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J.P. Morgan Industrials Conference 2020

Investor Presentation

March 10, 2020

Safe Harbor Statement

- 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: New Hampton, NY
- Approximately 1,400 Employees
- 21 Manufacturing Sites:
  - 17 in North America
  - 3 in Europe
  - 1 in Asia
- 5 Technology Centers
- 2019 Revenues of $644M
- 2019 Adj. EBITDA of $160M or 25% of sales
- 2019 Cash Flow From Operations of $124M

A Global Health And Nutrition Focused Company With A 50+ Year History

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Leadership

Ted Harris, Chairman and CEO

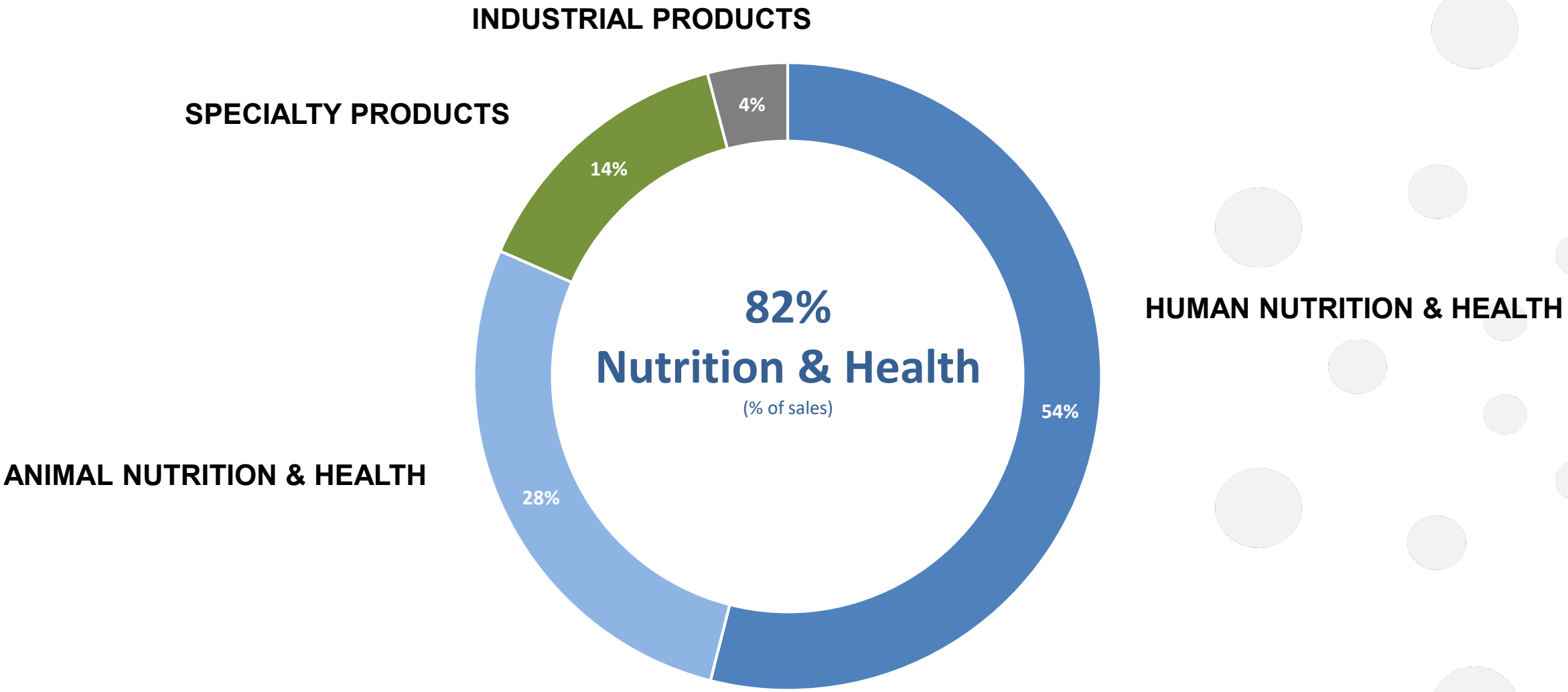
- Joined Balchem in May 2015
- Prior to Balchem was a Senior VP of Ashland Inc. where he held a series of senior leadership roles over 10+ years
- Independent director and member of the Board of Directors of Pentair plc.
- MBA from Harvard University and bachelor's degree from Lehigh University in chemical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

Executive Leadership

Balchem at a Glance



82% Of Revenues Focused On Nutrition And Health

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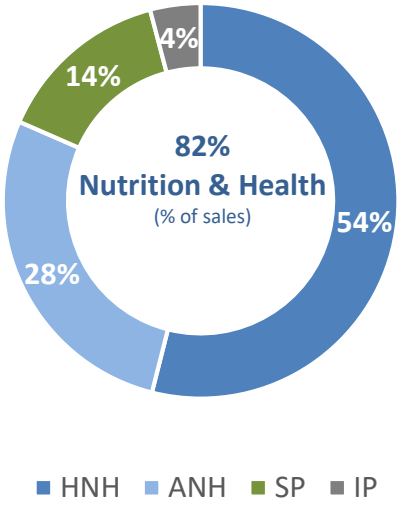
Segment Overview



Segment	Markets Served	Solutions
Human Nutrition & Health	• Nutritional Supplements • Food and Beverage • Infant & Toddler Formula • Organic Cereal	• **Micro-encapsulation** • **Choline** • **Chelated Minerals** • Powder, Flavor, & Cereal Systems
Animal Nutrition & Health	• Dairy • Poultry and Swine • Companion Animal • Aquaculture	• **Micro-encapsulation** • **Choline** • **Chelated Minerals** • Amino Acids and Other Nutrients
Specialty Products	• Medical Device Sterilization • Nut and Spice Fumigation • Plant Nutrition	• **Chelated Minerals** • Ethylene Oxide and Propylene Oxide re-packaging
Industrial Products	• Oil and Gas Fracking • Other Industrial Markets	• **Choline** • Choline Derivatives

Leveraging Solutions Across Segments

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Vision and Mission

Our vision is clear; ***to make the world a healthier place***

Our mission is 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

- 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
- FDA RDI for Choline and Expanded Choline Awareness / Science
- Mineral Nutrition
- Systems for Nutritional Beverages
- Curemark® Delivery System
- Geographic Expansion & M&A

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 & M&A

Specialty Products

- Chemogas Acquisition Synergies
- Plant Micronutrients
  - New Applications
  - New Products
  - Geographic Expansion

Industrial Products

- Capturing Recovery Volumes

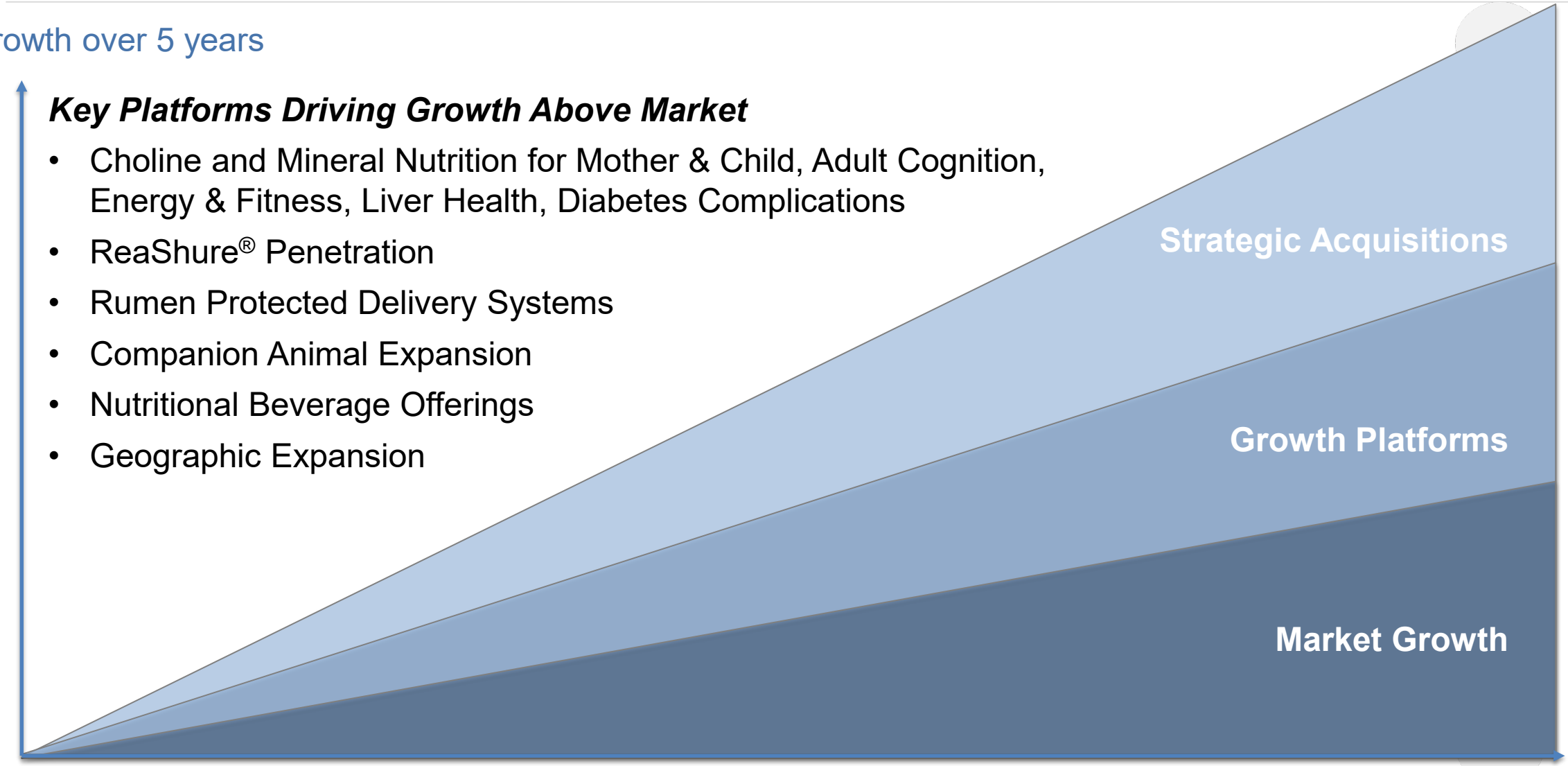
82% Of Revenues Focused On Nutrition And Health

Growth Vectors

Growth over 5 years

Key Platforms Driving Growth Above Market

- Choline and Mineral Nutrition for Mother & Child, Adult Cognition, Energy & Fitness, Liver Health, Diabetes Complications
- ReaShure® Penetration
- Rumen Protected Delivery Systems
- Companion Animal Expansion
- Nutritional Beverage Offerings
- Geographic Expansion



Several Growth Platforms To Deliver Above Market Growth

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2020 Market Outlook

Market	External Metrics	2019	Comments	2020
Food and Beverage	• GDP • Food and Bev. Growth	↗	• Food and Bev. Demand relatively stable • Nutritional beverage/bar markets growing faster	↗
Supplements	• Vitamin/mineral growth	↗	• Personalized nutrition on the rise • Magnesium and Choline are growing nutrients	↗
Dairy	• Dairy consumption • Dairy prices	→	• Growth in yogurt and cheese offset declines in fluid milk • Milk and milk protein prices dramatically higher	↗
Protein	• Protein consumption • Broiler sales	↗	• Protein consumption continues to grow • Poultry and pork sales modestly higher on ASF shortage	↗
Agriculture / Plant Nutrition	• Net Farm Income • Crop prices	↘	• Farm inc. negatively impacted by US/China trade war • Crop prices rising slowly, still below 2017 levels	→
Medical Device	• GDP • Medical Device Sales	↗	• Medical procedures continue at slow growth rate • Europe moves toward more medical device kits	↗
Energy	• GDP • Rig count	↓	• US shale production slowing • Low Oil price	↘

Modestly Improved Environment For 2020, But We Are Cautious

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2020 Potential Challenges

- COVID-19 Virus
  - Global uncertainty around how this will impact global supply chains along with supply/demand balances
  - Balchem taking precautionary actions and closely monitoring situation
- African Swine Fever
  - Potential spread from Asia into Western Europe and U.S. could have consequences on the protein supply chain and demand
  - Impact may be negative or positive depending on market and consumer reactions and behaviors
- Medical Device Sterilization Regulatory Environment
  - U.S. regulatory environment around Ethylene Oxide used for medical device sterilization is evolving
  - Potential lower emissions standards could drive increased costs to adjust to a new standard
- Oil and Gas Market Volatility
  - Decline in oil price likely to reduce U.S. fracking activity
  - Ongoing efforts to cost reduce fracking operations could continue to pressure Choline use

Closely Monitoring Market Environment

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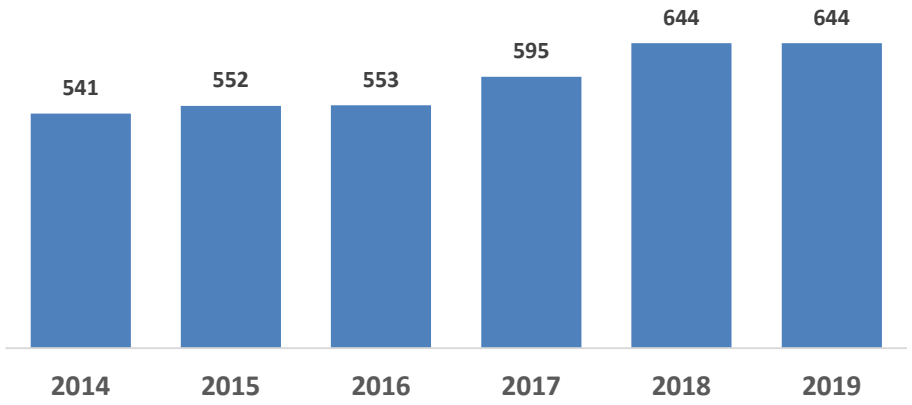
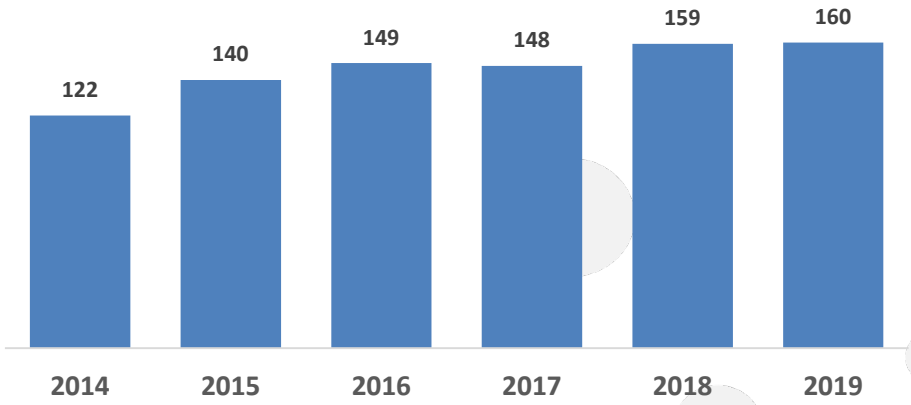
Historical Financials

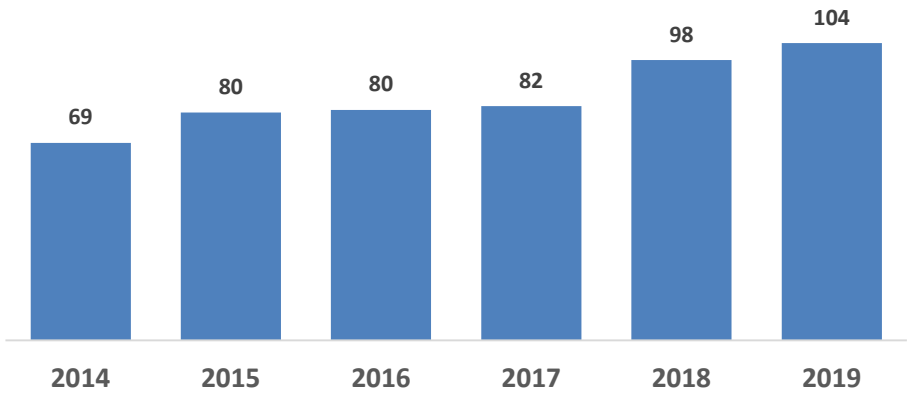
SALES ($M)



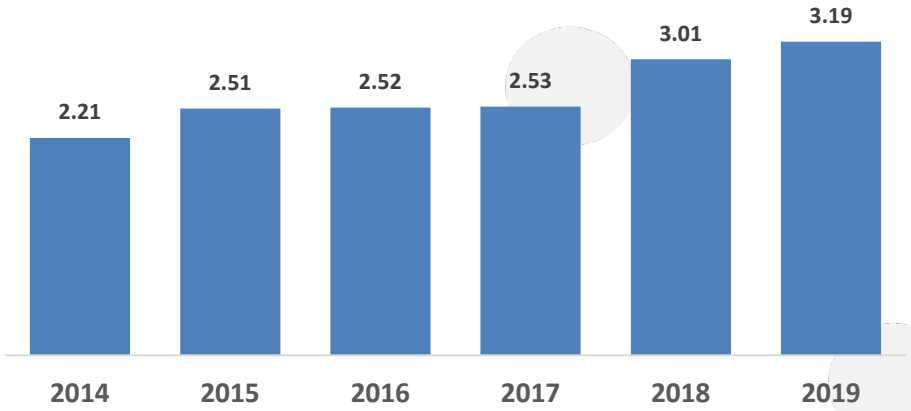
ADJ. EBITDA ($M)



ADJ. NET EARNINGS ($M)



ADJ. EPS ($/share)



Consistent Performance Due To Resilient Business Model

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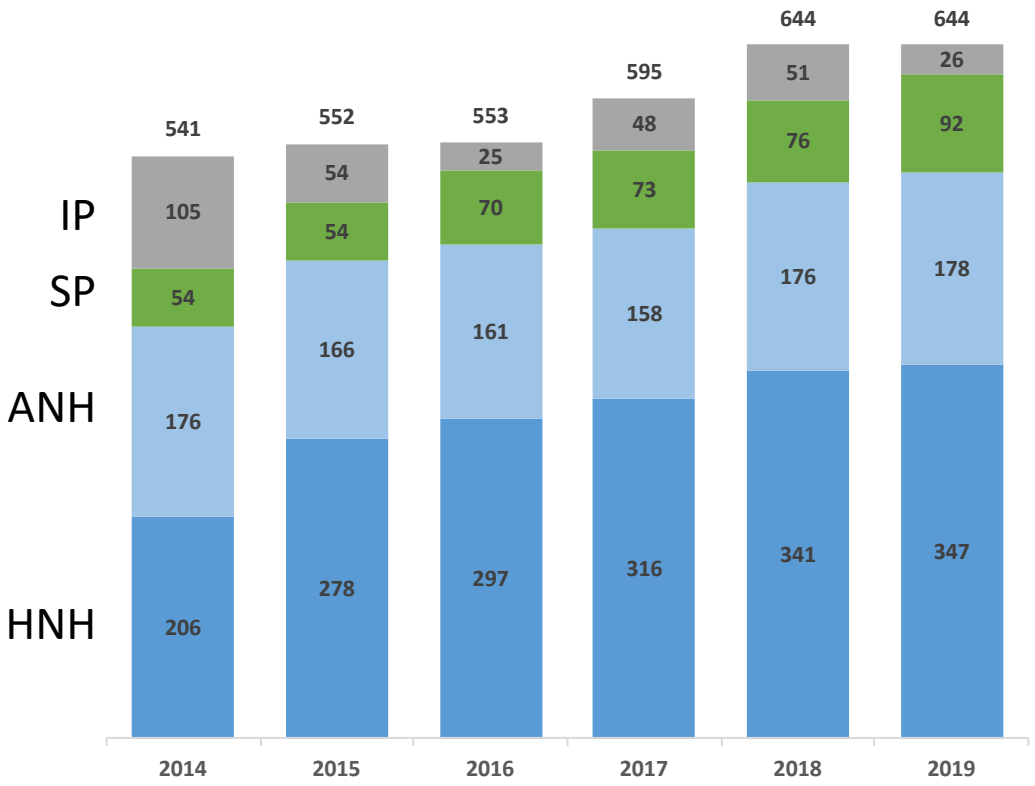
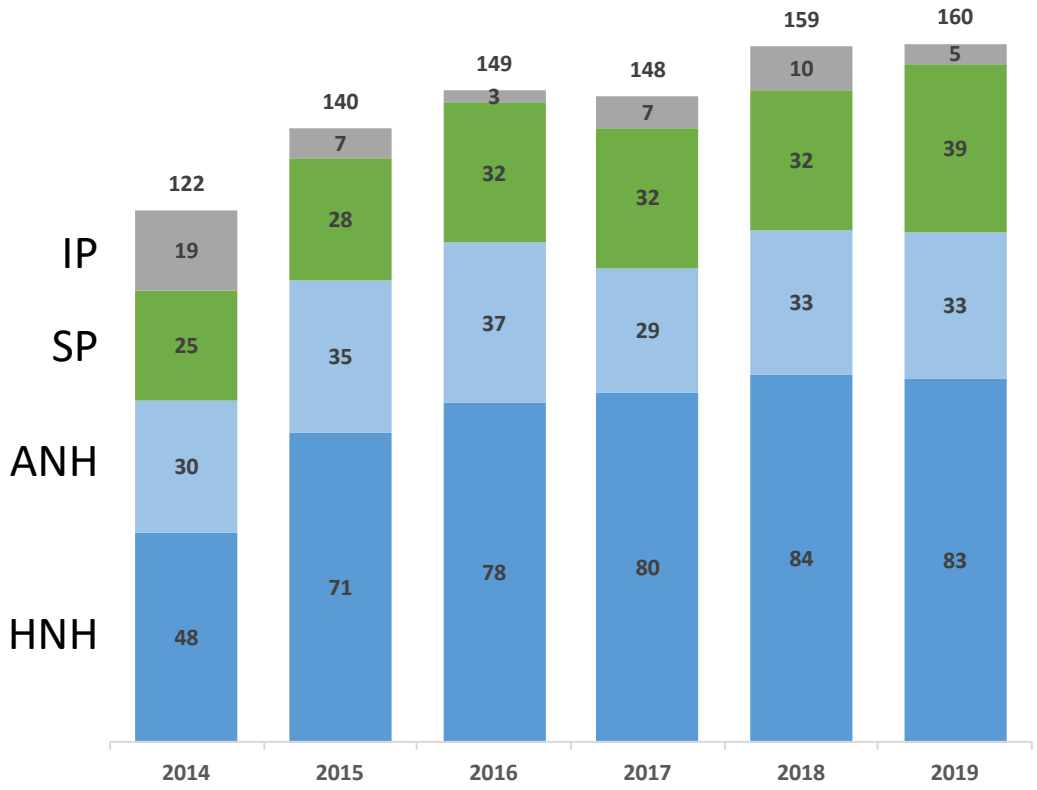
Segment Financials

SALES ($M)



ADJ. EBITDA ($M)



Industrial Products Now Smaller Part Of Portfolio

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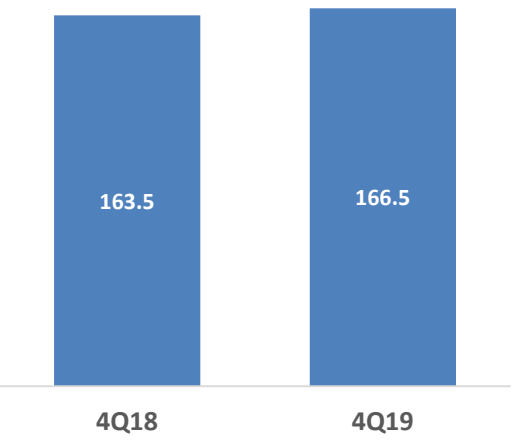
Q4 2019 Financial Summary

Sales

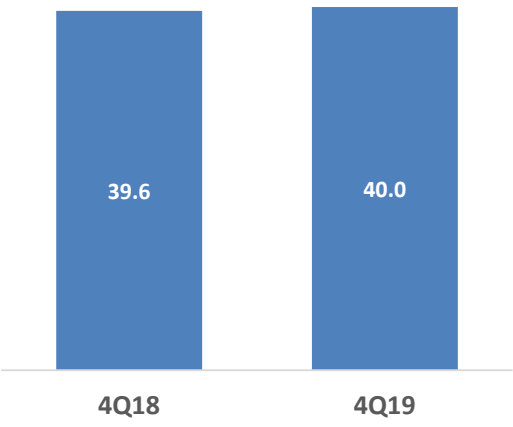
Up 1.8%



- Growth in HNH, ANH, SP
- Improved Dairy Economics
- Significant headwind in Oil & Gas

Adj. EBITDA

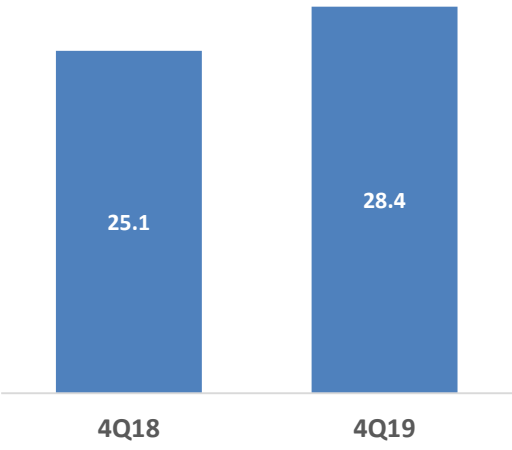
Up 1.0%



- Gross Margin% Improvement +130bps
- Favorable raw materials
- Bad Debt headwind

Adj. Net Earnings

Up 13%



- Lower tax rate driven by discrete items

Adj. EPS

Up 14%

- Flat share count YoY

Growth Despite Significant Headwind In Oil & Gas

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Capital Allocation Strategy and M&A

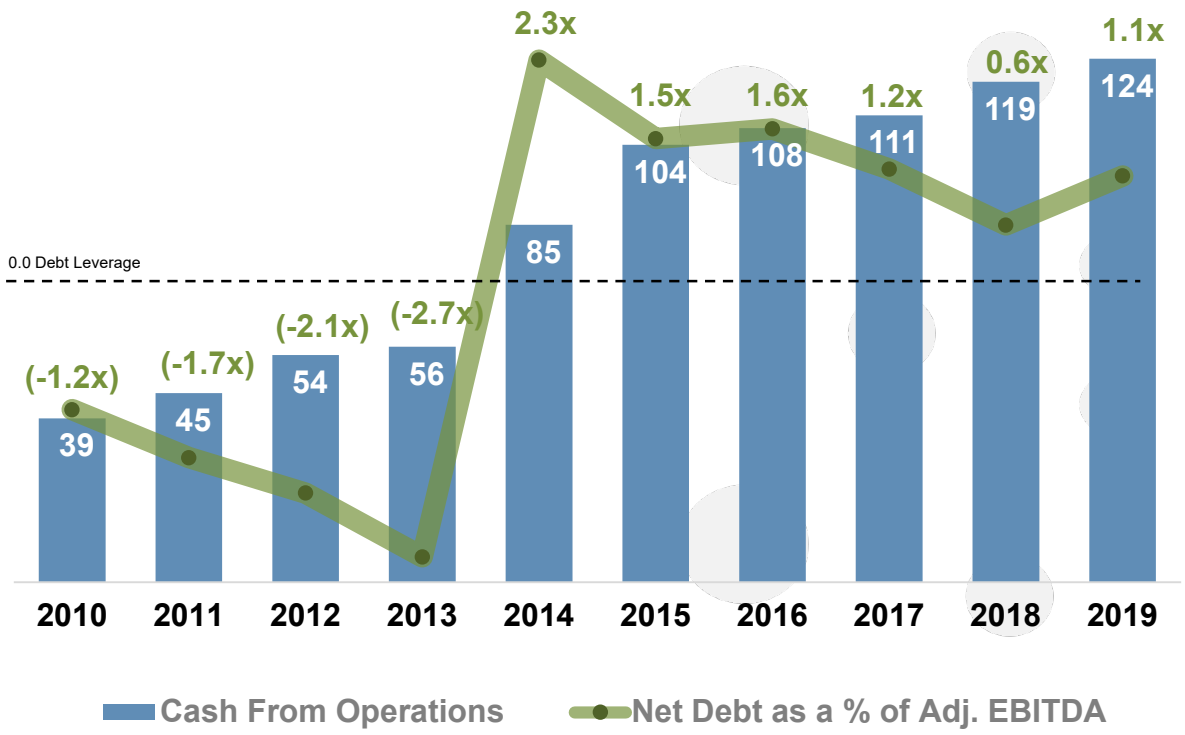
Capital Allocation Strategy

- 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

- Six 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



Maintain Disciplined Capital Allocation Strategy

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Recent Acquisitions

	Rationale	Key Offering
Zumbro River Brands December 2019	Market consolidation and expanded product offering	High protein extrusion and agglomeration
Chemogas May 2019	Adds leadership position in Europe to already existing U.S. leadership	Ethylene Oxide re-packaging and distribution
Bioscreen August 2018	Micro-encapsulation manufacturing in Europe	Micro-encapsulation and Fermentation
IFP June 2017	Market consolidation and processing technology and capability	Micro-encapsulation and Agglomeration
Chol-Mix March 2017	Geographic reach into Eastern Europe	Dry Choline Chloride
Albion February 2016	Adjacent product offering	Chelated Magnesium, Iron, Calcium, Zinc, and others

Augmenting Organic Growth With Targeted Acquisitions Close To Core

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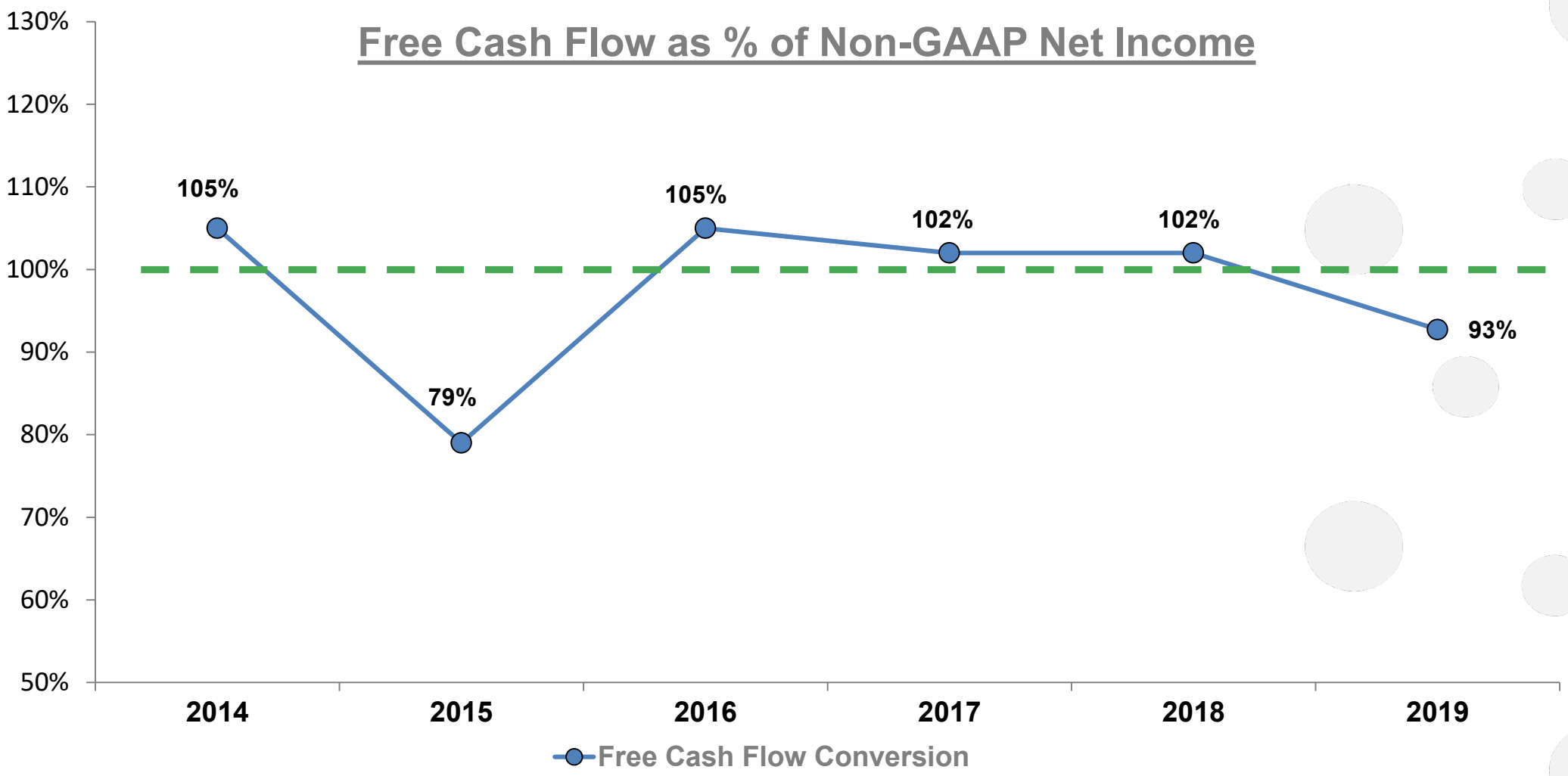
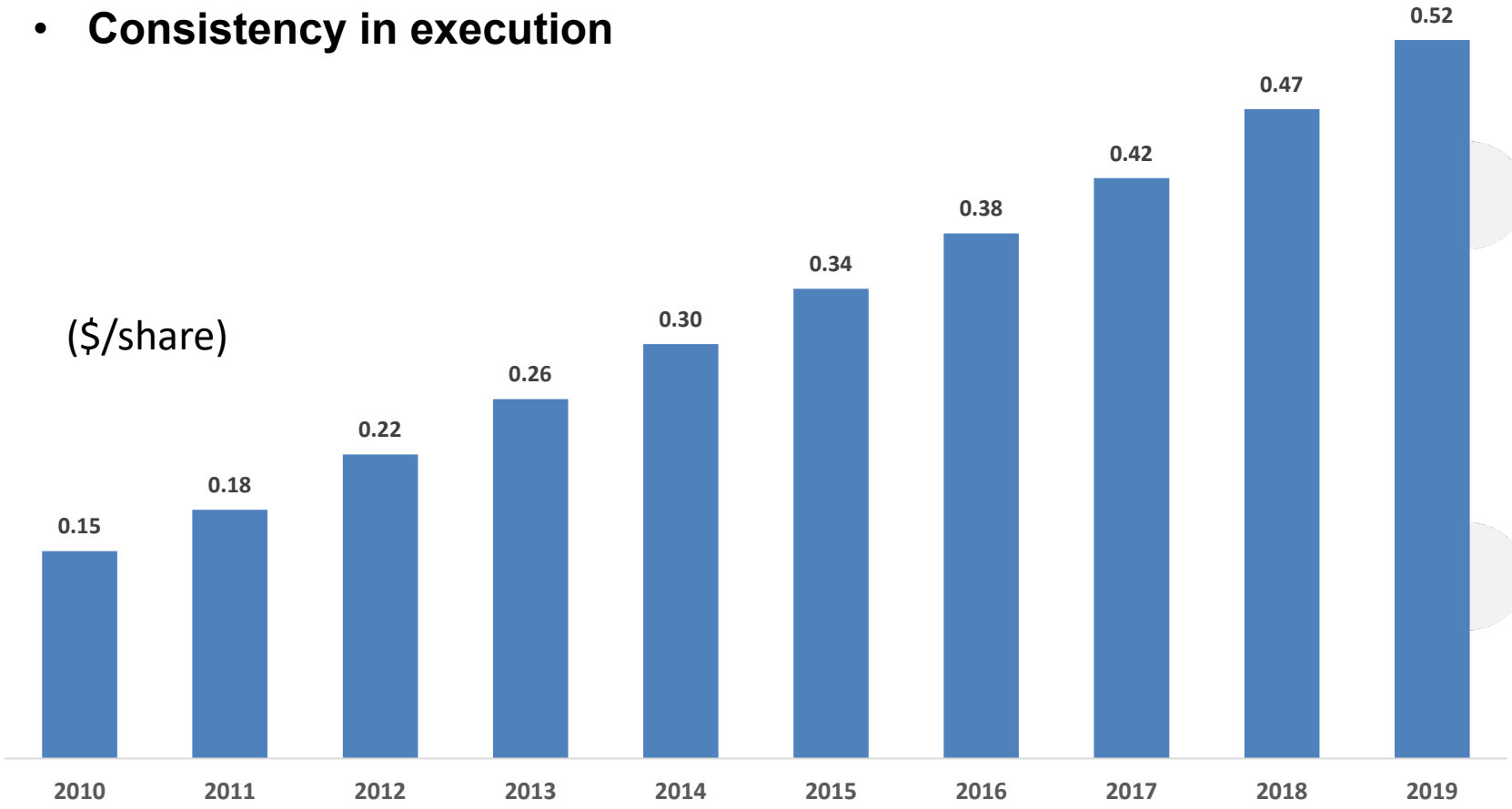
Free Cash Flow Conversion



Solid Free Cash Flow Conversion, Turning Profits Into Cash

Dividends

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



Consistent Dividend Policy

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Our Sustainability Framework

Our Sustainability Framework

1.3 Billion People Reached in 2018

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

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 mission 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 1.3 billion people each year

Making The World A Healthier Place

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Our Sustainability Framework

People	Planet	Profit
1.3 billion – number of people reached per year	**10.2 billion** – number of animals reached per year	**27.6%** – revenue from products developed in the past five years
1.06 – total recordable injury rate (TRIR)	**0.61 GJ** – energy intensity (GJ of energy per ton of product produced) **73,726** – scope 1 and scope 2 greenhouse gas emissions (CO_2e metric tons)	**$643.7M** – total revenue
23% – hourly employee turnover **10%** – salary employee turnover	**11.5 CBM** – water intensity (cubic meters of water withdrawal per metric ton of product produced) **1.8%** – water withdrawal from regions with high or extremely high baseline water stress	**$159.9M** – adjusted EBITDA
76% males, **24%** females – employee diversity	**99%** – hazardous waste reused or recycled **70%** – hazardous material suppliers audited in the last 3 years	**$78.6M** – GAAP net earnings **$2.42** – GAAP earnings per share
75% – R&D focused on health and nutrition	**100%** – of palm oil sourced certified through RSPO **43%** – raw materials from renewable resources	**127%** – free cash flow conversion
100% – manufacturing sites with local community engagement efforts	**0** – product recalls	**21.1%** – 5-year total shareholder return (TSR) vs Russell 2000 Index

Making The World A Healthier Place

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What Makes Balchem Unique?

Proven Track Record Of Growth

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

Protected Positions

- ✓ Consolidated position in Choline
- ✓ EPA Registrations for EO and PO
- ✓ Patent portfolio and premium branded products

Technologies

- ✓ Delivery Systems
  - Micro encapsulation
  - Systems (Powders, Flavors)
- ✓ Chelation
- ✓ Choline

Future Upside

- ✓ Organic growth and earnings power
  - Market Penetration
  - Geographic expansion
- ✓ Strategic M&A
- ✓ Curemark

Well Positioned For The Future

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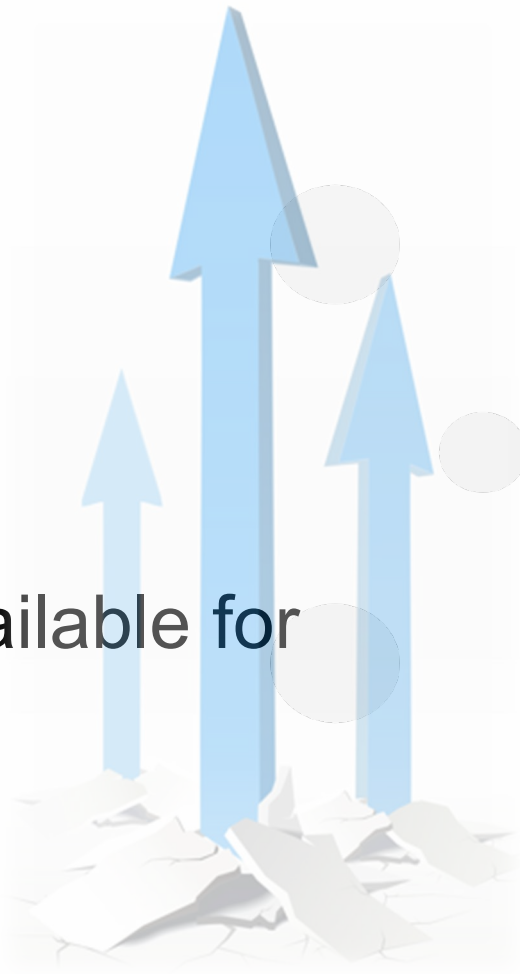
Summary / Wrap Up

- 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

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Appendix

Non-GAAP Financial Information

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 disclosed by the company exclude certain business combination accounting adjustments and certain other items related to acquisitions, certain unallocated equity compensation, and certain one-time or unusual transactions. 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. Management believes that these non-GAAP measures provide useful information about the Company's core operating results and thus are appropriate to enhance the overall understanding of the Company's past financial performance and its prospects for the future. 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. EBITDA is defined as earnings before interest, other expense/income, taxes, depreciation and amortization. Adjusted EBITDA is defined as earnings before interest, other expense/income, taxes, depreciation, amortization, stock-based compensation, transaction and integration costs, indemnification settlements, legal settlements, ERP implementation costs, unallocated legal fees, the fair valuation of acquired inventory, and restructuring costs. Adjusted income tax expense is defined as income tax expense adjusted for the impact of ASU 2016-09. Free cash flow is defined as net cash provided by operating activities less capital expenditures and capitalized ERP implementation costs.

Non-GAAP Financial Information - Continued

Table 1

Reconciliation of Non-GAAP Measures to GAAP

(Dollars in thousands, except per share data)

(unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Reconciliation of adjusted gross margin				
GAAP gross margin	$ 54,346	$ 51,325	$ 211,367	$ 204,252
Inventory valuation adjustment [1]	147	—	147	—
Amortization of intangible assets [2]	633	735	2,644	3,097
Adjusted gross margin	$ 55,126	$ 52,060	$ 214,158	$ 207,349
Reconciliation of adjusted earnings from operations				
GAAP earnings from operations	$ 23,641	$ 27,234	$ 102,553	$ 107,100
Inventory valuation adjustment [1]	147	—	147	—
Amortization of intangible assets [2]	7,065	6,308	25,788	24,988
Transaction and integration costs, ERP implementation costs, and unallocated legal fees [3]	1,183	2	3,436	1,786
Restructuring costs [4]	1,026	—	1,026	—
Adjusted earnings from operations	$ 33,062	$ 33,544	$ 132,950	$ 133,874
Reconciliation of adjusted net earnings				
GAAP net earnings	$ 20,383	$ 20,334	$ 79,671	$ 78,573
Inventory valuation adjustment [1]	147	—	147	—
Amortization of intangible assets [2]	7,136	6,378	26,071	25,668
Transaction and integration costs, ERP implementation costs, and unallocated legal fees [3]	1,183	2	3,436	1,786
Restructuring costs [4]	1,026	—	1,026	—
Income tax adjustment [5]	(1,476)	(1,568)	(6,667)	(8,280)
Adjusted net earnings	$ 28,399	$ 25,146	$ 103,684	$ 97,747
Adjusted net earnings per common share - diluted	$ 0.88	$ 0.77	$ 3.19	$ 3.01

Non-GAAP Financial Information - Continued

(1) 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.

(2) Amortization of intangible assets: Amortization of intangible assets consists of amortization of customer relationships, trademarks and trade names, developed technology, regulatory registration costs, patents and trade secrets, capitalized loan issuance costs, and other intangibles acquired primarily in connection with business combinations. We record expense relating to the amortization of these intangibles in our GAAP financial statements. Amortization expenses for our intangible assets 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.

(3) 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 each transaction and are inconsistent in amount and frequency causing comparison of current and historical financial results to be difficult.

(4) Restructuring costs: Expenses related to a reorganization of the business.

(5) 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.

The following table sets forth a reconciliation of Net Income calculated using amounts determined in accordance with GAAP to EBITDA and to Adjusted EBITDA for the three and twelve months ended December 31, 2019 and 2018.

Non-GAAP Financial Information - Continued

Table 2
(unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income - as reported	$ 20,383	$ 20,334	$ 79,671	$ 78,573
Add back:				
Provision for income taxes	1,985	4,929	16,807	20,457
Other expense	1,273	1,971	6,075	8,070
Depreciation and amortization	12,307	11,136	45,580	43,986
EBITDA	35,948	38,370	148,133	151,086
Add back certain items:				
Non-cash compensation expense related to equity awards	1,685	1,205	7,273	6,413
Inventory valuation adjustment	147	—	147	—
Transaction and integration costs, ERP implementation costs, and unallocated legal fees	1,183	2	3,436	1,786
Restructuring costs	1,026	—	1,026	—
Adjusted EBITDA	$ 39,989	$ 39,577	$ 160,015	$ 159,285

Non-GAAP Financial Information - Continued

Table 3
(unaudited)

	Three Months Ended December 31,			
	2019	Effective Tax Rate	2018	Effective Tax Rate
GAAP Income Tax Expense	$ 1,985	8.9 %	$ 4,929	19.5 %
Impact of ASU 2016-09[6]	263		273	
Adjusted Income Tax Expense	$ 2,248	10.1 %	$ 5,202	20.6 %

	Year Ended December 31,			
	2019	Effective Tax Rate	2018	Effective Tax Rate
GAAP Income Tax Expense	$ 16,807	17.4 %	$ 20,457	20.7 %
Impact of ASU 2016-09[6]	1,004		2,043	
Adjusted Income Tax Expense	$ 17,811	18.5 %	$ 22,500	22.7 %

[6] 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 and twelve months ended December 31, 2019 and 2018, 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.

The following table sets forth a reconciliation of net cash provided by operating activities to free cash flow for the three and twelve months ended December 31, 2019 and 2018.

Table 4
(unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net cash provided by operating activities	$ 32,967	$ 39,512	$ 124,461	$ 118,697
Capital expenditures and capitalized ERP implementation costs	(6,700)	(5,917)	(28,315)	(19,170)
Free cash flow	$ 26,267	$ 33,595	$ 96,146	$ 99,527