

A photograph of a modern, multi-story office building with a glass facade. The Sensient logo is visible on the building's exterior. The sky is blue with scattered white clouds. Green trees and foliage are visible in the foreground and background.

# Sensient Technologies Corporation

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Paul Manning, Chairman, President & CEO

Stephen Rolfs, SVP & CFO

Third Quarter 2019

# FORWARD-LOOKING STATEMENTS

*This document contains statements that may constitute “forward-looking statements” within the meaning of Federal securities laws. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors concerning the Company’s operations and business environment. Important factors that could cause actual results to differ materially from those suggested by these forward-looking statements and that could adversely affect the Company’s future financial performance include the following: the pace and nature of new product introductions by the Company and the Company’s customers; the Company’s ability to successfully implement its strategy to create sustainable, long-term shareholder value; the Company’s ability to successfully implement its growth strategies; the outcome of the Company’s various productivity-improvement and cost-reduction efforts; the success of the Company’s efforts to explore strategic alternatives for certain non-core businesses; changes in costs or availability of raw materials, including energy; industry and economic factors related to the Company’s domestic and international business; growth in markets for products in which the Company competes; industry and customer acceptance of price increases; actions by competitors, including increased intensity of competition; the loss of any customers in certain product lines in which our sales are made to a relatively small number of customers; product liability claims or product recalls; the costs of compliance, or failure to comply, with laws and regulations applicable to our industries and markets; changing consumer preferences and changing technologies; currency exchange rate fluctuations; estimates related to the Tax Cuts and Jobs Act and its effects on our results; and failure to complete and integrate future acquisitions or dispositions. The risks and uncertainties identified above are not the only risks the Company faces. Additional risks and uncertainties not presently known to the Company or that it currently believes to be immaterial also may adversely affect the Company. Should any known or unknown risks and uncertainties develop into actual events, these developments could have material adverse effects on our business, financial condition and results of operations. This document contains time-sensitive information that reflects management’s best analysis only as of the date of this document. Except to the extent required by applicable laws, the Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied herein will not be realized. Additional information regarding these risks can be found in our most recent Annual Report on Form 10-K/A and subsequent reports that the Company files with the SEC.*

# NON-GAAP FINANCIAL MEASURES

Within this document, the Company reports certain non-GAAP financial measures, including: (1) adjusted operating income and adjusted diluted EPS from continuing operations (which exclude restructuring and other costs as well as the impact of the Tax Cuts and Jobs Act (“2017 Tax Legislation”)) and (2) percentage changes in revenue, operating income, adjusted diluted EPS, and adjusted EBITDA on a local currency basis (which eliminate the effects that result from translating its international operations into U.S. dollars). The Company has included each of these non-GAAP measures in order to provide additional information regarding our underlying operating results and comparable period-over-period performance. Such information is supplemental to information presented in accordance with GAAP and is not intended to represent a presentation in accordance with GAAP. These non-GAAP measures should not be considered in isolation. Rather, they should be considered together with GAAP measures and the rest of the information included in this report (including the GAAP to non-GAAP reconciliation found at the end of this report) and the Company’s SEC filings.

# Innovative Technologies Creating Unique Solutions



Ingredient solutions serving Food & Beverage, Cosmetic, Pharmaceutical, and Industrial markets

Applications expertise and solutions-based selling

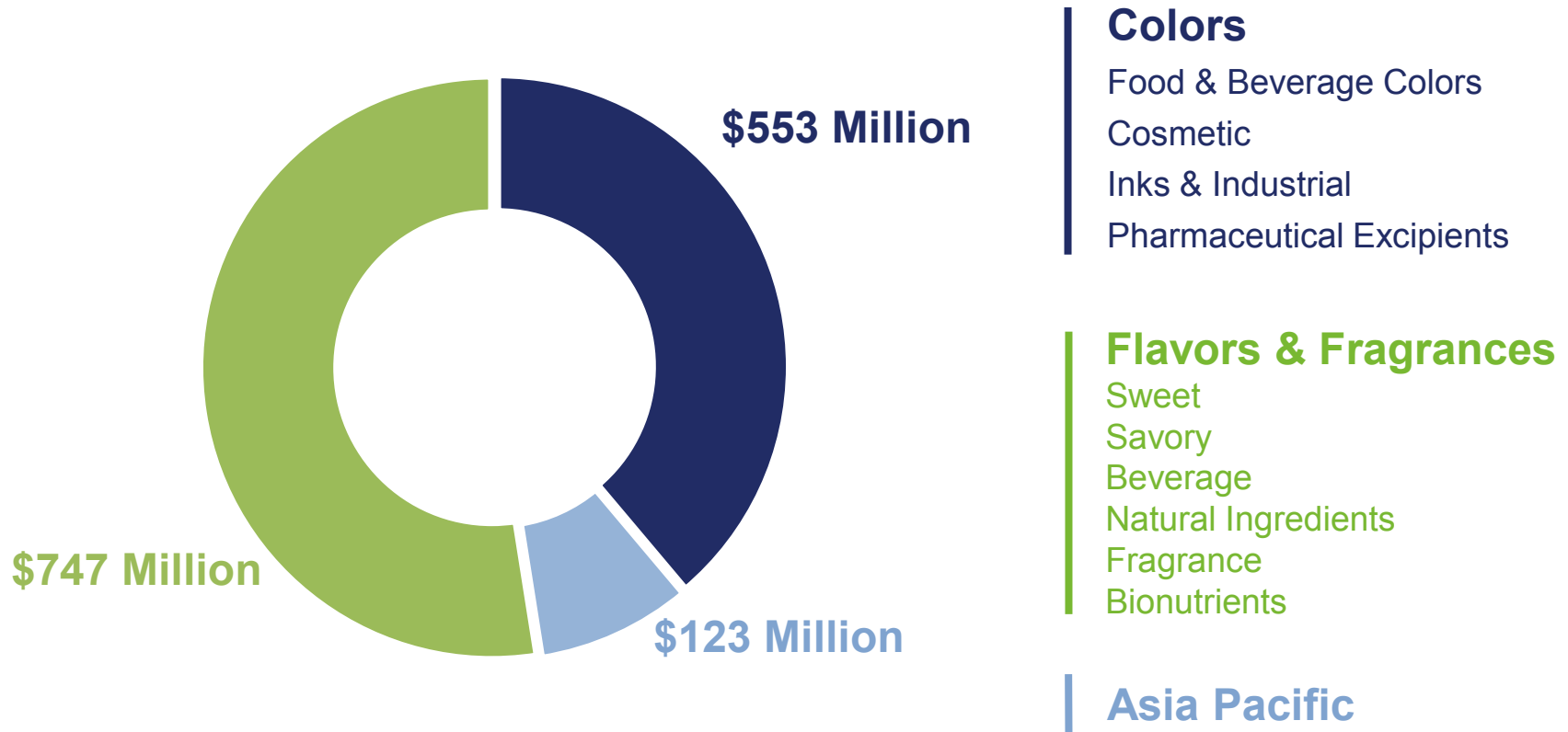
High impact relative to cost

Technically-driven products that are difficult to replace

Strong consumer trends

Opportunities to expand through M&A

# Global Revenues by Group



# Sensient Colors



Global market leader

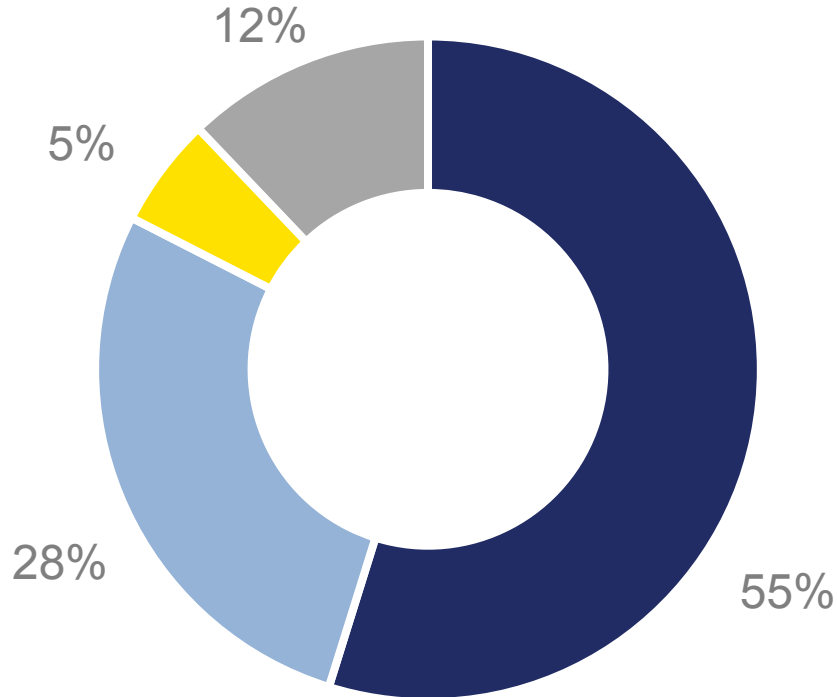
Natural color innovator

Growing end markets

Unmatched innovation & applications expertise

# Color Group Markets Served

Percent of Group Revenues ('18)

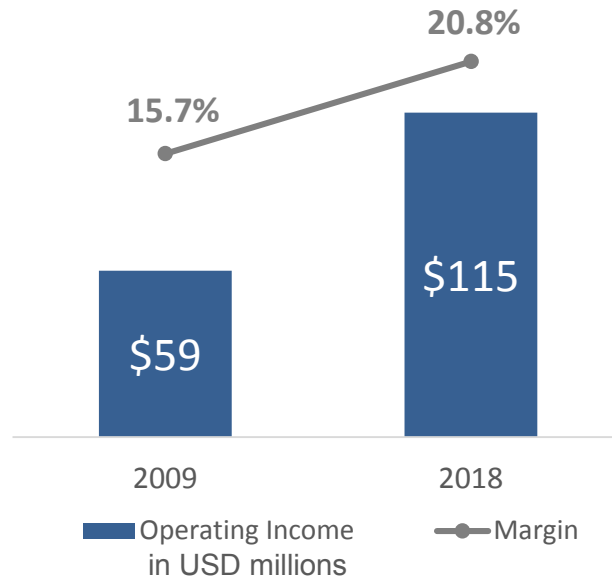


BUSINESS	POSITION	TREND
Food & Beverage Colors	Top player	Natural colors
Cosmetic	Top player	Natural solutions, Innovation
Inks & Industrial	Top player	Innovation, Sustainability
Pharmaceutical Excipients	Specialty player	Natural colors & extracts



# Color Group

## Operating Income and Margins



Higher operating margin through mix improvement

Increased operating income

Well-positioned to take advantage of strong commercial trends

Culled non-strategic, low margin business



# Sensient Flavors & Fragrances



Broad product offering

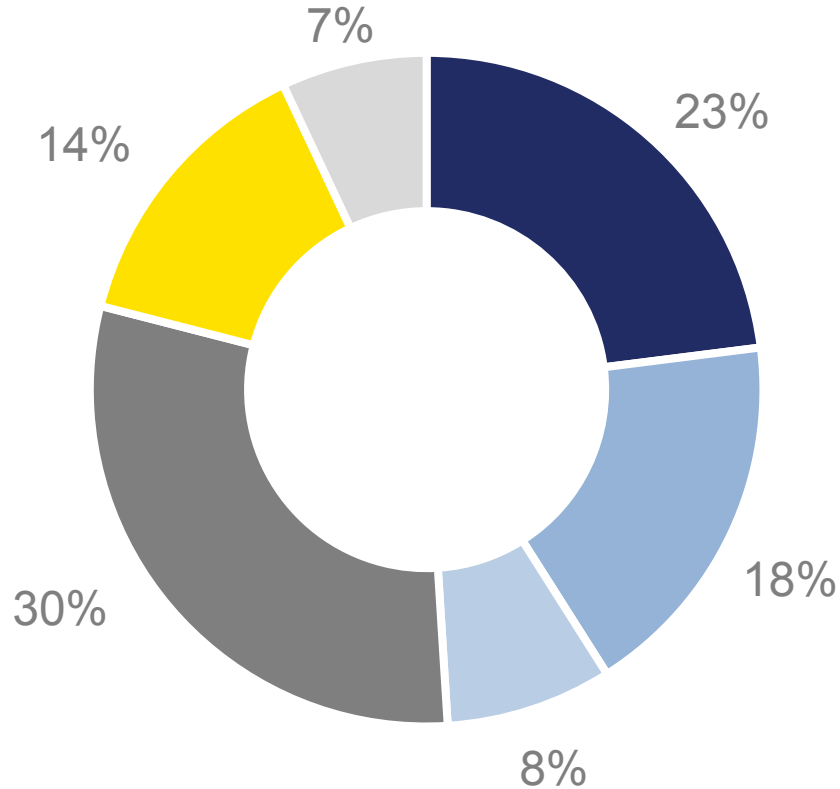
Unique ability to service global, regional, and local customers

Leading technology platforms

Unmatched applications expertise

# Flavors & Fragrances Group Markets Served

Percent of Group Revenues ('18)



BUSINESS	POSITION	TREND
Sweet	Top 10	Clean labels, natural flavors, extracts, sugar-free, salt-reduction, taste-masking, organic
Savory	Top 10	
Beverage	Top 10	
Natural Ingredients	Top player	
Fragrance	Top 10	Innovation, Natural products
Bionutrients	Top player	Probiotics

# Flavors & Fragrances Group

2013-2017 restructuring program resulted in improved product mix, streamlined production footprint and lower capital intensity

Restructuring efforts resulted in business disruptions; however, lost sales impacts are leveling off

Future emphasis on high value-added product portfolio mix and cost optimization to achieve margin improvement

Topline growth is expected to return in 2020 due to improving conditions in certain product lines

# Asia Pacific Group

Sales of Flavors and Colors in the Asia Pacific markets are reported as a separate segment since it is managed on a geographic basis

Manufacturing capabilities in Australia, New Zealand, China, Japan, Philippines; R&D capabilities in Singapore, Thailand, and China

Annual revenues of \$123 million and Operating Income of \$21 million in 2018

Excellent long-term growth potential

# 2019 Q3 Highlights

Strong demand for natural colors continued in the quarter at near double-digit growth in all regions except EU

Cosmetic market still soft; expect gradual improvement to order patterns over the next two quarters

Finished flavors and extract product line sales remained strong at high single-digit growth, offset by lower flavor ingredient sales

Market and economic conditions have resulted in a challenging environment

Tariffs inflated raw material costs and also impacted sales trends in several markets

# 2019 Q3 Highlights

Sensient announced that it is reviewing strategic alternatives, including the potential sale, of its Inks, Fragrances, and North American Fruit Prep product lines

In total, these businesses represented approximately 10% of the 2018 consolidated revenue

The sale of these businesses solidifies our focus on core strategic businesses and improves the company's future growth profile

# 2019 Q3 Consolidated Results

	Q3	YTD
Local Currency Revenue*	(6.0%)	(3.2%)
Local Currency Operating Income*	(22.0%)	(12.3%)
Local Currency Adjusted Diluted EPS*	(20.0%)	(13.4%)
Local Currency Adjusted EBITDA*	(15.0%)	(9.4%)

**Q3 Revenue:** Consolidated revenue decreased due to lower sales in flavor ingredients and market softness in cosmetics and certain regions for food and beverage colors, partially offset by continued strong sales of natural colors and finished flavors and extracts.

**Q3 Operating Income:** Consolidated operating income declined on lower sales, higher raw material costs, and trade and economic impacts.



# 2019 Q3 Segment Results

## Local Currency Revenue\*

	Q3	YTD
Color	(4.2%)	(0.8%)
Flavors & Fragrances	(7.6%)	(5.2%)
Asia Pacific	(5.3%)	(3.6%)

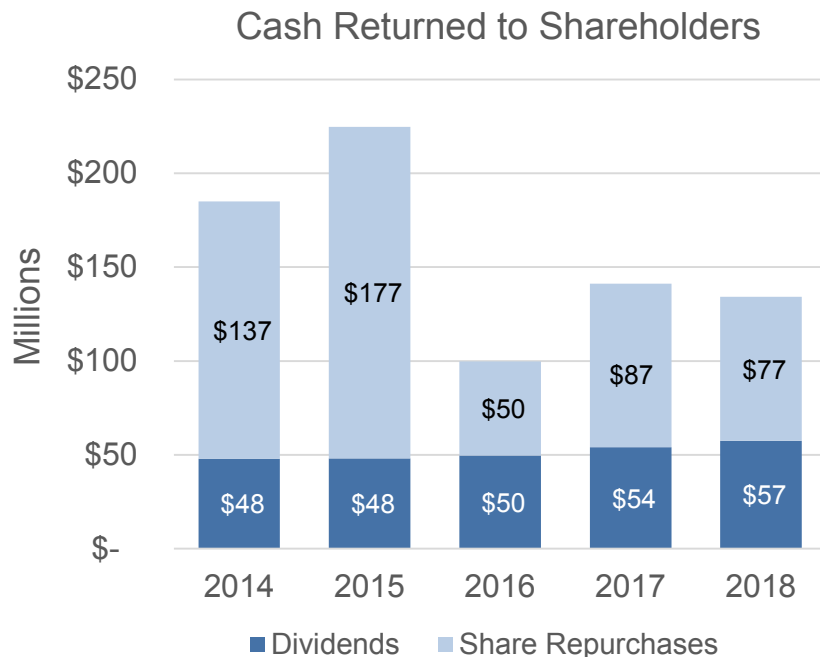
Color Group third quarter revenue decreased due to lower sales resulting from soft market conditions in Food and Beverage in North America and Europe and Cosmetic, partially offset by strong growth in natural colors and pharmaceutical. Operating income declined in the third quarter due to lower sales and higher raw material costs.

## Local Currency Operating Income\*

	Q3	YTD
Color	(9.8%)	(7.5%)
Flavors & Fragrances	(28.2%)	(17.3%)
Asia Pacific	(11.3%)	(11.4%)

Flavors & Fragrances Group reported lower revenue in the quarter as solid sales of finished flavors and extracts were offset by lower revenue in certain ingredient product lines. Operating income was down due to lower sales and lower production volumes.

# Capital Allocation



Prioritize ROI capital projects

Maintain dividend payout ratio

Debt reduction to maintain targeted leverage

Maintain financial flexibility to pursue M&A

Excess capital returned to shareholders through opportunistic share repurchases

# 2020 Revenue and Profit Outlook

Year-over-year revenue growth driven by:

- Investing in core areas of Food Colors, Finished Flavors and Extracts, Cosmetics, Pharmaceuticals, and Natural Ingredients
- Divesting non-core product lines where Sensient lacks scale
- Return to growth in our Cosmetic business

Profit improvement will be achieved through:

- Improving competitive landscape for Savory flavor
- Improving product mix as Cosmetic returns to growth and we divest the Inks, Fragrances, and North American Fruit Prep product lines
- Reducing our manufacturing and administrative cost structure
- Moderating raw material cost impact related to synthetic colors

# 2019 Financial Outlook

Updated Full Year 2019 Guidance:

Metric	Updated Guidance
Diluted EPS	\$2.90 - \$3.00
Adjusted EBITDA	Below 2018 Adjusted EBITDA

# Why Invest?

Strong competitive position

'Sticky' business (& low portion of customer costs)

Global presence

Exposure to stable and growing markets

Focus on improving returns and on growth

## Non-GAAP Financial Measures

Within the following tables, the Company reports certain non-GAAP financial measures, including: (1) adjusted operating income, adjusted net earnings, and adjusted diluted EPS (which exclude restructuring, other costs and the impact of the 2017 Tax Cuts and Jobs Act (2017 Tax Legislation)) and (2) percentage changes in revenue, operating income, adjusted diluted EPS, and adjusted EBITDA on a local currency basis (which eliminate the effects that result from translating its international operations into U.S. dollars). The other costs in 2017 are divestiture related costs.

The Company has included each of these non-GAAP measures in order to provide additional information regarding our underlying operating results and comparable period-over-period performance. Such information is supplemental to information presented in accordance with GAAP. These non-GAAP measures should not be considered in isolation. Rather, they should be considered together with GAAP measures and the rest of the information included in this presentation and the Company's SEC filings. Management internally reviews each of these non-GAAP measures to evaluate performance on a comparative period-to-period basis and to gain additional insight into underlying operating and performance trends, and the Company believes the information can be beneficial to investors for the same purposes. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Full Year Ended December 31, 2018	Full Year Ended December 31, 2017
<b>Operating income (GAAP)</b>	\$ 38,788	\$ 50,264	\$ 203,378	\$ 167,806
Restructuring - Cost of products sold	-	-	-	2,889
Restructuring - Selling and administrative	-	-	-	33,627
Other - Selling and administrative	-	-	-	11,555
<b>Adjusted operating income</b>	<b>\$ 38,788</b>	<b>\$ 50,264</b>	<b>\$ 203,378</b>	<b>\$ 215,877</b>
<b>Net earnings (GAAP)</b>	\$ 31,871	\$ 47,193	\$ 157,360	\$ 89,600
Restructuring & other, before tax	-	-	-	48,071
Tax impact of restructuring & other	-	-	-	(5,602)
Impact of the 2017 Tax Legislation	-	(7,061)	(6,634)	18,446
<b>Adjusted net earnings</b>	<b>\$ 31,871</b>	<b>\$ 40,132</b>	<b>\$ 150,726</b>	<b>\$ 150,515</b>
<b>Diluted EPS from (GAAP)</b>	\$ 0.75	\$ 1.12	\$ 3.70	\$ 2.03
Restructuring & other, net of tax	-	-	-	0.96
2017 Tax Legislation	-	(0.17)	(0.16)	0.42
<b>Adjusted diluted EPS</b>	<b>\$ 0.75</b>	<b>\$ 0.95</b>	<b>\$ 3.55</b>	<b>\$ 3.42</b>
<b>Average common shares outstanding:</b>				
Diluted	42,299	42,313	42,499	44,031

The following table summarizes the percentage change in the 2019 results compared to the 2018 results for the corresponding periods:

	<b>Three Months Ended September 30,</b>			<b>Nine Months Ended September 30,</b>		
	<b>Total</b>	<b>Foreign Exchange Rates</b>	<b>Local Currency</b>	<b>Total</b>	<b>Foreign Exchange Rates</b>	<b>Local Currency</b>
<b>Revenue</b>						
Flavors & Fragrances	(9.1%)	(1.5%)	(7.6%)	(7.0%)	(1.8%)	(5.2%)
Color	(6.0%)	(1.8%)	(4.2%)	(3.9%)	(3.1%)	(0.8%)
Asia Pacific	(3.7%)	1.6%	(5.3%)	(4.8%)	(1.2%)	(3.6%)
<b>Total Revenue</b>	<b>(7.3%)</b>	<b>(1.3%)</b>	<b>(6.0%)</b>	<b>(5.5%)</b>	<b>(2.3%)</b>	<b>(3.2%)</b>
<b>Operating Income</b>						
Flavors & Fragrances	(29.1%)	(0.9%)	(28.2%)	(18.0%)	(0.7%)	(17.3%)
Color	(11.8%)	(2.0%)	(9.8%)	(10.8%)	(3.3%)	(7.5%)
Asia Pacific	(6.0%)	5.3%	(11.3%)	(9.4%)	2.0%	(11.4%)
Corporate & Other	11.5%	0.0%	11.5%	(9.3%)	(0.1%)	(9.2%)
<b>Total Operating Income</b>	<b>(22.8%)</b>	<b>(0.8%)</b>	<b>(22.0%)</b>	<b>(14.3%)</b>	<b>(2.0%)</b>	<b>(12.3%)</b>
<b>Diluted Earnings Per Share</b>	<b>(33.0%)</b>	<b>(0.9%)</b>	<b>(32.1%)</b>	<b>(19.9%)</b>	<b>(1.7%)</b>	<b>(18.2%)</b>
<b>Adjusted Diluted Earnings Per Share</b>	<b>(21.1%)</b>	<b>(1.1%)</b>	<b>(20.0%)</b>	<b>(15.2%)</b>	<b>(1.8%)</b>	<b>(13.4%)</b>
<b>Adjusted EBITDA</b>	<b>(15.8%)</b>	<b>(0.8%)</b>	<b>(15.0%)</b>	<b>(11.2%)</b>	<b>(1.8%)</b>	<b>(9.4%)</b>



