



**balchem**<sup>®</sup>  
Solve Today. Shape Tomorrow.



Jefferies 2023 Industrials Conference  
September 6, 2023

# Safe Harbor Statement

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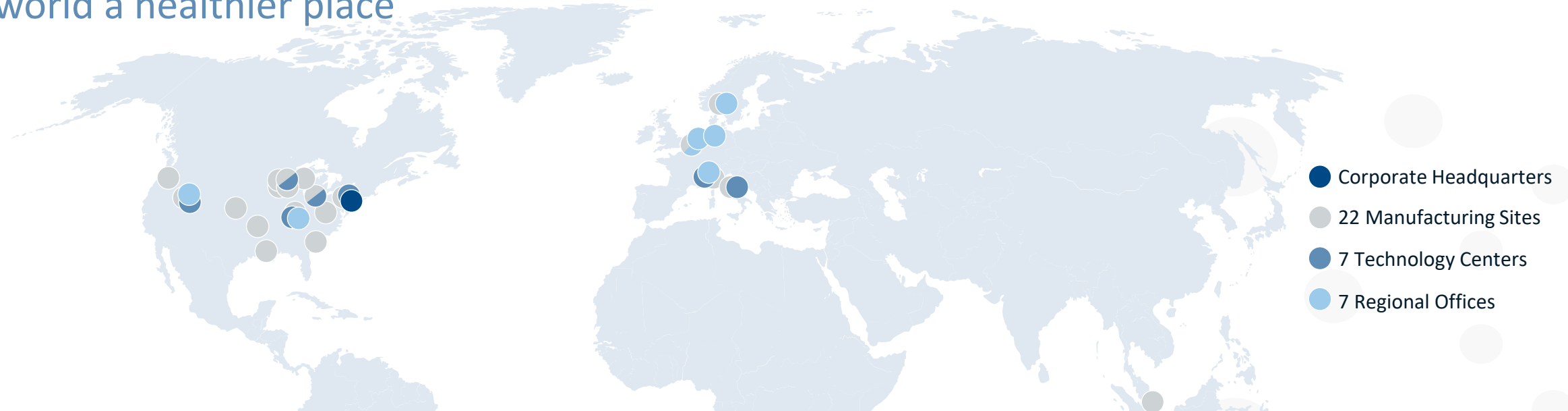
- During the course of this presentation, management may make forward-looking statements regarding financial performance and future events.
- We will attempt to identify these statements by use of words such as expect, believe, anticipate, intend, and other words that denote future events. You should 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.

# Agenda

- **Balchem Overview**
- Vision and Strategic Focus
- Financial Performance & Capital Allocation
- Corporate Social Responsibility
- Wrap Up
- Appendix
  - GAAP to Non-GAAP reconciliations

# Balchem Corporation

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



## At a Glance

- Founded in 1967
- NASDAQ: BCPC
- Approximately 1,300 Employees
- 2022 Revenue: \$942 Million

## Three Business Segments – 2022 Revenue



*Balance of sales includes our industrial businesses.*

# Executive Leadership

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## 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



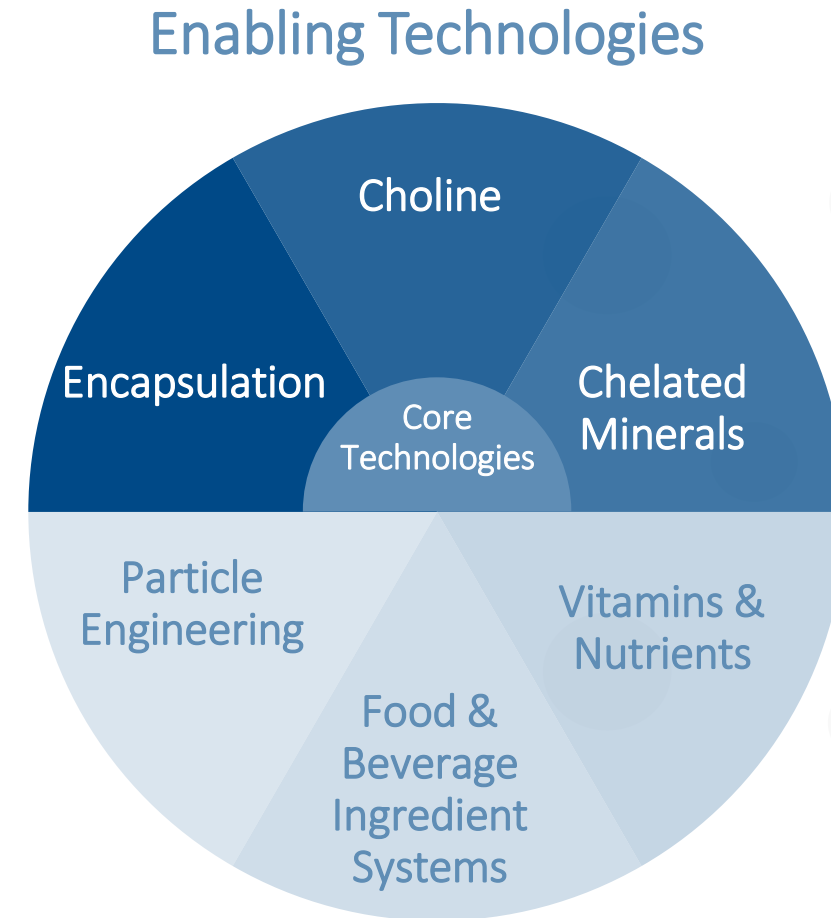
# Balchem's Value Proposition

## Value to our Customers

- High efficacy nutrients essential for life
- Enhanced animal health and feed productivity
- Functional ingredient systems formulations and application expertise
- Crop protection and yield improvement
- Complete supply chain capabilities and assurance

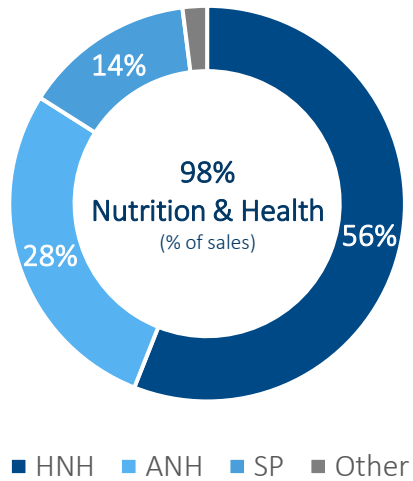
## Value to society

- Increased health and well-being of humans and animals
- Enhanced food chain productivity to give a growing population sustainable access to food



# Segment Overview

## Leveraging Solutions Across Segments



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 and supply chain capabilities</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>

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# Our vision

is clear – to make the world a healthier place.

# Our mission

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

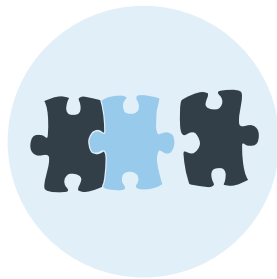
## Our Core Values



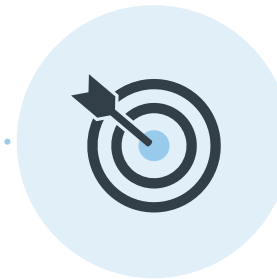
Always doing the **right** thing



Thinking **big** and acting small



Collaborating and growing **together**



Playing to **win**



Staying focused on the **customer**

# How Do We Make the World a Healthier Place?

Improve nutrient bioavailability for animals, reducing feed inputs and land required to produce high quality animal protein

Help farmers grow crops that are hardier when faced with stressors like disease and pests

Provide food, beverage, and dietary supplement ingredients that support cognitive, emotional, and physical well-being across generations

Power the day with plant & animal proteins, healthy fats, minerals, nutrients, and specialty nutraceuticals

Support prenatal, infant and toddler health with targeted nutritional ingredients

Create higher yields and higher quality crops with fewer inputs.

Improve nutrient bioavailability to reduce animal waste excreted into the environment

Decrease food waste from farm to table via natural technologies

Provide nutritious foods for companion animals

Provide products and services to medical device sterilizers



# 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
- **Strategic M&A**
  - Augment organic growth and accelerate strategic initiatives
- **Excellence in Execution**
  - Maintaining a strong margin profile, efficient cash flow conversion, and a solid balance sheet

# Growth Platforms

## Multiple platforms to drive growth

### Human Nutrition & Health

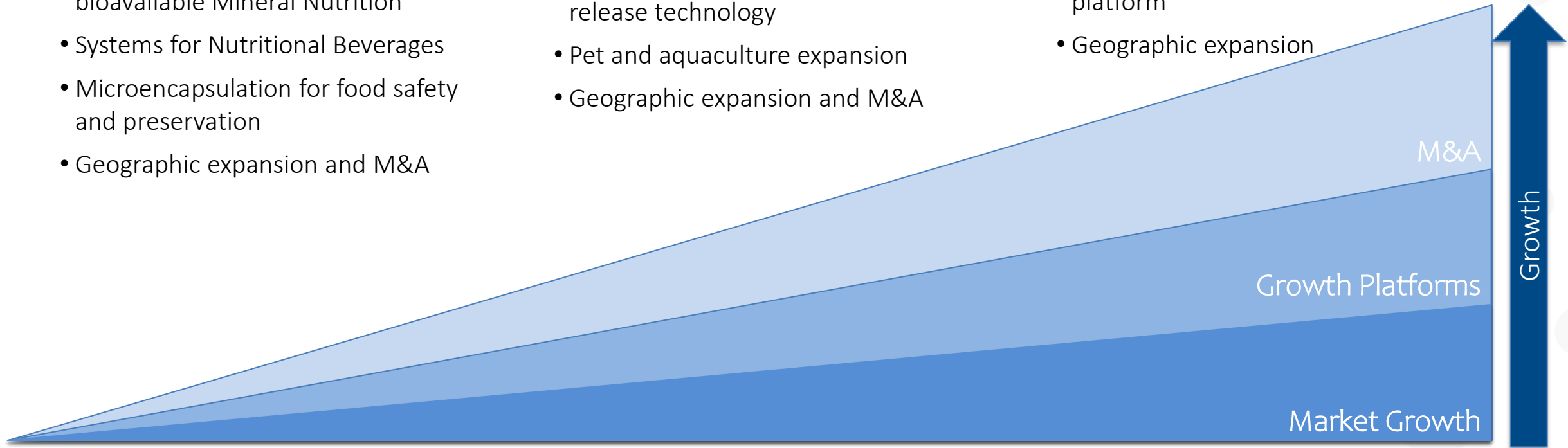
- Realize Choline and Vitamin K2 market potential
- Transition from low to high bioavailable Mineral Nutrition
- Systems for Nutritional Beverages
- Microencapsulation for food safety and preservation
- Geographic expansion and M&A

### Animal Nutrition & Health

- Rumen-protected nutrients for Dairy
- Reashure® penetration
- Next generation rumen by-pass and release technology
- Pet and aquaculture expansion
- Geographic expansion and M&A

### Specialty Products

- Plant micronutrients penetration and application
- Leveraging Global Performance Gases platform
- Geographic expansion



# Market Outlook – Pre, During, Post Pandemic, and Longer Term

## Market dynamics for key markets served by Balchem

	External Metrics	Pre Pandemic	During Pandemic	Post Pandemic	Longer Term	Comments
Food and Beverage	<ul style="list-style-type: none"> <li>GDP</li> <li>Food and Bev. Growth</li> </ul>					<ul style="list-style-type: none"> <li>Positive and negative demand drivers largely offsetting but longer-term outlook favorable</li> </ul>
Supplements	<ul style="list-style-type: none"> <li>Vitamin/mineral growth</li> </ul>					<ul style="list-style-type: none"> <li>Immunity boosting benefits seen during Covid only partially fading with healthy market outlook</li> </ul>
Dairy	<ul style="list-style-type: none"> <li>Dairy consumption</li> <li>Dairy prices</li> </ul>					<ul style="list-style-type: none"> <li>Volatile milk prices create demand uncertainty in the short term, but longer-term outlook positive</li> </ul>
Protein	<ul style="list-style-type: none"> <li>Protein consumption</li> <li>Broiler sales</li> </ul>					<ul style="list-style-type: none"> <li>Global geo-political and trade disruptions impacting regional demand, particularly in EU</li> </ul>
Agriculture / Plant Nutrition	<ul style="list-style-type: none"> <li>Net Farm Income</li> <li>Crop prices</li> </ul>					<ul style="list-style-type: none"> <li>Positive and negative demand drivers largely offsetting</li> </ul>
Medical Device	<ul style="list-style-type: none"> <li>GDP</li> <li>Medical Device Sales</li> </ul>					<ul style="list-style-type: none"> <li>“Pent-up” demand from postponement of elective surgeries gradually recovering</li> </ul>
Energy	<ul style="list-style-type: none"> <li>GDP</li> <li>Rig count</li> </ul>					<ul style="list-style-type: none"> <li>Modest increase in demand offset by lower inclusion of clay stabilizers</li> </ul>

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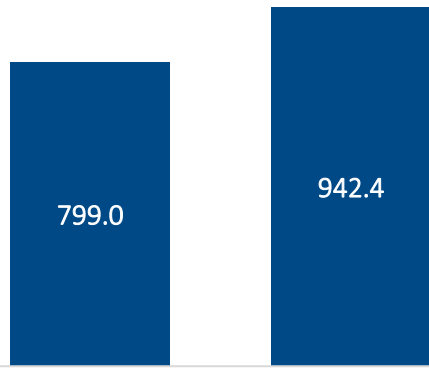
# Full Year 2022 Financial Summary

## Another strong year of growth

### Sales

(\$M)

↑ 17.9%



2021

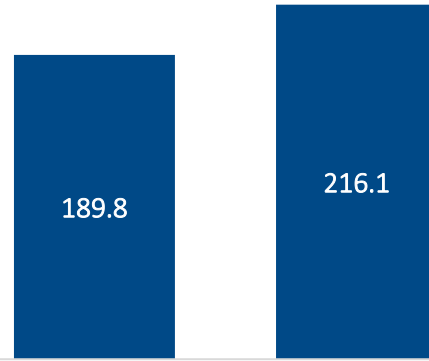
2022

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

### Adj. EBITDA

(\$M)

↑ 13.8%



2021

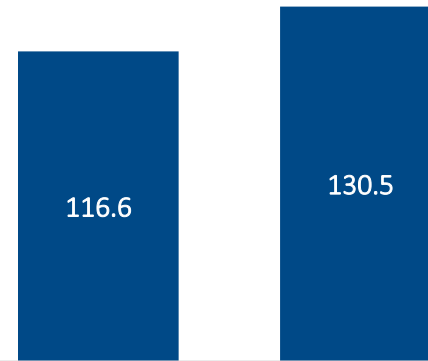
2022

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

### Adj. Net Earnings

(\$M)

↑ 11.9%



2021

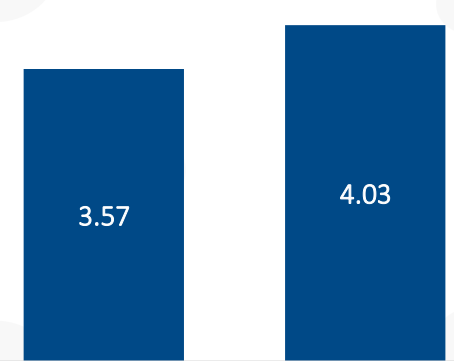
2022

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

### Adj. EPS

(\$/share)

↑ 12.9%



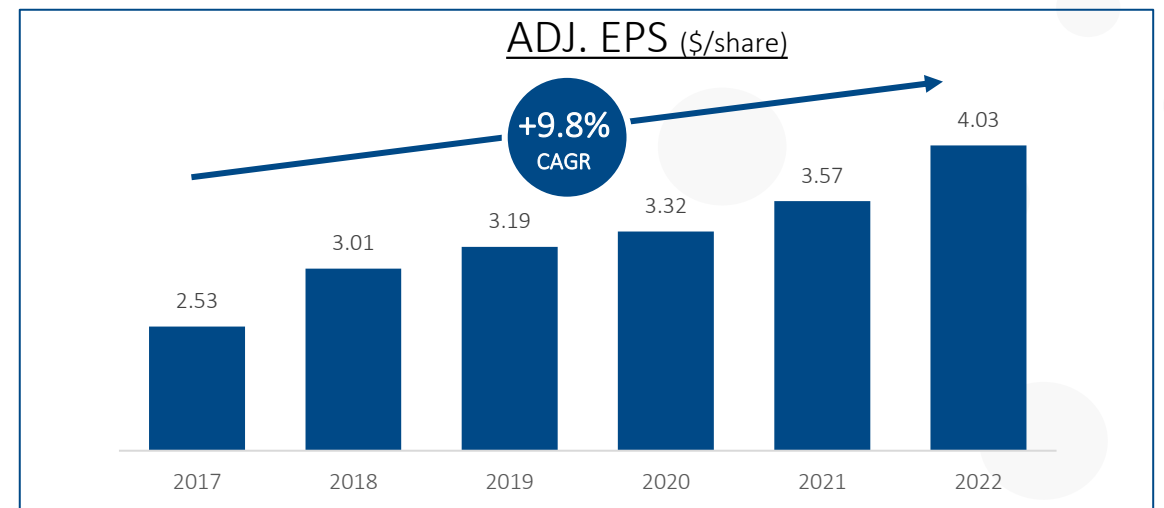
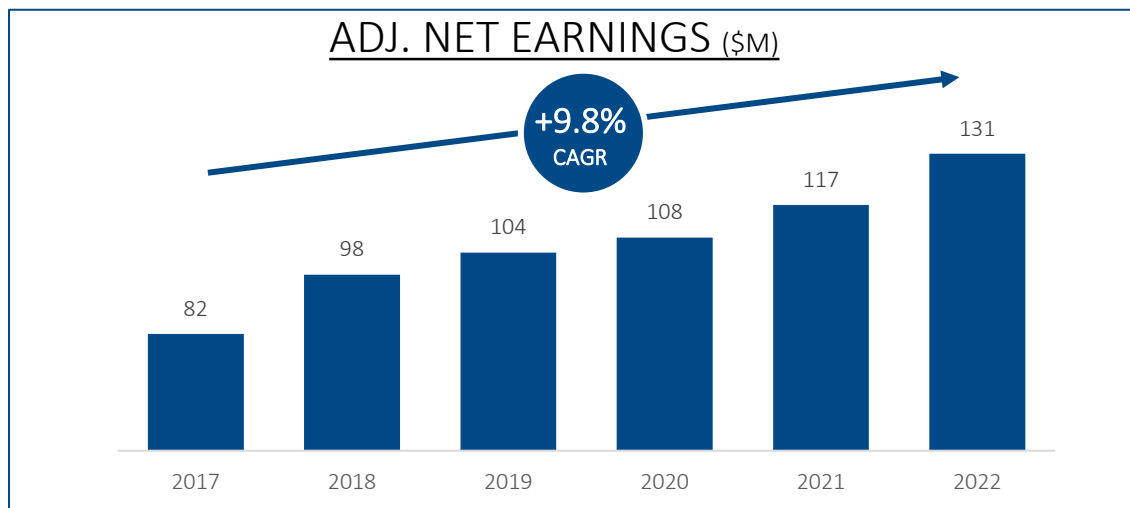
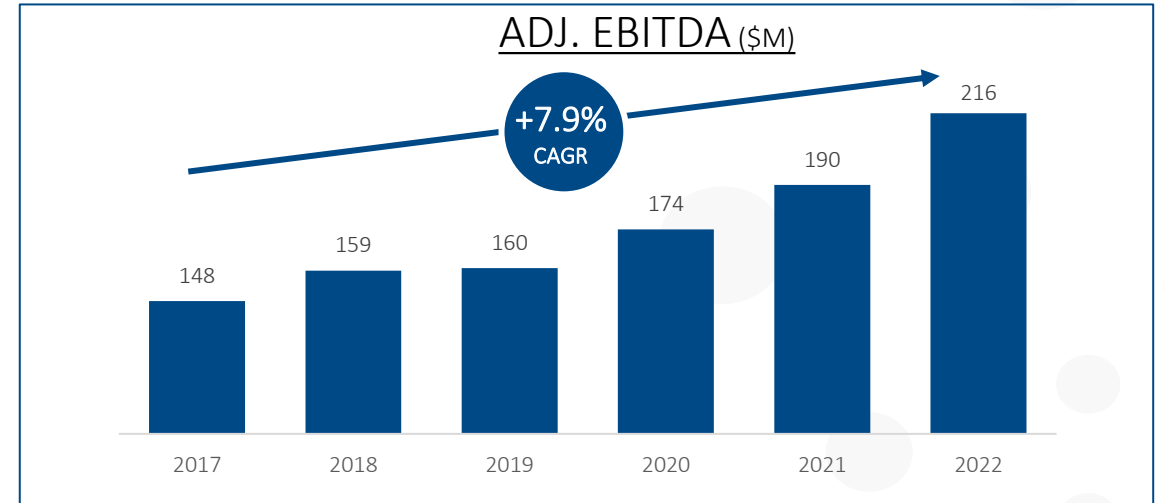
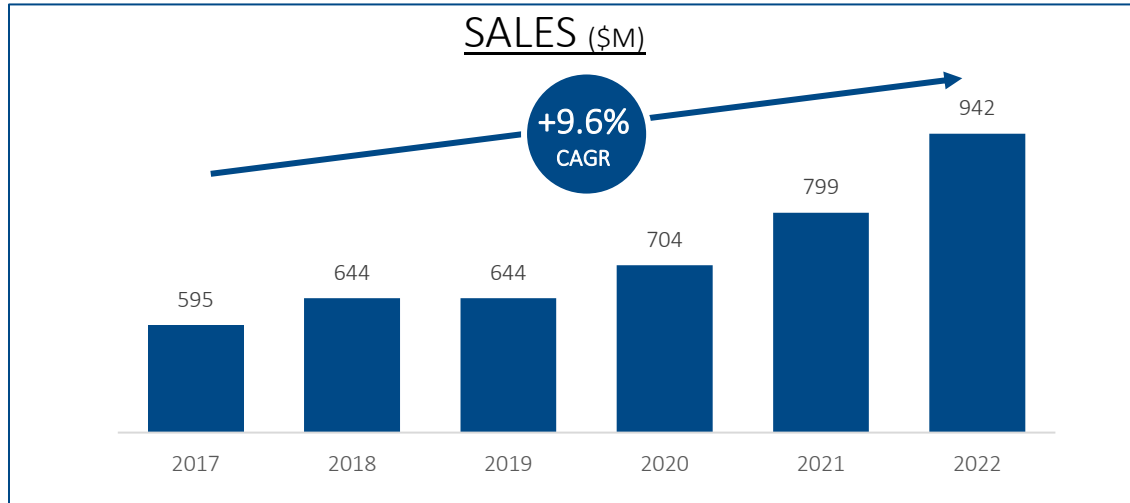
2021

2022

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

# Historical Financials

## Consistent performance over the years





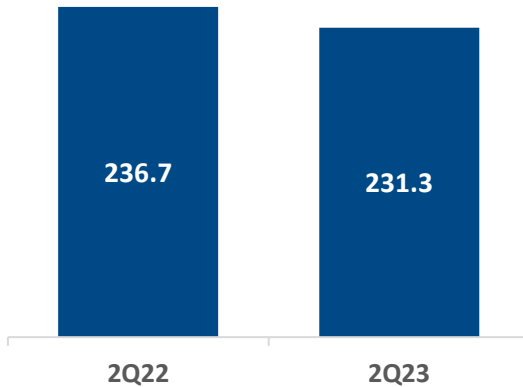
# Q2 2023 Financial Summary

## Solid quarter in challenging environment

### Sales

(\$M)

↓ -2.3%

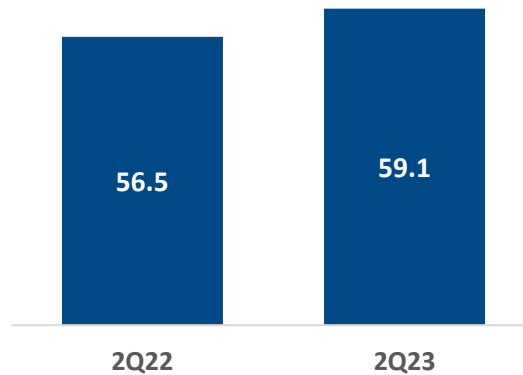


- Lower volumes partially offset by higher average selling prices

### Adj. EBITDA

(\$M)

↑ 4.6%

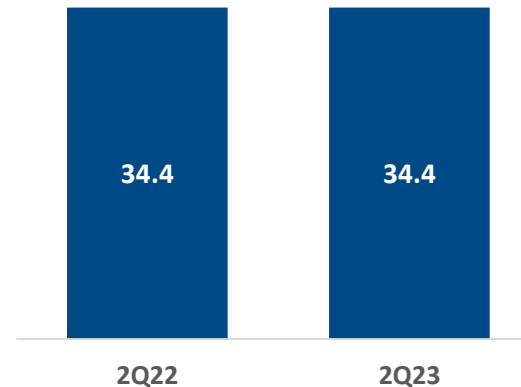


- Lower input costs and favorable portfolio mix driving higher margins

### Adj. Net Earnings

(\$M)

0.0%

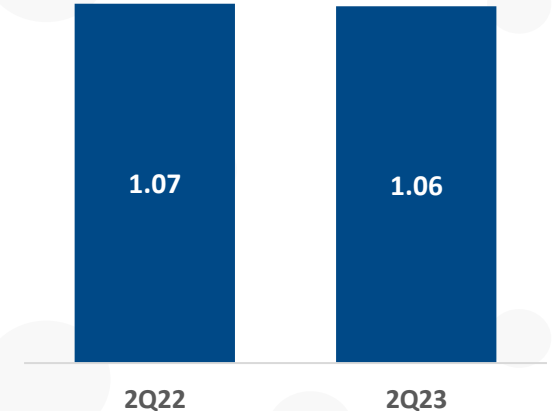


- Higher interest expenses resulting from increased debt level and rise in interest rates compared to prior year

### Adj. EPS

(\$/share)

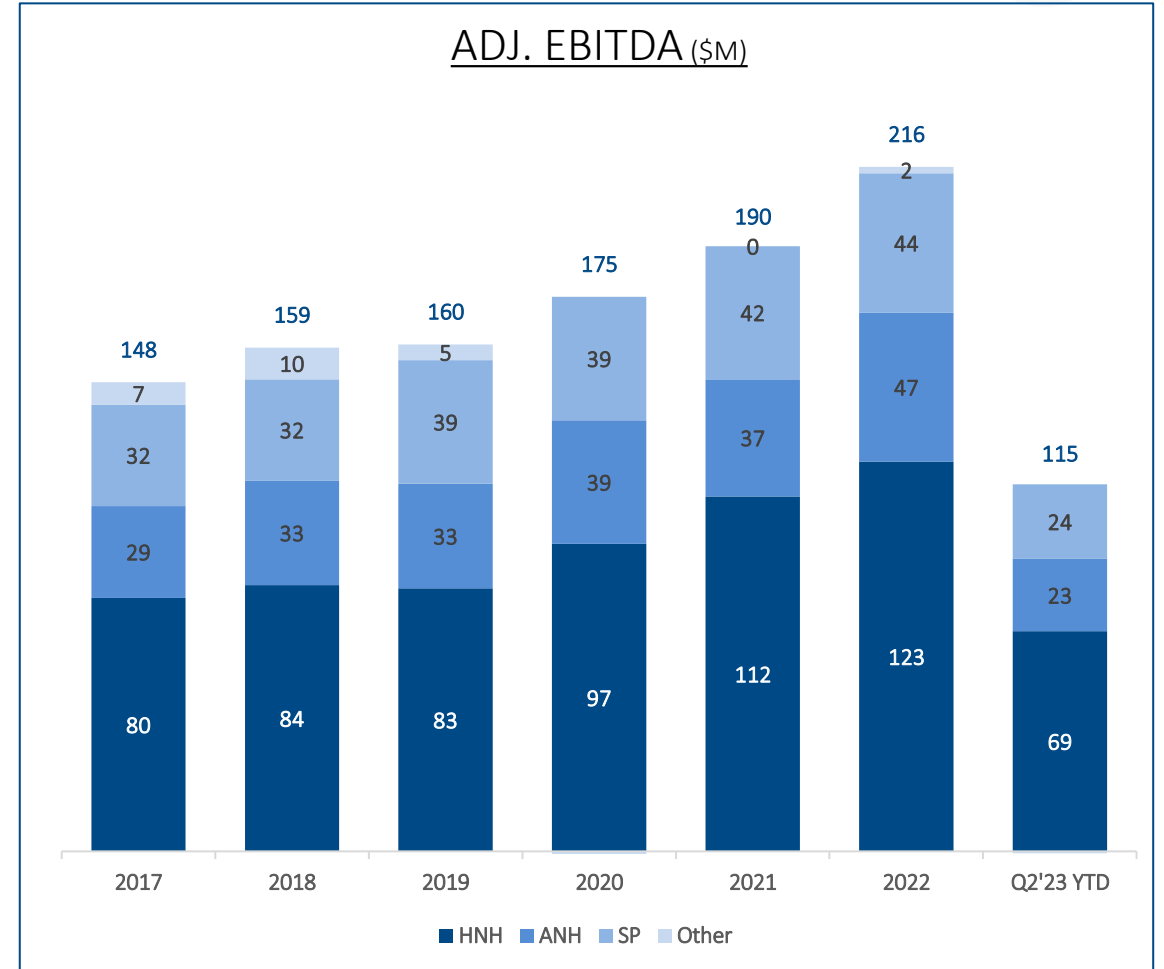
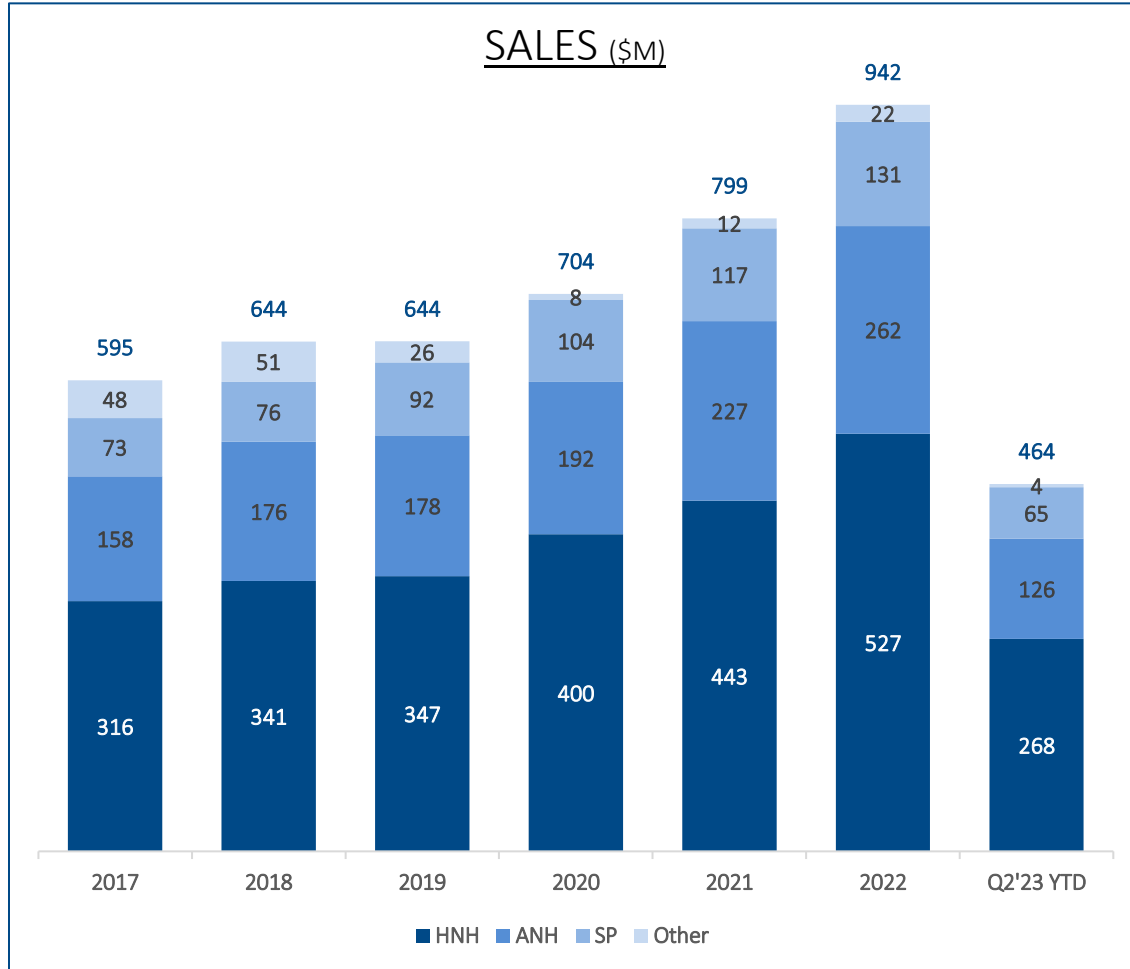
↓ -0.4%



- Earnings negatively impacted by higher interest expense
- Small increase in diluted outstanding shares (+0.4%)

# Historical Financials

Solid contribution from all reporting segments



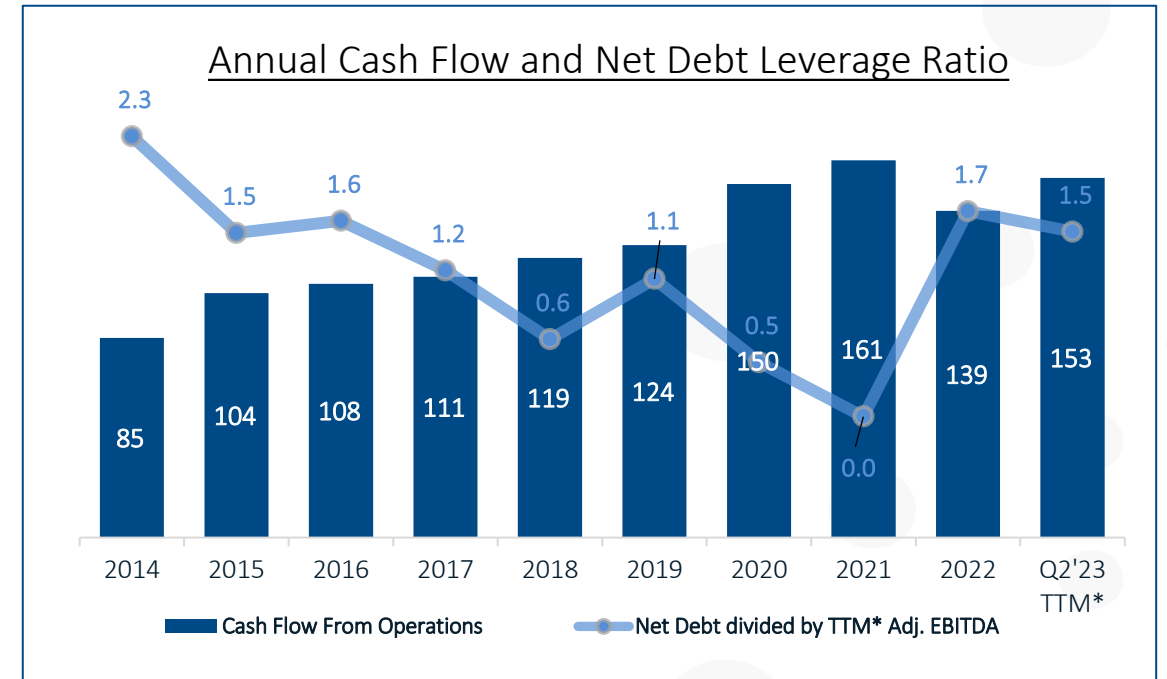
# Balchem's Capital Allocation Strategy

## Capital allocation Priorities

- Support organic growth opportunities
- Augment growth with targeted M&A
- Diligent debt service
- Continue to pay and grow dividend
- Stock buy-backs for anti-dilution

## M&A

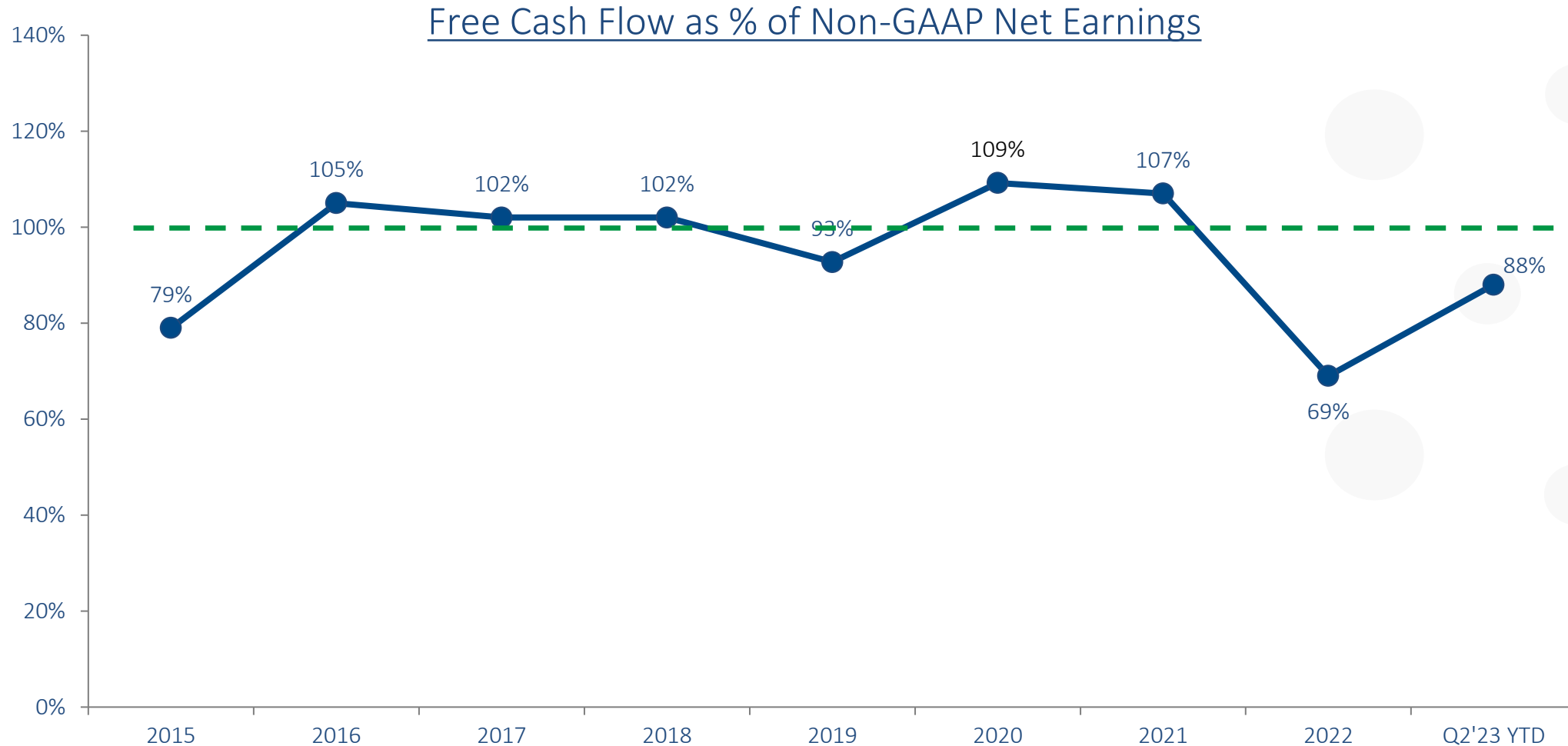
- Eight acquisitions since 2016
- Focus on nutrition and health
- Adding geographic reach and adjacent products/technologies, while consolidating markets



\* Trailing Twelve Months (TTM)

# Free Cash Flow Conversion

Translating profits into cash, 2022 impacted by significant cost inflation



# Recent Acquisitions

Augmenting organic growth with targeted acquisitions close to core

## Albion Minerals

- Adjacent product offering in high growth market
- Chelated Magnesium, Iron, Calcium, Zinc etc.

## Bioscreen

- Geographic expansion and processing technology
- Microencapsulation and Fermentation

## Kappa Bioscience

- Portfolio extension in high growth specialty vitamin market
- Vitamin K2 as MK-7

## Bergstrom Nutrition

- Portfolio extension in high growth specialty mineral market
- Specialty sulfur for supplements

2017

## Chol-Mix

- Geographic reach into Europe
- Dry Choline Chloride

## IFP

- Market consolidation and processing technology
- Microencapsulation and Agglomeration

2019

## Chemogas

- Geographic expansion of market leadership to Europe
- Performance gas solutions

## Zumbro River Brand

- Consolidation and portfolio extension
- High protein extrusion and agglomeration

2018

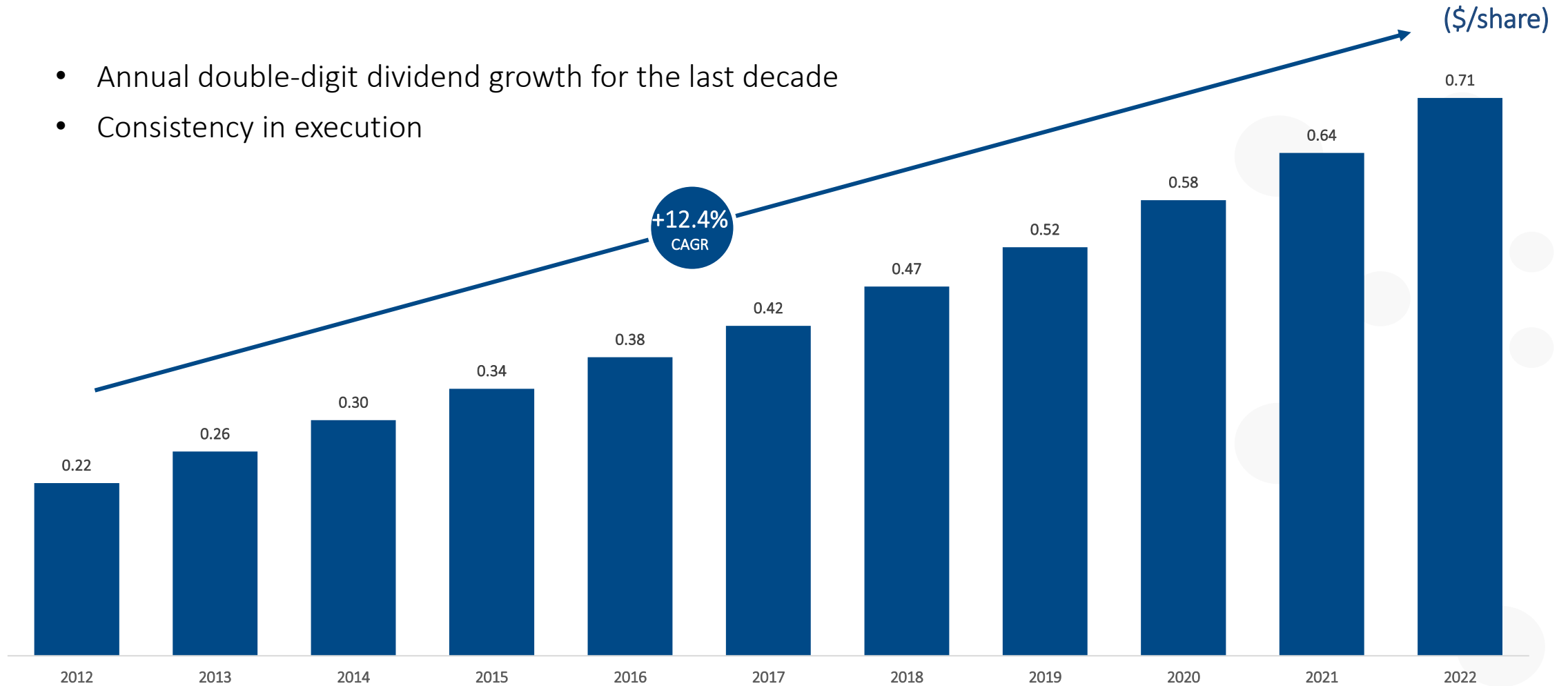
2022

2016

# Dividends

## Consistent dividend policy

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



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# Sustainability at Balchem

## Our Sustainability Objectives & Framework

Provide innovative solutions for the health & nutritional needs of the world.

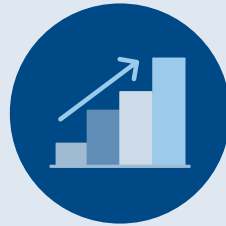
**Company**



People



Planet



Profit

**Culture**

Operate with excellence as strong stewards of our employees, customers, shareholders & communities

# Making the world a healthier place

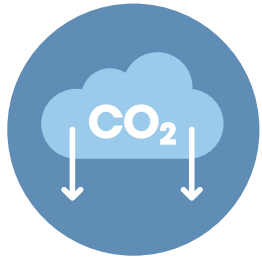
**1.4 billion**  
people reached  
in 2022

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.



# Our 2030 Sustainability Goals and Priorities

## 2030 Sustainability Goals



Balchem commits to reducing our GHG emissions use by **25%**



Balchem commits to reducing our global water use by **25%**

## Our Priority Sustainable Development Goals



Learn more about our sustainability programs



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# Balchem

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A global nutrition and health company delivering trusted, innovative and science-based solutions to our customers

- Leading positions in attractive markets
- Creating new demand through innovation
- Strong financial performance, delivering healthy margins and cash flows available for reinvestment
- Proven track record and well positioned for the future



**balchem**<sup>®</sup>

Solve Today. Shape Tomorrow.

Thank you!!

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# 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)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Reconciliation of adjusted gross margin</b>				
GAAP gross margin	\$ 77,349	\$ 71,876	\$ 150,519	\$ 143,382
Inventory valuation adjustment <sup>(1)</sup>	217	—	1,419	—
Amortization of intangible assets and finance lease <sup>(2)</sup>	662	307	1,343	636
Restructuring costs <sup>(4)</sup>	120	—	120	—
Adjusted gross margin	<u>\$ 78,348</u>	<u>\$ 72,183</u>	<u>\$ 153,401</u>	<u>\$ 144,018</u>
<b>Reconciliation of adjusted earnings from operations</b>				
GAAP earnings from operations	\$ 42,836	\$ 39,920	\$ 77,244	\$ 78,256
Inventory valuation adjustment <sup>(1)</sup>	217	—	1,419	—
Amortization of intangible assets and finance lease <sup>(2)</sup>	6,952	5,904	14,302	11,865
Transaction and integration costs and unallocated legal fees <sup>(3)</sup>	(7,349)	872	(5,184)	1,176
Restructuring costs <sup>(4)</sup>	6,266	—	6,266	—
Adjusted earnings from operations	<u>\$ 48,922</u>	<u>\$ 46,696</u>	<u>\$ 94,047</u>	<u>\$ 91,297</u>
<b>Reconciliation of adjusted net earnings</b>				
GAAP net earnings	\$ 30,110	\$ 29,782	\$ 52,820	\$ 58,712
Inventory valuation adjustment <sup>(1)</sup>	217	—	1,419	—
Amortization of intangible assets and finance lease <sup>(2)</sup>	7,024	5,974	14,446	12,006
Transaction and integration costs and unallocated legal fees <sup>(3)</sup>	(7,349)	872	(5,184)	1,176
Restructuring costs <sup>(4)</sup>	6,266	—	6,266	—
Net realized gain on foreign currency forward contracts	—	(512)	—	(512)
Income tax adjustment <sup>(6)</sup>	(1,827)	(1,669)	(4,745)	(3,578)
Adjusted net earnings	<u>\$ 34,441</u>	<u>\$ 34,447</u>	<u>\$ 65,022</u>	<u>\$ 67,804</u>
Adjusted net earnings per common share - diluted	<u>\$ 1.06</u>	<u>\$ 1.07</u>	<u>\$ 2.01</u>	<u>\$ 2.09</u>

# Non-GAAP Financial Information - Continued

**Table 2**  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income - as reported	\$ 30,110	\$ 29,782	\$ 52,820	\$ 58,712
Add back:				
Provision for income taxes	8,290	9,476	14,699	18,176
Other expense	4,436	662	9,725	1,368
Depreciation and amortization	13,355	11,863	26,930	23,720
EBITDA	56,191	51,783	104,174	101,976
Add back certain items:				
Non-cash compensation expense related to equity	3,748	3,812	8,518	6,889
Inventory valuation adjustment <sup>(1)</sup>	217	—	1,419	—
Transaction and integration costs and unallocated legal fees <sup>(3)</sup>	(7,349)	872	(5,184)	1,176
Restructuring costs <sup>(4)</sup>	6,266	0	6,266	0
Adjusted EBITDA	<u>\$ 59,073</u>	<u>\$ 56,467</u>	<u>\$ 115,193</u>	<u>\$ 110,041</u>



# Non-GAAP Financial Information - Continued

**Table 3**  
(unaudited)

	<b>Three Months Ended June 30,</b>			
	<b>2023</b>	<b>Effective Tax Rate</b>	<b>2022</b>	<b>Effective Tax Rate</b>
GAAP Income Tax Expense	\$ 8,290	21.6 %	\$ 9,476	24.1 %
Impact of ASU 2016-09 <sup>(7)</sup>	448		120	
Adjusted Income Tax Expense	<u>\$ 8,738</u>	<u>22.8 %</u>	<u>\$ 9,596</u>	<u>24.4 %</u>

	<b>Six Months Ended June 30,</b>			
	<b>2023</b>	<b>Effective Tax Rate</b>	<b>2022</b>	<b>Effective Tax Rate</b>
GAAP Income Tax Expense	\$ 14,699	21.8 %	\$ 18,176	23.6 %
Impact of ASU 2016-09 <sup>(7)</sup>	844		500	
Adjusted Income Tax Expense	<u>\$ 15,543</u>	<u>23.0 %</u>	<u>\$ 18,676</u>	<u>24.3 %</u>

**Table 4**  
(unaudited)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net cash provided by operating activities	34,991	48,240	69,829	55,261
Capital expenditures, proceeds from the sale of assets, settlement of net investment hedge, and capitalized ERP implementation costs	(3,280)	(10,406)	(12,892)	(20,180)
Free cash flow	<u>\$ 31,711</u>	<u>\$ 37,834</u>	<u>\$ 56,937</u>	<u>\$ 35,081</u>

# 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 and unallocated legal fees: Transaction and integration costs related to acquisitions and divestitures 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> Restructuring costs: Expenses related to a reorganization of the business.

<sup>(5)</sup> Net realized gain on foreign currency exchange forward contracts: Net realized gain on foreign currency exchange forward contracts related to four short-term foreign currency exchange forward contracts with JP Morgan Chase, N.A. in connection with the Kappa acquisition. These contracts did not qualify for hedge accounting and the net gain was recorded as other income in our GAAP financial statements. We believe that excluding these gains and losses from our Non-GAAP financial measures is useful to investors because such income or expense are inconsistent in amount and frequency causing comparison of current and historical financial results to be difficult.

<sup>(6)</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>(7)</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 and six months ended June 30, 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.



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