Sensient Technologies Corp.

2023 Fourth Quarter and Year-End Earnings Call

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CORPORATE PARTICIPANTS

Stephen Rolfs - *Senior Vice President and Chief Financial Officer*

Paul Manning - *Chairman of the Board, President and Chief Executive Officer*

PRESENTATION

Operator
Good morning. Welcome to the Sensient Technologies Corporation 2023 Fourth Quarter and Yearend 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 presentation there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone. To withdraw your question, please press star then two. Please note today's event is being recorded.

I would now like to turn the floor over to Steve Rolfs. Please go ahead, sir.

Stephen Rolfs
Good morning. Welcome to Sensient's earnings call for the fourth quarter and full year of 2023. I'm Steve Rolfs, Senior Vice President and Chief Financial Officer of Sensient Technologies Corporation. I am joined today by Paul Manning, Sensient's Chairman, President and Chief Executive Officer.

Yesterday, we released our 2023 fourth quarter and full-year results. A copy of the release and our investor presentation is available on 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 plans, income related to earn out payment received in 2022 in connection with the divestiture of our yogurt fruit preparations business, 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. We encourage investors to review these reconciliations in connection with the comments we make today.

I would also like to remind everyone that comments made during this call, including responses to your questions, may include forward-looking statements. Our actual results may differ materially from those that may be expressed or implied due to a wide range of factors, including those set forth in our SEC filings. We urge you to read Sensient's previous SEC filings and our forthcoming 10-K 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.

Now we'll hear from Paul Manning.

Paul Manning
Thanks, Steve. Good morning and good afternoon. Yesterday, we reported our fourth quarter and full-year results. As predicted, we continue to experience destocking throughout the fourth quarter as many of our customers continue their efforts to reduce their inventory and right-size their balance sheet by year-end. During the quarter, destocking was most pronounced in the Color Group, while the Flavors Group experienced sequential improvement.

Now turning to our results. For the company, local currency revenue was down low single digits in the quarter and was about flat for the full year of 2023. Revenue in the Flavors and Extract group was flat in the fourth quarter, and the Color Group was down high-single digits in local currency.

Local currency revenue in both Color and Flavors improved sequentially in the fourth quarter of ‘23 from the third quarter. Revenue in the Asia Pacific Group was down in mid-single digits in the fourth quarter, primarily due to destocking. Overall, the impact of destocking in the Asia Pacific Group has not been as pronounced as the impact in the Flavors and Color Groups. As I mentioned previously, the impact quarter-to-quarter in Asia Pacific has been more volatile due to the order patterns of certain multinational customers.

For the full-year of 2023, Asia Pacific reported mid-single digit local currency revenue growth. Our consolidated adjusted local currency EBITDA was down 5.9% for the full year of 2023. As mentioned throughout 2023, the volume declines due to destocking have had an outsized impact on our operating profit, especially when you compare our 2023 results to our outstanding results in 2022. Both Color and Flavors reported local currency operating profit declines of about 16% in the fourth quarter of 2023. The Asia Pacific Group reported a local currency operating profit decline of 12%.

2023 has been a transitional year, and we expect 2024 to be a more normal year. During 2023, customers were focused on reducing their inventory positions and right-sizing their working capital. As we begin 2024, we are already seeing an improvement in customer order patterns. We expect sequential improvement in our volumes throughout 2024, and I expect a much-improved financial picture, including solid sales volume growth, local currency revenue growth, and local currency adjusted operating profit growth.

Our focus remains on the things that we can control. We continue to win new business across all three groups. Our sales win rate remains at a high level, and we are generating incremental sales wins across most of our product lines and geographies. We continue to be focused on retaining our existing business and working with our customers on new development activities. Our focus on customer service and on-time delivery are a direct contributor to our high sales win rate.

In the fourth quarter, we also initiated a portfolio optimization plan. This plan is designed to right-size our cost base and optimize our organizational structure with a focus on driving improved productivity in certain businesses and functions and delivering significant cost improvement. The plan will look to optimize our production operations in both Colors and Flavors, and to centralize and eliminate SG&A redundancies and activities in certain functional areas within both groups. The objective of this plan is to deliver annual cost savings of approximately $8 million to $10 million once fully implemented by the end of 2025.

Including the cost incurred in the fourth quarter of 2023, we expect to incur pre-tax charges of approximately $40 million, of which approximately $30 million will be non-cash. We are carefully managing this process to ensure our ability to meet customers’ needs and to minimize the disruption to the business. We're also beginning the consultation process with certain European employee groups in connection with our plan.

We're also announcing that we are increasing our Board of Directors from nine seats to ten. We are nominating Brett Bruggeman for election to the Board of Directors at our 2024 annual meeting in April. Brett is the Chief Operating Officer at Land O'Lakes and brings over 30 years of food industry and agricultural experience. Brett's insights will be invaluable as we continue our expansion in natural colors and flavors across many of our businesses.

Now turning to 2024, I expect Sensient to return to sales volume growth, and I expect consolidated annual revenue to grow at a low to mid-single-digit rate on a local currency basis with low single-digit pricing. I expect good operating leverage and margin improvement across our groups as we experience improved fixed-cost coverage and a lower inflationary environment. As revenue and volume growth resume, profit improvement will trail sales improvement by a quarter or so.

On a consolidated basis, I expect Sensient to deliver low to mid-single-digit adjusted local currency EBITDA growth for the year. Within our Flavors and Extracts group, our new sales win rate is robust. The group delivered a high level of new sales wins in 2023, and we expect strong new sales wins in 2024. Customer service remains at a high level and continues to be a top priority.

The group has seen a reduction in certain raw material costs; however, many raw material costs such as citrus and various agricultural inputs remain elevated. The impacts of destocking improved each quarter in 2023, and we believe our customers have substantially completed destocking. Therefore, I expect the Flavor Group to have a much-improved 2024 with low to mid-single-digit local currency revenue growth.

The Color Group also had an outstanding new sales win rate in 2023, particularly in natural colors, and we expect an equally robust new sales win rate in 2024. Customers accelerated their destocking in the back half of last year, especially in the fourth quarter. Most of the impact of destocking is over; however, we do anticipate a modest amount in the first quarter of this year. Overall, I expect the Color Group to deliver low to mid-single-digit local currency revenue growth in 2024.

Asia Pacific's focus on sales execution, customer service, and broadening its product portfolio has positioned the group nicely for 2024. The group continued to deliver a high level of new sales wins throughout 2023. These new wins will continue to benefit 2024 and I expect the group will deliver new sales wins at a high rate again in 2024. The group has been impacted by destocking at certain larger multinational companies.

As mentioned earlier, this has produced some volatile swings in the Asia Pacific Group order patterns and results. That will be the case again during the first quarter of this year. Overall, I expect the Asia Pacific Group to deliver mid-single-digit revenue growth in 2024.

I'm optimistic about 2024. As I said earlier, we're focused on the things we can control. Our focus on sales execution, customer service, and our innovative technologies are contributing to the high level of new sales wins we are generating across the company. Our sales pipelines remain strong, and we continue to work on new product applications with our customers. We expect this focus on new sales wins and an overall moderation in destocking to drive volume growth in 2024, compared to 2023.

Our portfolio optimization plan will improve our manufacturing footprint and improve our overall cost structure. We expect this plan will generate modest profit improvement in 2024. Once fully implemented by the end of 2025, we expect that it will generate annual savings of approximately $8 million to $10 million.

We also continue to strategically manage our inventory positions and we expect our overall inventory levels to decline in 2024. We have seen strong improvement to our cash flow in 2023 and we expect continued improvement in 2024. In this elevated interest environment, we remain focused on reducing our debt and our interest expense.

Our product portfolio is strong, and we remain focused on our key customer markets of food, pharmaceutical and personal care. Our strategy remains sound and we are well-positioned for future growth.

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

Stephen Rolfs
Thank you, Paul. In my comments this morning, I will be explaining the differences between our GAAP results and our adjusted results. The adjusted results for 2023 remove the cost of the portfolio optimization plan and the adjusted results for 2022 remove the income related to an earn-out payment received in connection with the divestiture of our yogurt fruit prep business. We believe that the removal of these items provides a more clear picture to investors of the company's performance. This also reflects how management reviews the company's operations and performance.

Sensient's revenue was $349.3 million in the fourth quarter of 2023 compared to $348.7 million in the fourth quarter of 2022. Sensient's operating income was $8.1 million in the fourth quarter of 2023, compared to $41.2 million of income in the comparable period last year.

Operating income in the fourth quarter of 2023 includes $27.8 million, approximately $0.65 per share, of portfolio optimization costs, which are primarily non-cash. Operating income in the fourth quarter of 2022 included income of $2.5 million or approximately $0.04 per share, related to the post-closing earn out payment received from the sale of our yogurt fruit prep business in 2020.

Excluding the items just mentioned, adjusted operating income was $35.9 million in the fourth quarter of 2023 compared to $38.7 million in the prior year period.

Interest expense was $6.5 million in the fourth quarter of 2023, compared to $4.8 million in the fourth quarter of 2022. The company's consolidated adjusted tax rate was 26.5% in the fourth quarter of 2023, compared to 19.7% in the comparable period of 2022.

Adjusted local currency EBITDA was down 8.5% in the fourth quarter of 2023. Foreign currency increased revenue and adjusted operating income by approximately 2%.

Cash flow from operations was $170 million in 2023, compared to $12 million in 2022. Capital expenditures were $88 million in 2023, compared to $79 million in 2022. Total debt was $658.5 million as of December 31, 2023, Sensient's improving cash flow allowed us to reduce debt by $13 million in the fourth quarter, and by $43 million in the second half of 2023.

Our net debt to credit adjusted EBITDA is 2.6 times as of December 31, 2023.

Overall, our balance sheet remains well-positioned to support our capital expenditures, sensible M&A and our longstanding dividend, and any excess cash will be used to pay down to pay down debt. At this time, we expect 2024 capital expenditures to be around $65 million.

Regarding our 2024 guidance, we expect our 2024 local currency revenue, local currency adjusted EBITDA, and our local currency adjusted EPS to be up low to mid-single digits in 2024.

And considering our GAAP earnings per share in 2024, we expect approximately $0.15 of portfolio optimization costs in 2024. We expect our GAAP EPS in 2024 to be between $2.80 and $2.90 compared to our 2023 GAAP EPS of $2.21.

In 2024, our EPS will be impacted by continued higher interest expense. Based on current interest rates, we expect our interest expense to increase by approximately $3 million compared to our 2023 full-year interest expense of $25.2 million. Also, we expect our 2024 full-year adjusted tax rate to be in the range of 24% to 25%. On a quarter-to-quarter basis, our tax rate will fluctuate and therefore we continue to believe our local currency adjusted EBITDA growth is an important measure of our performance.

Thank you for participating in our call today. We will now open the call for questions.

QUESTIONS 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 then two. At this time, we will pause momentarily to assemble the roster.

Our first question will come from Ghansham Panjabi of Baird. Please go ahead.

Ghansham Panjabi
Good morning. Maybe just first off kind of thinking back to the fourth quarter, can you just give us a sense as to what surprised you from a volume standpoint in the quarter, kind of looking back? And maybe you can give us a sense as to how the quarter progressed monthly and also what you saw in January.

Paul Manning
So, I would tell you, the thing that surprised me the most was the acceleration of the destocking in Color. As we were going through 2023, Flavors really started destocking, you could say, in late 2022 and that continued pretty well throughout the year. Color lagged that though. You may recall last year in Q1, Color had a pretty good, I think it was something like about 9% or 10% top-line growth. So, the Color destocking really didn't begin until about Q2 in earnest with our customers.

And so, all along we had kind of projected that Flavors would be done largely by the end of 2023 with destocking. And I think we could say that that is the case. But we also felt Color would lag by really a full quarter, that destocking impact. I think with the acceleration and destocking that we saw in Q4, I think we could now say that to the extent there would be destocking in the Color Group in Q1 of ‘24, it would be rather modest.

So that was probably the single biggest surprise. But I suppose in retrospect as customers are trying to kind of clear the decks, so to speak, on the balance sheet and working capital and just kind of right-size things, they would've attempted to do that across each of their ingredients and other raw materials. So that would've really been the only one from a surprise standpoint on volume.

As we looked at January, as you kind of got from my comments in the opening, we're kind of cautiously optimistic. There's a lot of positives that we're seeing right now. I think January was a pretty good month for us. Let's see though. We’re coming off probably one of the most unusual markets in the last 50 years, which was what I would call 2023 as our customers transitioned out of COVID inventory positions and they changed their focus with respect to developmental opportunities in some cases. So, I think 2024, we'd like to all believe that it is a back-to-normal year. Early signs would suggest that is the case, but I think that the plot will continue to unfold as the year progresses. But I would say we're cautiously optimistic following the results we saw in January.

Ghansham Panjabi
That's helpful. And then in terms of the new wins that you cited, any specific segments, any new products that you want to highlight as we sort of think about 2024, just from a customer appetite for new innovation and kind of kick start velocity, if you will, at the end market retailer level?

Paul Manning
Yes, so the new win rate, I was very, very happy with that in each of the groups throughout 2023. That is one of the key metrics that we measure in the business. The size of your sales pipeline, that could be a good metric, but really the reality is its points on the board and that's best represented by wins, which is to say a customer now gives you a purchase order for that project you've been working on. And so, we had record wins in 2022 across each of the groups. And we exceeded that in some in 2023, and we came very, very close in others. But overall, still very strong new win rate across each of the groups.

Lots of new wins within the realm of natural colors. So, as our strategy has been focused in the food color business on accelerating our innovation there, our supply chain and our production capacity, we were able to really leverage all three of those in developing some very, very unique applications and technologies for a number of customers, not only for new to the market launches, but actually some compelling and very interesting conversions from synthetic colors. So those are some very exciting wins there.

We had a number of very exciting wins on the flavor front. High quality flavor wins that not only would utilize a traditional flavor, but could also incorporate an extract. They could also incorporate some dimension of a taste modulation technology, whether this is sweetness enhancement or sodium reduction. And so, we had a number of very, very interesting wins across not only beverage and sweet, but in some of our savory segments as well.

The pharmaceutical business, we continue to make very, very good progress there, not only with respect to natural colors in these over-the-counter nutraceutical applications, but also in flavors. And so, we have uncovered some very good opportunities there and generated some very interesting wins on that front.

And then of course our SNI business, part of our Flavors Group, we had a series of very, very interesting and significant wins in our onion and our garlic business. Lots to be very, very excited about in '24. These wins that we generated in '23, many of them carry over into '24. But the pace of our wins right out of the gate in January, I'm quite excited about.

So, a pretty broad-based set of wins, which speaks to the investments we made in our sales force, in our innovation platforms and in overall is customer service and responsiveness.

Ghansham Panjabi
And then just finally on your guidance, it looks like it's low-to-mid single-digits throughout sales, EBITDA, EPS. Why wouldn't operating leverage be higher in context of what you're doing in terms of portfolio optimization etc.? And then just separately, Steve, congrats on your retirement announcement, best wishes for the future.

Stephen Rolfs
Thanks you.

Paul Manning
So, I would say maybe the guidance is a little bit conservative. We say low single-digits to mid-single-digits, there's a bit of a change implied within each one of those. I think after the first quarter, as has

been our practice, we will kind of give you an update and a sense of things as the year progresses. But I'd like to set kind of the floor where we're going to be and I feel very confident that unlike '23 where there was a tremendous amount of volatility in destocking and all these other factors, our guidance kind of signals that we believe that that is over and the magnitude of our new wins would be able to overcome any market dynamics.

The degree of that ability to overcome, let's see how the year progresses. Many of our customers are very much driving for volume growth and that would be a really nice development. The new wins generate lots of volume, pricing is a fairly nominal thing for 2024. So, yes, the volume comes and to your point we should have really nice operating leverage in the businesses. But with respect to the portfolio improvement plan, much of that benefit will be obviously spread out over 2024 and 2025. We endeavor to get those things done as quickly as possible, but I'm realistic enough to realize that you can screw those up if you're not very, very thoughtful and particular about how you do those.

We have a lot of experience here. We have a lot of lessons learned, Ghansham, as well going back to sort of 2017. I'm feeling very, very confident that this one will be executed quite smartly, and I don't anticipate any issues there. But the savings will flow in over that, say, two-year period. But yes, I'd like to be able to tell you next quarter, you know what, things are looking even better than I thought. But for right now, I think this is a pretty good start to the year and a pretty good guidance that I think we could all feel very committed to achieving.

Operator
The next question comes from Nicola Tang of BNP Paribas. Please go ahead.

Nicola Tang
Hi, everyone. Thanks for taking the questions. Actually, you're just starting to touch on one of the topics which I wanted to ask about, which is the portfolio optimization and you referenced learnings from 2017. I was wondering if you could talk a little bit more about that and what gives you confidence that the portfolio optimization plan will run more smoothly this time?

And also, just in terms of the areas that you identified, how did you sort of make that assessment around which specific plants or production sites to shut down? And just to tie another one on the same topic, should we kind of take an even split in terms of the cost savings across Flavors and Colors?

Paul Manning
So, number one, we will periodically review sites and business units. We look at different dimensions of the business and we see what part is running well and has an optimized production footprint, for example, or we're able to achieve good synergies. And so, I think as we looked at the overall portfolio, we came up with the one that we did. It's quite a bit smaller than anything we've done previously. So, I suppose to your question about how do we think this is going to go and do you think we'll do well here, I think it's much smaller.

In one instance we're moving a plant in Europe. We've begun the consultation process there. And so that is a plant that's very similar to one that we successfully consolidated in the past, so that gives me a great deal of confidence. In fact, most of the folks who were involved with that are running this one as well. So, that would probably be the biggest component of the project is that one plant in Europe that we consolidated into the Americas.

I think the other thing is there were lots of lessons learned from the previous restructuring. I was the CEO then and I'm responsible for the screw ups then, so I know what all the screw ups are. And so, we've made a very concerted effort to plan differently and evaluate those differently. And so, I think

we've put more resources towards this project and again, we can anticipate with a great deal of confidence where the trouble areas would be on such a move.

Beyond that one plant that produces, probably most of the other activities are really SG&A related, so they don't specifically involve the production of a product, the movement or the transition of one product from another. That was the most complicated and problematic of our previous restructuring is trying to requalify products in other plants. It's a decidedly complex and difficult thing. There's a lot less of that. In fact, I would almost say very little of that associated with this restructuring versus say some of the previous activities that we had.

How do we assess a site? Who makes money, who doesn't make as much money is pretty much how you'd evaluate any stock or any other investment portfolio. And so, it is in fact a portfolio optimization program from that sense. These two facilities were probably the two lowest returning facilities in the company, so I think we've addressed that. We made an effort, but there is such thing as a sunk cost fallacy and we're not going to fall for it.

In terms of the split, it's probably about 50/50 Colors/Flavor. I don't know, Steve, if you want to give more details on the split in terms of the savings.

Stephen Rolfs
No, it is about 50/50, maybe a little bit more by the end with Flavors and some of the activities in Flavors will take a little longer. But at the end of the program, it'll be about 50/50 Flavors and Colors.

Nicola Tang
Thank you. Can I ask a question about pricing? I think in the opening remarks you mentioned for 2024, you expect low single-digit pricing. Are you implementing new pricing as of today, or is this carryover from previous price initiatives? And then I suppose tied onto that, could you talk a little bit about your expectations for input cost this year? Thanks.

Paul Manning
Yes, so that's right. So low single digit is what we would expect the impact to be. If you were to add up all the pricing and divide it by the total revenue of the company, it would be in that low single-digit range. And that's principally pricing that was put into effect January 1st. I would say if there was carryover, it was fairly modest. We are more than likely back into a world where we negotiate pricing annually.

Traditionally in this ingredient space, it would be kind of a January 1st anniversary date for the majority of your customers, but there may be others who have an April 1st or a July 1st. But in general, think January 1st. And so, I think we're back to that more traditional, we negotiate once per year with an effective date of January 1st. And so, that low single digit is sort of the culmination of that fourth quarter activity with a January 1st effective date.

With respect to input costs, as I mentioned, many have moderated, some of them linger, but I think by and large, the low single digits gets us to where we need to be with respect to recovering any of the inflation on those input costs.

But on the negative side, there's still elevated energy costs in parts of the world. Labor is still an elevated dimension of input costs. We do have agricultural products, we talked about that on the last call. You grow those in a previous year where fertilizers were expensive and water was expensive and land was expensive and there was a lot of run up to that, and now we're in the world of selling those products that had the previously elevated costs. And so, we have a little bit of that going on from the

agricultural side of the business. But I think, by and large, the market's moving in the right direction with respect to input costs.

Nicola Tang
Thanks. And then maybe a final one on the Asian business. You mentioned that there's been quite a lot of volatility linked to kind of the order volatility of the multinational customer base. With that in mind, what gives you confidence in the mid-single-digit growth outlook for Asia in 2024?

Paul Manning
The new win rate that they have, their execution of pricing increases and very, very clear communications with our customer as to what they see in the market and when they believe their order patterns would resume, which is to say this year. So, I think those three factors come together.

I think, again, we have a little bit of a choppy Q1 owing to that destocking, but not as a result of a poor win rate or poor pricing or out of control inflation. Those factors, the ones again that we can control, I think are well in hand, and it's just a matter of kind of working through the last of this patchy destocking. But yes, I think that we're through that in Q1, and then Asia's back on track. They've been on a nice tear for the last say four or five years. So, I think they're back on track largely after Q1 here.

Operator
Our next question comes from David Green of Boldhaven. Please go ahead.

David Green
Just an initial question regarding the guidance which you have alluded to, Paul, anyway. The narrative this year in terms of the headwind from the destock has been very much along the lines of destock running at high single-digits, but the win rates or underlying growth running a similar amount. And so net/net you're kind of in the middle of sort of like flattish growth. I'm just trying to understand as we go through 2024 and the destock fully unwinds, why would we not be seeing a more significant improvement in top-line come through in '24?

Paul Manning
Well, it could is the short answer. So, I've got it low to mid. As I said, your math is correct. I mean, destocking did have a negative high single digit impact from a revenue standpoint. New wins more than eclipsed that. So sure, that could definitely happen. But then again, if I'm wrong, I'm in big trouble. So, let's start with low to mid and let's see how things go from there.

David Green
In terms of understanding Colors specifically and the destock there, and then the sort of trajectory as we go into Q1 and the rest of the year, has that been focused on any specific areas? Is that still mainly cosmetics is where the destock is needing to come through?

Then thinking more about what kind of top line you can deliver in Colors, should we expect to sort of return to sort of positive organic growth within Colors within the first half?

Paul Manning
So, the Color destocking, it was food colors and cosmetics, so you're right about that. It would appear, as we look back at this and conduct somewhat of an autopsy, although we were seeing this as it was going as well, customers very much started with destocking at the highest value items they had on their balance sheet, which is a fairly logical approach.

Flavors and Colors, whether derived for food products or, in the case of Colors, cosmetic products, those tend to be lower valued items on a balance sheet. They're just not nearly as expensive as some of the ingredients and input costs that our customers have. So, as they went down the list and focused on the highest value, eventually they got to Flavors and then they got to Colors. So, I think that's largely why you saw the progression that you did. Then, of course, with Colors being somewhat after Flavors, but still with the desire to kind of clear the decks by the end of the year, you saw that Q4 acceleration of destocking in Colors. Not only for food, but for cosmetics.

The underlining growth in the food industry in North America continues to be, well, in Q4 2023, it was negative. There was actually a decline of a percent or two in the overall market. Europe we believe was about flattish and in other parts of Asia it was up.

So, with respect to cosmetics, though, you had somewhat of a mixed bag. At the prestige level, the high-end level, we see good volume growth and we see good volume opportunities. At the mass market level that's where there was a considerable degree of destocking, and perhaps even a reduction in consumer demand. That, though, is very good for our business. In terms of the product that we develop and the portfolio that we have, it cannot only serve the mass market, but in particular can serve the prestige market quite successfully.

So, I think as you look at Q1 here, there will be a touch of destocking in both food and cosmetics, but you can only get your inventory level so low before you have to start ordering. That's obviously what we've started to see here with many of these customers.

But to go back to your previous question a little bit, again, 2023 was sort of a once in a century dynamic in the food and personal care space. Nothing like that has ever happened. So, anybody's ability to predict, if anybody's going to tell you exactly what's going to happen, they're making it up, in my opinion. There is no wise old man here. And so, we're going to go with what our customers are telling us, what they're projecting, but it's what they're projecting. So, we're going to focus on our pricing, we're going to focus on our service levels and we're going to focus on our win rate and that's low to mid-single, but longer term, we should be right back on track with our mid-single-digit revenue where we were in '20 and '21 and '22.

So, I'm confident in the long term. It's just a question of when do we get to the long term? Is it Q2 to Q3? Maybe it's the end of Q1, we'll see.

David Green
And then just thinking about the momentum that you're seeing in Flavors and Extracts; it sounds like there are some really sort of solid wins there. Should we expect those to be coming through pretty quickly in terms of the top line?

Paul Manning
I think Flavors will kind of be faster out to the gate than Colors. Again, they have very, very strong win rate and they're kind of out of the destocking now. So, I think those two things conspire to make for a good start to the year for Flavors.

CONCLUSION

Operator
There are no further questions at this time. I would now like to turn the conference back over to the company for any closing remarks.

Stephen Rolfs
Thank you, everyone, for participating in our call today. That will conclude our call. Thank you.

Operator
The conference has now concluded. Thank you for attending today's presentation, and you may now disconnect.