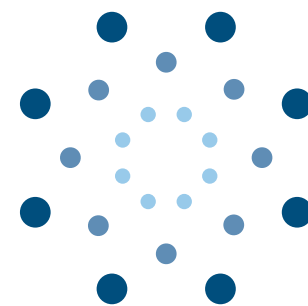




# Investor Presentation

Q2 2019



**balchem**<sup>®</sup>

# 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 improve and enhance the health and well being of life on the planet.*

## Highlights

- NASDAQ: BCPC
- Founded in 1967
- Headquarters: New Hampton, NY
- Approximately 1,200 Employees
- 21 Manufacturing Sites:
  - 17 in North America
  - 3 in Europe
  - 1 in Asia
- 5 Technology Centers
- 2018 Revenues of \$644M
- 2018 Adj. EBITDA of \$160M or 25% of sales
- 2018 Cash Flow From Operations of \$119M

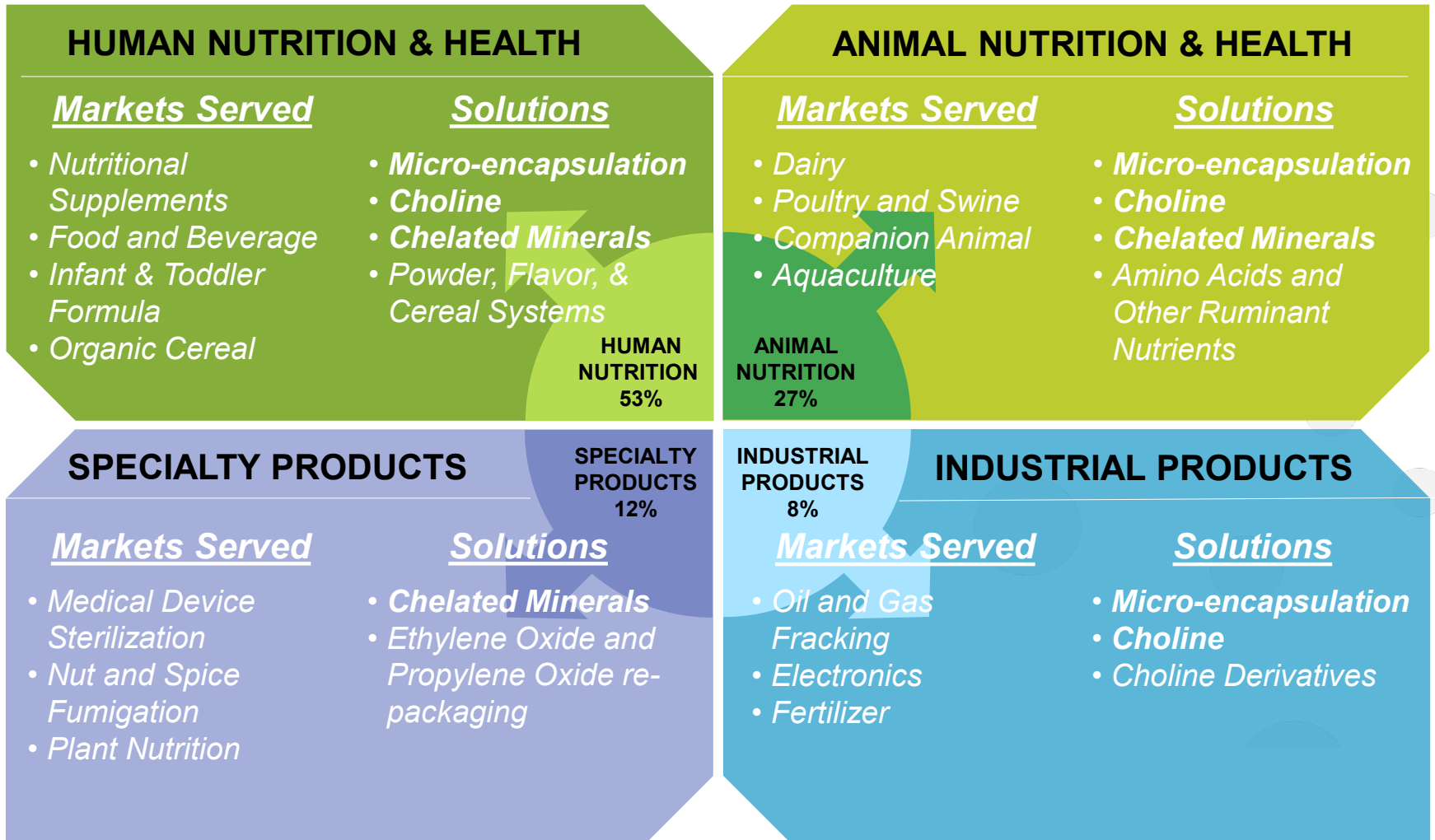


# Key Investment Highlights

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

# Balchem at a Glance



# Recent Acquisitions

## *Chemogas in May 2019*

Highlights	Specialty Products
<ul style="list-style-type: none"> <li>• Expands geographic reach into Europe and Asia</li> <li>• ~\$30M Revenue</li> </ul>	<p><i>Key technologies and products include:</i></p> <ul style="list-style-type: none"> <li>• Ethylene Oxide re-packaging and distribution</li> </ul>

## *Bioscreen Technologies in August 2018*

Highlights	Animal Nutrition and Health
<ul style="list-style-type: none"> <li>• Provides micro-encapsulation capabilities in Europe</li> <li>• ~\$5M Revenue</li> </ul>	<p><i>Key technologies and products include:</i></p> <ul style="list-style-type: none"> <li>• Micro-encapsulation and Fermentation</li> </ul>

## *Innovative Food Processors (IFP) in June 2017*

Highlights	Human Nutrition and Health
<ul style="list-style-type: none"> <li>• Enhances processing technology and capability</li> <li>• ~\$20M Revenue</li> </ul>	<p><i>Key technologies and products include:</i></p> <ul style="list-style-type: none"> <li>• Micro-encapsulation and Agglomeration</li> </ul>

## *Chol-Mix Kft. in March 2017*

Highlights	Animal Nutrition and Health
<ul style="list-style-type: none"> <li>• Expands geographic reach into Eastern Europe</li> <li>• ~\$2M Revenue</li> </ul>	<p><i>Key technologies and products include:</i></p> <ul style="list-style-type: none"> <li>• Dry Choline Chloride</li> </ul>

## *Albion International in February 2016*

Highlights	Human Nutrition and Health
<ul style="list-style-type: none"> <li>• Provides an adjacent product offering</li> <li>• ~\$50M Revenue</li> </ul>	<p><i>Key technologies and products include:</i></p> <ul style="list-style-type: none"> <li>• Chelated Magnesium, Iron, Calcium, Zinc, Multi, Potassium</li> </ul>

# Five Year Financial Performance

	<u>FY 2018</u>	<u>FY 2013</u>	<u>CAGR</u>
<b>Revenue</b>	<b>643.7</b>	<b>337.2</b>	<b>13.8%</b>
<b>Gross Margin</b>	<b>204.3</b>	<b>97.4</b>	<b>16.0%</b>
As a % of Sales	31.7%	28.9%	
<b>Operating Income</b>	<b>107.8</b>	<b>65.6</b>	<b>10.4%</b>
<b>Net Earnings</b>	<b>78.6</b>	<b>44.9</b>	<b>11.9%</b>
<b>Earnings Per Share</b>	<b>2.42</b>	<b>1.45</b>	<b>10.8%</b>
<b>Adjusted EBITDA</b>	<b>159.9</b>	<b>79.9</b>	<b>14.9%</b>
As a % of Sales	24.8%	23.7%	
<b>Adjusted Earnings Per Share</b>	<b>3.01</b>	<b>1.54</b>	<b>14.3%</b>

Note: Dollars in Millions, except percent and per share data

- Adjusted EBITDA is defined as EBITDA plus Stock Based Compensation, transaction and integration costs, and FV of inventory adjustment.
- Adjusted earnings per share is defined as GAAP net earnings plus the tax adjusted FV of inventory expense, amortization of intangible assets, transaction and integration costs, excluding the impact of ASU 2016-09 and the one-time impact from Tax Cuts and Jobs Act

# FY 2018 Financial Performance

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Change</u>
<b>Revenue</b>	<b>643.7</b>	<b>594.8</b>	<b>8.2%</b>
<b>Gross Margin</b>	<b>204.3</b>	<b>189.0</b>	<b>8.1%</b>
As a % of Sales	31.7%	31.8%	
<b>Operating Income</b>	<b>107.8</b>	<b>97.3</b>	<b>10.8%</b>
<b>Net Earnings</b>	<b>78.6</b>	<b>90.1</b>	<b>-12.8%</b>
<b>Earnings Per Share</b>	<b>2.42</b>	<b>2.79</b>	<b>-13.3%</b>
<b>Adjusted EBITDA</b>	<b>159.9</b>	<b>147.8</b>	<b>8.2%</b>
As a % of Sales	24.8%	24.9%	
<b>Adjusted Earnings Per Share</b>	<b>3.01</b>	<b>2.53</b>	<b>19.0%</b>

Note: Dollars in Millions, except percent and per share data

- Adjusted EBITDA is defined as EBITDA plus Stock Based Compensation, transaction and integration costs, and FV of inventory adjustment.
- Adjusted earnings per share is defined as GAAP net earnings plus the tax adjusted FV of inventory expense, amortization of intangible assets, transaction and integration costs, excluding the impact of ASU 2016-09 and the one-time impact from Tax Cuts and Jobs Act



# Q2 2019 Financial Performance

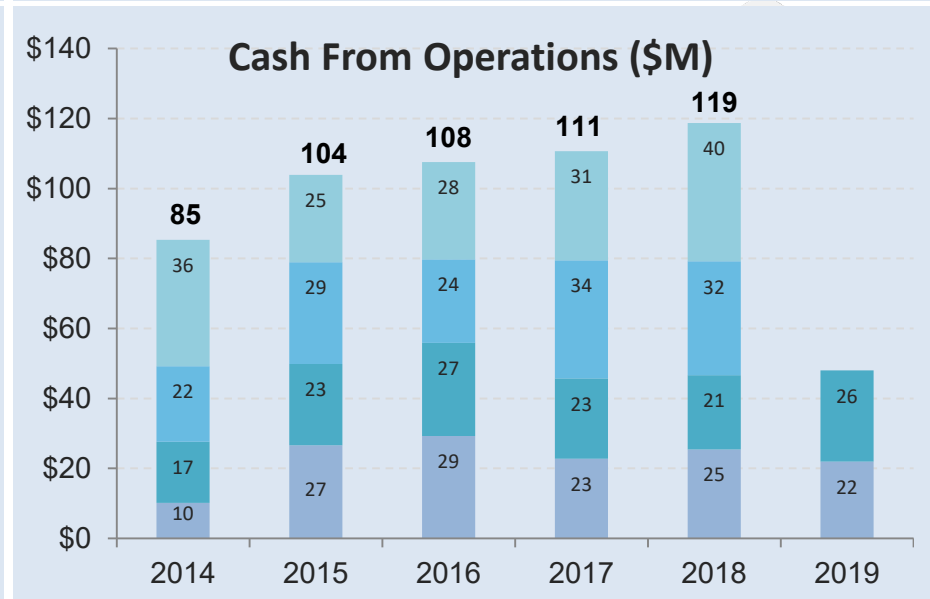
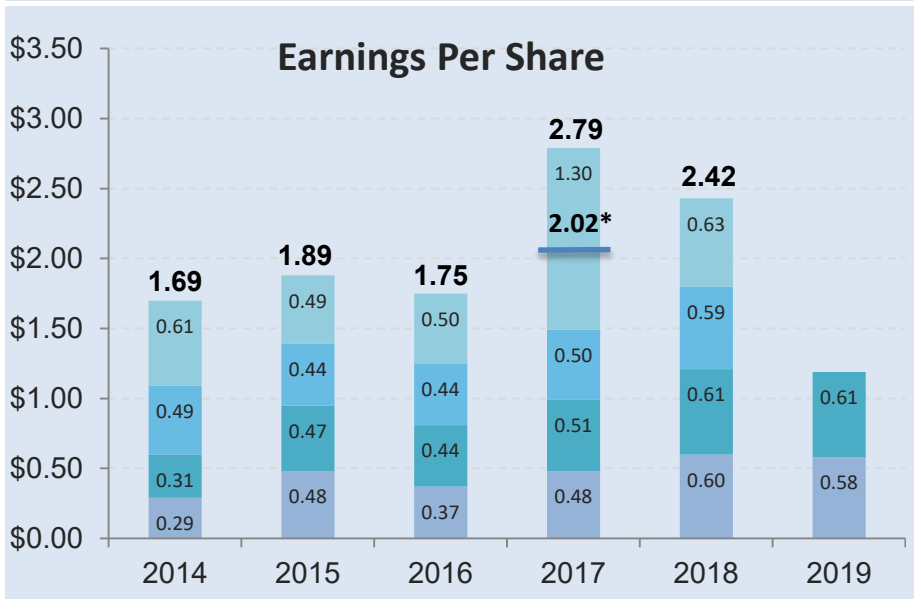
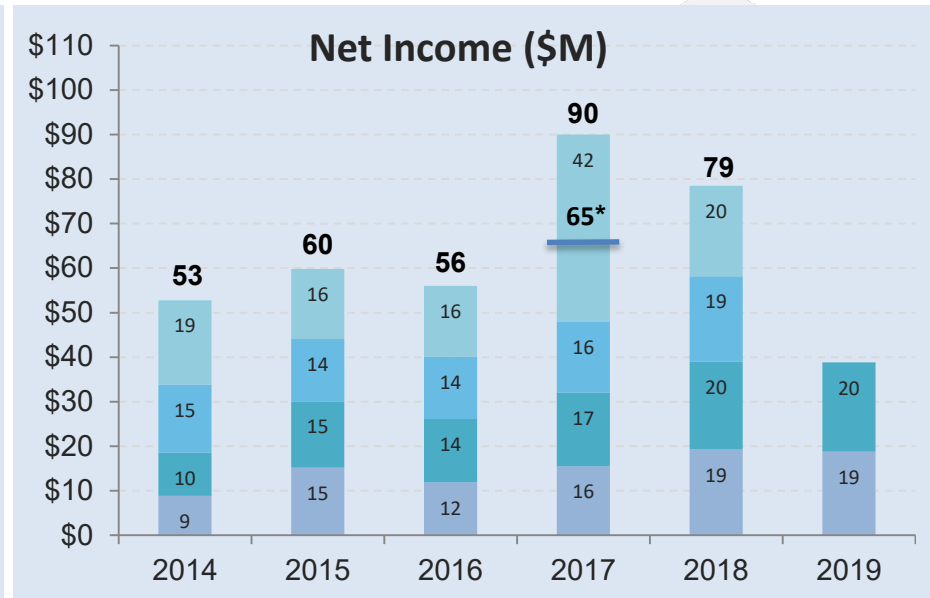
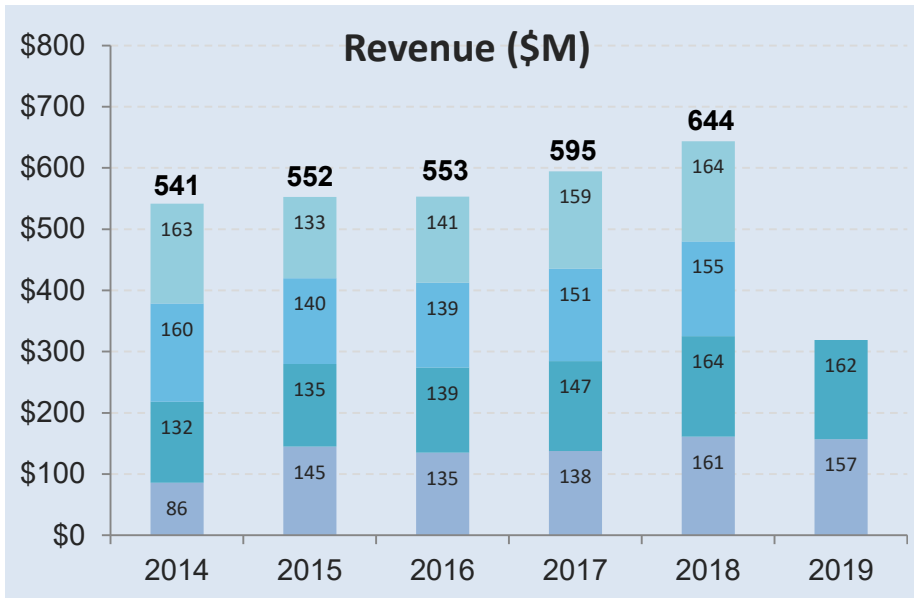
	<u>Q2 2019</u>	<u>Q2 2018</u>	<u>Change</u>
<b>Revenue</b>	<b>161.6</b>	<b>163.7</b>	<b>-1.3%</b>
<b>Gross Margin</b>	<b>53.9</b>	<b>53.5</b>	<b>0.8%</b>
As a % of Sales	33.4%	32.7%	
<b>Operating Income</b>	<b>26.4</b>	<b>27.1</b>	<b>-2.6%</b>
<b>Net Earnings</b>	<b>19.8</b>	<b>19.7</b>	<b>0.8%</b>
<b>Earnings Per Share</b>	<b>0.61</b>	<b>0.61</b>	<b>0.0%</b>
<b>Adjusted EBITDA</b>	<b>40.0</b>	<b>40.5</b>	<b>-1.4%</b>
As a % of Sales	24.7%	24.8%	
<b>Adjusted Earnings Per Share</b>	<b>0.77</b>	<b>0.76</b>	<b>1.3%</b>

Note: Dollars in Millions, except percent and per share data

- Adjusted EBITDA is defined as EBITDA plus Stock Based Compensation, transaction and integration costs, and FV of inventory adjustment.
- Adjusted earnings per share is defined as GAAP net earnings plus the tax adjusted FV of inventory expense, amortization of intangible assets, transaction and integration costs, excluding the impact of ASU 2016-09 and the one-time impact from Tax Cuts and Jobs Act

# Key Financial Metrics

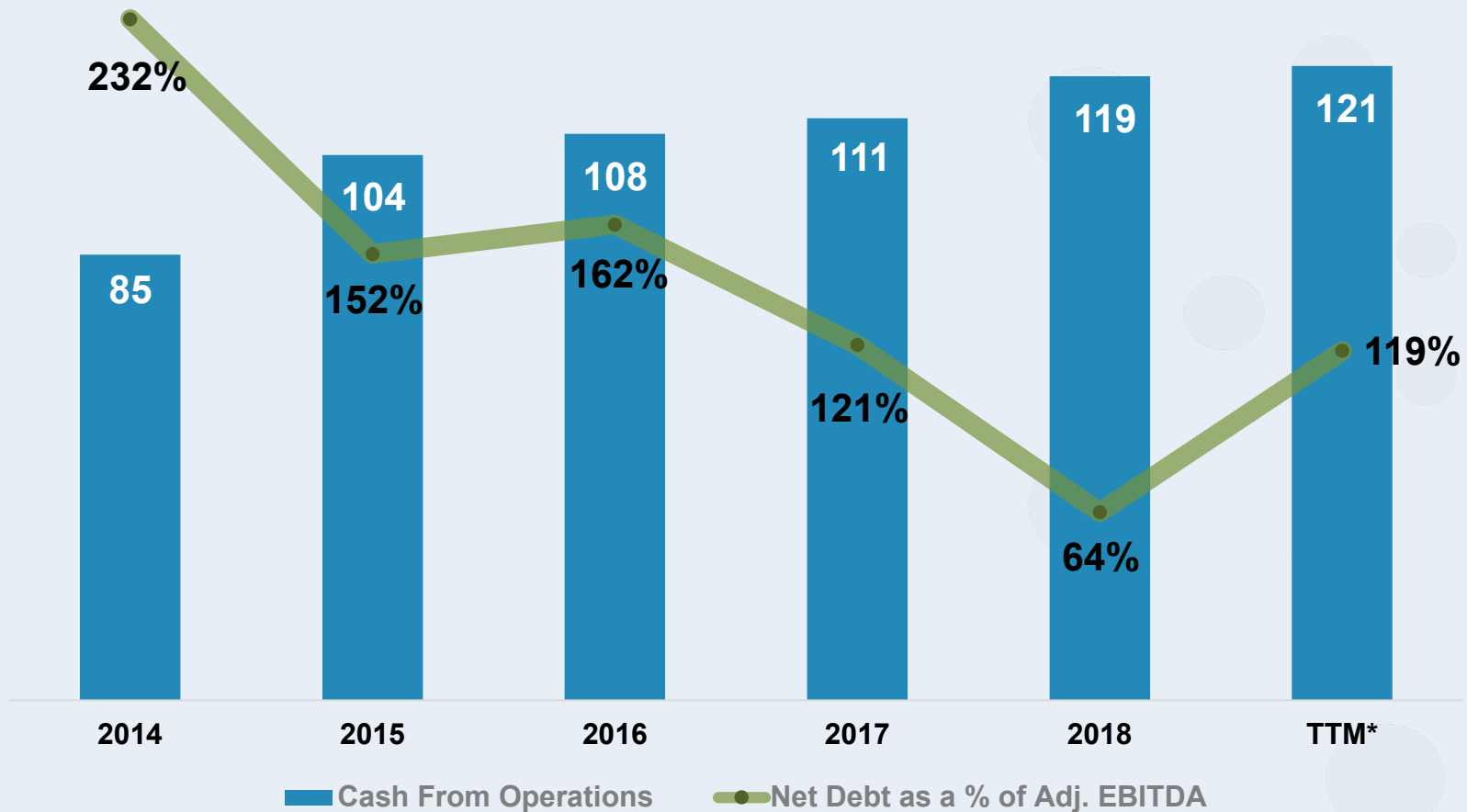
■ Q1 ■ Q2 ■ Q3 ■ Q4



\* Excludes one-time impact from Tax Cuts and Jobs Act, see appendix for reconciliation of Net Income and Earnings per share

# Cash Flow Generation and Balance Sheet

Cash from Operations (\$M) and Net Debt as a % of Adjusted EBITDA

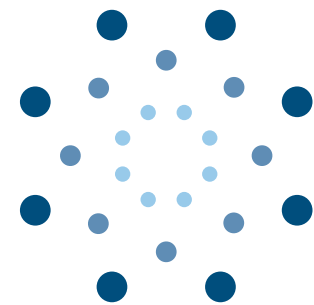


\*TTM (Trailing Twelve Months) – July 1, 2018 through June 30, 2019



HUMAN NUTRITION & HEALTH

“We make it healthy”



**balchem**<sup>®</sup>

# Human Nutrition and Health at a Glance

## HUMAN NUTRITION & HEALTH

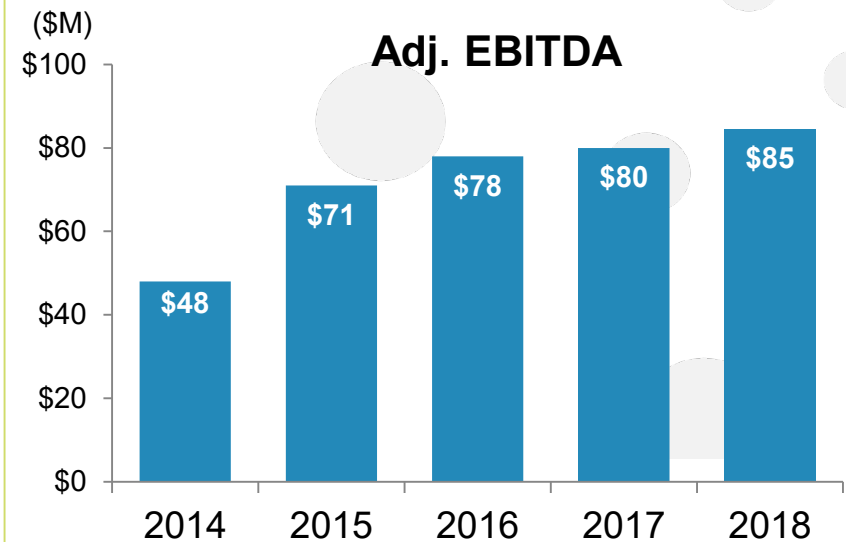
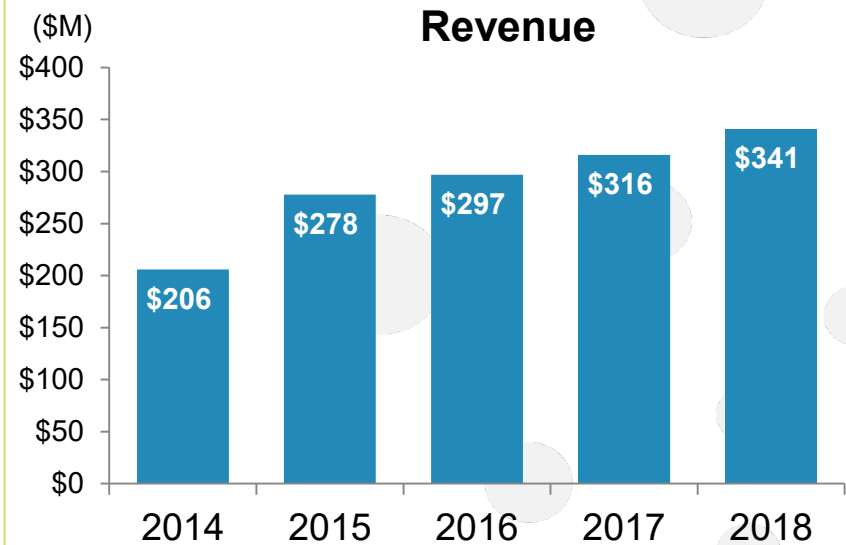
### Markets Served

- Nutritional Supplements
- Food and Beverage
- Infant & Toddler Formula
- Organic Cereal

### Solutions

- Micro-encapsulation
- Choline
- Chelated Minerals
- Powder, Flavor, & Cereal Systems








**HUMAN  
NUTRITION**  
53%



# Human Nutrition & Health Performance

	<u>Q2 2019</u>	<u>Q2 2018</u>	<u>FY 2018</u>	<u>FY 2017</u>
Revenue (\$M)	\$ 85.9	\$ 85.0	\$ 341.2	\$ 315.8
Adjusted EBITDA (\$M)	\$ 20.7	\$ 18.8	\$ 84.6	\$ 80.0

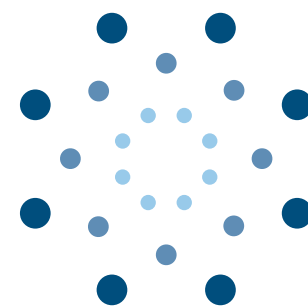
## Growth Platforms

-  Leveraging Growth Synergies Across The Segment
-  FDA RDI for Choline and Expanding Choline Awareness
-  Mineral Nutrition
-  Curemark<sup>®</sup> Delivery System
-  Nutritional Beverages
-  Clean Label Systems
-  Geographic Expansion



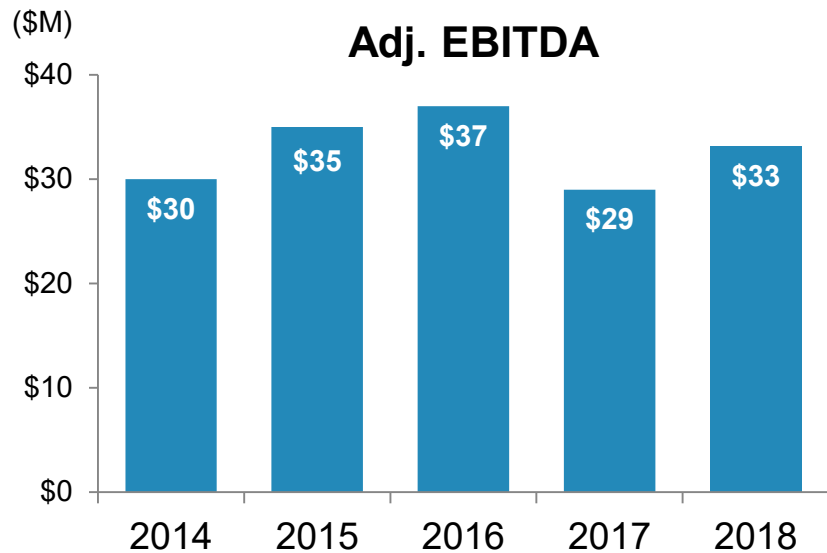
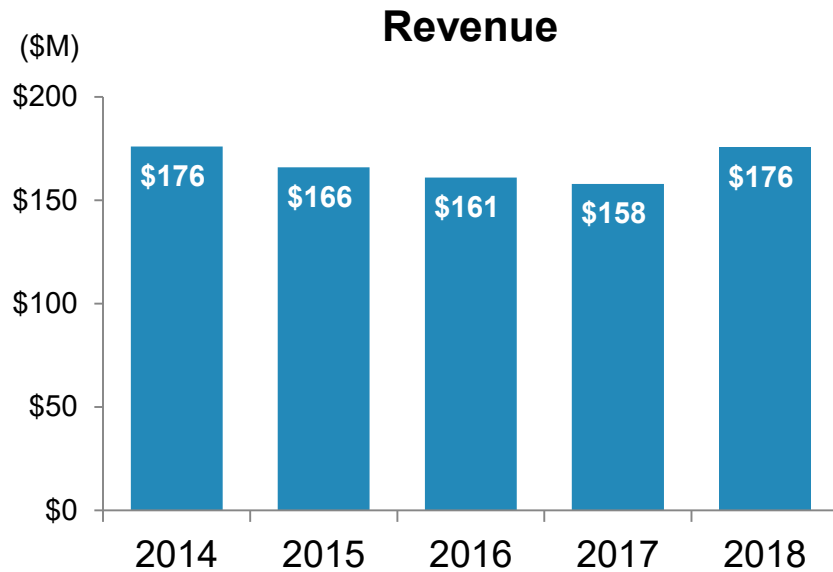
## ANIMAL NUTRITION & HEALTH

“We make it nutritious”



**balchem**<sup>®</sup>

# Animal Nutrition and Health at a Glance



## ANIMAL NUTRITION & HEALTH

<u>Markets Served</u>	<u>Solutions</u>
<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>• Micro-encapsulation</li><li>• Choline</li><li>• Chelated Minerals</li><li>• Amino Acids and Other Ruminant Nutrients</li></ul>



**ANIMAL NUTRITION**  
27%



# Animal Nutrition & Health Performance

	<u>Q2 2019</u>	<u>Q2 2018</u>	<u>FY 2018</u>	<u>FY 2017</u>
Revenue (\$M)	\$ 43.5	\$ 42.0	\$ 175.7	\$ 157.7
Adjusted EBITDA (\$M)	\$ 6.9	\$ 8.5	\$ 33.1	\$ 28.7

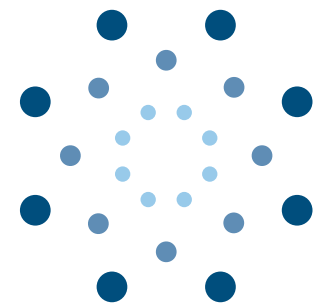
## Growth Platforms

-  Rumen Protected Choline Penetration in Dairy Cows
-  National Research Council Recommendations on Choline
-  Companion Animal & Aquaculture Market Penetration
-  Next Generation Rumen Protected Nutrients
-  BASF Collaboration for Antibiotic Free Solutions
-  Geographic Expansion



## SPECIALTY PRODUCTS

“We make it safe, we make it grow”



**balchem**<sup>®</sup>

# Specialty Products at a Glance

**SPECIALTY PRODUCTS**

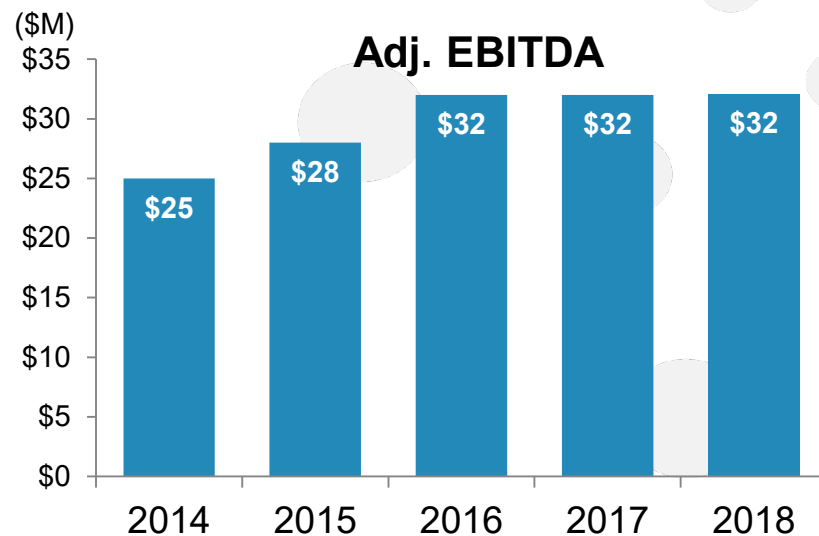
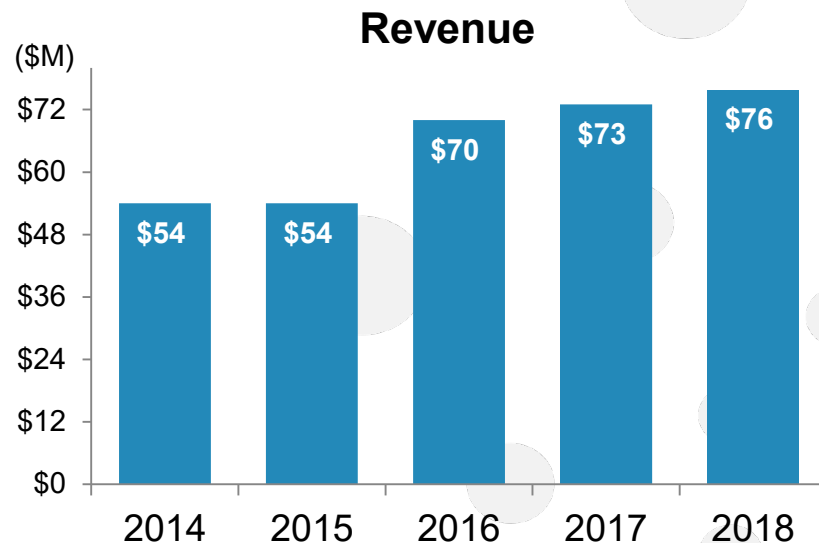
**SPECIALTY PRODUCTS 12%**

Markets Served

- Medical Device Sterilization
- Nut and Spice Fumigation
- Plant Nutrition

Solutions

- Chelated Minerals
- Ethylene Oxide and Propylene Oxide re-packaging



# Specialty Products Performance

	<u>Q2 2019</u>	<u>Q2 2018</u>	<u>FY 2018</u>	<u>FY 2017</u>
Revenue (\$M)	\$ 24.9	\$ 22.9	\$ 75.8	\$ 73.4
Adjusted EBITDA (\$M)	\$ 11.2	\$ 10.3	\$ 32.1	\$ 31.9

## Growth Platforms



Leveraging Synergies from the Chemogas Acquisition



Capturing Medical Device Market Growth



New Applications for Pasteurization/Fumigation



Expand Plant Micronutrient Product Line & Applications

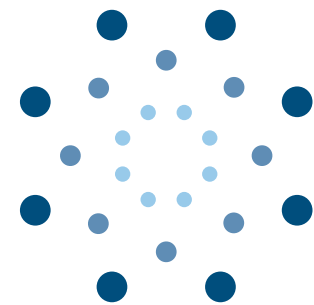


Geographic Expansion of Plant Nutrition



INDUSTRIAL PRODUCTS

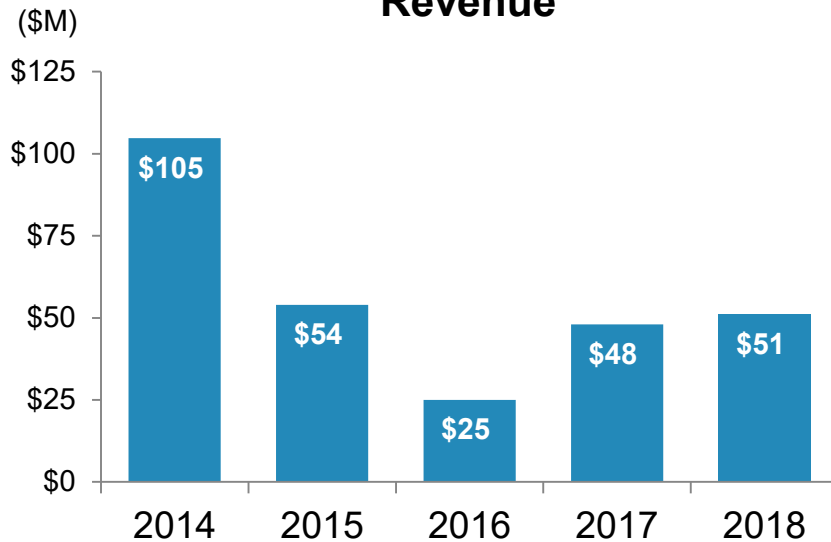
“We make it green”



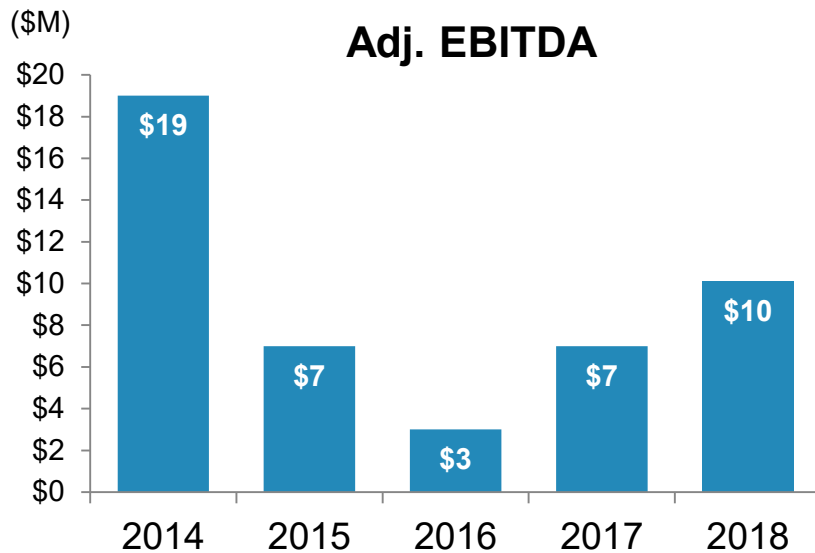
**balchem**<sup>®</sup>

# Industrial Products at a Glance

## Revenue



## Adj. EBITDA



INDUSTRIAL PRODUCTS  
8%

## INDUSTRIAL PRODUCTS

### Markets Served

- Oil and Gas Fracking
- Electronics
- Fertilizer

### Solutions

- Micro-encapsulation
- Choline
- Choline Derivatives

# Industrial Products Performance

	<u>Q2 2019</u>	<u>Q2 2018</u>	<u>FY 2018</u>	<u>FY 2017</u>
Revenue (\$M)	\$ 7.3	\$ 13.8	\$ 50.9	\$ 48.0
Adjusted EBITDA (\$M)	\$ 1.1	\$ 2.9	\$ 10.1	\$ 7.3

## Growth Platforms



Capturing Recovery Volumes



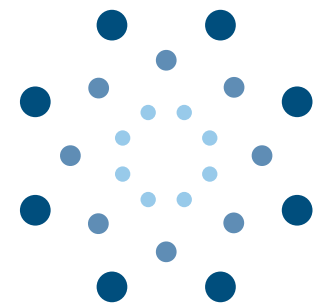
Green Clay Stabilization Solutions



Low Cost Clay Stabilization



Looking Ahead



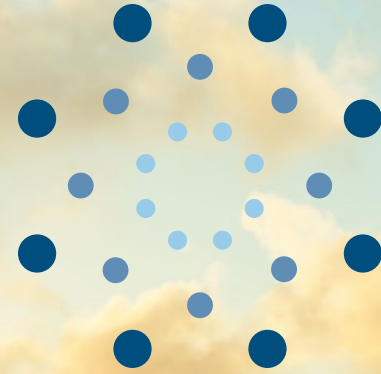
**balchem**<sup>®</sup>



# Future

- Positioned For Growth in Attractive Markets
  - Organic Growth
  - Growth through Strategic Acquisitions
- Creating New Demand Through Innovation
- Recent Acquisitions add new Technologies, International Reach, and Synergistic Opportunities
- Building Global Human and Animal Nutrition & Health Businesses
- Healthy Margin Profile, Strong Cash Flow, and Solid Balance Sheet to Execute





**balchem<sup>®</sup>**

*“At our core, we are a  
health and nutrition company.”*

*Ted Harris, Chairman, CEO, and President*

# Appendix

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# Leadership

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## **Ted Harris, Chairman & 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

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## **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



# Reconciliation of Non-GAAP Metrics – Q2 2019

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income - as reported	\$ 19,829	\$ 19,679	\$ 38,612	\$ 39,025
Add back:				
Provision for income taxes	5,052	5,382	11,062	11,213
Other expense	1,521	2,042	3,208	4,105
Depreciation and amortization	10,825	10,868	21,590	21,886
EBITDA	37,227	37,971	74,472	76,229
Add back certain items:				
Non-cash compensation expense related to equity awards	1,991	1,666	3,622	3,459
Transaction costs, integration costs and unallocated legal fees	761	893	1,565	1,582
Adjusted EBITDA	\$ 39,979	\$ 40,530	\$ 79,659	\$ 81,270
<b>Reconciliation of adjusted net earnings</b>				
GAAP net earnings	\$ 19,829	\$ 19,679	38,612	\$ 39,025
Amortization of intangible assets <sup>(1)</sup>	6,199	6,621	12,112	13,012
Transaction and integration costs, ERP implementation costs, and unallocated legal fees <sup>(2)</sup>	761	893	1,565	1,582
Income tax adjustment <sup>(3)</sup>	(1,543)	(2,663)	(3,313)	(4,671)
Adjusted net earnings	\$ 25,246	\$ 24,530	\$ 48,976	\$ 48,948
Adjusted net earnings per common share - diluted	\$ 0.77	\$ 0.76	\$ 1.51	\$ 1.51

Note 1: See Q2 2019 Press Release for additional details

# Reconciliation of Non-GAAP Metrics - FY 2018

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net income - as reported	\$ 20,334	\$ 41,975	\$ 78,573	\$ 90,071
Add back:				
Provision for income taxes	4,929	(17,453)	20,457	(1,583)
Other expense	1,992	2,144	8,721	8,767
Depreciation and amortization	11,136	11,095	43,986	43,905
EBITDA	38,391	37,761	151,737	141,160
Add back certain items:				
Non-cash compensation expense related to equity awards	1,205	1,916	6,413	6,264
Transaction and integration costs	2	315	1,786	2,496
Indemnification settlement	—	—	—	(2,087)
Adjusted EBITDA	\$ 39,598	\$ 39,992	\$ 159,936	\$ 147,833
<b>Reconciliation of adjusted net earnings</b>				
GAAP net earnings	20,334	41,975	78,573	90,071
Amortization of intangible assets <sup>(1)</sup>	6,378	6,753	25,668	27,258
Transaction and integration costs <sup>(2)</sup>	2	315	1,786	2,496
Indemnification settlement <sup>(3)</sup>	—	—	—	(2,087)
Income tax adjustment <sup>(4)</sup>	(1,568)	(27,154)	(8,280)	(36,049)
Adjusted net earnings	\$ 25,146	\$ 21,889	\$ 97,747	\$ 81,689
Adjusted net earnings per common share - diluted	\$ 0.77	\$ 0.68	\$ 3.01	\$ 2.53

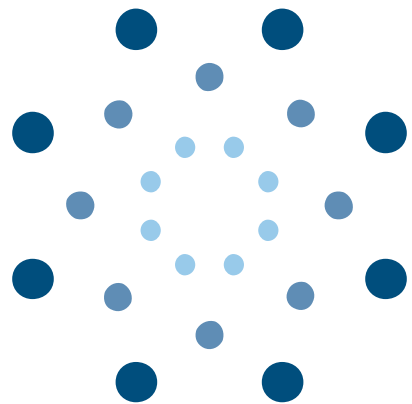
Note 1: See Q4 2018 Press Release for additional details

# Reconciliation of Net Earnings and EPS

<b>For the Year Ended December 31, 2017</b>	
	<b><u>2017 (\$M)</u></b>
GAAP Net Earnings	\$ 90.1
Less: Impact of Tax Cuts and Jobs Act	\$ 24.9
Tax Cuts and Jobs Act adjusted net earnings	\$ 65.1
Tax Cuts and Jobs Act adjusted earnings per common share	\$ 2.02
Shares used in the calculations of diluted and adjusted net earnings per common share	32.2

*Note 1: Dollars in Millions, except percent and per share data*

*Note 2: Net Earnings are adjusted only for the impact of the Tax Cuts and Jobs Act, enacted on December 22, 2017 by the U.S. government*



**balchem**<sup>®</sup>

Solve Today. Shape Tomorrow.