

2014 Flavor & Fragrance Leaderboard

A review of top companies' sales, R&D and sustainability activities, M&A activity, expansion and growth drivers.

The global 2013 flavor and fragrance market was valued at an estimated \$23.9 billion, compared to \$22.9 billion in 2012 and \$21.8 billion in 2011.

Another number to watch is the percentage of the market represented by the sales results of the top 11 companies. In 2009, the top-ranked companies comprised 72.6% of the total market. Today, the top 11 flavor and fragrance companies comprise 81.6% of the total.

These companies are finding new opportunities in emerging markets, acquisitions, new technologies, health and wellness solutions, backward-integrated supply chains, and elsewhere. And so we are pleased to present *Perfumer & Flavorist* magazine's 2014 Flavor & Fragrance Leaderboard, a ranking of the top companies (see **A Note on Rankings**) with select exclusive insights from key executives on the state and future of the industry.

Flavor Market Factors

According to marketing research firm Markets & Markets (www.marketsandmarkets.com), the food flavor market is expected to reach \$13.7 billion by 2018, driven by demand for natural formulations, emerging markets and growth in mature markets.

"North America is the largest market for food flavor, followed by Asia-Pacific and Europe," Markets & Markets notes. "The Asia-Pacific market is estimated to grow at a [compound annual growth] CAGR of 6.0% from 2013 to 2018. Asia-Pacific represents the fastest growing market, followed by Europe."

Fragrance Market Factors

Meanwhile, a new report by Global Industry Analysts (www.strategyr.com) predicts that the global fragrances and perfumes market will reach about \$45.6 billion by 2018, driven primarily by growth in under-penetrated emerging markets and innovative product launches, as well as relatively new growth areas such as men's fragrance.

According to the research report, "Fragrances and Perfumes: A Global Strategic Business Report," developed regions have mature market profiles for fragrances and perfumes driven by the growing aging population, which uses fewer perfumes and fragrances than younger consumers. However, the report added that the "feel good factor" associated with fragrances and perfumes, increasing demand for scent among young men and women, the expanding men's fragrance segment, new product innovation and the growing popularity of celebrity fragrances will be factors in triggering growth.

A Note on Rankings

The 2014 *Flavor & Fragrance Leaderboard* rankings are based on sales data and estimates*—gathered by *Perfumer & Flavorist* magazine and John Leffingwell, who provided the majority of the tabulations and market share estimates.** Rank is based on U.S. dollar equivalents. Conversions are based on major currency rates as of Dec. 31, 2013, unless otherwise noted.

Leffingwell further explains:

"It should be noted, based on our very preliminary estimates, that Wild and Takasago are essentially tied for fifth place in the rankings. We have estimated that revenue in euros for Wild increased about 6.8% (based on inclusion of full-year sales of acquisitions made primarily in 2012) and revenue for Takasago increased about 9% in Japanese

yen (based on reported nine-month 2013 sales). We await final official numbers, which may change our estimates somewhat.

"For 2013, based on comparison of major currency rates (on Dec. 31), the Swiss franc vs. the U.S. dollar had an increase of 2.8%, and the euro vs. the U.S. dollar gained 4.5%. The British pound vs. U.S. dollar increased 1.9% and the Brazilian real vs U.S. dollar declined 13.3%. The Japanese yen vs. U.S. dollar had a decrease of 17.8% and the Chinese yuan vs. U.S. dollar increased of 2.9%, while the Indian rupee vs. U.S. dollar decreased 11.3%. However, comparing single points in time can be somewhat misleading as during the year major currency swings can occur."

* See individual rankings for details; sales volume includes preliminary estimates as of press time (March 22, 2014)

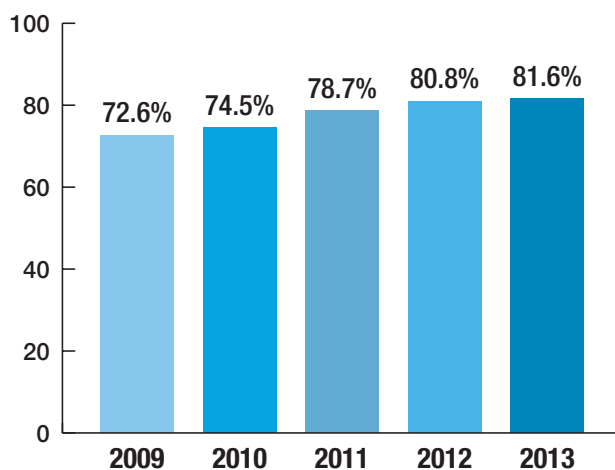
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Meanwhile, growth from developing regions, including Asia-Pacific and Latin America, is expected to be strong, which analysts predict will be the single largest factor propelling the fragrance market in the coming years.

By segment, women's fragrances have traditionally led the overall market. Thanks to innovative products, this is expected to continue to generate strong demand over the coming years. Following the change in perceptions toward the importance of male grooming and smelling good, the men's fragrance segment is expected to exhibit greater growth than ever before, the report notes. In addition, the rising importance of grooming among teenagers and young adults is expected to boost market prospects.

p&f

Percentage of total F&F market attributed to top 11 companies



Compare 2013 and 2014 Leaderboards

Read last year's *Flavor & Fragrance Leaderboard* feature on Page 26 of the June 2013 issue of *Perfumer & Flavorist*, www.perfumerflavorist.com/magazine/pastissues/.



Geneva

2013 sales: CHF 4,369 million/\$4,905.4 million

Estimated market share: 20.5%

CEO, Executive Committee Member: Gilles Andrier

First Person: Gilles Andrier



Gilles Andrier

Fragrances and flavors are important factors for consumers in deciding whether to repurchase a product, and these factors often influence their decisions more than advertising or packaging. At Givaudan, our core mission is to create tastes and smells that help our customers to differentiate their products successfully in the marketplace and

bring consumers moments of delight. Today, we are the undisputed market leader in fragrances and flavors. Leadership has a lot to do with being persistent and focused on the “mindset to be best” at everything we do for our clients. It’s about striving for excellence in innovation, consumer understanding, creation, customer relationships and service—every day.

To crystallize our ambition and the way we drive performance, we have set ourselves very ambitious financial targets and a clear growth strategy based on five pillars. One focus is to drive growth in developing markets. We’re continuously investing in growing our footprint, capabilities and people in developing markets. Recently, we have made significant investments in creation, application and production sites for flavors and fragrances in Asia and Latin America, which will enhance our capabilities to best serve our clients in these regions. Beyond these regions, we see Africa as the next big market. We already have offices in South Africa, Egypt, Nigeria and Kenya, and we aim to further expand our presence in Africa, where over a billion consumers will have more disposable income in the coming years, and where demand for body hygiene products and packaged food and beverages will increase. Talent is extremely critical, especially in developing markets. We are investing a lot in developing talented perfumers, flavorists and other specialists in these markets.

A second strategic focus is health and wellness, which is particularly important in our flavors business. We focus on providing innovative product solutions that help our

customers reduce sugar, salt and fat in their products. We invest in high-end technologies that provide our clients with solutions to address the paradox of making these products healthier, yet still taste good. Health and wellness plays an increasingly important role in our fragrance business, where we invest in programs of scientific discovery that characterize the benefits of fragrances on health and well-being. For example, we are endeavoring to quantify and validate the known fragrance benefits in areas such as improved sleep quality, relaxation, and reduced stress and enhanced cognitive performance.

In addition, we are focusing on capturing growth in targeted segments and with clients where Givaudan is underrepresented, particularly in the mature markets where we can continue growing.

The core of our strategy is innovation. We believe in the value of a holistic view of innovation throughout our value chain, from insights in consumer understanding and the discovery of new molecules and ingredients, to new technologies in order to leverage them in our creation and application process. Innovation also plays a significant role in finding new sources and ways of obtaining ingredients by using biotechnology. We believe we can address the sustainability agenda by using biotechnology to create innovative ingredients which enrich our creative palette on the one hand, and can decrease our ecological footprint on the other. We are engaging in several joint ventures which support this development and I expect to see more such partnerships in the future.

Finally, we focus on the way we source raw materials. Givaudan spends roughly CHF 1.6 billion a year on sourcing about 11,000 ingredients, providing a wide variety and diversity to enrich the creative palette of our perfumers and flavorists. This involves managing a large complexity, and also sourcing unique ingredients in a sustainable and ethical way throughout the world. We need to secure the supply of precious ingredients like ylang-ylang and vanilla to ensure today that we will also make these unique natural ingredients available for perfumers, flavorists and clients tomorrow. With 9 billion or 10 billion people estimated to be living on our planet by 2050, the world is not going to be the same, and there will be demand for land to produce food and other raw materials such as the ones I mentioned. Our teams are very active in

establishing long-term partnerships with local growers and distillers to continuously expand our collaboration in securing the most vulnerable raw materials in an ethical, sustainable way. Givaudan is committed to securing the supply, preserving the environment, and stimulating the development and well-being of communities in countries where we source raw materials, for example benzoin, vetiver or vanilla. The secure, ethical supply of materials through these origination programs creates a lot of value for our clients.

For several years, Givaudan has continuously outperformed the underlying market growth, and is on track to achieve our ambitious 2015 targets. We have delivered this strong performance thanks to our robust business model and consistent, excellent execution of our growth strategy over time. With a clear focus on serving our customers' needs with a "mindset of best," we are confident of continuing this growth path in the future.



First Person: Michael Carlos



Michael Carlos

Drivers of Growth

For the last few years the real growth drivers in fragrance have been developing markets, says Michael Carlos, president of Givaudan's fragrance division. Asia has witnessed many new fragrance consumers, he explains, while Brazil, "a country of fragrance lovers," has become the top fine

fragrance market in the world. Despite recent economic slowdowns in these regions, Carlos expects them to continue driving growth in the fragrance segment. Meanwhile, he says, the next growth frontier is Africa.

"Here we see consumers discovering soaps and detergents," says Carlos. "This trend will continue as urbanization grows in this region and people move away from the traditional habits and rural lifestyles."

Some categories of products are investing more in fragrance, he says. "For example, in Japan there are now much higher dosage levels of fragrance in products like fabric softeners, as consumers here have started to appreciate the long-lasting effects of heavier, oriental scents on fabric."

He continues, "In the fine fragrance market, there is an explosion of niche products. In the past, this was the territory of smaller players, but now larger companies are carving out an area for themselves with high-quality, expensive niche fragrances. This is what some consumers in the U.S. and Europe are looking for."

Finally, says Carlos, the social media and blogging culture that has grown up around fragrance offers promising opportunities, when combined with developing markets.

"China is one of the biggest internet markets in the world," he says. "If fragrance becomes a positive area of interest [there], I can see a change in the Chinese consumer."

Technology & Innovation

"Scientists have a big role to play in our industry," says Carlos, "in making it more sustainable, in designing fragrance solutions that drive product performance, and

creating new olfactive directions. I think that there are going to be many big changes in coming years."

He adds, "Molecules are the lifeblood of our industry—finding high-performing new molecules that can fill the gaps in the perfumers' palette left by the changing regulatory environment is a Givaudan priority."

And, says Carlos, "Anticipating changing regulations was the inspiration behind the development of our KeratinoSens^a biological assay for skin sensitization. This was recently validated by the E.U. Reference Laboratory as an alternative to animal testing. Finally, we have an approved test. It will be available for the industry at large to use next year."

Other key innovation areas include using encapsulation technologies that can overcome scent habituation issues, malodor counteraction in deodorants and concentrated fragrance in products such as detergents. The latter will lead to less fragrance ingredients in wash water, which addresses environmental issues. At the same time, Carlos says, more molecules and naturals will be produced via biotechnology, an area in which the industry has made great progress in recent years.

The Future

The ongoing expansion of emerging markets will continue to make the fragrance industry stronger, says Carlos. Givaudan has been engaged in these markets for at least 30 years, but in many regions a culture of fragrance use has not yet taken hold. Creating that culture over the long term will require fragrance houses to develop talent such as perfumers and evaluators in the region, for the region. Already, the company has announced the intention to expand the Givaudan Perfumery School as part of a new fragrance creation and compounding center in Singapore. By instilling a deeper fragrance culture, Carlos says, the company can better serve its customers.

Meanwhile, economic expansion in developing markets will continue to spur mass urbanization, though many of these consumers will remain on low incomes. So, says Carlos, fragrance houses must consider how fragrances can be developed cost-effectively while still driving relevance in products. The margins could be small, but the opportunities remain significant.

^aKeratinoSens is a trademark of Givaudan.

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(Continued from Page 21)

Finally, he says, the fragrance industry will face major shifts in ways of working in its traditional markets. Greater transparency, primarily driven by consumers in the United States, will necessitate changes from the manufacturers and

retailers. Consumers, says Carlos, will have a much bigger influence on the way the fragrance industry operates. The challenge will be to balance meeting the consumer need for transparency with continuing to thrive, innovate and create.



First Person: Mauricio Graber



Mauricio Graber

Key Trends

In 2014, we expect to see growth driven by many of the same trends and factors as in recent years: naturals, health and wellness, and authenticity in flavors and taste experience. Developing markets continue to be an engine for growth with the sustained urbanization and rise of disposable income. As a result, we have seen sales

in developing markets increase by twice the rate of those in mature markets. Consumers are also increasingly demanding sustainably and ethically sourced ingredients with proven credentials, driving growth in organic, fair trade and ethically sourced ingredients and flavors.

Innovation

Health and wellness, naturals, delivering authentic flavor and taste experiences, and developing and achieving sustainable and cost-effective technologies to address the needs of mature and developing markets—these are the customer and market drivers for our Science and Technology (S+T) organization, which focuses on innovation to support our business strategy and help drive the growth of the brands of our food and beverage customers.

In health and wellness, we have invested heavily in our TasteSolutions^b program, which is focused on research and development to discover new flavor technologies, techniques and molecules to help food manufacturers deliver the great taste consumers want in the health and wellness category. As an example, our scientists have been working on strengthening the quality and sugarlike sensory profile of stevia-based products, and we are adding new technologies to our portfolio to address the challenges of low- and no-sugar products that contain either artificial high-intensity sweeteners or natural low calorie sweeteners.

In naturals, we continue to be at the forefront of natural ingredients and natural flavors discovery through extensive research and investment in naturals. Givaudan ByNature^c is our global platform providing manufacturers with access to the broadest portfolio of natural ingredients and flavors

in the industry. We use natural processes and production capabilities and are investing in further capabilities relating to natural transformation and enhanced fermentation to deliver innovative new natural materials.

With the scarcity of future resources, particularly related to animal protein, Givaudan is developing technologies to help meet the challenges of alternatives to meat and dairy flavors. Much of our effort is focused on overcoming issues such as the fact that many of these vegetable or plant proteins do not taste good, have unpleasant aromas and have no mouthfeel. Our flavor technologies are plant-base-derived, 100% vegetarian and natural. We have commercialized some of these technologies and are working on the next generation of plant-based proteins to meet consumer-acceptable and preferred solutions for plant-based protein replacement products.

In developing markets, we are expanding our focus with increased activity. Our approach is to seek authentic flavors in food and beverages such as noodles, powdered soft drinks, snacks and taste solutions that are cost-effective, globally developed and locally relevant. We have a range of programs, from FlavourVision^d—which looks at the socioeconomic context in which meals, snacks and drinks are consumed, as well as at food and beverage trends—to Taste Treks, our approach to studying regional and ethnic cuisines. These programs enable us to provide our customers with an in-depth understanding of upcoming and relevant market flavor preferences. We've also continued to invest in our footprint to ensure that, whether it's by geography, product category development, or manufacturing capabilities, we are prepared to manage incremental demand from the marketplace.

Looking Forward

The landscape for the future will remain very dynamic. It will be the same combination of factors as in recent years: economic pressures, health and wellness considerations, sourcing and sustainability, regulation and transparency that will drive food and beverage development. Looking forward, our efforts will continue to focus on strengthening our position as the key partner and adviser to our customers. We will continue to invest in our people and our innovation, creative and manufacturing capabilities. Global understanding of legislation that affects our industry, as well as taking active roles in industry associations and advocacy to engage in debates about future regulations, are all key in the support that we can offer our customers.

^bTasteSolutions is a trademark of Givaudan.

^cByNature is a trademark of Givaudan.

^dFlavourVision and Taste Trek are trademarks of Givaudan.



Geneva

Estimated 2013 sales: ~CHF 3,005 million/\$3,373.9 million

(accounting period: July 1 to June 30)

Estimated market share: 14.1%

CEO and Director: Patrick Firmenich

First Person: Patrick Firmenich

Firmenich is a company founded on creativity and innovation and we are determined to remain a thought leader in our industry. During our FY13 we filed 30 new patent applications. Twenty were new innovations related to our perfumery and ingredients businesses and 10 to our flavor and food application business. We will continue to invest 10% of our annual turnover into innovation, which is essential for thriving in the 21st century economy.

We are also committed in the field of renewable ingredients. Sustainability is at the core of our business strategy and central to everything we do: as a family-owned business, in its fifth generation, we take a long-term view of the market, and sustainability is central to us. That's why we now embrace green science and green chemistry and operate with ambitious sustainability goals and metrics.

And a timeless truth is that we will maintain our focus on our clients' needs and expectations. Our leitmotiv is to transform their ambitions into reality.

Trends Driving Growth

We believe that the increased focus on health and wellness throughout the world is a major trend driving growth within our flavor division. While this trend originated in the more mature markets, health and wellness is now a global quest and our customers in emerging markets are increasingly looking to us for to help with solutions for healthier products. We see this in Latin America, as well as in Asia and, recently, in the Middle East.

Natural is another trend at Firmenich. We recently signed a joint venture agreement with Jasmine Concrete, India's undisputed leader in the extraction of flowers, especially jasmine, sambac and tuberose, which are among the most prestigious in perfumery (**See Sidebar**). It also provides new opportunities with mint, vanilla and tropical fruits used to develop flavors. This partnership is a major achievement for our integrated sourcing model and is the perfect complement to the capabilities of our natural innovation center in Grasse.

Combining sustainability with innovation leads us to shape new game-changing ingredients. It's in this context that we are working on developing a new generation of bio-ingredients, from renewable sources that are 100% biodegradable. As a



Firmenich in Natural Ingredients JV with Jasmine Concrete Exports

Firmenich, which has been adding more Indian ingredients to its portfolio, has signed a natural ingredients joint venture with Jasmine Concrete Exports PVT Ltd. (Chennai, India).

Jasmine Concrete, which operates two manufacturing facilities in Tamil Nadu, the center of the Indian flower belt in South India, specializes in the extraction of Indian flowers, especially jasmine sambac and tuberose.

Firmenich says the joint venture significantly increases its production capacities in distillation, extraction and production of absolutes. In addition to expansion of the perfumery portfolio, the partnership is expected to boost key sectors in flavor such as mints, vanilla and tropical fruits.

world premiere in June in Deauville (wpc.perfumerflavorist.com), we will introduce Clearwood^e to the perfumers, our first breakthrough ingredient from white biotechnology.

New Technologies and Trends Influencing Innovation

Biotechnology, or fermentation science, opens a whole new realm of innovation and creativity for our creators and our industry. We have been generating flavors and fragrances using fermentation processes since the early 1990s. With our partner Amyris, we are now marrying the best of both worlds: chemistry and biology.

Taste modulation is also a key area of focus for Firmenich. We recently reorganized our flavor division innovation group to create a platform solely dedicated to health and nutrition. As consumers around the world continue to demand food and beverage products with more proteins and reduced sugar, salt and fat, taste modulation technologies are becoming more critical for food and beverage companies to ensure that the consumer's eating experience is not compromised. We are well positioned to leverage our leadership in this field to help our clients across many segments.

Responding to Today's Customer and Consumer Needs

Our ability to lead the industry with new ingredient solutions will be achieved through cutting edge partnerships. Also, in order to meet changing market needs and dynamics, we need to expand our range of low-cost solutions.

As speed and flexibility are the new rules, we empower our people to look for operational efficiencies and find new ways to reduce our footprint and be more competitive.

^eClearwood is a trademark of Firmenich.

While we remain committed to growing our business in the mature markets, we are also shifting a great deal of attention to the emerging economies, as are most companies. We opened a new state-of-the-art manufacturing facility near Jakarta, Indonesia, as part of our flavor strategy. This important investment represents a key milestone in Indonesia, where we plan to add production lines and a leading development center for encapsulation and innovation. We also inaugurated cutting-edge laboratories in Dubai, U.A.E., giving us greater creation capabilities to develop tailored solutions for our clients across the Middle East and the broader region ranging from Africa to India.

Key Macro Trends

Again, health and wellness will continue to drive growth in the market. The concept of "beauty for all" will generate lots of positive effects in the future. There will be increasing emphasis on traceability and source of origin. There will be more scrutiny on how we create value and on how we share this value.

Within the fine fragrance category, which is always looking for beauty, quality and authenticity, naturals are more important than ever. By providing new capacities in distillation, extraction and production of absolutes, we are looking forward to inspiring our perfumers and, in turn, positively impacting our clients, who are continuously seeking value-adding materials with great stories and genuine sustainability.

Tomorrow's lifestyle is also influenced by those urban nomads, bringing new expectations and ideas in terms of sensorial experiences.

Capturing these trends and transforming them into new value propositions is at the heart of our future success.





New York

2013 sales: \$2,952.9 million

Estimated market share: 12.4%

Chairman and CEO: Douglas Tough

Celebrating the founding of Polak & Schwarz on January 27th, 1889, IFF has marked its 125th anniversary year. When Polak & Schwarz merged with van Ameringen-Haebler in 1958, IFF was formed in New York.

The company also participated in the closing bell ceremony at the New York Stock Exchange (NYSE) earlier this year to commemorate the company's 15th anniversary of trading on the NYSE.

New business wins and good volume on existing business has driven IFF's recent growth, according to the company's annual results report. In 2013, IFF experienced 6% local currency sales increases in flavors, like-for-like, excluding low-margin sales activities. Meanwhile, emerging markets grew 10% and now account for 49% of IFF's annual sales.

"The emerging markets continue to be a primary driver of our topline growth, and accounted for half of our consolidated sales and a majority of our top line local currency sales increase," said CEO Doug Tough during the release of the company's 2013 results. "This strong, continued growth further validates our emerging market strategy and is yet one more data point that underpins our commitment to these markets."

To spur additional growth and add cost-effective specialty molecules to its palette, IFF has acquired Aromor Flavors & Fragrances Ltd. (Kibbutz Givat Oz, Israel), a manufacturer and marketer of complex specialty flavor and fragrance ingredients. The Aromor operations would have represented approximately \$35 million of incremental sales to IFF's results in 2013 on a proforma basis, according to the company. Aromor will become part of the IFF fragrances ingredient business.

"A key component of our overall ingredients strategy is to provide cost-advantaged, specialty molecules that enhance our development of consumer preferred fragrance compounds," said Nicolas Mirzayantz, group president fragrances, upon the announcement. "We believe the use of the Aromor ingredients portfolio and their technology development process will be value enhancing by improving the overall profitability and win rate of our fragrance creations. We plan to continue to support the Aromor facility in Israel and invest in and develop their R&D and manufacturing capabilities in order to strengthen the development and production of specialty ingredients."

Rob Edelman, senior vice president of fragrance ingredients, added, "We welcome Aromor's talented and dedicated team and are excited to bring their pipeline of specialty ingredients to IFF. The Aromor acquisition is complementary to our existing ingredients portfolio and is an important step in increasing our scale and expertise in ingredients."

Following the Aromor acquisition, IFF reorganized its fragrance business unit to include a new consumer fragrances category and a separate fine fragrances category. Consumer fragrances now include fabric care, home care, personal wash, hair care and toiletries. Fine fragrances will be a stand-alone category.

Meanwhile, IFF and Amyris have completed the first phase of their collaboration to develop renewable fragrance ingredients and agreed to move forward with the second phase of development.

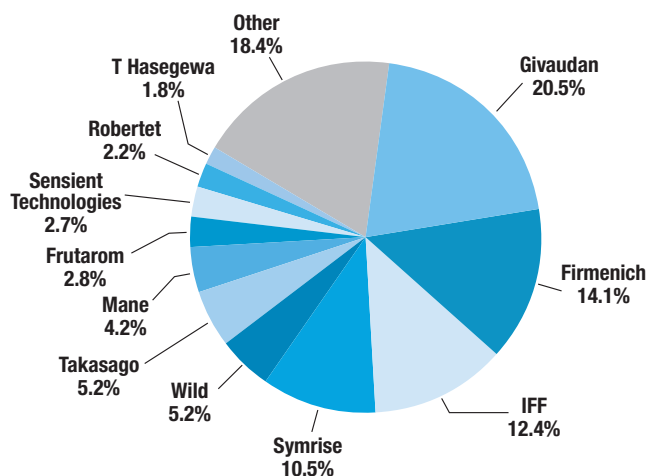
"We believe that the creation of cost-effective molecules will have a positive impact on our fragrance ingredients business as well as the creative capabilities of our fragrance compounds business," said Mirzayantz.

Under the terms of the multi-year agreement, IFF will have exclusive rights to the renewable fragrance ingredients developed for applications in the flavors and fragrances sector, and Amyris will have exclusive rights in other sectors.

At the same time, IFF has ended its flavor ingredient development collaboration with Evolva Holding SA. The two parties are reportedly discussing potential additional collaboration areas. This does not affect the companies' existing partnership on vanillin.



2013 Estimated Market Share



Holzminden, Germany

2013 sales: €1,830.4 million/\$2,521.6 million

Estimated market share: 10.5%^f

CEO: Heinz-Jürgen Bertram

First Person: Heinz-Jürgen Bertram

Shortly after *P&F* interviewed Heinz-Jürgen Bertram, CEO of Symrise, the company announced its acquisition of Diana Group (Vannes, France), boosting its raw material backward integration and increasing its position in the food, pet food and nutraceutical markets. In its announcement of the deal, Symrise highlighted Diana's expertise in natural and functional food solutions and palatability enhancers. Symrise is looking to capitalize on its global and emerging market presence to expand Diana's presence, pairing the acquired activities with its existing R&D capabilities in flavors, consumer health and life essentials.

The investment amounts to €1.3 billion, according to Symrise. Diana had 2013 sales of about €425 million and an EBITDA margin of ca. 21%. It has production facilities and sales offices in 23 countries in Europe, North and Latin America, and Asia.

"Diana Group is an impressive and highly profitable business with a strong complementary fit to our activities in the flavor and nutrition market," Bertram said at the time of the announcement. "With Diana we will be able to significantly diversify our portfolio for natural ingredients, tap into new business segments, strengthen our raw material supply and meet the requests for traceability from our customers ... We believe that a multiple of around 14 x EBITDA (2013) represents an attractive valuation given the quality of Diana's product and customer base, its high margin characteristics, and the future growth prospects of the business."

The move pairs well with Bertram's comments to *P&F* regarding Symrise's existing customer mix.

"We have a good portfolio of customers and see potential to leverage it further," says Bertram. "We have a well-balanced customer portfolio of approximately 1/3 global customers, 1/3 regional customers and 1/3 local customers. We would like to continue to manage this balance."

Leveraging emerging markets is also in line with Symrise's existing activities. The company's 2013 local currency sales in emerging markets increased by 11% year-over-year. This segment now comprises 48% of emerging market sales. As a result, Symrise has put a continual focus on creating sensory profiles preferred by emerging markets, which are driven by economic growth and expanding populations.



Heinz-Jürgen Bertram

"We believe firmly that the momentum of emerging markets will continue," says Bertram. "There will be difficulties in one or the other of the emerging markets, but that's nothing new. Last year we were talking about Egypt, this year we talk about Russia—that's part of the story."

The Diana acquisition also highlights the importance of naturals to Symrise's activities.

"We see continuing strong demand for natural ingredients," says Bertram. "This will continue to increase in the United States, where the flavor market is more-or-less totally natural. We see this increasing in Europe and Asia. We see that also coming in fragrance."

Meanwhile, Bertram says green chemistry, biotechnology and other sustainability initiatives will continue to impact Symrise's investments.

"The importance of sustainability aspects will remain," he says. "We think Madagascar [vanilla] is just one [facet].⁹ There will be more to come in terms of sourcing raw materials and minimizing the environmental footprint of our operations. We see ongoing demand for innovative captive fragrance materials, particularly ingredients with high impact prepared from sustainable sources."

⁹Read more about the innovation activities of Symrise and other organizations in "Sustainability Perspectives" on page 46 of the May 2014 issue of *P&F*, www.perfumerflavorist.com/magazine/pastissues.



^fFor 2013, Symrise estimated the total flavor market at approximately €17.4 billion/~\$24 billion. The company estimated market shares as: Givaudan (20%), Firmenich (14%), IFF (13%) and Symrise (11%).

To that end, Symrise has announced plans to open a site for the research, development and manufacturing of sustainable ingredients from the Amazon region in the fourth quarter of 2014. This is part of the Ecoparque in Benevides in the state of Pará, which is an industrial condominium that combines sustainability and product manufacturing.

With its SymTrap^h technology, Symrise will produce oils, butters and essential oils from raw materials such as the Brazil nut, murumuru, cupuaçú, cocoa, andiroba, buriti and passion fruit suitable for use in cosmetic and fragrance products.

At the same time, Bertram has recognized strong demand for innovation in the personal and beauty care segments.

"In that respect, we feel very well positioned with our combination of fragrance and cosmetic ingredients. This is a business model that pays off."

That said, Bertram is not interested in a one-stop-shop approach for the scent and care division. Rather, he focuses on delivering uniqueness and customer benefit. The company pairs this with joint consumer understanding research with its customers for seamless product development.

"The portfolio of fragrance ingredients and actives can be matched to each other in a very new way," says Bertram. "It doesn't work for all projects or products, but it works enough that this approach makes a difference. One plus one in this approach isn't two; it's two-and-a-half."

In terms of health and wellbeing, Symrise is making ongoing inroads. The company recently increased its holdings in Probi (Lund, Sweden) to 46.6%. Symrise and Probi have collaborated on R&D in the areas of food and beverages, cosmetics, dietary supplements and pharmaceuticals. The program initially focused on oral care applications.

These recent activities come at a time when quality assurance and regulatory are becoming increasingly important within Symrise's R&D activities.

"Safe and stable materials and processes are a must," says Bertram. "This regulatory pressure and requirement is one of the drivers of a lot of the change in the industry because it's difficult for smaller contenders to cope with these requirements."

At the same time, he says, "The fast-moving consumer-goods (FMCG) industry is [facing] changing trends that are moving even faster than in the past. For us this means it requires a highly responsive flavor and fragrance supplier in order to meet these rapidly changing consumer demands and trends."

He concludes, "These are some of the factors triggering [consolidation]. The industry at the moment is changing pretty quickly."

^hSymTrap is a trade name of Symrise.



Zug, Switzerland/Erlanger, Kentucky

Estimated sales: €895 million/\$1,233.2 million

Estimated market share: 5.2%

CEO and president: Michael Ponder

Owner: Hans-Peter Wild

In March it was widely reported that Wild Flavors would be sold or pursue a public offering, setting off speculation about the potential for further industry consolidation. The company has announced that its assets and net sales have increased by 21% and 74%, respectively, between 2010 and 2013. In the last year, Wild has boosted its presence in Brazil and acquired aroma chemical producer Alfrebro, among other activities.

Wild Flavors GmbH has become a shareholder in the Brazilian corporation Amazon Flavors, a manufacturer of natural flavors, extracts, emulsions and compounds for Brazil's beverage market. Based on current market data published by consumer market research company Canadean, an annual growth rate of 3–4% for the soft drinks market can be anticipated in the medium-term. This includes both newer segments, such as energy drinks, as well as classic soft drinks. Brazil has become the world's third-largest market in this sector.

"Becoming a shareholder in Amazon Flavors is the next logical step in our international expansion strategy in the global food and beverage market, and the growth forecast for Brazil is outstanding," said Hans-Peter Wild, Wild's owner, when the investment was announced. "Wild's relationship with Amazon Flavors puts us in an excellent position to support our customers in this developing market."

Amazon Flavors, which is headquartered in São Paulo and operates production facilities in Manaus in the state of Amazonas, has a product portfolio that features natural extracts and flavor derived from the guarana plant, açai berries, oranges and grapes, as well as cola flavors for the Brazilian beverage market.

Wild has operated a Brazilian subsidiary with a sales office and development laboratory in São Paulo since 2000. This operation will be merged with Amazon Flavors. Founder and previous Amazon Flavors majority stakeholder Claudio Bruehmueller will remain as the managing director of the expanded business, which now has more than 40 employees.

"The Brazilian food and beverage market has enormous potential," said Cosimo Trimiglozzi, COO of Wild Flavors International GmbH, during the initial announcement. "More than 190 million people live here. The middle class is constantly growing and consumers are looking for new tastes and products. We can help our customers meet this growing consumer demand."

Elsewhere, Wild began expanding its facilities in Berlin and Valencia, Spain. The Wild Berlin portfolio includes liquid and powdered flavors such as citrus flavor extracts and FTNF flavors, and also features extracts of plants, herbs and spices,



From left: Claudio Bruehmueller (managing director Amazon Flavors), Cosimo Trimiglozzi (COO of Wild Flavors International) and Thomas Spengler (managing director of Wild do Brasil Ltda. [f. l. t. r.]); photo credit: Wild/Amazon Flavors.

and tea and color extracts and formulations. In Berlin, Wild has acquired approximately 6,500 square meters located on the Spree river, directly adjacent to existing company grounds. The move signaled a focus on future growth. Ultimately, the site will be made into a production area.

Wild Valencia, on the other hand, has acquired three plots of land bordering the company grounds, adding a total of 11,165 square meters to the site. The Wild Valencia portfolio contains blends of fruit juice concentrates and sweetening systems (natural fruit sweeteners, multi-juice sweetening systems), red colors obtained from fruits and vegetables, plant extracts and natural citrus flavors. The company plans to use the additional space to facilitate truck access to the company grounds and improve traffic flow in the loading zone.

Wild also boosted its captive and non-captive portfolio of ingredients by acquiring Alfrebro LLC, a manufacturer of natural extracts and aroma chemicals, advanced proprietary technologies, health and wellness offerings, and a provider of expanded processing capabilities.

"This investment is another key step to continually grow a differentiated and integrated supply chain for the benefit of our customers," said Michael Ponder, global CEO of Wild Flavors GmbH, at the time of the announcement. "Alfrebro's business will provide improved raw material access while strengthening our existing flavor and extract capabilities."

Vince Macciocchi, COO of Wild Flavors Inc., added, "The opportunities with Alfrebro represent vertical integration, access to new flavor ingredients, increased manufacturing capabilities and additional cost savings."

The purchase followed investments at Wild's production, development and sales locations in India, as well as the opening of a new subsidiary in Singapore. In recent years the company acquired the assets of the former Cargill juice business and the A.M. Todd Group, a global leader in natural mint oils and ingredients.



*According to Leffingwell, "It should be noted, based on our very preliminary estimates, that Wild and Takasago are essentially tied for fifth-place in the rankings. We have estimated that revenue in euros for Wild increased about 6.8% (based on inclusion of full-year sales of acquisitions made primarily in 2012), and revenue for Takasago increased about 9% in Japanese yen (based on reported nine-month 2013 sales). We await final official numbers, which may change our estimates somewhat."

Tokyo

2013 sales: ¥129,681 million (estimated)/\$1,231.8 million

Estimated market share: 5.2%

Chairman and CEO: Ritaro Igaki

Takasago International Corp. has found strong success this year while banking on expansion in the East. The company recently unveiled an \$860-million flavors and fragrances facility in Singapore, representing the company's largest Asian operation outside Japan, and its largest halal development and production site. It also recently established Takasago International Turkey Esans ve Aroma San. Tic. A.S. (Takasago Turkey) in Istanbul, Republic of Turkey. With developing fragrance sales in Turkey and the region, Takasago intends to expand its fragrance business into the Middle East.

Takasago CEO Ritaro Igaki recently spoke (as translated) with *P&F* about the F&F industry as a whole as well as the company's growth prospects in the emerging markets and beyond.

P&F: What are your thoughts about the future of the flavor and fragrance business right now?

Igaki: With the economic growth in emerging markets rising, the demand for flavors and fragrances continues to be robust. Some of these demands are based on projected growth for fragrances in cosmetics and toiletries, as well as flavors in beverages and confectioneries in markets like Indonesia, Vietnam and India. Looking ahead, Latin America is also one such growth market where our customers have been expanding their operations. We also see opportunities in Africa and the Middle East in becoming the next key markets. In the meantime, with the rising global demand for natural products, our flavor division continues to source for natural raw ingredients and secure a stable supply. This move will grow in importance and contribute to our product development, thus raising customer and consumer satisfaction.

P&F: What areas have been the main drivers for the flavor and fragrance businesses over the past year?

Igaki: Takasago's continued focus on these emerging markets has enabled us to maintain a sustainable business, despite the global recession. One of the main drivers for flavors is in the rising demand for beverages, confectioneries and other end products for which we continue to maintain a good market share. For the global flavors and fragrances industry, we see a healthy demand for natural products such as mint in products such as oral care.

P&F: How has your company dealt with the impact of raw material costs?

Igaki: While it is not possible to avoid the rising costs of raw materials, we have made significant efforts to integrate our supply chain on a global scale, reduce raw material costs through bulk purchasing and manage our raw materials by establishing an efficient supply system.



Ritaro Igaki

P&F: Do you expect prices to stabilize this year?

Igaki: While the prices and the market for raw materials continue to stabilize, we believe that the trend of higher prices for natural ingredients will remain.

P&F: Does the company plan on any other major investments in flavor or fragrance?

Igaki: By mid-2015, our new facility in India will commence operations, giving us the ability to increase our production capacity for the future. In addition, we are planning to build a new factory, expand our capacity for flavor production and increase our sales team in Europe, which has nearly doubled its growth over the past few years. In Japan, the construction of our new factory will soon begin. This is one phase of our business continuity planning measures. Our plans also include the introduction of high productivity equipment to further establish a stable supply system for flavors and other products, as well as streamline our distribution operations.

P&F: In what region and what areas of the business are you putting most of your focus right now?

Igaki: Our focus is to ensure that we remain stable in markets where we have significant investments. In Southeast Asia, a region full of potential opportunities, we will be strengthening our partnership with our customers through teamwork and high value-added services. In China, another key Asian market for us, we intend to firm up and expand our business base for products used in oral care, beverages, fabric care and other

*Tied with Wild.

areas. This will be the strategy for both local and multinational customers. We want to further strengthen our foothold in Latin America, a market with good potential in terms of both scale and growth. Our corporate strategy will include setting up an efficient supply chain for our original vanilla flavor, which is of a higher quality and price-competitive. Hence, we will focus on our two operations, Takasago Madagascar and Takasago Morocco, which were established last year.

P&F: Which regions are your fastest growing areas? Are emerging markets a large part of your strategy over the next five years?

Igaki: Our focus includes Southeast Asia, where the markets for flavors and fragrances continue to maintain a high growth rate in line with the economic growth in Indonesia, Vietnam and other Asian markets. In that part of the world, the Takasago group continues to expand its business at a significant rate in Southeast Asia, India, China and other emerging markets. At the same time, our strategy incorporates mobilizing Takasago facilities in 27 countries and integrating our global resources to effectively strengthen our business with global customers who are headquartered in Europe and North America. This will be vital in ensuring our continued growth not only in European and North American markets, but in the total global market for flavors and fragrances

P&F: How do you plan to grow the business in the coming years? Any acquisitions or new markets?

Igaki: Takasago has a large number of strategic products such as coffee and tea extract, citrus (citrus center in Florida) and flavor enhancing ingredients. We will be channeling our corporate resources into marketing higher quality ingredients and advanced technologies (e.g. mint and sensory technologies), as well as developing our Consumer Insight Market Research (CIMR) for the creation of new ingredients and scents. As the only Asian-headquartered flavors and fragrances company in the global marketplace, we will strive to provide value-added services by mobilizing our global strength.

P&F: Some flavor companies are both developing products and working on branding as well as market positioning for their clients. Basically, food and beverage companies are asking for these services from their suppliers. Do you see this as the future way of doing business for most F&F suppliers?

Igaki: For companies like us, service is no longer limited only to the supply of high quality flavors and fragrances. We are also experiencing greater demand and need for the supply of original ingredients, as well as consumer and market research. F&F suppliers capable of product development that heightens the value of end products and satisfy these demands will continue to earn high marks in the marketplace. For Takasago, the ability to supply value-added services by taking advantage of our strengths ... in the global marketplace also earns us such distinctions as well. Like other F&F suppliers, we too face demands from our customers for quality assurance, efficient supply chain and other value-added services. We will continue to invest our resources to provide better customer satisfaction on a sustained basis, striving to forge the Takasago brand in collaboration with our customers and the market.

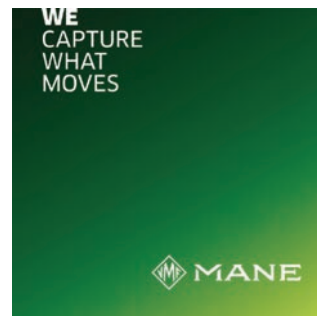
P&F: What do you think will be the main driver for flavor and fragrance sales in 2015?

Igaki: At Takasago, we will continue to supply higher value-added products by utilizing our global and strategic assets – such as our Consumer Insight Market Research (CIMR) for the creation of new ingredients and flavorings. Key elements in this area will be vanilla (an area where we have made significant investments), mint and oral care (for which the market is growing) and other products.

At the moment, we will focus on mobilizing this strategy to continue expanding our business in the Asian markets, strengthening our ties with our customers and taking other strategic steps. This will involve consolidating our global strength ... to earn the trust of our customers and firmly establish the Takasago brand in the marketplace.



Le Bar-sur-Loup, France (pictured, at right)
2013 sales: €723.2 million/\$996.3 million
Estimated market share: 4.2%
President and CEO: Jean Mane



Jean Mane

Over the past year, Mane has continued to find opportunities within the fragmented marketplace. In 2013, it posted consolidated sales of €723.2 million, up 13.3% from 2012. It grew in the double-digits across its flavor, fragrance and ingredient divisions, as well as across all regions. Along with strong results in emerging markets of Asia-Pacific, the Middle East, Africa and Latin America, which the

company said continues to offer the largest opportunities for growth, Mane performed well in the more mature markets of Western Europe and North America.

“Overall performance in our flavors and fragrances division resulted from opportunities created through partnerships with selective customers who value our commitment to technology and creativity and continuous investments in building our R&D capabilities through the addition of new talents to our teams around the world,” Jean Mane, the company’s president and CEO, tells *P&F*.

On the flavor side, growth was driven by new savory wins in the culinary and seasoning segments. The company also expanded its range of products through the creation of the Manufri joint venture with Nufri, one of the largest fruit processors in Europe, for the production of fruit compounds for beverages.

“Our ability to design under the Sense Captureⁱ umbrella brand flavor solutions addressing the taste challenges of today’s food and drink industry has also been a key driver for growth,” says Mane. “While our E-Capture consumer research program, investigating the relation between flavors and emotions, was awarded a prize by Esomar, the market research organization.”

Mane adds: “On the perfumery side, our commitment to broadening consumer understanding has enabled our teams to develop performing, as well as preferred, fragrances for consumer goods, both for personal care and home care products. Finally, our strategy to become a creative challenger in the world of fine fragrances has enabled us to be associated with some major launches in 2013.”

Mane’s network includes 22 production sites and 40 R&D centers. Over the past two years, the company made significant



investments, including opening a flavors R&D center in Ohio, which serves the North American market. The company also continues to invest in growing its production capacity through the expansion of its powder production site, as well as the addition of a liquid flavors production site. In China, Mane completed the construction of the second phase of its Shanghai plant, effectively tripling the size of its research and development facilities and manufacturing capabilities. In Indonesia, Mane is currently building a new R&D center and manufacturing site that will be its largest liquid blending facility in the world. In Africa, it opened an office in Ghana, which includes creative and application capabilities, and doubled its office and R&D laboratory space in Johannesburg, South Africa. A new R&D center is also under construction in Switzerland; dedicated to flavors, it will feature large sweet and savory application laboratories and a professional kitchen.

“This year, we will continue to invest in expanding our activities and reach in growing segments and markets, mainly in Mexico and Latin America,” says Mane.

The company expanded the capabilities of its safety process laboratory, which is in charge of extrapolating the synthesis process of new molecules from its organic chemistry research team and optimizing aroma chemical production. These activities were moved to a new building in Le Bar-sur-Loup.

“This investment, along with the development of Green Motion^j, a software tool to evaluate the environmental impact of products according to the 12 principles of Green Chemistry, underlines Mane’s commitment to sustainable innovation,” Mane concludes.

ⁱSense Capture is a trademark of Mane

^jGreen Motion is a trademark of Mane

Haifa, Israel

2013 sales: \$674 million

Estimated market share: 2.8%

Chairman and CEO: Ori Yehudai

Frutarom had a booming 2013, with its gross profit from its core business, including the flavors and specialty fine ingredients activities (net of one-time expenses), up nearly 40%, compared with 38% in 2012. Net profit (net of one-time expenses) reached \$67.5 million (10% of revenues). Revenues from emerging markets, including full consolidation of the acquisitions of 2013, has increased to 46%. *P&F* spoke

with Frutarom's CEO, Ori Yehudai, about the company's recent string of acquisitions, which continued over the past year, as well as the health and wellness trend, and demand for raw materials.



Ori Yehudai

First Person: Ori Yehudai

Yehudai: I would say that for us, we had another record year supported by nice, comfortable internal growth, and we did four acquisitions during the year that boosted our market share between the emerging markets and the United States, which were the prime targets to enhance our business since 2010. Our product portfolio, with the combination of taste solutions and health solutions, helped us to grow in 2013 ... [and] we [expect the same] for 2014. This is boosted by internal growth and acquisitions."

P&F: Is taste and health is a growing area?

Yehudai: That's how we see it and that's where we target the company. Ten years ago, we tried to evaluate where our differentiation point [was] between Frutarom as a smaller mid-sized company and our large, excellent competitors ... we were looking for the right market position and tried to analyze where the food industry is going, and that's why we developed this combination between taste and health.

P&F: What kind of opportunities do you see for the U.S. market?

Yehudai: To be very open, our flavor business in the United States didn't pick up for quite a few years. And our ingredients business in the United States did quite well between flavor ingredients and health ingredients. But in pure flavor, we did not really gain market share. This changed significantly as of 2009. Since then, we did four acquisitions [in the United States], three of them more in the flavor area, between sweet and savory flavors, one in the West Coast, one in the Midwest and recently Haegelin's two operations,

one in New Jersey and one in Georgia. And we announced another one [CitraSource] in Florida, which is more natural citrus ingredients. All together, our flavor business grew during this year internally, excluding acquisitions, by double-digits. So we enjoyed quite a nice growth in our core business. The acquisitions that we made in the United States enable us to be in a much stronger position as a flavor supplier to the growing and positive U.S. market, which we see as much stronger than many of the other Western European markets in the last two to three years and, I believe, going forward.

P&F: How has the CitraSource acquisition helped the company with raw material costs?

Yehudai: Frutarom was always a very strong player in the citrus area. Since Frutarom was born 81 years ago, we started with growing a plantation of citrus ... in the country of Israel. We missed over the years a strong base in Florida, which is a very important center for citrus, no doubt, and a good location both for the U.S. raw materials and for the Central and South American raw materials that are very important. Altogether, having a strong base with two sites in Florida will help us in the integration of raw materials, on one hand, and will strengthen our position in citrus specialties on the other.

P&F: How are raw material costs impacting Frutarom at the moment?

Yehudai: Prices of raw materials went up quite significantly between 2006 and 2009, then dropped to some extent, then started to go up drastically since the middle of 2010 to the beginning of 2013. Since then we have seen quite a stable

situation, with some prices going up, and some prices slightly down. Altogether, I would say prices of raw materials [remain] more or less stable, with some up and some down. I would say we have seen a year of stabilization in the cost of raw materials and in our margin. So we didn't see in 2013 what we have seen in the years before. Looking forward to 2014, we have seen again some prices of raw materials go up, like citrus and some others, which is sort of a concern. The drought and some other weather-connected issues might not help. Bearing in mind that more than two-thirds of our business is with natural ingredients and we are growing more in the natural area, we are more affected than maybe some other competitors from the natural raw material situation. We follow it very closely and hope that we [aren't] forced to increase prices again.

P&F: What areas of the business are you putting most of your focus on at the moment?

Yehudai: I'd say it's between innovation in natural taste ingredients and natural health ingredients. We have been quite successful with launching natural ingredients in the health area and the natural flavor area as [far as] raw materials are concerned. As far as geography is concerned, we continue to put more efforts in growing the emerging markets and the United States. We are building a new factory in China that will produce not only sweet flavors, but also savory. We started our operation in India. We are adding more resources in Africa; [for example,] we did an acquisition there in South Africa. We're adding sales staff in the Sub-Saharan, we're adding more sales people in some other markets in Asia. And we built a very strong position in Central and Eastern Europe. So, we continue to invest in a growing market share between the United States and emerging markets and to try to optimize our Western European position.

P&F: Some flavor companies are developing products and working on branding and market positioning for their clients. Do you see this as the future of flavor and fragrance companies doing business?

Yehudai: I would say there is a trend that personally I'm not very happy with: that customers try to rely more and more on their suppliers of raw materials and specialty raw materials, while they cut from their own resources. I think there should be some sort of a balance between what we as an industry can support and what goes out of scope in a way. I think that's what we're trying to do, so we're very happy to help our customers to improve their efficiencies and the

The acquisitions that we made in the United States enable us to be in a much stronger position as a flavor supplier to the growing and positive U.S. market, which we see as much stronger than many of the other Western European markets ...

way they work with their own product; and that's something we're doing quite a lot in emerging markets. I'm not sure that we see the right strategy as being involved in the pure marketing, and so on, to a different extent. We're a smaller company with fewer resources than our large and excellent competitors. And typically our customer base is different

... Frutarom primarily does not see itself going into competition with the very large flavor companies and their core business.

But we see ourselves as supplying the same level of service to mid-sized and local companies. And we see ourselves giving a very interesting value-

added and niche solution to large food companies [as well as] nutraceutical companies [and] cosmetics companies. So, in a way, I hope to differentiate Frutarom from our large competitors and from the very small competitors [as] a sort of mid-sized company that is growing fast, and that's what we want to continue to do.

P&F: Is internal growth and acquisitions still the company's strategy?

Yehudai: Absolutely. We believe a lot in internal growth together with acquisitions. We do have a very interesting pipeline for future acquisitions and will continue to implement our acquisition strategy. In the last three years, we did 13 acquisitions, primarily in the emerging markets and the United States. I hope that we will continue to be able to do so, and this is based on the good pipeline that we have. We said when we were a \$400-million company that we want to be a \$1-billion company. Today, while our turnover is somewhere around, or above, \$800 million in sales, we're coming closer to the \$1-billion target, and we want to grow from the \$1 billion forward.

P&F: What do you think will be the main driver for flavor and fragrance sales in 2015?

Yehudai: I really don't think our industry is in any sort of revolution, and I like it like that. I think the trend that we see will continue. It's going to be more natural, there's going to be higher growth in certain markets and lower growth in some other markets. The question is where do you put your efforts? It's going to be about supporting and building the right customer base ... and to give them a very good value. [We] mentioned before marketing. There can be many other values that you can bring to your customers, depending on who they are. And each customer segment might require a different segment of support. That's what we're trying to do.

9 Sensient Technologies Corp.



Milwaukee/Hoffman Estates, Illinois

2013 sales: ~\$643.3 million

Estimated market share: ~2.7%

Chairman and CEO: Paul Manning



Paul Manning

It was another busy year for Sensient Technologies Corp. The company appointed Paul Manning as CEO in February 2014, named Sam Lteif as its new flavors president in April 2014, settled into its new flavors and fragrances group headquarters in Chicago, approved a plan to initiate a further restructuring program (it follows the one conducted last year), and continues to focus on transforming its flavors and fragrances group by shifting from basic ingredients to more value-added products.

P&F spoke with Paul Manning, who succeeds Kenneth Manning, who retired in February 2014, about the company's future, as well as growth prospects for the F&F industry.

P&F: What opportunities/challenges have you faced since you began as CEO?

Manning: As CEO, one of my initial areas of focus has been fundamentals, including new product development, sales management, product safety and capital investment. We have excellent opportunities to become more targeted and efficient grow our revenue and margins, and deliver value and innovation to our customers. Beyond these areas, I have also been focused on our recruiting efforts and our employee development programs. I want to ensure that we have "A" players in the company, and I have created a number of programs to identify, retain and promote these employees. Since becoming CEO, I have also taken the opportunity to meet with many of our shareholders, share the strategy for the business and discuss the fundamentals I want to drive. I view this as an important part of my job, and I plan to continue this program of shareholder engagement.

P&F: How has the relocation of the company's flavor and fragrance group from Indiana to the Chicago area impacted the business?

Manning: The move of our flavors and fragrances headquarters from Indianapolis to Chicago has gone extremely well. From announcement to completion, the move was accomplished in less than nine months. We have taken advantage of a much deeper talent pool in Chicago to upgrade our management and technical teams and to add market leading talent to the business. We have also seen a dramatic uptick in customer visits to our new facility, which is critical to getting projects and generating new wins. The move has transformed our business, our culture and the way we are viewed by customers. It serves as an important component of our overall strategy to reposition Sensient Flavors as a value-added solutions provider and partner.

We believe food and beverage companies have, and will continue to rely, on their flavor and fragrance suppliers to act as an extension of their marketing, research and development function.

—Paul Manning

P&F: How do you plan to grow the business in the coming years?

Manning: Sensient will continue to focus on providing unique value-added solutions to customers as defined by consumer tastes and preferences. A strong new product development and sales pipeline driven by our industry-leading applications and flavor development talent will ensure our growth. Some flavor companies are both developing products and working on branding, as well as market positioning for their clients. Basically, food and beverage companies are asking for these services from their suppliers.

P&F: Do you see this as the future way of doing business for most F&F suppliers?

Manning: We believe food and beverage companies have, and will continue to rely on their flavor and fragrance suppliers to act as an extension of their marketing, research and development function. This allows them to efficiently focus on the areas where they can add value, and it ensures quicker and more robust outcomes. However, I do not see CPG [consumer packaged goods] companies outsourcing their core competence of marketing. They may look to their suppliers to provide trend analysis and other market perspectives and insights, but this will continue to be a highly collaborative process.

P&F: How has your company dealt with the impact of raw material costs? Do you expect prices to stabilize this year?

Manning: Most raw material cost increases have been mitigated by dual-sourcing, long-term supply agreements, or addressed through pricing adjustments with our customers. Our business uses an extremely wide range of raw materials, and this has helped to guard against severe impacts from raw material price swings in any specific area

P&F: What are the fastest-growing regions for Sensient?

Manning: Over the last several years, we have made a number of investments in markets that offer excellent long-term growth opportunities. These markets include China, Brazil and Africa. Our Asia Pacific business generated double-digit profit growth in 2013, and we continue to see good opportunities to grow in this region. Many of these developing markets offer the opportunity to convert customer projects more rapidly than in our more mature markets, and the long-term opportunities for growth are also very good. Going forward, we will continue to invest in these regions in order to add local capabilities that allow us to respond quickly to market opportunities.

P&F: In what region and what areas of the business are you are putting most of your focus right now?

Manning: We see very good near-term opportunities for our flavor business in some of our more mature markets, such as Europe and the United States. Over the last year, we have realigned our business to focus on the key customer segments of beverage, sweet and savory. Historically, we took more of a country manager approach with one business in each country trying to reach every segment. The new structure allows us to better focus our technical, commercial and production resources in order to more effectively deliver innovation to our customers.

P&F: What do you think will be the main driver for flavor and fragrance sales in 2015?

Manning: In 2015, customers will continue to look for natural, healthy products with reduced levels of salt, fat and sugar. Sensient's modulation technologies offer a wide range of options to provide our customers with solutions in these areas. Customers will also look to reduce the number of undesirable

ingredients in their foods, as driven by clean labeling initiatives. I read a product label recently that summarized this trend very well by saying "we don't have many ingredients and you should be able to pronounce them all." Our botanical extract product line, Sensient Natural Origins, directly targets this trend ... At the same time, consumers will look for indulgence, variety and excitement in their food offerings. All of these trends provide good opportunities for us to grow our business.



Grasse, France

2013 sales: €389.5 million/\$536.6 million

Estimated market share: 2.2%

Chairman and Global President: Philippe Maubert



One of Robertet's goals over the past year has been to be "faster and more forward-thinking in its everyday approach to the fine fragrance business." And this focus appears to be working. On the ingredients side of the business the company made two recent acquisitions. Robertet, along with Codif Recherche et Nature (Brittany, France), bought the company Hitex, which had been a unit of the Lavipharm group specializing in subcontracting extraction by CO₂ supercritical active ingredients for the perfume, cosmetics and aromatic industries. Secondly, the company created Robertet Bulgaria through the acquisition of a production facility in Dolno Sahrane in the "Valley of the Roses" near Kazanlak. This facility manufactures both rose and lavender, which adds to the company's existing manufacturing facilities in France, Turkey and Morocco.

In addition, the company recently made some key hires and a strategic move with the goal of growing its fine fragrance business in the United States. It also has been pushing for innovation in flavors, and capitalizing on naturals and the health and wellness trend.

"The consumer is now catching up to us, recognizing that transparency, sustainability, responsibility and naturals are crucially important for our future on this planet," says Philippe Maubert, Robertet's chairman and global president.

Maubert speaks further with *P&F* about what drove the business over the past year and what will drive the year ahead.



First Person: Philippe Maubert

The Main Sales Drivers in the Past Year

Over the past year, we have been successful in the fragrance division due to our diversification in our overall business mix, both in products and in our geographical reach. Our business is still much larger in North America and Europe, but we are taking aggressive steps each year to strengthen the talent of our teams, processes and creativity at our existing affiliates, while adding new affiliate locations around the world.

Natural Ingredients

Our current position as global leader in natural ingredients started generations ago. Today we have three main approaches to global sourcing: our fully owned local

factories and fields, production partnerships at the source and long-term sourcing agreements with farmers. We are constantly evaluating our ingredient portfolio and making key acquisitions to ensure delivery of the widest variety of natural botanicals around the globe.

Our Seed to Scent^k technology platform communicates our values, our heritage and our strength in naturals to clients globally across all areas of our business. To date, we have developed several successful Seed to Scent programs, highlighting some of our key ingredient specialties, with the latest effort focused on our flavors division.

Citrus

We continue to strengthen our global position in the citrus category. Several strategic partnerships, combined with

^kSeed to Scent is a program by Robertet.

(Continued on Page 44)

(Continued from Page 42)

internal R&D initiatives are yielding valuable unique proprietary citrus fractions. These fractions enable our creative teams to design superior consumer-preferred citrus profiles.

Health and Wellness

Health and wellness solutions will continue to drive flavor innovation for the foreseeable future. The flavor division has been focusing on several strategic technical platforms to address these challenges and drive growth. The flavor modulation technical platform is based on Robertet's natural expertise. The Essential Balance¹ brand addresses various aspects, including sweetness profile optimization, masking of off notes and enhancing mouthfeel.

Delivering a flavor system to a finished application will vary based on processing parameters, formulation challenges and desired finished product attributes. Our delivery system technical platform focuses on the challenges, both in dry and liquid formats. A recently released brand, Clear Advantage[™], leverages a liquid delivery system which delivers a full robust natural flavor profile, with a clean label, and a clear delivery in beverages. Several other delivery systems are being designed to address other food and beverage technical challenges.

Raw Material Pricing

Naturals have always maintained a primary role in Robertet's portfolio—more so than in most other flavor and fragrance companies. As this has always been the most volatile category in terms of potential market swings, we've grown accustomed to managing this part of our business and routinely take advanced positions and support growers at the source whenever possible. Over the years, an increased level of volatility has extended to other ingredient categories commonly used within our industry. It's fortunate that our historical experience has enabled us to understand and react quickly to these developments, and we feel we've done a tremendous job at Robertet in mitigating these market swings to the benefit of our clients.

We believe that all markets need to be continuously monitored and managed as closely as possible. Most raw materials used in the production of flavors and fragrances can be considered specialties with a limited number of manufacturers and producers. As our industry grows internationally, it will be a continuous challenge for some of these markets to keep pace with the expected global demand. When you consider those factors, along with fairly volatile currency exchange rates, it can be argued that stability is pretty much a thing of the past.

Capital Investments and the Future

Over the past several years, we have made extensive capital investments in our business around the globe as an ongoing

part of our growth strategy. In 2012, we opened a new fragrance production facility at our global headquarters in Grasse, France. We also added a new fragrance production facility in India to fully address the needs of our clients in that market.

Our latest major capital investment is in the United States. We just completed phase one of our new state-of-the-art fragrance and ingredient division U.S. headquarters in Mount Olive, New Jersey. As of mid-March, our office successfully relocated to a completely renovated, beautiful building, and our fragrance production will be moving in a second stage from their current location in Fairfield, New Jersey, in the second half of 2014. This new facility represents over a \$20-million investment and drastically expands our production capacity. Our production will be state-of-the-art, [which] will dramatically increase our level of automation.

Emerging Markets

Looking ahead to 2014, we are targeting Singapore and a new position in Latin America to add to our fragrance affiliates. At Robertet, we are careful to ensure that our well-established business in the mature markets throughout North America and Europe are growing year-on-year. In these markets, we are fine-tuning our business and enhancing our core capabilities, for example, [by] strengthening our global purchasing and supply chain efforts and investing in R&D and innovation both internally and through strategic partnerships. In terms of talent, we are hiring seasoned executives and senior creative perfumers and flavorists to take us to the next level of excellence. We are targeting the Middle East and adding to staff in these countries, and are looking ahead to Africa and taking steps to build our business in both the north and the south parts of the continent. We are continuing to invest in emerging markets [as] they represent the fastest-growing areas in fragrance and a huge opportunity for us in flavors. For the ingredients side of the business, we are tapping deeper into the clients and brands who seek and value naturals around the world.

The F&F Marketplace in 2015

Achieving strong growth in the fine fragrance category continues to be an industry-wide challenge. We will continue to help our clients unlock the crucial insights that will attract consumers to purchase fine fragrance once again. We can see from our clients focus that emerging markets are very important for both the fine fragrance and the consumer products sides of the business. Our priorities are their priorities. Our clients in the consumer products and household segments are aggressively seeking our innovative technologies. We expect that 2015 will continue to be very much focused on innovation, and Robertet will be there to help our clients surprise and delight their customers across every touch point.

¹Essential Balance is a trademark of Robertet.

[™]Clear Advantage is a trademark of Robertet.

Tokyo

2013 sales: 45,104 million yen/\$428.4 million

Estimated market share: 1.8%

President and CEO: Tokujiro Hasegawa

First Person: Tokujiro Hasegawa (as translated)



Tokujiro Hasegawa

Global Flavor and Fragrance Outlook

If we look at the history of the Japanese domestic flavors and fragrances market, it expanded along with the increased demand for processed food/beverages and the market diversification, reflecting economic growth. T. Hasegawa's business also grew along with the growth of the entire

Japanese F&F market, but we are currently facing the market maturity resulting from an aging population, and it is essential for us to find a way to respond to these circumstances.

As the market maturity advances and consumer demand diversifies, our customers are striving to differentiate their products. In these circumstances, we promote solutions based sales initiatives to increase the winning percentage of our customers' projects. It is also necessary for us to proactively provide items which have the additional functions such as replacers for natural ingredients, antioxidant materials, taste flavors, etc., so that we will be able to provide solutions for our customers' diversified and advanced demands, and to become a reliable partner for them.

Also, the new applications for flavors such as nutritional food, food for medical use and non-alcohol beer/cocktails have the potential to increase the demand for use of flavors. We need to capture these demands to make steady sales and profits in the domestic market. Emerging markets, such as Asia and South America, are on the expanding trend. The overseas market is the driver for our growth and it is essential to grow in the overseas market.

Investing in Flavor and Fragrance

In China, since demand for flavors is expected to grow, the second phase of the capital investment of the Suzhou Plant is underway to enhance production capacity. It is to start operation in June, 2015. We are also planning to build a new R&D facility in Shanghai (within the premises of our existing subsidiary in Shanghai) to enhance our R&D capabilities. It is due to be completed in fiscal 2016. In the United States, we're

looking forward to the opening of our newly renovated state-of-the-art R&D/headquarters facility in May 2014, which will enable us to improve/enforce our R&D capabilities. In Japan; renovation works are also underway at flavor plants.

Fastest Growing Regions

China is the fastest growing region. Although the sales growth rate slowed down, the double-digit growth is expected to continue for the beverages and instant noodles markets, which would result in demand increase for flavors. In a long-term perspective, further increase in demand for flavors is expected, along with the demand increase for processed food in inland areas, as living standards become higher in the area (our current sales in China is mainly for coastal areas). Southeast Asia is another market we are putting focus on in addition to China and the United States, since demand for flavors is high with high proportion of beverages and snack food in the market. We conducted profitability improvement initiatives in Southeast Asian markets over the past two years since we currently export our products from Japan, which is putting us in a difficult position in terms of price competitiveness. We are now moving on to a "sales-increase-stage" to increase sales in our high-priority markets of Thailand and Indonesia through initiatives such as cultivation of locally operating major companies and sales calls accompanied by R&D staff. Emerging markets, especially Asian markets, are expected to contribute to our business growth.

On Growth Opportunities in the Domestic Market

We promote solutions-based sales initiatives to increase the winning percentage of our customers' projects. It is also necessary for us to proactively provide items which have additional functions, such as replacers for natural ingredients, antioxidant materials, taste flavors etc., so that we will be able to provide solutions for our customers' diversified and advanced demands, and to become a reliable partner for them. Also, the new applications for flavors such as nutritional food, food for medical use, and non-alcohol beer/cocktails have the potential to increase the demand for use of flavors. We need to capture these demands to make steady sales and profits in the domestic market.

(Continued on Page 48)

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On Growth Opportunities in the United States

Our subsidiary in the United States [has] been successful by focusing on the niche market of savory flavors. To achieve further growth, we are putting more focus on beverage markets with the new CEO, who has been with T. Hasegawa USA since April 2012. In addition, we recruited new talent throughout the organization, including sales and R&D.

Collaboration between R&D groups in Japan and the United States is also important since R&D teams in Japan have broad experience. We can introduce the technology accumulated in Japan to the U.S. local customers through collaboration. While we secure and expand sales for the savory market we have been focusing on, we will also try to increase sales for the beverage market. Although we do not have any specific plans at this moment, acquisitions are always an option for us, especially in the overseas market. If there are any items which can be suitable for our strategies in our focused regions such as Southeast Asia and the U.S., we would consider them.

Outlook for 2015

Although the growth of the Japanese domestic F&F market is expected to be moderate, a lot of new products launched by

our customers since 2012 and favorable sales of carbonated drinks are expected to continue for the coming year.

In addition, there is still some room for demand increase of flavors created by new applications for items such as nutritional food, food for medical use, non-alcohol beer/cocktail, and replacers for natural ingredients. We are also paying attention to the trends of beverages and confectioneries developed for working women.

Emerging markets, including Asia and South America, have the huge contribution for the growth of the global F&F market. In China, although the sales growth rate slowed down, the double-digit growth is expected to continue for the beverages and instant noodles markets, which would result in demand increase for flavors. In a long-term perspective, further increase in demand for flavors is expected along with the demand increase for processed food in inland areas as living standards become higher in the area (our current sales in China are mainly for coastal areas).

In Southeast Asia, the growth rate of F&F remains at a high level, reflecting the economic growth of the developing countries in this area. We are expecting the demand for flavors used for beverages and processed food such as confectioneries to keep increasing.



First Person: Mark Bair, President and CEO, Americas, T. Hasegawa



Mark Bair

P&F: Does the company plan on any other major investments in flavor or fragrance?

Bair: We are committed to investing in our people, plant and processes necessary to support our ambitious growth objectives. This year, we're looking forward to the opening of our newly renovated state-of-the-art R&D/headquarters facility. We've

expanded our usable space by over 50% and have remade and expanded our laboratories for our flavor chemists and applications specialists. The new building will include a customer-friendly culinary kitchen lab as well as new pilot production facilities. The building, designed by world-class architectural firm HLW International, will feature open interiors with high ceilings and attractive gathering spaces to encourage collaboration among the functional teams, as well as with our customers.

P&F: How do you plan to grow the business in the coming years? Any acquisitions or new markets?

Bair: Our business will grow organically by helping our current customers to grow the value of their business, and by attracting new customers to our value proposition. Our new executive VP for sales brings over 20 years of sales leadership experience within the flavor and fragrance

industry in support of our goals (he joined T. Hasegawa U.S.A. in January). Our senior VP, R&D and chief flavor chemist joined us about 18 months ago and have been working hard with our R&D team to enhance our flavor creation and applications capabilities. In addition, we've recruited additional new talent throughout the organization which, combined with our existing team, is poised to provide even greater value for our customers.

P&F: Do you expect raw material prices to stabilize this year?

Bair: We expect continued price volatility with a number of agricultural products due to many factors, including the effects of very dry weather in the West.

P&F: How has your company dealt with the impact of raw material costs?

Bair: Raw material cost increases are a fact of life. We look for creative ways to minimize the impact to us and our customers with effective forecasting, sourcing new ingredients, identifying new sources and developing replacement systems where feasible. We also engage in-house synthesis of ingredients as much as possible to manage raw material costs.

P&F: What do you think will be the main driver for flavor and fragrance sales in 2015?

Bair: The main drivers will be speed of service, breadth of services offered and fostering strong, collaborative customer relationships. From the standpoint of the value chain, raw material pricing will be a major driver, as mentioned previously.





Kerry Ingredients & Flavours
Tralee, Ireland/Beloit, Wisconsin
2013 sales: €4.327 billion
President and CEO: Gerry Behan



In recent years, Kerry Group acquired Cargill Flavor Systems, FlavourCraft, Agilex Flavors, Sucrest, Manheimer and Flavurence. Most recently, the company announced that it purchased Wynnstarr Flavors, boosting its capabilities in savory flavors and food products. Wynnstarr employs 121 people with R&D, marketing, sales and administration located in Congers, New York, and manufacturing and quality control in Louisville, Kentucky.

Last October, Kerry Group opened a new development and application center in Dubai, United Arab Emirates, to serve Kerry's global and regional customer base in the Middle East, North Africa and Turkey. Focused on the beverage, dairy, meat, snack, confectionery and bakery segments, the center will work closely with Kerry's global technology and innovation center for EMEA markets in Ireland.

In its latest financial year, the company's results were driven by growth in the Americas, beverage systems and flavors, and nutritional beverages. Weaker growth was reported in savory, dairy, and culinary systems and flavors.

Beverage systems and flavors drove positive results in Europe, the Middle East and Africa, with more modest growth reported in the savory, dairy and culinary systems segments. Health and wellness trends continued to increase demand for Kerry's sodium-reduction and umami technologies. The company also achieved growth in niche sectors of the ready-to-eat cereals market.

In Asia-Pacific, consumer demand in some Asian countries was slightly reduced due to relatively weaker currencies, but the company said demand for the group's nutritional systems, taste solutions, and functional ingredients and actives continues to increase. By segment, savory and dairy systems saw slower growth. Sweet technology expansion progressed further in Asia, with strong development throughout the regional bakery sector. Due to the Cargill flavors acquisition, beverage flavors grew strongly, in particular through tea and coffee applications in Southeast Asia and through sweet beverage applications in Southwest Asia.

**According to Leffingwell, "It should be noted that Kerry Ingredients & Flavours possibly should be in the top 10. However, the inclusion of so many other non-flavor ingredients in its sales numbers makes it impossible to estimate the company's F&F portion of sales."