheet remains well-positioned to support our capital expenditures, sensible acquisition opportunities, and our longstanding dividend. As Paul indicated, we will 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. We maintain our goal of pushing our ROIC to the mid-teens over the next few years as we look ahead to peak natural color conversion activity. We will evaluate sensible acquisition opportunities where there is a strategic advantage on the technology, supply chain, or geography front.

Turning to Slide 15. Reiterating our 2026 guidance, we continue to expect our local currency revenue to be up high single to low double digits, and our local currency adjusted EBITDA and EPS to grow at mid- to high-teen growth rates. Based on current exchange rates, we expect the impact on currency on EPS to be immaterial in the fourth quarter. We expect our full-year interest expense to be around $34 million, and our tax rate for the year to be around 25%. We expect our full-year corporate expense to be approximately $66 million, with the increase driven by higher performance-based compensation.

We are increasing the low end of our GAAP EPS range to $4.15 from $4.10 and narrowing the GAAP EPS range to $4.15 to $4.20. We still expect EBITDA margins for the Color Group and Asia Pacific Group to be in the mid-20s for the year, and EBITDA margins for the Flavors & Extracts Group will be in the high teens for the year.

We will now open the call up for questions.

QUESTION AND ANSWERS

Operator
We will now begin the question-and-answer session. To ask a question, you may press star then one on your touchtone phone. To withdraw your question, please press star and then two. At this time, we will pause momentarily to assemble our roster.

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

Ghansham Panjabi
Thank you, operator. Good morning, everybody.

Paul Manning
Morning, Ghansham.

Tobin Tornehl
Morning.

Ghansham Panjabi
I hear there's a big parade in town. I know our team's excited.

Paul Manning
Well, I am looking over my shoulder, and I am realizing I am sitting up here while they are down there.

Tobin Tornehl
There is a lot of people walking the streets right now.

Ghansham Panjabi
Yes, congrats again to the Brewers.

Paul, in the past, you have given us invoice sales by quarter for the natural color sales specific to the conversion from existing synthetic. But, of course, that could include load-ins and so on and so forth. Up to $100 million in synthetic color sales that feed into the $1 billion opportunity for natural color over time, where do you think you will be from a conversion standpoint by the end of 2026?

Paul Manning
I think a couple factors here. We'd like to just speak in actual revenue rather than projected revenue. If you look at our actual revenue, which we have been profiling each quarter, one could probably infer from that that the annualized value of that would be north of $160 million, and that would probably be a pretty good guess, so that is comment number one.

When you look at the pace of the launches, we have talked about there is a fair amount of activity in 2026 leading up to many of the milestones set by Walmart and some other retailers, January 1, 2027, being their deadline. As we get into 2027, most customers are still working towards a January 1, 2028, deadline, but there are others working towards the July 1, 2028, deadline. As we said, the run rate would probably be towards the end of 2028, the run rate of the billion dollars. Is it about 20% by the end of 2026? That's probably about right. Then another chunk in 2027, and then the balance of it in 2028 is largely what we expect.

The reason I can tell you that is we're the largest food Color Group company in the world. We are essentially talking to every single customer brand out there, so we have a very broad perspective. And from that perspective, and given our years as the incumbent color supplier, we have a great deal of collaboration with our customers. In particular, in this case, what are their launch dates? As we look ahead to 2027, and we see kind of how our bigger customers have planned their launches for the 2027 year, planned their launches for 2028 year, we have very good visibility.

Now, do these things slip? Of course they do. Multinationals' launch dates will slip in normal times. Now we're in an instance where they may be converting hundreds of products from synthetic to natural. So, not only do you have the complexity of the reformulation with the natural color, you have to repackage, you have to make sure you can produce. You don't produce products the same way with the natural colors you would with a synthetic. There's consumer testing, there's aligning on the supply chain, so there's a lot of moving parts, and this is a very aggressive timeline that most folks are working towards, most customers are working towards, so we've seen some movements to the left, and we've seen more movements to the right. But I think ultimately, about 20% for the end of this year is probably about right, and the balance coming in 2027 and 2028.

Ghansham Panjabi
Okay, that's very helpful. Then for the Color Group segment, it looks like 3Q incremental margins were roughly 26%. I know you're obviously layering in cost to support the growth there. You've communicated that prior. But is that the ballpark for how we should model operating leverage for 4Q onwards, or will there be some lumpiness associated with costs as you ramp up the investment to support the growth?

Paul Manning
Well, I would say this, I think much of the SG&A has been added over the last one year plus. That is not to say that there will not be more. I think what will change moving forward is that the equipment comes online, and we start layering depreciation, you would see the impact of that.

Now, as the little green light goes on the equipment, as I like to say, that may create moderate lumpiness. By moderate, you could see mild shifting in that 25% EBITDA. But our projections for the year on EBITDA for Color, we feel very good about this 25%. I think we feel very good about this 25% next year. Might there be some movements quarter-to-quarter? Yes. Is it indicative of anything more than the timing of depreciation? No. I think we continue to command very good sales wins, technically differentiated products, so we like to deal on the more advanced part of this market, which commands a more defensible position with higher margins in general.

So, listen, I look at our pipeline, and I look at the opportunities, and 25%, I feel really, really good about that. And throughout 2027, regardless, really, it is depreciation. So, you are not going to see some big movement down in that 25% in any one quarter, but could there be shifting of 30 basis points plus or minus? Sure. Does that mean anything? Like I said, it does not. When we start selling low-margin commodity junk, then you would see that. But since we are not going to do that, you shouldn't see much shift off that 25%.

Ghansham Panjabi
Okay, very clear. Thank you.

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

Josh Spector
Hi, good morning. Just on your comments-

Paul Manning
Hey, Josh.

Josh Spector
…on the exit rate, I just wanted to ask, that 20%, obviously the simple math is maybe your natural color conversion will be about $50 million in fourth quarter. It kind of triangulates with your guidance. Is that what you're expecting at this point based on the visibility of orders in hand?

Paul Manning
Well, let me just be clear here. When you get a win from a customer, they're going to give you a PO. They're not going to give you a PO for the full value of that project, because they're going to give you some fraction of the annualized volume. In a normal product launch, a new-to-the-world product, you'd get 25%-30% of the volume. So let's just say you win a $1 million sale of an LTO or just a line extension of an existing customer, new product to the market, he would probably give you about $250,000-$300,000 on his first order. As he's loading up the channels, as he's putting enough product out there for consumers to try this new product. Then, in the next quarter, he may get another 25% and so forth.

What we are seeing on the natural color front is a little bit different. Think of this as more of a packaging change pace. Initially when natural colors came along and West Virginia passed its law, and the customers started looking at that, the law originally said, to the best of my recollection, "Hey, you have to have all of your synthetic colors off the shelf on January 1, 2028." That later came to be understood as July 1, 2028, everything off, but nothing new after January 1. Long story short, first POs in the Q3 sales wins, and even late Q2, were more along the lines of 10% of the annualized value.

In other words, instead of a $250,000 first PO on that $1 million win, you might get about $100,000 because he's replacing the old with the new as he sells the old. That's a little bit of a change. When I talk about 20%, that means 20% of these things have been closed. They're not necessarily running at a full

run rate. So If you look at what would close, we would expect about 20% towards our goal to close. It may close on December 23rd, so you get your first PO, but you're not going to get your full annualized value. So, it's a little bit of a change based on what we saw in Q3 and late Q2 in terms of how the POs are coming to us. Again, as customers have begun to interpret expectations a little bit differently, there's not this need to clear the shelf of all products with synthetic colors. They are metering in the newly developed products with the natural colors, they sell off the synthetic, and then they get to a normal ordering pace.

Josh Spector
Okay. I think I understand all that. I'll probably follow up a bit more offline. Kind of related with this, it seems like there's maybe some nuance with how you're framing the target now. I think your comments were approaching $1 billion and exiting 2028. I guess, is that a shift in your prior messaging at all? Is that a little bit later? Or would you frame that as higher confidence that now you're putting in more specific timelines, I suppose?

Paul Manning
I think what we are trying to do, what I am trying to do is telling you the exit rate is based on the pipeline and the launch dates. We have always felt like 2028, everybody is going to convert by sometime in 2028. Initially, it was the beginning. As the understanding of those state laws changed, it became mid to late 2028. It is an indication that the vast majority of these conversions will be completed in 2028.

It may be later in 2028, it may be early in 2028, but we feel very confident based on our knowledge and our understanding of each of these customers and their launch plans, that by the end of 2028, we would be at that billion dollar incremental run rate as a business.

Josh Spector
Okay. Thank you.

Operator
The next question comes from Larry Solow with CJS Securities. Please go ahead.

Larry Solow
I like Gary, but Larry works too.

Paul Manning
Hey, Larry.

Larry Solow
Congrats on the Brewers.

Paul Manning
You didn't change your name, though. I will still call you Larry.

Larry Solow
Thank you. Congrats to you as well, Paul. The Brewers, you got the Brewers in one hand and the Jets on the other, so you should definitely talk more [crosstalk].

Paul Manning
On the other hand, I lost, though.

Tobin Tornehl

Packers won last night, Larry.

Larry Solow
Absolutely. Question, just on the margin profile, and I realize last quarter was a little bit of an aberration up, and now you are back down on the Color side, just curious, still early stages, but how is it shaking out? I know we were kind of looking for a little bit of a lower gross margin, and then eventually, when you get some leverage up at a higher rate, maybe operating income would be about flat. But it sounds like if your SG&A expenses are already upfront, mostly paid, as you look out over the next few years, would you expect to actually get some margin improvement on the Color side?

Paul Manning
Anything is possible. I want to give you guys a number you can really rely upon, and I think 25% is that number. You bring up an interesting point. The timing of the SG&A, the timing of the depreciation, it may not line up that this is a pure, every quarter is 25.0. Again, it's just really nothing more to do than the timing of when equipment comes online. But I would tell you this, the majority of the SG&A expense we anticipated adding to the business, much of that has already taken place.

Larry Solow
Okay.

Paul Manning
But the depreciation, the majority of that has not yet taken place. So, whereas we may be having less SG&A, we'll have more depreciation as we move forward into 2027. So net/net, that's why it's very easy for me to say, as I look at our modeling, 25% is a really good number. Is it 25% every quarter, every month, every week, and every day of the year? No. But I think, again, that's just more to do with the timing and the shifting. Where we may have a higher gross margin and that's offset by some SG&A, we then get a lower gross margin from the depreciation, but then we have less SG&A.

I would say this too. The SG&A, a lot of that is driven by adding new folks to the business, technical, commercial, and otherwise, but there's also a fair amount of R&D underway. One of the things that we've talked about is this first version of the conversion to natural colors is generally from conventionally grown crops. These crops are being now grown at a scale that is rather unprecedented. So, as we get into 2027 and 2028, as farming techniques improve, as efficiencies grow, as more suppliers enter the market, that, in theory, drives down the raw material costs for us; all really good things. As we continue to optimize with our customers, kind of version two of a natural color, we think there's cost and optimization that can take place.

So, yes, we've got a lot of things in mind that can help us to continue to really maintain and in our wildest dreams, even grow off that 25%. But I think in terms of your modeling, let's stick with 25%. As some of these things come to fruition, you'll certainly see that in the figures. But, no, I think we feel really, really good about maintaining that.

You also saw in Asia, they hit 27.5%. I wouldn't necessarily model that. But again, it just shows you that in any given quarter, through a product mix or more wins than you had anticipated, these types of factors can really give you a nice uplift in any one quarter. But I don't want folks to necessarily overreact or underreact to that. We give 25% because, again, that's what I think we can consistently deliver for you folks as you're modeling out the returns you can get here.

Larry Solow
Okay. The ratio, at least on volume and relative to price, has been hanging close to that? I realize it's still early, but high singles close to 10, I mean, that's still something you're comfortable with in terms of

revenue?

Tobin Tornehl
You mean in the multiple, Larry, the conversion multiple of 10 to one?

Larry Solow
Correct.

Paul Manning: Yes. 10x is a good average. I would tell you that it depends greatly on the type of product. The more intensely colored, the higher that margin. The lower intensity of that color, the lower that ratio. But yes, I track all these wins, I look at all these ratios, and I will tell you, I feel really good, really good, Larry, about a 10 to 1. I don't lose a wink of sleep over that.

Larry Solow
Great. Last question from me. Just with free cash flow, it sounds like with the rapid growth on the topline and the investment and the build-out, perhaps free cash flow won't be free or positive until 2028? Is that fair?

Tobin Tornehl
When we look forward, directionally you're probably correct. Our leverage ratio right now is about 2.3x, so we anticipate the end of year right around where we are. You will see debt increasing as we spend more on capital and working capital and the investments we're making in the business. So, debt will increase, and our leverage ratio will increase throughout next year, well within our covenants of 3.5x. But, with the whole goal of improving our ROIC, as I mentioned, getting to the mid-teens from where we're at right now, around 9%-10%. But yes, free cash flow will be an impact of that, but I think at the end of it, getting our ROIC to mid-teens is going to be very nice.

Larry Solow
Sure. Absolutely. Okay, great. Thanks. I appreciate all that.

Paul Manning
Okay. Thanks, Larry.

Tobin Tornehl
Thanks, Larry.

Operator
Again, if you would like to ask a question, please press star and then one. Our next question comes from Nicola Tang with BNP. Please go ahead.

Nicola Tang
Hi, everyone.

Paul Manning
Hey, Nicola. Hello.

Nicola Tang
Hey. I wanted to ask first, just related to the revised EPS guidance, I think just in simple terms for me, it's $0.025 higher, but you beat consensus for Q3 by about $0.04, and actually you're guiding to a slightly lower interest cost. To me, it reads like an implied downgrade on the core business for Q4. Am I misunderstanding this, or can you explain what's driving that?

Paul Manning
Sure.

Nicola Tang
It implies a sequential slowdown versus Q3, and I understand there's usually seasonality, but perhaps you could remind us of that usual seasonality.

Paul Manning
I'll start off, and I'll let Tobin augment. You're right, it was a great Q3. We're having a great year-to-date, and we're going to have a great 2026. I think that's number one.

I think number two, that's right, seasonality in this business is a very real thing. Sensient was started in 1882, and we were selling alcohol. There wasn't much seasonality then, but after 1919, there's been seasonality in this business. It's just a fixture and a function of the food industry.

Two big factors there. There are fewer launches by our customers in Q4, and then there is a substantial working capital pullback in most businesses, as let's face it, folks are trying to please investors, and they're also trying to hit their budget. What do they do? They order a lot less in Q4. These two factors, more than any other, create a great deal of seasonality, and quite frankly, a little bit of unpredictability in Q4 results at times.

As I look forward to Q4, to begin, natural colors is going to have another nice quarter, really nice quarter. You see that we had sequential growth in natural colors here in Q3. By the way, that 22% in food colors growth, that takes into account the loss of synthetic colors. The cannibalization factor that we've mentioned, as you replace the synthetic, you get the natural. So net of that, we were up 22% in Q3, so it was really, really nice.

I think the pace will continue to be very, very nice for natural colors in Q4. I think you're going to see some sequential improvement in personal care as well. I think flavors is teed up to have a very nice Q4, and of course, so is Asia Pacific. Listen, I think we're going to have a really nice Q4, topline, sales wins, pricing, we've executed our pricing for the year, and I think we've been very, very successful there. But again, I think we are oftentimes somewhat constrained by the behavior of customers, given those two factors that I just mentioned.

Then remind me, Tobin, what was our original guidance at the start of the year?

Tobin Tornehl
I think our original guidance was $3.60-$3.80.

Paul Manning
Okay. And then we ratcheted up.

Tobin Tornehl
So we went, and in April, we were at $3.70-$3.90. July, we increased to $4.10-$4.20, and now we are increasing to $4.15 -$4.20.

Paul Manning
Okay. I think we have done pretty well on raising the guidance and hitting the figures. So I think Q4, as you close out the year, I think we are saying $4.20 versus $3.80 at the start of the year. I think it has been a nice year for us.

Tobin, you want to add some more details there?

Tobin Tornehl
No, I think that was a good summary. We did raise our guidance throughout the year. I think when you look at Q4, also take into account some of the items below our groups. So for the year, our interest expense, as I just kind of mentioned to Larry, we anticipate our debt to continue to increase, so you will see an increase in our interest expense. We are modeling about $34 million for the year.

Tax rate, there is a lot of movement in tax rate. Last year, we had a low Q4 tax rate. This year, we anticipate higher than what we reported last year for a full-year tax rate around 25%.

And then our corporate expense, we anticipate to be around $66 million for the year, and that is really driven by our incentive-based compensation. So those are some things to take into consideration for Q4.

Nicola Tang
Okay, that's helpful. Thanks. Next question, you referenced it there actually, just in terms of the food colors versus personal care, I think you had a particularly strong quarter in personal care colors last quarter, and then a bit of a slowdown this quarter. Can you explain a bit what was going on there and the outlook from here?

Paul Manning
That's right. Food colors is sequentially up Q3 versus Q2 from a growth rate standpoint. Personal care had a slowdown. There's a little bit of lumpiness in that market right now. A lot of moving parts. We had very nice profit growth in that business, but as we look at the year for personal care, I would expect something in the range of mid-single digits, which would be, I think, very, very good. That implies an uplift in Q4 for that business. These are products with the longer supply chain, they have longer shelf lives, so these factors can become somewhat distorted.

The other big thing you'll see in personal care is a lot of production and product launches are coming from what we call TPMs, third-party manufacturers. These third-party manufacturers would be the driving force behind indie brands and startups and other smaller businesses. More recently, the TPMs, large multinationals' are using TPMs to drive some of their production. As tariffs come along and as other constraints in trade come along, this production has been shifting all over the world. A lot of TPM production moved from Europe to Asia Pacific last year. We still see a little bit of that. There's a lot of shifting of these supply chains, principally in response to tariffs and these other geopolitical factors you're reading about.

So I would tell you that just base business win rates continue to build, particularly in Asia Pacific personal care, as well as Europe personal care, so we feel very good about that. As we get into Q4, I think you're going to see some improvements in LATAM and North America as well, and those businesses come together, I think, to produce a really nice Q4. But I would tell you that the lumpiness is really geopolitical and supply chain related more than anything else at this point, because the underlying business is good. The trends are really good in this market. Mass market growing very nicely, prestige market growing very, very nicely. I think we're pretty well set up for a successful Q4 there, and I feel quite good about 2027 on personal care as well.

Nicola Tang
Okay. Then final one around the supply chain. You mentioned that crops are being grown at a scale that's unprecedented. I remember we spoke on the last call about how you're making sure that you're in the right place, that you're able to supply, and you don't have a sort of supply chain issue. That being said, I

was reading Gatorade delaying some of their conversion in certain colors because there's not enough natural beta-carotene, so I was wondering whether you're seeing across the industry there's a wider issue or constraint in terms of availability of various natural raw materials in order to serve the conversion at the pace that the market would like to?

Then sort of linked to this, I was wondering, could you talk a little bit more about the competitive landscape in terms of at a processing level in the Color Group space? I think we hear some of the peers now starting to make investments. Ultimately, it's a lot later than you have made those investments, but I was wondering if you've seen any change in competitive landscape and capacity. Thanks.

Paul Manning
To the first one on the supply chain, I think I said early on, if the whole market wanted to convert tomorrow, there would not be a supply chain or production capacity available to meet that type of demand. But over this timeframe that we've been talking about here, it becomes much more digestible for the industry.

I would tell you that our service levels are quite good, Nicola, and my goal is to never have to get on a conference call and tell you guys I got a revenue problem because I have a supply chain shortage. We've been working on this for many, many years. We've got suppliers all over the world. We've got programs all over the world. We have technology that enables us to come up with lots of different supply chain solutions as well. So, we really have a nice connection between our formulation folks, our production folks, and supply chain.

I like what I'm seeing. Again, this is a supply chain that's really, really scaling up, as you reiterated from what I said. Yes, there'll be hiccups, but again, I haven't talked to anybody publicly about hiccups in the supply chain because I have not had to. It's my expectation that we will not talk to you guys about, "Oh, I can't get this done because of the supply chain."

So, a lot of work, lot of infrastructure. You see the working capital levels in food colors have gone up more than $70 million. We have a lot more suppliers, a lot more raw materials, a lot more finished goods. A lot of that is driven from bigger sales, but it is also having these products available for the launch dates. So, the amount of working capital we have should give a hint to everybody as to the launches we expect coming up here in 2027.

In terms of competitors, we are very much focused on the technologically differentiated part of this market, the things that are really hard to achieve, the colors that are very difficult to achieve in the formulation and the production environment of the customer. We were out of the gate very, very quickly identifying which equipment would be the most difficult to get and take the longest, and we went and got it immediately. I did not sit around and wait for permission or any of this other business. We moved very, very quickly on that, and I feel really, really good.

But you know what? There is a lot of challenges even in capital deployment nowadays, particularly in the U.S. There is a lot of competing projects out there, data centers and otherwise, that are sucking up a lot of the raw materials, like steel, for example. Then of course, as you are also very well aware, there is tariffs and other geopolitical constraints. So, I like the fact that we got on this one really, really quickly, and I like the idea that we have got plants in Europe and LATAM and the U.S. that are well, well invested in, and we have completed a lot of our capital work in those plants. There is also a lot of work underway in the U.S.

So, we have been very, very aggressive from the very start. We have not wavered or changed any of our forecasting on the $1 billion. It has been $1 billion, and that is what we continue to drive. Having the right supply chain and the right capital, even with these competitors, that is still our expectation, and that has

not changed, regardless of what our competitors may or may not be doing.

Nicola Tang
Okay. Makes sense. Thanks.

Paul Manning
Okay. Thanks, Nicola.

Tobin Tornehl
Thank you.

CONCLUSION

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

Tobin Tornehl
Thank you. That concludes our call today. Thank you for participating. If you have any follow-up questions, please contact the company. Have a great weekend.

Operator
The conference has concluded. You may now disconnect.