

SENSIENT TECHNOLOGIES CORP  
Form 10-Q  
May 07, 2013

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-7626

SENSIENT TECHNOLOGIES CORPORATION  
(Exact name of registrant as specified in its charter)

Wisconsin  
(State or other jurisdiction of incorporation or organization)

39-0561070  
(I.R.S. Employer Identification Number)

777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202-5304  
(Address of principal executive offices)

Registrant's telephone number, including area code: (414) 271-6755

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 2013
Common Stock, par value \$0.10 per share	50,043,051

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ITEM 1.FINANCIAL INFORMATION  
FINANCIAL STATEMENTSSENSIENT TECHNOLOGIES CORPORATION  
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS  
(In thousands except per share amounts)  
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Revenue	\$365,640	\$365,660
Cost of products sold	248,503	250,328
Selling and administrative expenses	80,799	68,843
Operating income	36,338	46,489
Interest expense	4,261	4,406
Earnings before income taxes	32,077	42,083
Income taxes	10,638	13,177
Net earnings	\$21,439	\$28,906
Average number of common shares outstanding:		
Basic	49,711	49,795
Diluted	49,867	50,016
Earnings per common share:		
Basic	\$0.43	\$0.58
Diluted	\$0.43	\$0.58
Dividends per common share	\$0.22	\$0.21

See accompanying notes to consolidated condensed financial statements.

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SENSIENT TECHNOLOGIES CORPORATION  
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
(In thousands)  
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Comprehensive Income	\$3,386	\$53,781

See accompanying notes to consolidated condensed financial statements.

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SENSIENT TECHNOLOGIES CORPORATION  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(In thousands)

ASSETS	March 31, 2013 (Unaudited)	December 31, 2012
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 19,470	\$ 15,062
Trade accounts receivable, net	254,451	237,626
Inventories	425,061	442,714
Prepaid expenses and other current assets	57,108	55,952
<b>TOTAL CURRENT ASSETS</b>	<b>756,090</b>	<b>751,354</b>
<b>OTHER ASSETS</b>	<b>47,418</b>	<b>47,685</b>
<b>INTANGIBLE ASSETS, NET</b>	<b>11,133</b>	<b>11,578</b>
<b>GOODWILL</b>	<b>441,124</b>	<b>451,318</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land	54,017	53,387
Buildings	333,164	339,732
Machinery and equipment	715,418	735,237
Construction in progress	52,883	41,999
	1,155,482	1,170,355
Less accumulated depreciation	(643,235 )	(655,647 )
	512,247	514,708
<b>TOTAL ASSETS</b>	<b>\$ 1,768,012</b>	<b>\$ 1,776,643</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade accounts payable	\$ 81,970	\$ 96,283
Accrued salaries, wages and withholdings from employees	24,342	27,162
Other accrued expenses	59,848	56,946
Income taxes	7,529	3,797
Short-term borrowings	32,769	20,048
<b>TOTAL CURRENT LIABILITIES</b>	<b>206,458</b>	<b>204,236</b>
<b>OTHER LIABILITIES</b>	<b>25,028</b>	<b>24,003</b>
<b>ACCRUED EMPLOYEE AND RETIREE BENEFITS</b>	<b>60,939</b>	<b>60,527</b>

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LONG-TERM DEBT	327,625	333,979
SHAREHOLDERS' EQUITY:		
Common stock	5,396	5,396
Additional paid-in capital	98,997	98,253
Earnings reinvested in the business	1,160,532	1,150,092
Treasury stock, at cost	(94,325 )	(95,258 )
Accumulated other comprehensive loss	(22,638 )	(4,585 )
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,147,962</b>	<b>1,153,898</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$1,768,012</b>	<b>\$1,776,643</b>

See accompanying notes to consolidated condensed financial statements.

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## SENSIENT TECHNOLOGIES CORPORATION

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities:		
Net earnings	\$21,439	\$28,906
Adjustments to arrive at net cash provided by operating activities:		
Depreciation and amortization	12,963	12,037
Share-based compensation	640	1,201
Loss (gain) on assets	2,380	(29 )
Deferred income taxes	1,804	(191 )
Changes in operating assets and liabilities	(13,637 )	(32,946 )
Net cash provided by operating activities	25,589	8,978
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(21,039 )	(16,939 )
Proceeds from sale of assets	24	32
Other investing activity	(70 )	(94 )
Net cash used in investing activities	(21,085 )	(17,001 )
Cash flows from financing activities:		
Proceeds from additional borrowings	33,438	31,364
Debt payments	(23,954 )	(11,613 )
Purchase of treasury stock	-	(15,360 )
Dividends paid	(10,999 )	(10,561 )
Proceeds from options exercised and other equity transactions	56	272
Net cash used in financing activities	(1,459 )	(5,898 )
Effect of exchange rate changes on cash and cash equivalents	1,363	4,415
Net increase (decrease) in cash and cash equivalents	4,408	(9,506 )
Cash and cash equivalents at beginning of period	15,062	22,855
Cash and cash equivalents at end of period	\$19,470	\$13,349

See accompanying notes to consolidated condensed financial statements.



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SENSIENT TECHNOLOGIES CORPORATION  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

1. Accounting Policies

In the opinion of Sensient Technologies Corporation (the “Company”), the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) which are necessary to present fairly the financial position of the Company as of March 31, 2013, and December 31, 2012, and the results of operations, comprehensive income and cash flows for the three months ended March 31, 2013 and 2012. The results of operations for any interim period are not necessarily indicative of the results to be expected for the full year.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Expenses are charged to operations in the year incurred. However, for interim reporting purposes, certain expenses are charged to operations based on a proportionate share of estimated annual amounts rather than as they are actually incurred. In interim periods, depreciation expense is estimated using actual depreciation on fixed assets that have been placed in service at the beginning of the year, combined with an estimate of depreciation expense on expected current year additions.

On January 1, 2013, the Company adopted Accounting Standards Update (ASU) No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires companies to report the effect on the line items for significant items reclassified out of other comprehensive income to net income, prospectively. The Company has included this disclosure in Note 9 of these Consolidated Condensed Financial Statements. The adoption of this ASU had no impact on the Company’s financial condition or results of operations.

Refer to the notes in the Company's annual consolidated financial statements for the year ended December 31, 2012, for additional details of the Company's financial condition and a description of the Company’s accounting policies, which have been continued without change except with respect to ASU No. 2013-02.

2. Fair Value

Accounting Standards Codification (“ASC”) 820, Fair Value Measurements and Disclosures, defines fair value for financial assets and liabilities, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. As of March 31, 2013, and December 31, 2012, the Company’s only assets and liabilities subject to this standard are forward exchange contracts and mutual fund investments. The fair value of the forward exchange contracts based on current pricing obtained for comparable derivative products (Level 2 inputs) was an asset of \$0.2 million as of March 31, 2013, and was negligible as of December 31, 2012. The fair value of the investments based on March 31, 2013, and December 31, 2012, market quotes (Level 1 inputs) was an asset of \$20.1 million and \$20.3 million, respectively.

The carrying values of the Company’s cash and cash equivalents, trade accounts receivable, accounts payable, accrued expenses and short term borrowings approximated fair values as of March 31, 2013. The fair value of the Company’s long-term debt, including current maturities, is estimated using discounted cash flows based on the Company’s current incremental borrowing rates for similar types of borrowing arrangements (Level 2 inputs). The carrying value of the

long-term debt at March 31, 2013, was \$327.6 million. The fair value of the long-term debt at March 31, 2013, was \$347.0 million.

3. Debt

On April 5, 2013, the Company entered into an agreement with investors to issue 10-year, fixed-rate senior notes of \$75 million and about €38 million at fixed rates of 3.66% and 3.06%, respectively. These notes will have a final maturity in November of 2023. Proceeds from the sale of the notes will be received in November 2013 and used to repay maturing debt and for general corporate purposes.

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## 4. Segment Information

Operating results by segment for the periods presented are as follows:

(In thousands)	Flavors & Fragrances	Color	Corporate & Other	Consolidated
Three months ended March 31, 2013:				
Revenue from external customers	\$ 207,615	\$ 122,281	\$ 35,744	\$ 365,640
Intersegment revenue	9,426	5,597	249	15,272
Total revenue	\$ 217,041	\$ 127,878	\$ 35,993	\$ 380,912