



**balchem**<sup>®</sup>

Investor Presentation

Q1, 2023

# Safe Harbor Statement

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- During the course of this presentation, management may make forward-looking statements regarding financial performance and future events.
- We will attempt to identify these statements by use of words such as expect, believe, anticipate, intend, and other words that denote future events. You should understand that, even though our forward-looking statements are based on assumptions we believe are reasonable when made, they are still subject to uncertainties that could cause actual results to differ materially from those in the forward-looking statements.
- We caution you to consider the important risk and other factors as set forth in the forward-looking statements section and in Item 1A risk factors in our Annual Reports on Form 10-K as filed with the U.S. Securities and Exchange Commission that could cause actual results to differ from those in the forward-looking statements as contained in this presentation.
- Forward-looking statements made herein are summaries of previous public disclosures, do not represent revised guidance, and we do not undertake to revise or update them from the date or dates of previous disclosure.
- In the case of any presentation delivered during the company's prescribed black-out periods, there will be no discussion or questions addressed regarding the current quarter's expected performance.

# Balchem Corporation

*Balchem develops, manufactures, and markets specialty ingredients that help make the world a healthier place*

## Highlights

- NASDAQ: BCPC
- Founded in 1967
- Headquarters: Montvale, NJ
- Approximately 1,300 Employees
- 22 Manufacturing Sites:
  - 17 in North America
  - 4 in Europe
  - 1 in Asia
- 7 Technology Centers
- 2022 Revenues of \$942M
- 2022 Adj. EBITDA of \$216M or 23% of sales
- 2022 Cash Flow From Operations of \$139M



A Global Health And Nutrition Focused Company With A 55+ Year History



# Leadership



## **Ted Harris, Chairman, President, and CEO**

- Joined Balchem in May 2015
- Prior to Balchem was a Senior VP of Ashland Inc. where he held a series of senior leadership roles over 10+ years
- Independent director and member of the Board of Directors of Pentair plc.
- MBA from Harvard University and bachelor's degree from Lehigh University in chemical engineering

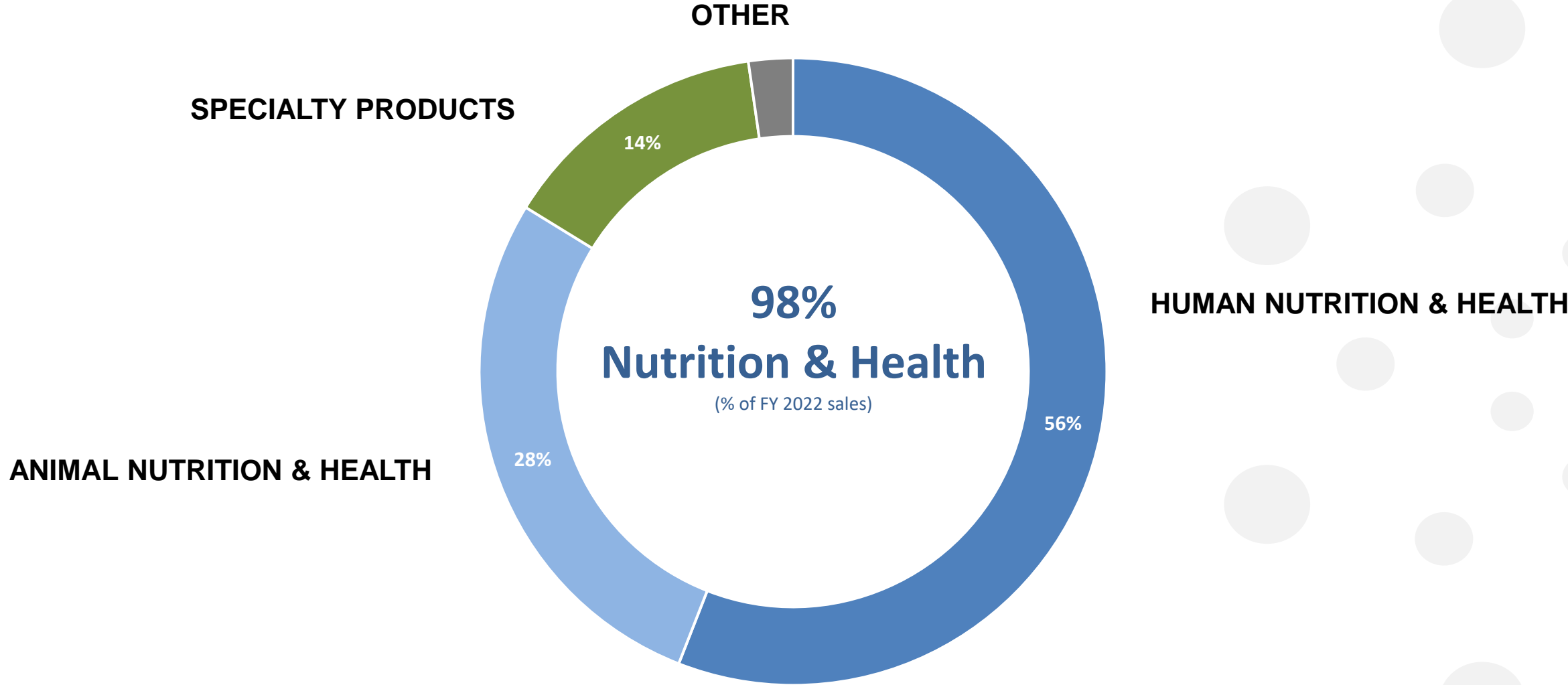
## **Martin Bengtsson, CFO**

- Joined Balchem in February 2019
- Prior to Balchem had a 15-year career at Honeywell and most recently was CFO for the \$11B Performance Materials & Technologies segment
- Bachelor's degree from Northwestern University in economics and began career as Senior Auditor for Deloitte



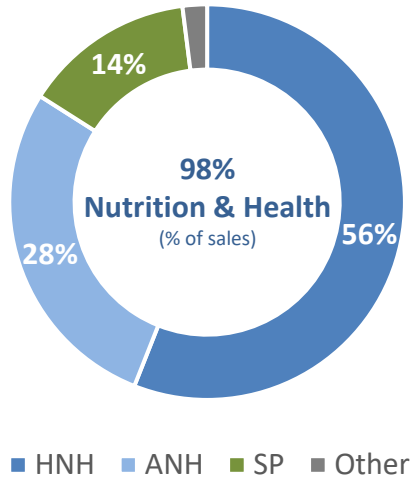
Executive Leadership

# Balchem at a Glance



98% Of Revenues Focused On Nutrition & Health

# Segment Overview



Segment	Markets Served	Solutions
Human Nutrition & Health	<ul style="list-style-type: none"> <li>• Nutritional Supplements</li> <li>• Food and Beverage</li> <li>• Infant &amp; Toddler Formula</li> <li>• Organic Cereal</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Microencapsulation</b></li> <li>• <b>Choline</b>, &amp; Vitamin K2</li> <li>• <b>Chelated Minerals</b></li> <li>• Powder, Flavor, &amp; Cereal Systems</li> </ul>
Animal Nutrition & Health	<ul style="list-style-type: none"> <li>• Dairy</li> <li>• Poultry and Swine</li> <li>• Companion Animal</li> <li>• Aquaculture</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Microencapsulation</b></li> <li>• <b>Choline</b></li> <li>• <b>Chelated Minerals</b></li> <li>• Amino Acids and Other Nutrients</li> </ul>
Specialty Products	<ul style="list-style-type: none"> <li>• Medical Device Sterilization</li> <li>• Nut and Spice Fumigation</li> <li>• Plant Nutrition</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Chelated Minerals</b></li> <li>• Performance Gases re-packaging</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Oil and Gas Fracking</li> <li>• Other Industrial Markets</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Choline</b></li> <li>• Choline Derivatives</li> </ul>

Leveraging Solutions Across Segments

# Vision and Mission

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## **Our Vision**

To make the world a healthier place.

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## **Our Mission**

To build a global nutrition and health company  
delivering trusted, innovative and science-  
based solutions to our customers.

.....

Committed To Building A Global Nutrition And Health Company

# Strategic Focus

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- **Strengthening Positions in Attractive, Growing Markets**
  - Building scale, adding adjacent capabilities, expanding market and geographic reach, broadening our portfolio of solutions, investing in new science, enabling market awareness
- **Driving Organic Growth**
  - Creating new demand through innovation, market penetration, new product launches, geographic expansion, and expanding addressable markets
- **Augmenting Organic Growth through Strategic Acquisitions**
- **Maintaining a Healthy Margin Profile, Strong Cash Flow, and Solid Balance Sheet to Execute**

Staying Focused



# Balchem Growth Platforms

## Human Nutrition & Health

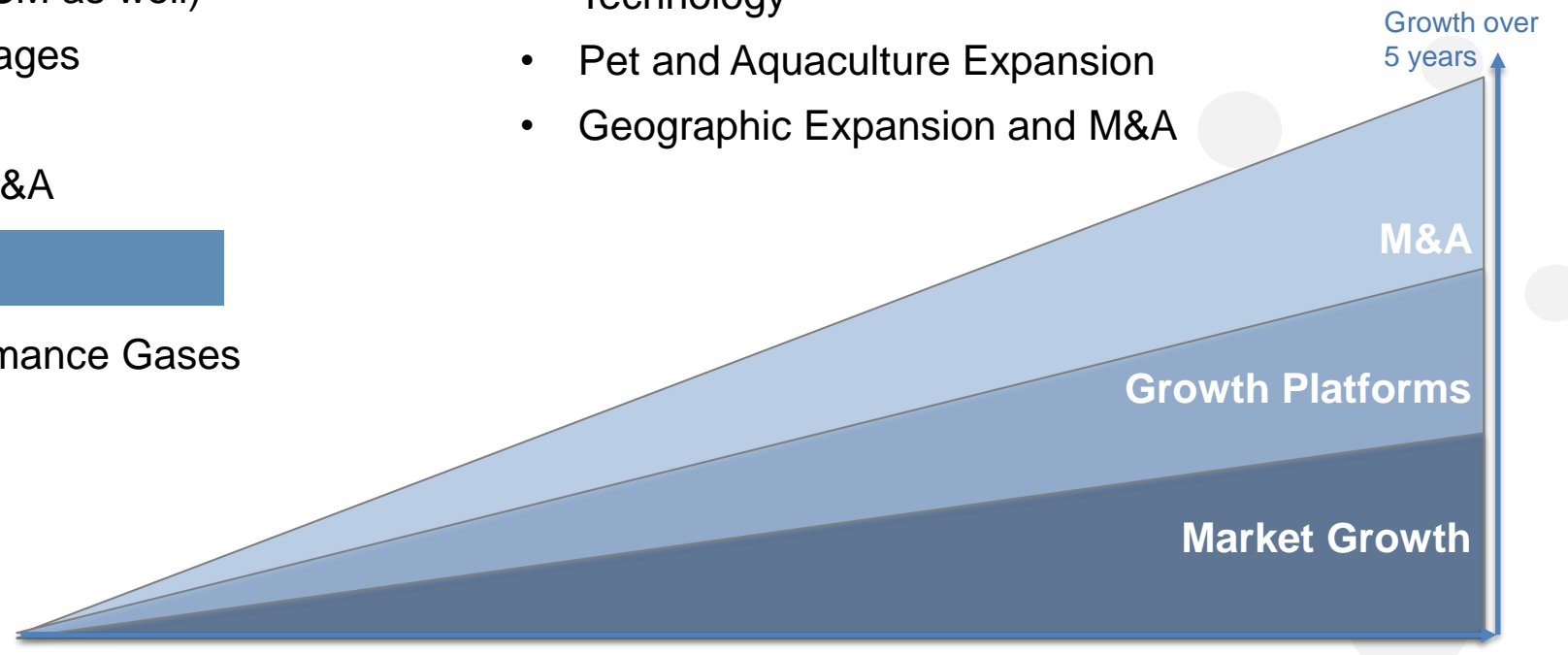
- Leveraging Synergies Across Segment
- Realize Vitamin K2 market potential
- FDA RDI for Choline and Expanded Choline Awareness / Science
- Mineral Nutrition (now with MSM as well)
- Systems for Nutritional Beverages
- Curemark® Delivery System
- Geographic Expansion and M&A

## Specialty Products

- Leveraging our Global Performance Gases Platform
- Plant Micronutrients
  - New Applications
  - New Products
  - Geographic Expansion

## Animal Nutrition & Health

- ReaShure® Penetration
- NRC Recommendation on Choline
- Rumen Protected Nutrients for Dairy
- Next Generation By-pass and Release Technology
- Pet and Aquaculture Expansion
- Geographic Expansion and M&A



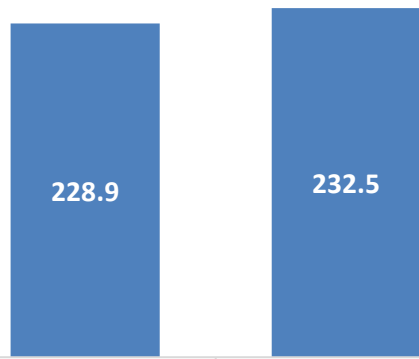
Multiple Platforms To Drive Growth

# Q1 2023 Financial Summary

## Sales

(\$M)

↑ 1.6%



1Q22

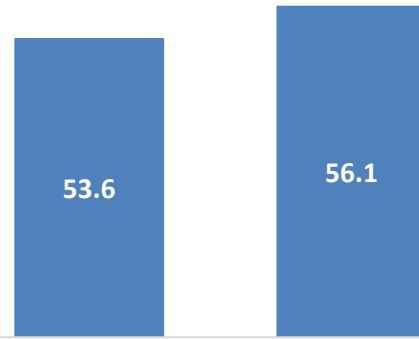
1Q23

- Acquisition benefit partially offset by F/X headwind
- Higher average selling prices passing through inflationary cost increases

## Adj. EBITDA

(\$M)

↑ 4.8%



1Q22

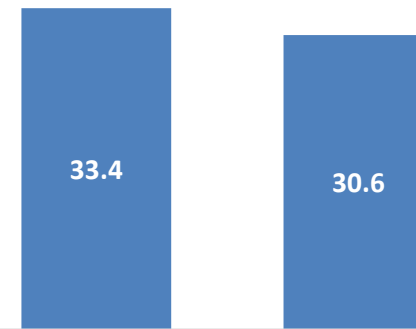
1Q23

- Benefit from acquisitions supporting growth
- Margin improvement with price increases catching up to moderating inflation

## Adj. Net Earnings

(\$M)

↓ -8.3%



1Q22

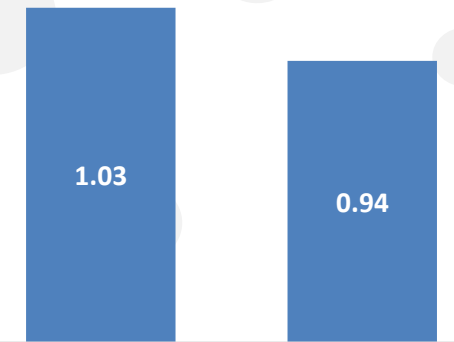
1Q23

- Higher interest expenses resulting from increased debt level and rise in interest rates compared to prior year

## Adj. EPS

(\$/share)

↓ -8.2%



1Q22

1Q23

- Earnings negatively impacted by interest expense
- Small decrease in diluted outstanding shares (-0.2%)

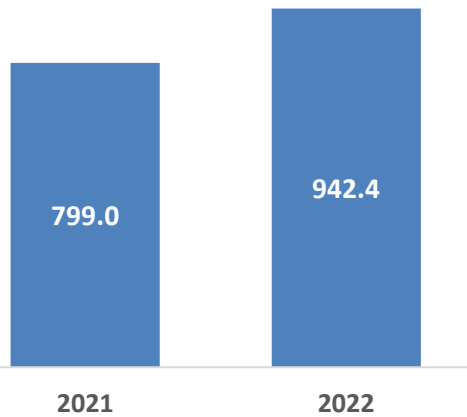
Solid Quarter In Challenging Environment, Interest Expense Impacting Net Results

# FY 2022 Financial Summary

## Sales

(\$M)

↑ 17.9%

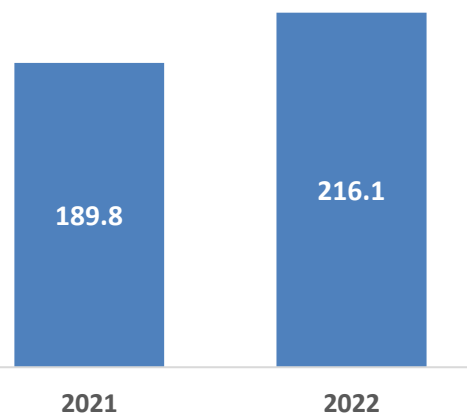


- Double-digit growth in all three segments
- Higher average selling prices
- Acquisition benefit

## Adj. EBITDA

(\$M)

↑ 13.8%

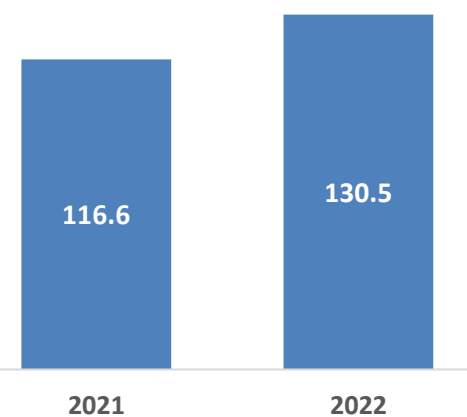


- Driven by sales growth and benefit from acquisitions
- Pricing actions help offset inflationary increases to input costs

## Adj. Net Earnings

(\$M)

↑ 11.9%

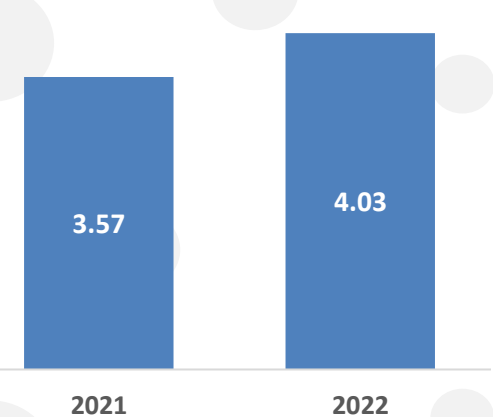


- Driven by sales growth
- Higher interest expenses partially offset by lower tax rate in 2022 vs 2021

## Adj. EPS

(\$/share)

↑ 12.9%

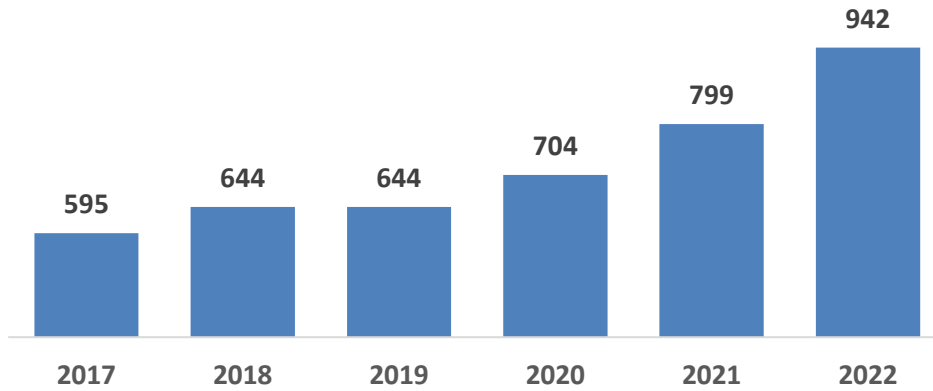


- Growth in earnings
- Small decrease in diluted outstanding shares (-0.9%)

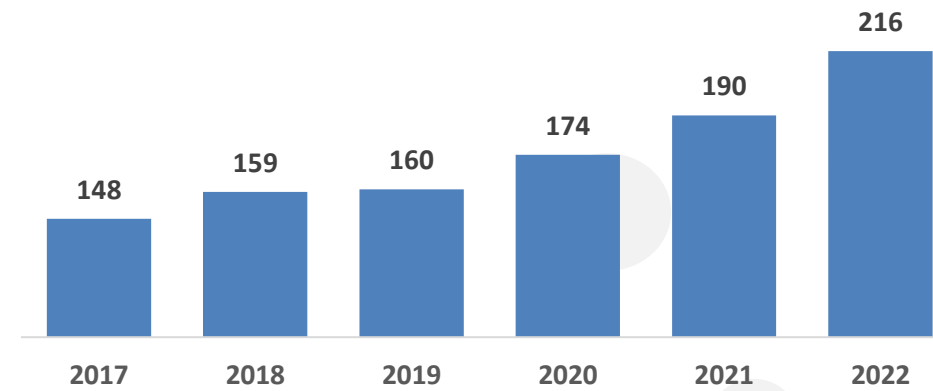
Another Strong Growth Year

# Historical Financials

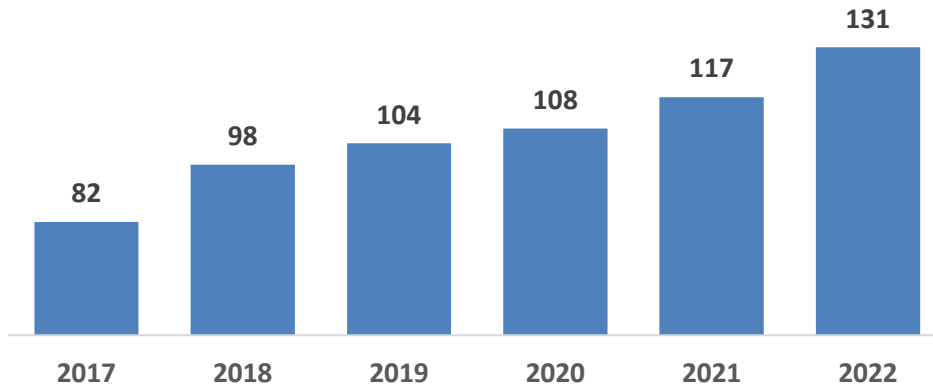
## SALES (\$M)



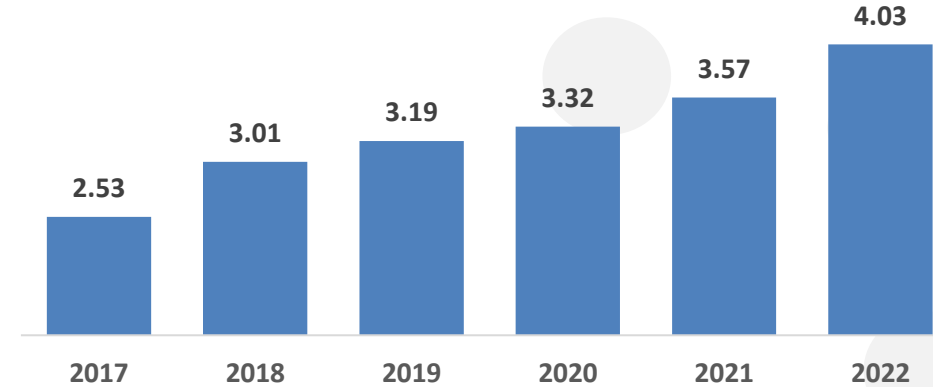
## ADJ. EBITDA (\$M)



## ADJ. NET EARNINGS (\$M)



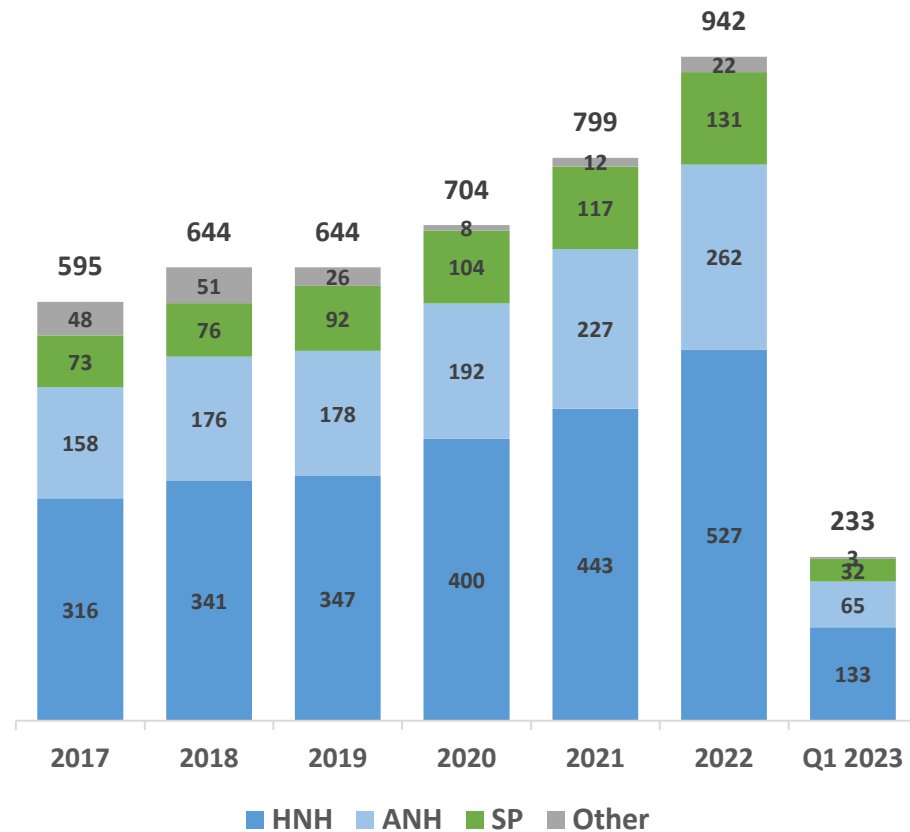
## ADJ. EPS (\$/share)



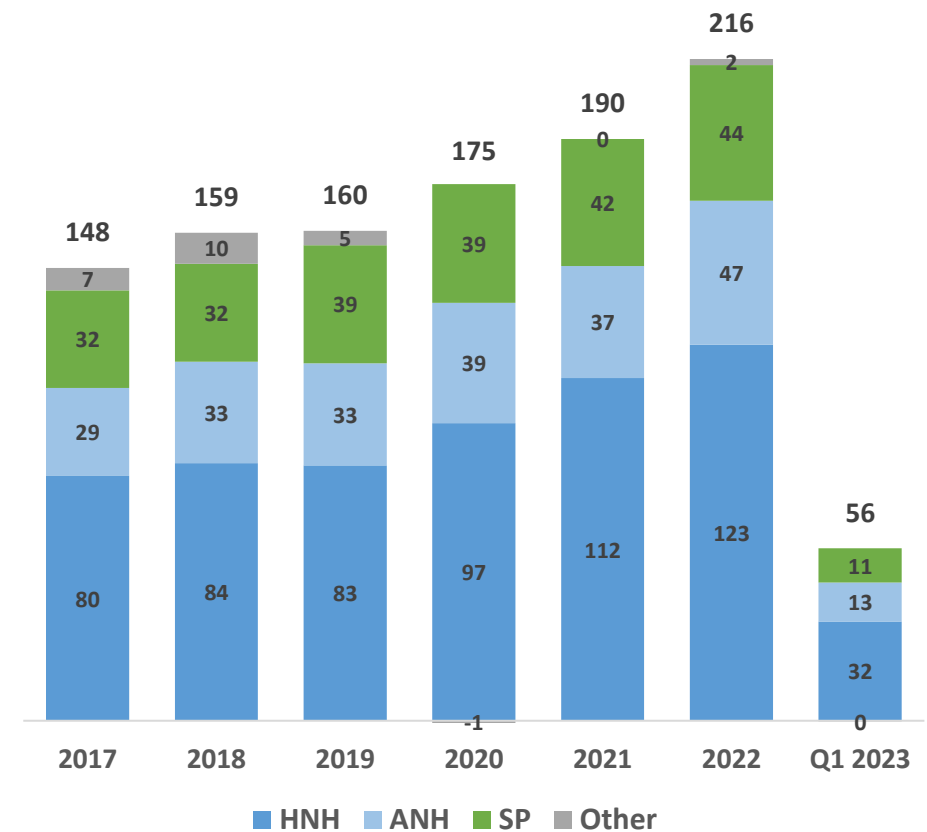
Consistent Performance Due To Resilient Business Model

# Segment Financials

## SALES (\$M)



## ADJ. EBITDA (\$M)



Resilient Business Model



# Capital Allocation Strategy and M&A

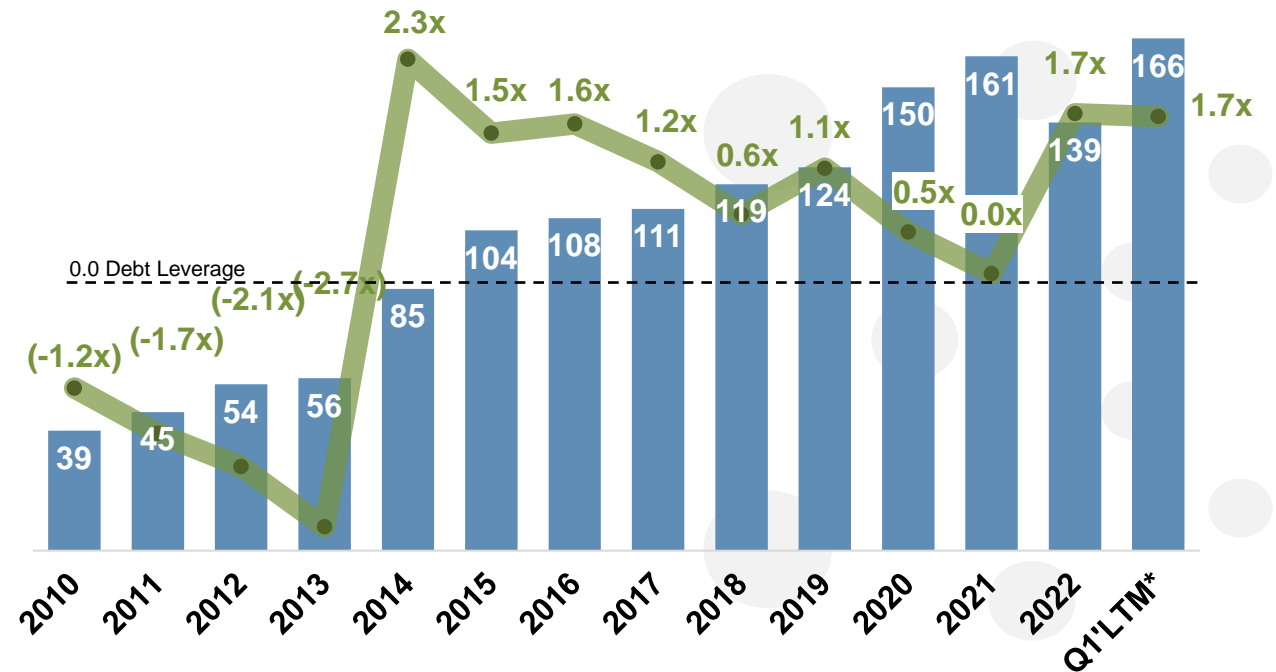
## Capital Allocation Strategy

- Prioritize organic growth investments
- Augment organic growth with targeted M&A
- Pay down debt
- Continue to pay and grow dividend
- Stock buy-backs for anti-dilution

## M&A

- Eight acquisitions since 2016
- Focus on core Nutrition & Health
- Adding geographic reach, adjacent products/technologies, and market consolidation

## Annual Cash Flow (\$M) and Debt Leverage Ratio



Disciplined Capital Allocation Strategy

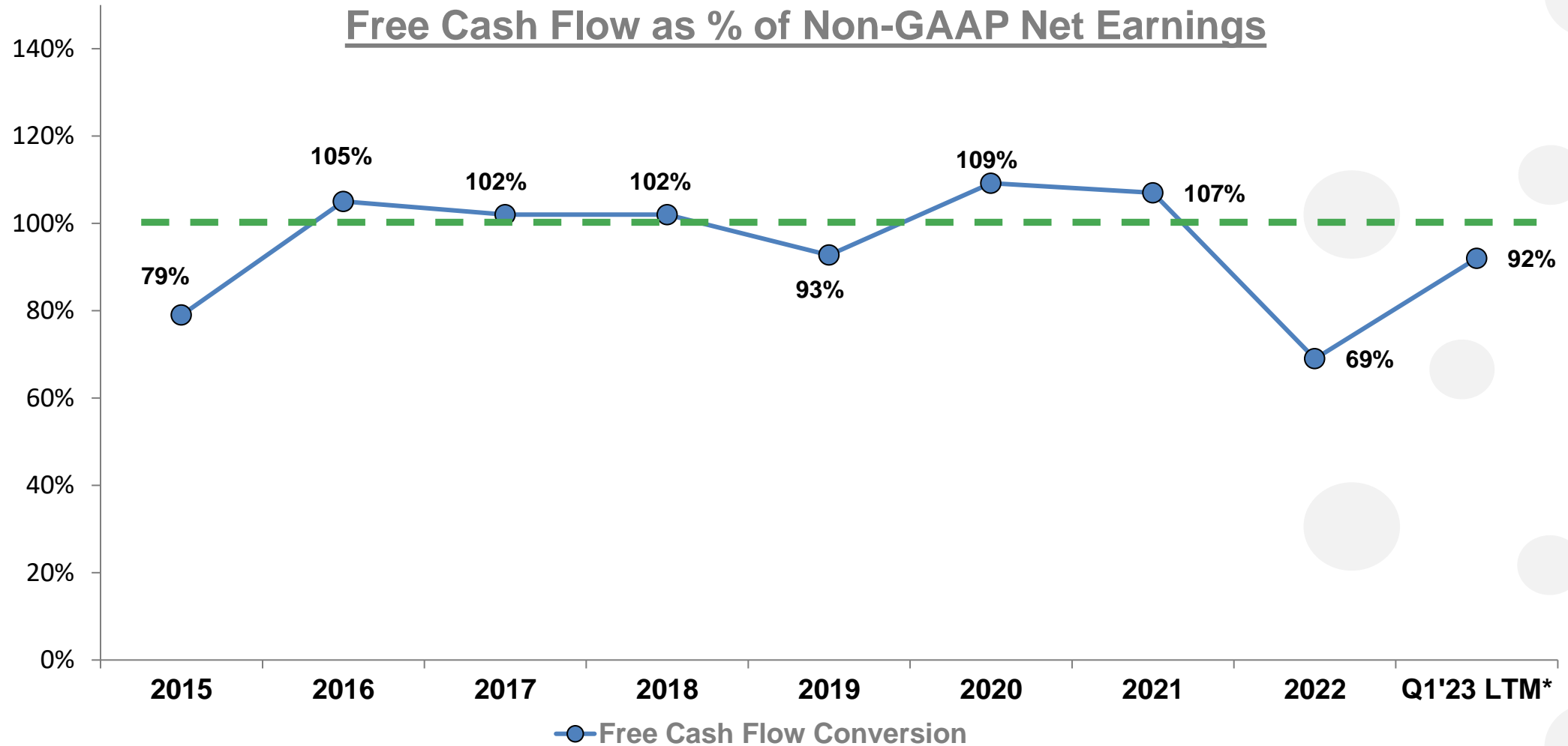
\*Last Twelve Months (LTM)

# Recent Acquisitions

	<b><u>Rationale</u></b>	<b><u>Key Offering</u></b>
<b>Bergstrom Nutrition</b> August 2022	Adjacent product offering to existing Minerals portfolio	Specialty Sulfur for dietary supplements
<b>Kappa Bioscience AS</b> June 2022	Adjacent product offering in high growth market	Specialty Vitamin K2
<b>Zumbro River Brand</b> December 2019	Market consolidation and expanded product offering	High protein extrusion and agglomeration
<b>Chemogas</b> May 2019	Adds leadership position in Europe to already existing U.S. leadership	Performance Gases re-packaging
<b>Bioscreen</b> August 2018	Microencapsulation manufacturing in Europe	Microencapsulation and Fermentation
<b>IFP</b> June 2017	Market consolidation and processing technology and capability	Microencapsulation and Agglomeration
<b>Chol-Mix</b> March 2017	Geographic reach into Eastern Europe	Dry Choline Chloride
<b>Albion</b> February 2016	Adjacent product offering in high growth market	Chelated Magnesium, Iron, Calcium, Zinc, and others

Augmenting Organic Growth With Targeted Acquisitions Close To Core

# Free Cash Flow Conversion

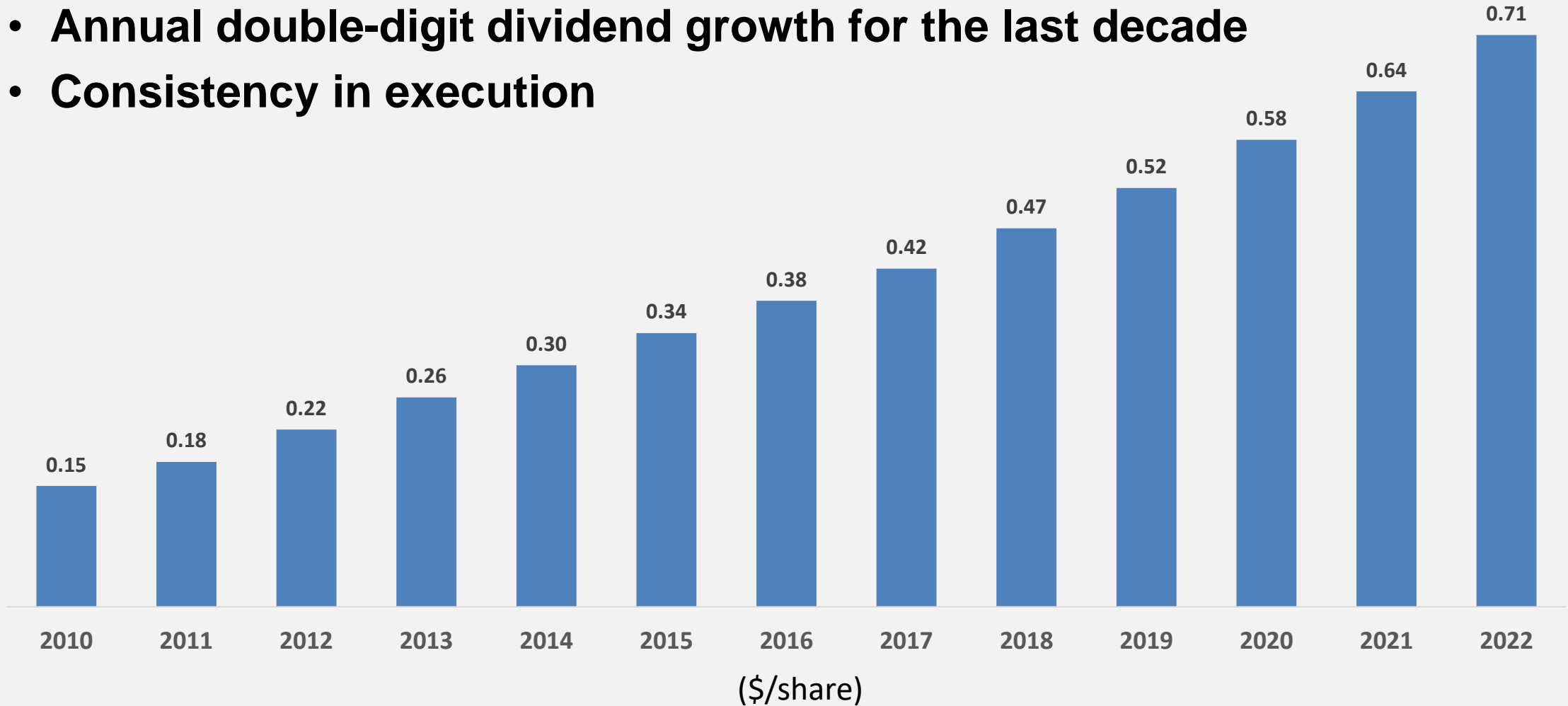


Solid Free Cash Flow Conversion Over Time, 2022 Impacted By Rapid Input Cost Inflation

\*Last Twelve Months (LTM)

# Dividends

- Annual double-digit dividend growth for the last decade
- Consistency in execution



Consistent Dividend Policy

# Our Sustainability Framework

## Our Sustainability Framework



## 1.4 Billion People Reached in 2022

The total number of people impacted is calculated by measuring the annual consumption of protein and the daily recommended doses of minerals, essential nutrients, and vitamins.

Every day, Balchem is delivering trusted solutions that enhance health and well-being through science.

The two objectives of our sustainability strategy directly support our vision of making the world a healthier place:

- providing innovative solutions for the health and nutritional needs of the world
- and operating with excellence as strong stewards of our employees, customers, shareholders, and communities

One of our proud accomplishments is Balchem's impact on 1.4 billion people each year.

Making The World A Healthier Place



# Our 2030 ESG Goals

## EMISSIONS REDUCTION

Balchem commits to reduce our GHG emissions by

25% 

### OPPORTUNITY EXAMPLES



Process improvements in spray drying by increasing feed solids



Reduce drying with product design (e.g., ReaShure<sup>®</sup>-XC)



Major consumer efficiency improvements (e.g., modernized boilers)



Use of renewable energy sources (e.g., Grimbergen solar project)

## WATER CONSERVATION

Balchem commits to reduce our global water use by

25% 

### OPPORTUNITY EXAMPLES



Eliminate “once through” cooling water systems in Marano and Verona sites



Reduce water use in clean in place (CIP) systems with improved utilization and change to dry clean options



Condensate recovery systems

Committed To 2030 Goals

# What Makes Balchem Unique?

## Proven Track Record Of Growth

- ✓ Proven ability to grow in all economic conditions
- ✓ Steady and thoughtful capital allocation
- ✓ Continued innovation

## Technologies

- ✓ Delivery Systems
  - Microencapsulation
  - Systems (Powders, Flavors)
- ✓ Chelation
- ✓ Choline

## Protected Positions

- ✓ Consolidated position in Choline
- ✓ Premium branded products and patent portfolio
- ✓ EPA Registrations for EO and PO

## Future Upside

- ✓ Organic growth platforms and earnings power
  - Market Penetration
  - New Product Development
  - Geographic expansion
- ✓ Strategic M&A
- ✓ Curemark®

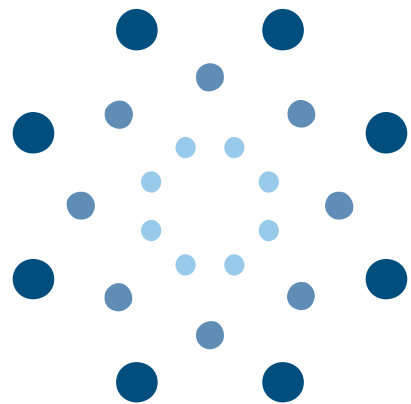
Well Positioned For The Future

# Summary / Wrap Up

- Leading Positions in Attractive Markets
- Creating New Demand Through Innovation
- Delivering Healthy Margins
- Generating Cash Flow from Operations Available for Reinvestment
- Proven Track Record



Reasons To Invest



**balchem**<sup>®</sup>

Solve Today. Shape Tomorrow.

# Non-GAAP Financial Information

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## **Non-GAAP Financial Information**

In addition to disclosing financial results in accordance with United States (U.S.) generally accepted accounting principles (GAAP), this earnings release contains non-GAAP financial measures that we believe are helpful in understanding and comparing our past financial performance and our future results. The non-GAAP financial measures in this press release include adjusted gross margin, adjusted earnings from operations, adjusted net earnings and the related adjusted per diluted share amounts, EBITDA, adjusted EBITDA, adjusted income tax expense, and free cash flow. The non-GAAP financial measures disclosed by the company exclude certain business combination accounting adjustments and certain other items related to acquisitions, certain equity compensation, and certain one-time or unusual transactions. Detailed non-GAAP adjustments are described in the reconciliation tables below and also explained in the related footnotes. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations from these results should be carefully evaluated. Investors should not consider non-GAAP measures as alternatives to the related GAAP measures.



# Non-GAAP Financial Information - Continued

**Table 1**

**Reconciliation of Non-GAAP Measures to GAAP**  
(Dollars in thousands, except per share data)  
(unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Reconciliation of adjusted gross margin</b>		
GAAP gross margin	\$ 73,170	\$ 71,506
Inventory valuation adjustment <sup>(1)</sup>	1,202	—
Amortization of intangible assets and finance lease <sup>(2)</sup>	681	329
Adjusted gross margin	<u>\$ 75,053</u>	<u>\$ 71,835</u>
<b>Reconciliation of adjusted earnings from operations</b>		
GAAP earnings from operations	\$ 34,408	\$ 38,336
Inventory valuation adjustment <sup>(1)</sup>	1,202	—
Amortization of intangible assets and finance lease <sup>(2)</sup>	7,350	5,961
Transaction and integration costs, ERP implementation costs, and unallocated legal fees <sup>(3)</sup>	2,165	304
Adjusted earnings from operations	<u>\$ 45,125</u>	<u>\$ 44,601</u>
<b>Reconciliation of adjusted net earnings</b>		
GAAP net earnings	\$ 22,710	\$ 28,930
Inventory valuation adjustment <sup>(1)</sup>	1,202	—
Amortization of intangible assets and finance lease <sup>(2)</sup>	7,422	6,032
Transaction and integration costs, ERP implementation costs, and unallocated legal fees <sup>(3)</sup>	2,165	304
Income tax adjustment <sup>(4)</sup>	(2,918)	(1,909)
Adjusted net earnings	<u>\$ 30,581</u>	<u>\$ 33,357</u>
Adjusted net earnings per common share - diluted	<u>\$ 0.94</u>	<u>\$ 1.03</u>

# Non-GAAP Financial Information - Continued

**Table 2**  
(unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net income - as reported	\$ 22,710	\$ 28,930
Add back:		
Provision for income taxes	6,409	8,700
Other expense	5,289	706
Depreciation and amortization	13,575	11,857
EBITDA	47,983	50,193
Add back certain items:		
Non-cash compensation expense related to equity awards	4,770	3,077
Inventory valuation adjustment <sup>(1)</sup>	1,202	—
Transaction and integration costs, ERP implementation costs, and unallocated legal fees <sup>(3)</sup>	2,165	304
Adjusted EBITDA	<u>\$ 56,120</u>	<u>\$ 53,574</u>

# Non-GAAP Financial Information - Continued

**Table 3**  
(unaudited)

	Three Months Ended March 31,			
	2023	Effective Tax Rate	2022	Effective Tax Rate
GAAP Income Tax Expense	\$ 6,409	22.0 %	\$ 8,700	23.1 %
Impact of ASU 2016-09 <sup>(5)</sup>	396		380	
Adjusted Income Tax Expense	\$ 6,805	23.4 %	\$ 9,080	24.1 %

**Table 4**  
(unaudited)

	Three Months Ended March 31,	
	2023	2022
Net cash provided by operating activities	\$ 34,838	\$ 7,021
Capital expenditures and capitalized ERP implementation costs	(9,612)	(9,774)
Free cash flow	\$ 25,226	\$ (2,753)

# Non-GAAP Financial Information - Continued

<sup>(1)</sup> Inventory valuation adjustment: Business combination accounting principles require us to measure acquired inventory at fair value. The fair value of inventory reflects the acquired company's cost of manufacturing plus a portion of the expected profit margin. The non-GAAP adjustment to our cost of sales excludes the expected profit margin component that is recorded under business combination accounting principles. We believe the adjustment is useful to investors as an additional means to reflect cost of sales and gross margin trends of our business.

<sup>(2)</sup> Amortization of intangible assets and finance lease: Amortization of intangible assets and finance lease consists of amortization of customer relationships, trademarks and trade names, developed technology, regulatory registration costs, patents and trade secrets, capitalized loan issuance costs, other intangibles acquired primarily in connection with business combinations, an intangible asset in connection with a company-wide ERP system implementation, and one finance lease. We record expense relating to the amortization of these intangibles and finance lease in our GAAP financial statements. Amortization expenses for our intangible assets and finance lease are inconsistent in amount and are significantly impacted by the timing and valuation of an acquisition. Consequently, our non-GAAP adjustments exclude these expenses to facilitate an evaluation of our current operating performance and comparisons to our past operating performance.

<sup>(3)</sup> Transaction and integration costs, ERP implementation costs and unallocated legal fees: Transaction and integration costs related to acquisitions and divestitures are expensed in our GAAP financial statements. ERP implementation costs related to a company-wide ERP system implementation are expensed in our GAAP financial statements. Unallocated legal fees for transaction-related non-compete agreement disputes are expensed in our GAAP financial statements. Management excludes these items for the purposes of calculating Adjusted EBITDA and other non-GAAP financial measures. We believe that excluding these items from our non-GAAP financial measures is useful to investors because these are items associated with transactions that are inconsistent in amount and frequency causing comparison of current and historical financial results to be difficult.

<sup>(4)</sup> Income tax adjustment: For purposes of calculating adjusted net earnings and adjusted diluted earnings per share, we adjust the provision for (benefit from) income taxes to tax effect the taxable and deductible non-GAAP adjustments described above as they have a significant impact on our income tax (benefit) provision. Additionally, the income tax adjustment is adjusted for the impact of adopting ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" and uses our non-GAAP effective rate applied to both our GAAP earnings before income tax expense and non-GAAP adjustments described above. See Table 3 for the calculation of our non-GAAP effective tax rate.

<sup>(5)</sup> Impact of ASU 2016-09: The primary impact of ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), was the recognition during the three months ended March 31, 2023 and 2022, of excess tax benefits as a reduction to the provision for income taxes and the classification of these excess tax benefits in operating activities in the consolidated statement of cash flows instead of financing activities.