Sensient Technologies Corporation

2019 Q2 Earnings Conference Call

July 19, 2019 at 10:00 a.m. Eastern

CORPORATE PARTICIPANTS

Steve Rolfs - *Senior 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 2019 Second 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 telephone keypad. 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. Steve Rolfs. Please go ahead, sir.

Steve Rolfs
Good morning. I'm Steve Rolfs, Senior Vice President, and Chief Financial Officer of Sensient Technologies Corporation. I would like to welcome all of you to Sensient's conference call to discuss 2019's second quarter financial results. I am joined this morning by Paul Manning, Sensient's Chairman, President, and Chief Executive Officer.

This morning, we released our 2019 second quarter financial results. A copy of the release is now available on our website at sensient.com.

During our call today, we will reference certain non-GAAP financial measures, which we believe provide investors with additional information to evaluate the company's performance and improve the comparability of results between reporting periods. These non-GAAP financial measures remove the impact of currency movements, depreciation and amortization, non-cash stock-based compensation, and other items, as noted in the company's filings. 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 the non-GAAP financial measures to the most directly comparable GAAP financial measures is available on the Investor Information section of our website at sensient.com and in our press release. We encourage investors to review these reconciliations in connection with the comments we make this morning.

I would also like to remind everyone that comments made this morning, including responses to your questions, may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Our statements may be affected by certain factors, including risks and uncertainties, which are discussed in detail in the company's filings with the Securities and Exchange Commission. We urge you to read Sensient's filings for a description of these factors. Please bear these factors in mind when you analyze our comments today.

Now, we'll hear from Paul Manning.

Paul Manning
Thank you, Steve. Good morning. Sensient reported earnings per share of $0.81 in the quarter compared to earnings per share of $0.92 in last year's second quarter. As we have outlined during our last two conference calls, the first half of 2019 would be challenging as a result of several factors, including destocking and softness in several key markets, higher input costs and the availability of certain raw materials, timing of our pricing actions, and the financial impact of reducing inventory within our manufacturing facilities.

Consistent with our last call, I expect results for the second half of 2019 will improve as the impact of these items subsides. We continue to see improving conditions in some of our markets, particularly in the cosmetic makeup market, and we have executed on many of our pricing actions across the company to offset raw material increases.

However, during the second quarter, the impact of tariffs has begun to create an additional headwind to our business that will likely continue to impact our second half results. Tariffs have resulted in higher costs for raw materials from China, as well as from the rest of the world. In some cases, we are not able to pass on the full impact of the tariffs through pricing. The tariffs have also impacted revenue in certain markets.

The Color Group continued to see strong demand for natural colors in North America, Europe, Latin America, and Asia. Natural Color sales were up high single-digits in the second quarter and double-digits for the first half of 2019. We also saw double-digit growth in our pharmaceutical product lines during the quarter, partially driven by several extract wins from our recent Mazza acquisition.

This growth in food colors and pharmaceuticals was offset by lower cosmetic makeup and ink sales. The cosmetic makeup business continued to experience destocking in the market, but the rebound we expected in the second half of this year has begun. Sales volume and pricing in our inks business declined as the fashion and other digital ink markets were down.

As was the case in the first quarter, the Color Group's second quarter profit was down because of lower cosmetic makeup sales, higher raw material costs, and the timing of our pricing actions. The rise in input costs has begun to stabilize and the pricing we put in place throughout the quarter will allow us to deliver improved results in the second half of 2019.

We communicated that the first half of 2019 would be challenging for the Color Group and the second half results would be much improved. At this point, we expect better top-line growth in the second half of the year, driven by continued success in natural colors and pharmaceuticals, gradual improvement in the cosmetic business, and our pricing actions. This revenue growth and a moderation in our raw material headwinds will feed an improved profit picture in the second half of the year.

Turning to the Flavor and Fragrances Group, we continue to experience solid sales growth in finished flavors and extracts for the quarter and first half of the year. However, these results were offset by a continued decline in demand for certain flavor ingredient product categories, primarily those sold into the soup, processed food, and yogurt markets.

The group's local currency revenue was down for the quarter. Part of this decline is attributable to very strong sales in the second quarter of last year, but the group's current quarter results did not meet my expectations. We are winning in the finished flavor business but not enough to offset the declines we saw in our flavor ingredient product lines.

The group saw a higher profit growth from our natural ingredients product line in the quarter. Gains in this business were offset by lower demand in our flavor ingredient product lines, higher raw material costs, and the impact of lower production volumes as we continue to focus on reducing our inventory levels. Our focus on inventory reduction contributed to a strong cash flow during the quarter.

Our commercial focus is directed toward finished flavors and extracts, where we continue to build our pipeline, and we are seeing new wins. We also expect to see improving trends in certain markets, such as soup, and an improved competitive environment in our savory product lines. I expect better second half results as our sales in finished flavors and extracts continue to grow at a mid-single-digit pace.

Furthermore, we have also been reducing production costs in our overall cost structure to align with the decline in our flavor ingredient sales. These cost actions will begin to deliver results in the second half of this year.

As a company, we continue to remain focused on natural colors, finished flavors and extracts, cosmetics, and pharmaceuticals, where our brand continues to strengthen and we see good market dynamics and growth opportunities. We will continue to remain focused on our pipeline of new projects, cost reductions, and the strong customer service, which will allow us to deliver improved results in the second half of the year.

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

Steve Rolfs
Thank you, Paul. Sensient's revenue was $339.2 million in the quarter compared to $363 million in last year's second quarter. Operating income was $47.4 million compared to $52.2 million in the comparable period last year. Local currency adjusted EBITDA was down approximately 8% during the current quarter. Foreign currency translation reduced both revenue and operating income by approximately 2% in the quarter. Diluted earnings per share were $0.81 in the quarter compared to $0.92 in the comparable period in 2018. Foreign currency translation reduced EPS by approximately $0.01 in the quarter.

For the first six months of 2019, revenue was $686.7 million compared to $719.5 million in the first half of 2018. Operating income was $96.8 million in the first half of this year compared to $107.9 million in the first half of 2018. Diluted earnings per share was $1.59 in the first half of 2019 compared to $1.81 in the first half of 2018. Foreign currency exchange rates reduced diluted earnings per share by approximately $0.04 in the first six months of 2019.

The company's consolidated tax rate was 18.6% in the quarter compared to 16.1% in last year's second quarter, which reduced EPS by approximately $0.02 during the quarter. For the first six months of 2019, the company's consolidated tax rate is 22.1% compared to 20.1% in the first six months of 2018.

As reported, cash flow from operations for the second quarter of 2019 was $52.8 million. Capital expenditures in the second quarter of 2019 were $8.3 million compared to $12.9 million in the second quarter of 2018. Cash flow from operations for the first six months of 2019 is $76.2 million compared to the adjusted results of $62.9 million for the first six months of 2018. Our free cash flow in the first six months of 2019 was $59.6 million compared to adjusted free cash flow of $38.9 million in the first six months of 2018. We continue to focus on reducing our working capital, particularly inventory, and we're seeing strong results.

The company's total debt decreased $32 million during the quarter and $76 million since June of 2018 to $677 million. And, the company's leverage is consistent with the end of last year at 2.8 times debt to EBITDA. I expect that our leverage will continue to trend down throughout 2019 as we use free cash flow to reduce debt.

Given our first half results and the current market conditions, we now anticipate our full year local currency EPS guidance to be 1% to 2% below the lower end of our previous guidance. We now expect our full year local currency adjusted EBITDA to be slightly below last year's results.

Thank you for your time this morning. We'll now open the call for questions.

QUESTIONS AND ANSWEERS

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

The first question comes today from Brett Hundley with Seaport Global. Please go ahead.

Brett Hundley
Hi. Good morning, guys.

Paul Manning
Good morning, Brett.

Steve Rolfs
Morning, Brett.

Brett Hundley
Paul, it sounds like tariffs are driving a lot of maybe the forward guidance reduction. And if that's the case, can you just speak a little bit more to that and maybe give us an understanding of how you viewed the tariff situation previously versus what has developed in reality for you guys?

Paul Manning
Yes. So, tariffs are certainly part of the forward picture. They were certainly a bigger impact in Q2 than I think we had initially anticipated. Tariffs have a number of impacts. I mean, there's the obvious increase in certain raw materials that one could explicitly calculate.

But, I think the second factor that makes it very difficult to oftentimes predict its impact is your ability to take pricing. So, when we have competitors, for example, in the United States who are subject to these same tariffs, you're competing on equal ground. Right? And, you can potentially price in that context. However, if some of your competitors are not in the U.S. and they're not subject to this tariff, you're at an obvious disadvantage in the marketplace and many of your competitors can attempt to take advantage of that if you're too aggressive with your pricing or your timing on your pricing is not good. So, that can be a little bit more difficult to anticipate and also a little bit difficult to make headwind in terms of covering your input costs and therefore your margin.

There's other examples of tariffs where we have, for example, one of our Asian businesses, we contract with local producers. Those local producers had traditionally shipped their products in the U.S. Well, as these tariffs were implemented, those producers, essentially, that production, was shifted outside of China to another country that was not subject to those tariffs. That's a contract manufacturer that comes as lost sales to us. Now, you can attempt to pick that up somewhere else but that's not necessarily always a clear path.

So, in short, there's a lot of complications that are associated with tariffs. Yes, the obvious ones of 15% or 25% increasing your raw material, that's very easy and very straightforward to calculate. But some of these other items, whether they come in the form of an opportunity cost, lost ability to price consistent with how you may have traditionally priced, those factors make some of that a bit ambiguous as we look at the second half of the year. But I think there's also the impact of Q2 that I would also include in terms of looking at the guidance for the year.

Brett Hundley
Okay. That's clear. That's helpful. And just related to that, as we look forward into the back half of the year, aside from questions around tariffs and how that's going to flow through your P&L, there was also an announcement, I think, earlier this month, I think it was, where a major cosmetics company announced a pretty large restructuring that's going to take place over the next few years. Is that expected to be disruptive for you guys at all on the Color side?

Paul Manning
Yes, I won't—we don't need to get specifically into which particular business that would be but, yes, in general, we are very well represented in the market and so it's often easy to conclude that we have a presence that's pretty broad and with most of the brands that everybody is familiar with. So, any time there is a restructuring, there is always an impact potential on our business. However, I think in the course of a restructuring, though, that's also an opportunity for us in as much as those are typically efforts by companies to reduce their supply base to go with their best and most reliable providers. And as much as our cosmetics business has very much focused on the service aspect of that business, improving lead times and on-time delivery in an industry where those are not necessarily widely practiced, that will bode very, very well for us.

The other factor is that our cosmetic business is very, very well diversified in terms of the number of products that we would sell into a makeup segment, for example. So, I think those two factors would be very important for us. But I think the bigger issue for the cosmetics business will be the continued improvement in that market and it was very good to see much of that destocking begin to moderate. Europe has begun its turnaround a little bit faster than we thought. Asia, unfortunately, went the other way, and I think most of that was related to this tariff situation.

Nevertheless, between those issues and the one you just mentioned, I would anticipate cosmetics has a significantly better second half than we've had in the first half. And as you know, that would have a very helpful impact on the bottom line for the Color Group.

Brett Hundley
That's good to hear. In Flavors and Fragrances, it does sound—well, I want to ask you, it sounds like you had some relative disappointment related to your Q2 performance in flavor ingredients and I don't know if that's something more internal for you or if it is something related to the macro. But either way, it seems like that was maybe a main driver of margin weakness in Q2, at least relative to what we had modeled for that segment. Can you just give us a quick comment on that and then maybe give a little additional color on the cost actions, the related cost actions that you might have planned into the back half of the year and how that might be included in your guidance?

And then I just have one more follow- up, a broader follow-up.

Paul Manning
Okay. So, yes, the flavor ingredients business was down. Those tend to be higher volume but also less defensible, at times, less sticky, as a general statement. There are certainly portions of it that are actually quite compelling and good, but some that are a little bit more subject to competitive pressure. Certainly, that is what we have been feeling there. So that is certainly an impact.

Number two, many of those ingredients are sold into some of these markets, for example, yogurt, that we've talked about, which not only has the market declines associated with it, had some impact post our restructuring as we consolidated those businesses. So, much of the flavor ingredients business, it's really those two factors.

Now, as you think about the cost-out piece, as that volume declines, this becomes an opportunity for us to reduce many of our fixed costs in those plants. So, the metric around here is not fill up the plant, because somehow that's going to bring you to the promised land here. The metric around here is you match your production capacity to your volume and to your expected volume. And so, consistent with that logic, we've taken action in a number of these plants focused on flavor ingredients and we've removed, and we will continue to remove, fixed costs until they are very well aligned with the market.

As you do that, as you know, there is the lower absorption between when the volume declines, when you get those costs out, there's oftentimes a little bit of a gap and then obviously you have inventory to flow through. So, that was also an impact on Q2. But my reference to an improved second half would be based on the cost actions we did take in Q2 and continue to take into Q3, we would feel those impacts in Q3 and even more so in Q4.

The positive news and the news that makes the most sense as far as our strategy is concerned is that we continue to grow the flavor and extracts category. For the year-to-date, we're up mid-single-digits and we feel very, very good about that. That is the more defensible, much more aligned to our strategy piece of the portfolio and we're going to continue to emphasize that and we will continue to take action in the market to moderate some of these flavor ingredient losses. But I think, long-term, that's not really where the business is. Those are not high-growth areas. And so it's a matter of continuing to outpace those, which I think we can do as we start getting into the second half here.

Brett Hundley
Okay. Great. And just real quick, can you just give us an updated expectation on local currency sales growth rates by segment?

Paul Manning
So, long-term or over the horizon, certainly our expectation continues to be that the businesses are capable of achieving mid-single-digit growth. I think that you see certainly elements of the business that are doing that. I just mentioned flavors and extracts, certainly, natural colors, I think cosmetics will resume that pace as we get into the back half of this year. But as you're looking and you're structuring for 2020 and beyond, we very much believe and we think we can continue to do that in those categories such that the overall corporation can certainly be approaching the mid-single-digit revenue growth.

With the additional costs we've been taking out, we've had a very moderate approach to SG&A. In fact, SG&A has been down in each of the businesses. You're also seeing that CapEx is down. That is an outflow from our restructuring, fewer plants, the heavier investments we had a number of years ago. That has put us at really, quite frankly, a new level of CapEx that is able to sustain these businesses. So, I think all those factors then combine to create a scenario where mid-single-digit growth can generate mid, and perhaps even better, profit growth from those businesses.

For the rest of this year, it's a matter of continuing to move past the raw material inflation. We see signs that some of that is moderating. Continuing to move past the tariff. And so, many of my assumptions are based on the notion that the raw material inflationary pressures would subside and/or we were able to get more pricing in those categories most impacted by it. But that would be the expectation as we move forward.

Brett Hundley
Thanks so much.

Paul Manning

Okay. Thanks, Brett.

Operator
Our next question comes from Heidi Vesterinen with Exane BNP Paribas. Please go ahead.

Heidi Vesterinen
Good morning. So, first on the timing of pricing actions that you talked about in Color, can you please clarify, was there already some level of pricing in Q2 or is all of it coming through in Q3 onwards? That's the first question.

Paul Manning
So, pricing is being implemented since probably even late last year, Q4. It's a matter of which customers and which products and to what degree are you able to get that. In some cases, it may be necessary to go back to the market more than once, more than just on an anniversary date, for example. But the clearest answer to your question is yes, we got pricing in Q2, yes, we will get more pricing in the back half of the year.

Heidi Vesterinen
Okay. So, you're fairly confident that maybe you see it already in your Q3 numbers that pricing should materialize and improve your margins in the second half of the year. Is that correct?

Paul Manning
Yes.

Heidi Vesterinen
Okay. Thank you. And then just to go back on your comment in your speech so you talked about how each one, you had seen these headwinds, like the softer demand and headwinds from destocking, etc., softness in markets. So, can you once again go through which areas you're already seeing these headwinds subsiding?

Paul Manning
Sure. So, I think the first one of the number of headwinds we mentioned was the headwinds from the cosmetic makeup market, owing to a real spike in demand about 12-to-18 months ago and now we're in sort of the recalibration of what are the real supply chain needs. There's obviously still very good growth in that market. That's a very good long-term market for us. And so that was a headwind and that impacted obviously the Color Group, not only from a revenue standpoint but from a profit in that that contributes very favorably to the mix of the Color Group. So, that was a headwind that we're already seeing that moderating in half two versus say half one.

The second would be, if you look at some of the raw materials that go into not only color but also into flavor, we have already seen some of them begin to come down, moderate in the inflationary pressure that that created. So that is helpful. But raw material will continue to be a headwind, and so therefore, pricing is very, very important. But I don't believe that the raw material inflation that we've seen across the business will necessarily continue in perpetuity.

At some point, we've already seen indications that, for example, some suppliers in China have moved to India or Vietnam or other locations not subject to a tariff or other regulatorily-driven raw material inflation. In the fragrance side of the business, certainly there was some well-publicized disasters, natural and otherwise, that were impacting that inflationary pressure in many cases. So, we're seeing some moderation there in the market in the second half. So, those would be some of the key headwinds that we saw coming in.

I think, Steve, if you want to speak to anything?

Steve Rolfs
Yes. So, one other headwind we talked about tied to the lower production levels would be our efforts to reduce inventory. So, last year, we were investing in inventory and building inventory to help with service levels and this year we've taken about $30 million out of our inventory thus far. So, those lower production levels have created a little bit of a profit headwind. But to Paul's point, we're also taking costs out of the plants. So, we'll continue to focus on inventory but that should be offset, I think, by the costs we've taken out as we get to the second half of the year.

Heidi Vesterinen
And then as a final question, I think you said in the prepared remarks that part of the weakness in F&F was also the very tough comparable that you had. We can observe that actually on a two-year run rate. Q2 was more or less in line with Q1 if you do a sort of two-year average. So, as we look out into Q3, the comp is a lot easier. Can we expect quite a nice bounce back in growth as we go into the second half in the F&F business?

Paul Manning
Well, I think as we look at the second half, it will be an improved situation for F&F and certainly as we go into 2020. Our sales in flavors and extracts, that category, I think you're going to continue to see that mid-single-digit type pace. I think we've been fairly consistent at that level and I think that's one that we can continue and you can continue to rely upon.

The headwind there, the flavor ingredients would be the offset. I don't think that headwind will be as strong in Q3 as it was in Q2, and certainly in Q4 as well. So, I think you can see some moderation in the headwind related to the flavor ingredients.

But the metric to really continue to watch, I think, is going to be the flavor and extract category where we continue to see positive developments. And that's very much, again, core to our strategy and where our efforts and focus and attention have really been.

Heidi Vesterinen
Thank you.

Paul Manning
Thank you, Heidi.

Operator
Again, if you would like to ask a question, please press star, then one.

The next question comes from Curt Siegmeyer with KeyBanc. Please go ahead.

Curt Siegmeyer
Hi, Paul. Hi, Steve.

Paul Manning
Hi, Curt.

Curt Siegmeyer

In Flavors, you talked about some of the defensibility and competitive nature in that business, the lines that are struggling. And I guess my question is would exiting some of these struggling product lines be something you guys would look at, at some point? And if not, what would the strategic rationale be to not take a look at that? In turns customer relationships that lead to other business? Or maybe just give us a little color on your thought process there.

Paul Manning
Yes. Well, the portfolio is always evolving. Right? How things looked even a year ago may have been a little bit different. The first evaluations of the portfolio really was the origin of the restructuring programs. We were identifying where we had too much production capacity, product lines that weren't profitable, defensible, all those things, not key to our strategy. Call them legacy parts of the portfolio.

So, as the journey continues, we're always looking at the portfolio. We're always looking at parts of it that make sense, where we have synergies between parts of the Flavor Group, parts of the Color Group, between flavors and colors, and certainly we have a lot of those. And, again, as the competitive situation may change, as our success in certain categories improves and that enables us to move out of certain other categories, these are always on the table. And so I think that we'll leave that as it's an ongoing part of our analysis of the portfolio.

Curt Siegmeyer
Okay. Fair enough. And I apologize if I missed it, but were you able to quantify some of the expected savings that you had talked about in Flavors?

Steve Rolfs
We did not previously quantify them but we have significant cost-out actions. We have targets of I would say between $5 million and $10 million of cost out. And at the lower levels of production, that should stabilize our margins and get us right-sized in terms of the volume level.

Curt Siegmeyer
Got it. That's helpful. If I could just squeeze one more in, Paul, you had mentioned expecting a less competitive environment in the savory segment. Can you maybe expand on that a little bit why that's your expectation?

Paul Manning
Yes. This is obviously public information now, but a producer of one of the savory ingredients has exited, or is going to exit, the production and sale of those products. And so I guess that shows you a couple of things. I don't know specifically their reasons for it but I think any time a competitor exits a market, I think that would be a positive for us.

Curt Siegmeyer
Yes. Makes sense. Okay. Thank you.

Paul Manning
Okay. Thanks, Curt.

Operator
Our next question is from Mike Sison, also with KeyBanc. Please go ahead.

Mike Sison
Hi, guys.

Paul Manning
Hi, Mike.

Mike Sison
Paul, when you think about your profitability in Flavors and Fragrances, it took a pretty big dip there in 2Q. And if we model out your guidance, it looks like you'll settle in for the year somewhere around 13-ish percent. So, you've always sort of talked about wanting to get that segment to 20% or it should be a business that structurally can get there. When you think about the factors that would help you get there, what you need to do to get there, where do you think we are at, given you've had a lot of cost savings over the last couple years, and just help us maybe build that profit improvement potential.

Paul Manning
It's going to be driven by additional sales of flavor and extracts, additional sales of our bio nutrient products, additional sales coming from our natural ingredients business, the onion and garlic business. Those will be the big profit drivers.

Where the headwind on flavor ingredients plays into the profit picture is that many of these plants certainly have the capacity to handle large volumes of these items. So, the ability to stabilize those parts of the business are very, very important, not necessarily as huge profit drivers for us but obviously to maintain a stable production capacity. That can certainly help considerably. Not unlike the Color Group, where we have a number of products that have been sold for many, many years provides a stable foundation. It provides a stable base of business and it's really the basis upon which you deal with many of your customers. You sell kind of a range of these products.

And so the key thing to turning around the profit is—yes, the offensive side is more flavor and extract sales but the other piece is continuing to stabilize the flavor ingredients business. And, absent that, taking out the fixed costs associated with them would also be important.

SG&A is, I think we're going to continue—we've made a level of investment in the business that would allow us to operate a much larger business at times. But some of the SG&A-related R&D and technical and commercial is kind of a necessary infrastructure to have in order to build a larger business. So, we don't need to add a whole heap of SG&A as we generate more revenue out of flavors and extracts and bio nutrients, and these other important areas.

So, the key thing here at this point is moderating the flavor ingredient losses. Some of that will come from these markets. Right? I mean, yogurt has been on a decline for about seven years now but certainly, ice cream has stabilized considerably and it's actually been growing. That market has been growing and we've been growing in it. I think there is some indications and some signs that the soup market may be improving. There have been some changes on the CPG side of the house and some added emphasis has been placed there. That'll be very, very helpful. The exiting of a competitor from one of those categories, that's also going to be very, very helpful.

So, I think that that's the way I would see the future profit improvement on the flavor and extracts side of things.

Mike Sison
Got it. And then on the color side, what inning do you think or do you see with your customers in terms of converting shelf space from synthetic colors to natural colors? Do you still think there's a long runway for growth for natural colors in products on the shelves?

Paul Manning

Yes. For the first half of this year, we're up north of 10% on natural color sales. In terms of the baseball innings here, about 30% of the shelf space outside of Europe—so, I'm talking Americas now—would be naturally colored. So, that would tell you that it's about the third inning. In Europe, we're probably in about the seventh or eighth inning. In Asia, we're probably in, like, the bottom of the first.

Mike Sison
Great. And then—

Paul Manning
So, lots of growth potential there for many, many, many years to come.

Mike Sison
Right. And then your balance sheet is still in pretty good shape. It looks like multiples out there are pretty rich for the F&F group. But other opportunities potentially that could maybe help you accelerate some of the growth in flavors particularly?

Paul Manning
Yes, there are certainly interesting smaller, technology-driven platforms and companies that could certainly play a part in the future here.

Mike Sison
Great. Thank you.

Paul Manning
Okay. Thanks, Mike.

Operator
The next question is a follow-up question from Brett Hundley with Seaport Global. Please go ahead.

Brett Hundley
Hi, thanks for taking that. Just real quick, guys, just to be clear, your new board member that you're adding, will that make 11 or will that make 10 as you go into 2020? And then just any other comment that you want to put around that announcement. I've received a couple inbounds on it and so I just wanted to give the opportunity to talk about it further here. Thanks.

Paul Manning
Sure. Yes, so Carol will be our 11th board member. As I've discussed over the years, we're always in the mode of refreshing the board. So, as you saw from the press release, she's the CEO of Harbison Walker International. So, it's a complex business. It's an international business. They manufacture and I think she has a very pragmatic commercial approach to businesses, and I think she'll be a very good contributor to our board.

So, we are authorized, I believe, to have up to 12 on our board, 13 in fact. And so, I think we'll continue to operate within the band that we have for the board. And so, Carol will start in December and we're very much looking forward to having her on board.

Brett Hundley
Thanks, Paul.

Paul Manning
Okay. Thanks, Brett.

Operator
Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to the company for any closing remarks.

CONCLUSION

Steve Rolfs
Okay. Thank you, everyone, for your time this morning. That will conclude our call today.

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