



balchem[®]

Sidoti & Company LLC
Virtual Investor Conference

January 13, 2021

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

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

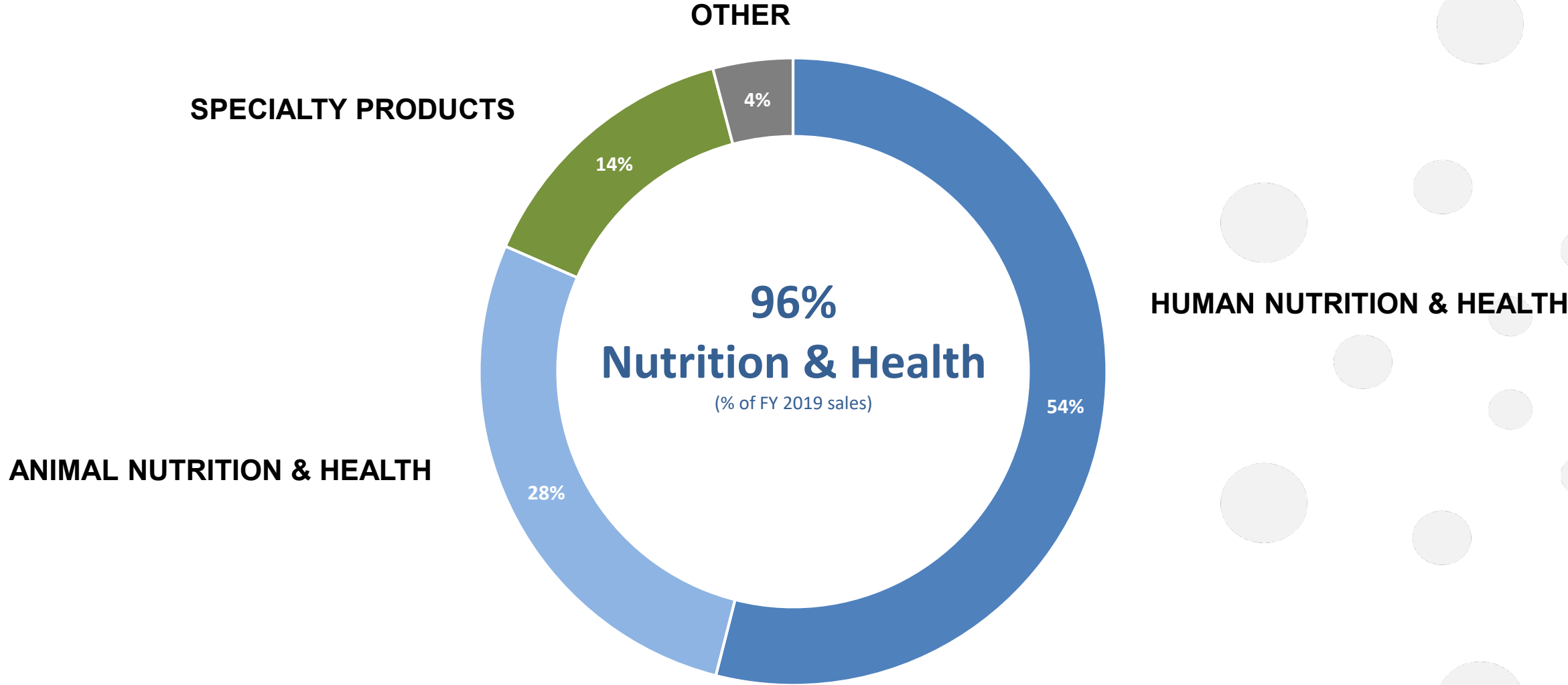
Martin Bengtsson, CFO

- 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
- Bachelor's degree from Northwestern University in economics and began career as Senior Auditor for Deloitte



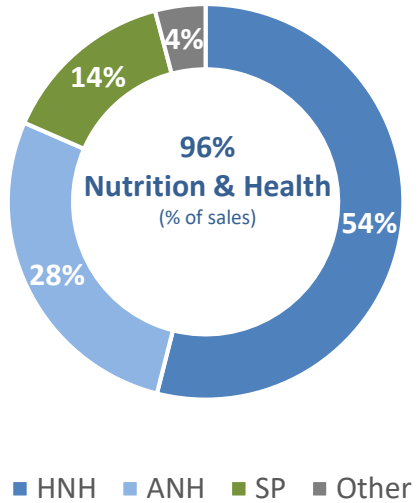
Executive Leadership

Balchem at a Glance



96% Of Revenues Focused On Nutrition And Health

Segment Overview



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

Leveraging Solutions Across Segments

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

Specialty Products

- Chemogas Acquisition Synergies
- 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 & M&A



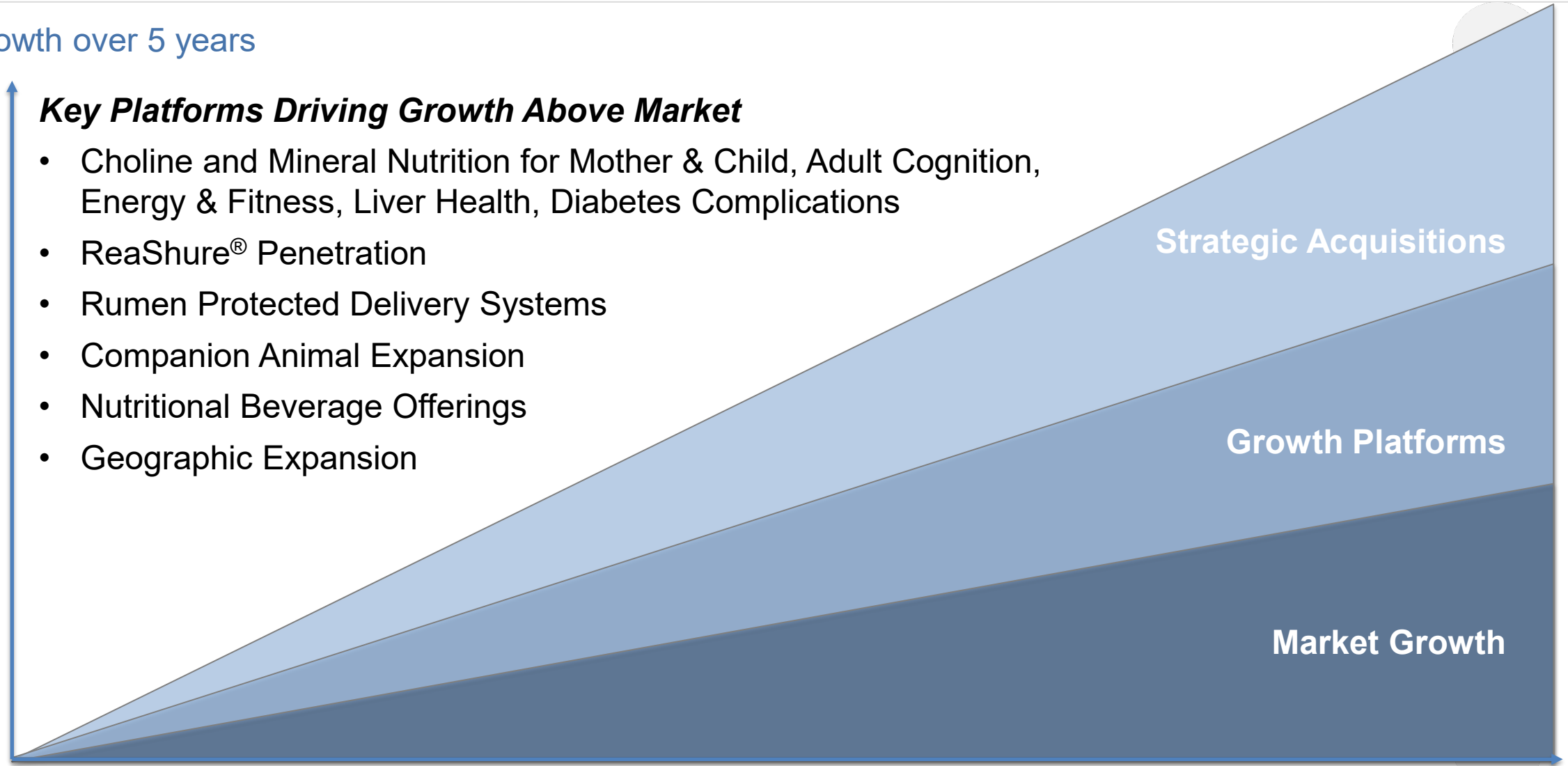
Multiple Platforms To Drive Growth

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

COVID-19 Pandemic Response Update

- Our focus has been on employee safety first, keeping our manufacturing sites operational, and satisfying customer needs. To date;
 - all of our manufacturing sites are operating at near normal conditions,
 - our research and development teams continue to advance our innovation efforts in our laboratories,
 - and our typically office-based employees are effectively carrying on their responsibilities and functions remotely
- Uncertainty has been created by the coronavirus and its disruption on economic activity
- Sales challenged by weaker demand in;
 - food services,
 - medical device sterilization due to fewer elective surgeries,
 - and lower fracking activities
- Largely offsetting strengthening demand in;
 - retail food products,
 - functional technologies aiding food preservation needs,
 - and immunity strengthening minerals and nutrients

COVID-19 Pandemic a Significant Challenge in 2020

Market Outlook – Pre, During, Post Covid-19 Pandemic

Market dynamics for key markets served by Balchem:

	External Metrics	Pre Pandemic	During Pandemic	Post Pandemic	Comments
Food and Beverage	<ul style="list-style-type: none"> GDP Food and Bev. Growth 				<ul style="list-style-type: none"> Positive and negative demand drivers largely offsetting and foodservice slowly recovering
Supplements	<ul style="list-style-type: none"> Vitamin/mineral growth 				<ul style="list-style-type: none"> Higher demand for “immunity boosting” vitamins and minerals likely to continue to some extent
Dairy	<ul style="list-style-type: none"> Dairy consumption Dairy prices 				<ul style="list-style-type: none"> Low milk prices short-lived and healthy fluid milk demand and foodservice recovery helping
Protein	<ul style="list-style-type: none"> Protein consumption Broiler sales 				<ul style="list-style-type: none"> Short term supply chain issues largely addressed by protein processors
Agriculture / Plant Nutrition	<ul style="list-style-type: none"> Net Farm Income Crop prices 				<ul style="list-style-type: none"> Positive and negative demand drivers largely offsetting
Medical Device	<ul style="list-style-type: none"> GDP Medical Device Sales 				<ul style="list-style-type: none"> “Pent-up” demand from postponement of elective surgeries will recover, but slowly
Energy	<ul style="list-style-type: none"> GDP Rig count 				<ul style="list-style-type: none"> Reduced oil demand will continue for the foreseeable future

Post pandemic market dynamics will largely recover to pre-pandemic outlook, but we remain cautious

Q3 YTD 2020 Financial Summary

Sales

(\$M)

↑ 9.6%



Q3 YTD 2019

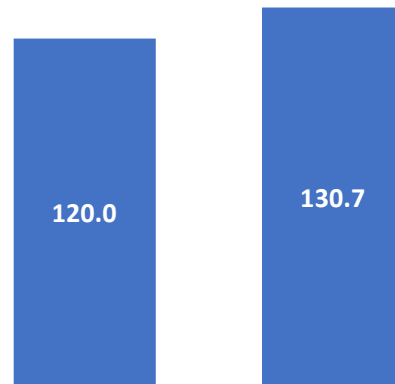
Q3 YTD 2020

- Growth in all segments
- Covid-19 impacting businesses differently, but largely offsetting
- Resilient business models

Adj. EBITDA

(\$M)

↑ 8.9%



Q3 YTD 2019

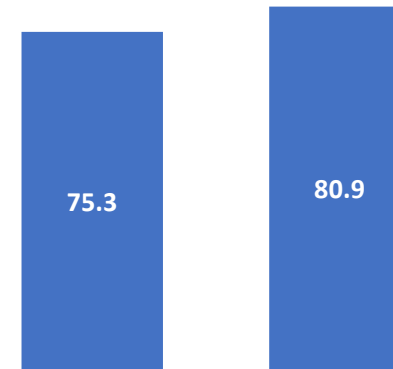
Q3 YTD 2020

- Driven by Sales growth
- Higher COGS with Covid-19 offset by lower Operating Expenses with reduced travel and discretionary spend

Adj. Net Earnings

(\$M)

↑ 7.5%



Q3 YTD 2019

Q3 YTD 2020

- Higher tax rate in 2020 compared to 2019
- 2019 benefitted from foreign R&D credits

Adj. EPS

(\$/share)

↑ 7.5%



Q3 YTD 2019

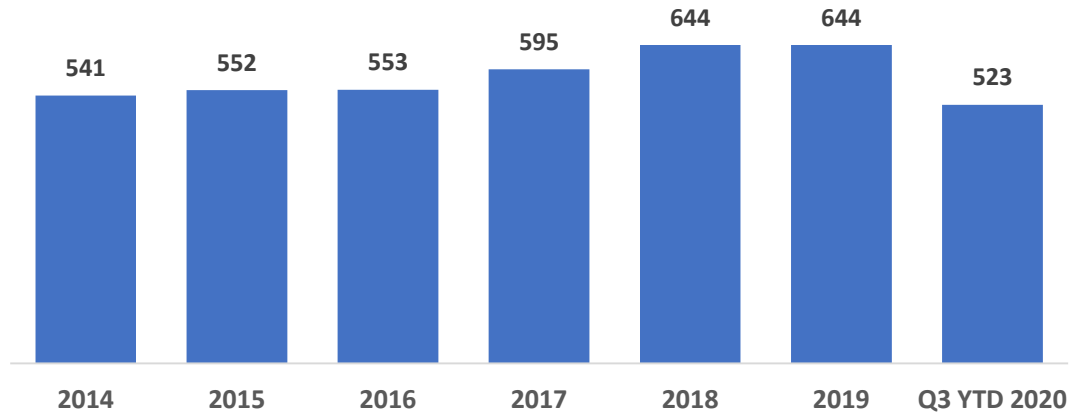
Q3 YTD 2020

- Growth in earnings
- Share repurchases to offset dilution kept share count near flat

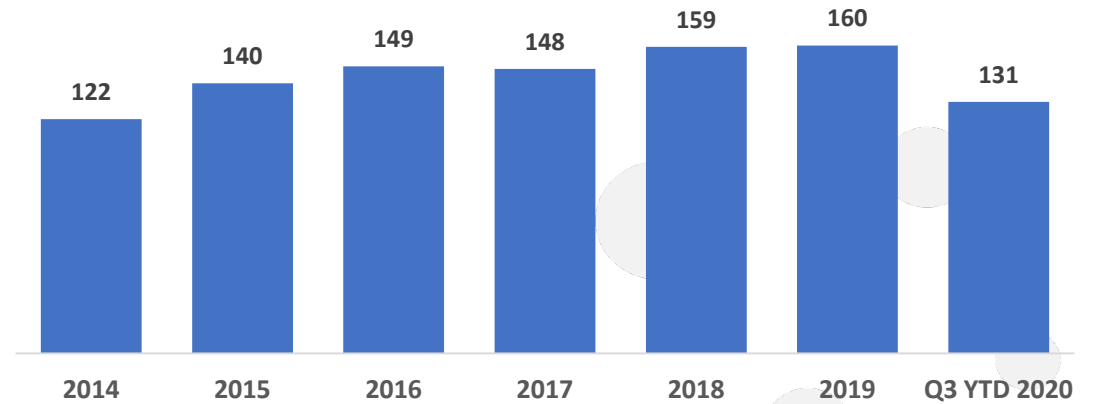
Strong YTD Performance In Challenging Environment

Historical Financials

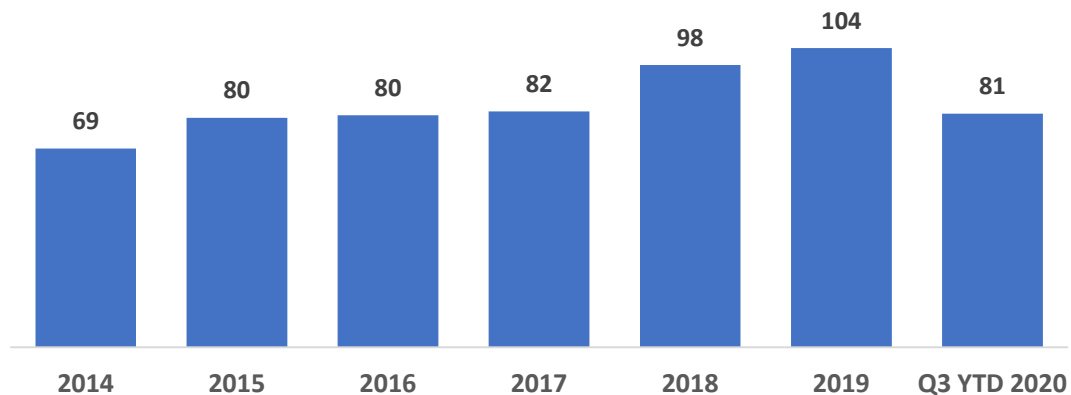
SALES (\$M)



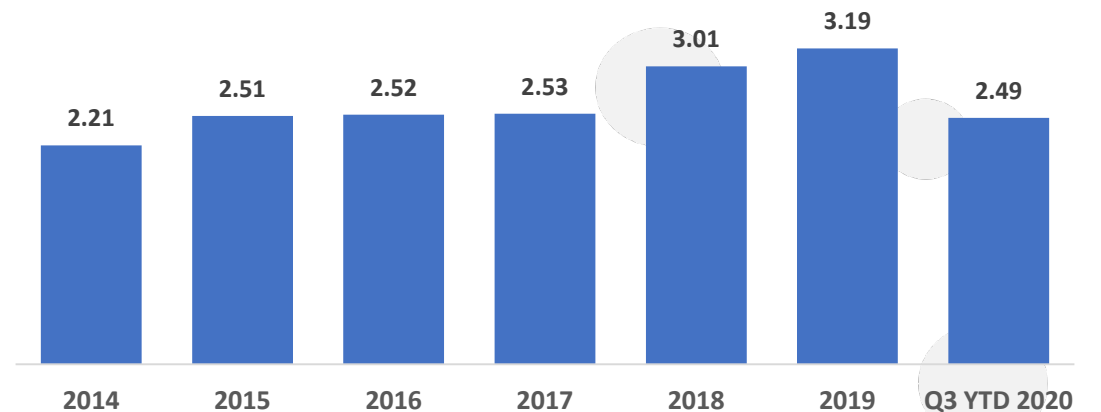
ADJ. EBITDA (\$M)



ADJ. NET EARNINGS (\$M)



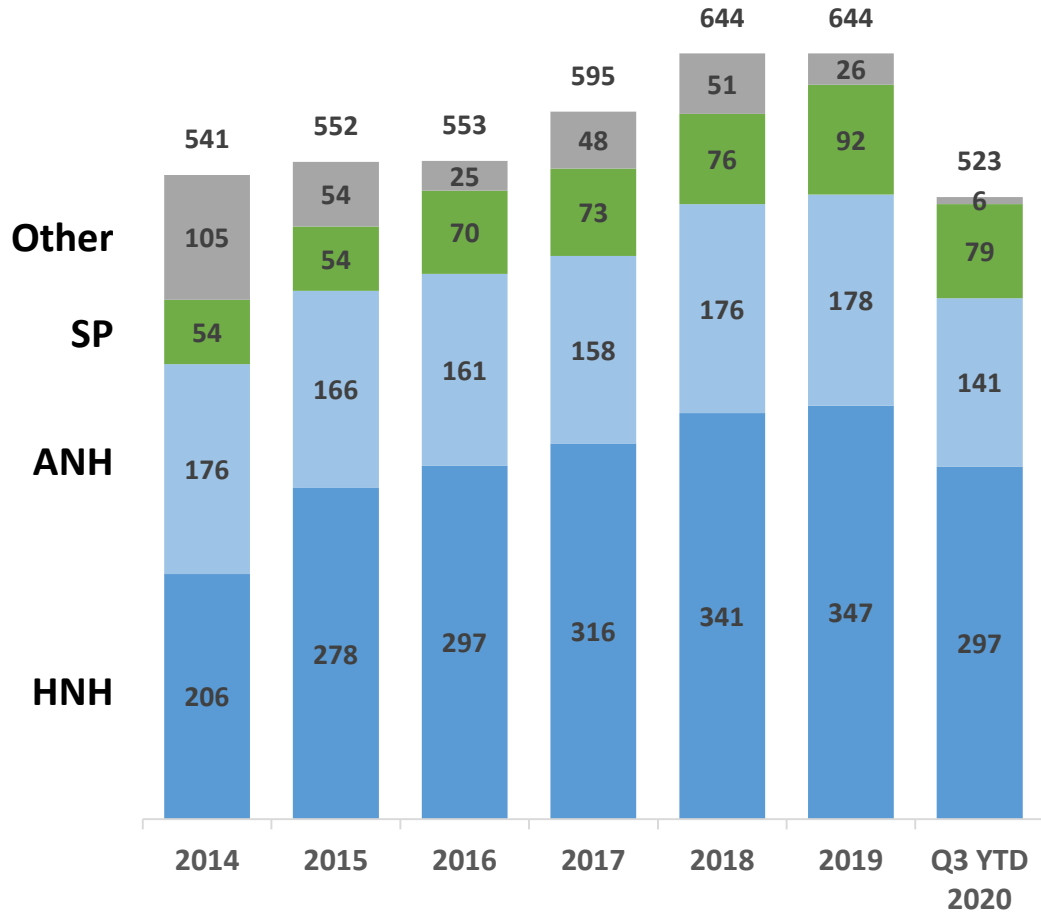
ADJ. EPS (\$/share)



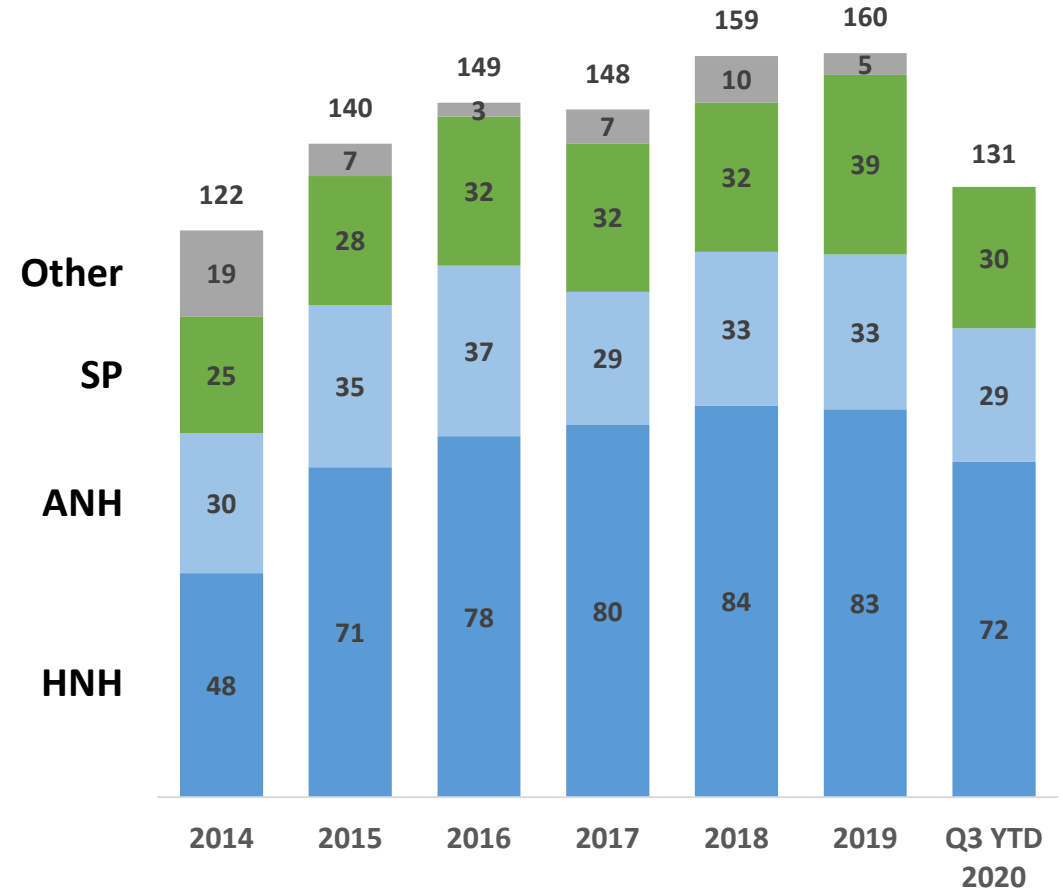
Consistent Performance Due To Resilient Business Model

Segment Financials

SALES (\$M)



ADJ. EBITDA (\$M)



Resilient Business Models

Capital Allocation Strategy and M&A

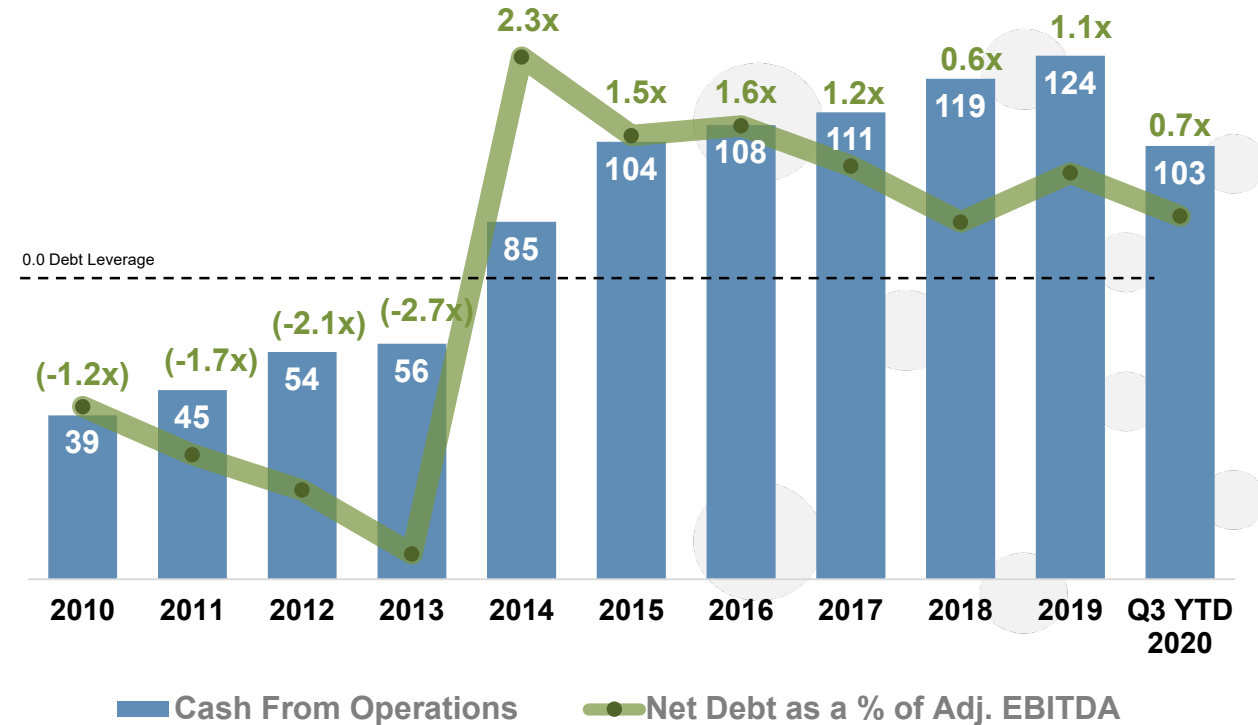
Capital Allocation Strategy

- 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



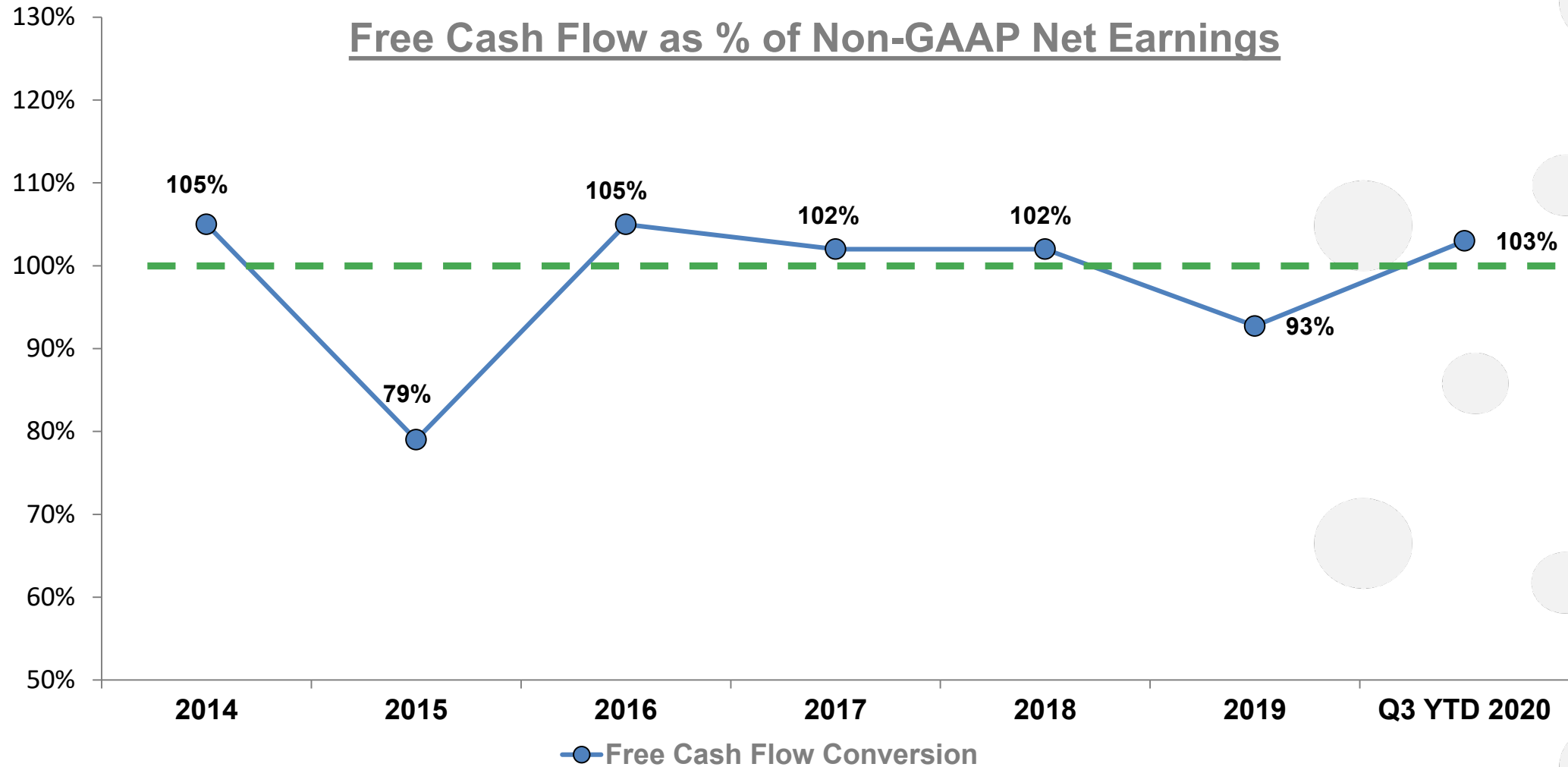
Maintain Disciplined Capital Allocation Strategy

Recent Acquisitions

	<u>Rationale</u>	<u>Key Offering</u>
Zumbro River Brand 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	Microencapsulation manufacturing in Europe	Microencapsulation and Fermentation
IFP June 2017	Market consolidation and processing technology and capability	Microencapsulation 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

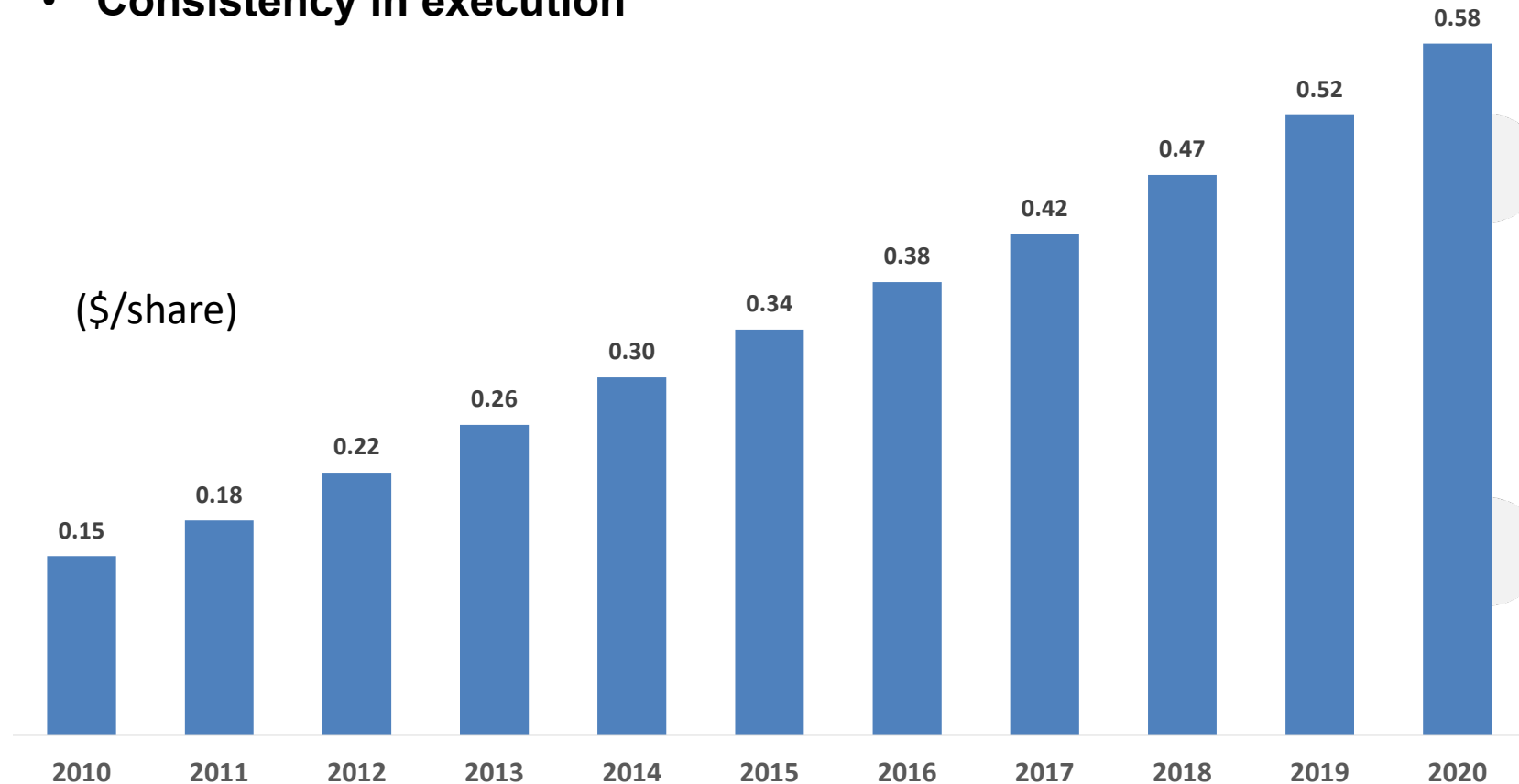
Free Cash Flow Conversion



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

Our Sustainability Framework

Our Sustainability Framework



1.4 Billion People Reached in 2019

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 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 Sustainability Framework

 People	 Planet	 Profit
 <p>1.4 billion – number of people reached per year</p>	 <p>10.7 billion – number of animals reached per year</p>	 <p>24.7% – revenue from products developed in the past five years</p>
 <p>1.32 – total recordable injury rate (TRIR)</p>	 <p>0.59 GJ – energy intensity (GJ of energy per ton of product produced) 74,947 – scope 1 and scope 2 greenhouse gas emissions (CO₂e metric tons)</p>	 <p>\$643.7M – total revenue</p>
 <p>24% – hourly employee turnover 7% – salary employee turnover</p>	 <p>10.87 CBM – water intensity (cubic meters of water withdrawal per metric ton of product produced) 0% – water withdrawal from regions with high or extremely high baseline water stress</p>	 <p>\$160.0M – adjusted EBITDA</p>
 <p>76% males, 24% females – employee diversity</p>	 <p>99% – hazardous waste reused or recycled 75% – hazardous material suppliers audited in the last 3 years</p>	 <p>\$79.7M – GAAP net earnings \$2.45 – GAAP earnings per share</p>
 <p>78% – R&D focused on health and nutrition</p>	 <p>100% – of palm oil sourced certified through RSPO 45% – raw materials from renewable resources</p>	 <p>121% – free cash flow conversion</p>
 <p>100% – manufacturing sites with local community engagement efforts</p>	 <p>0 – product recalls</p>	 <p>19.2% – 5-year total shareholder return (TSR) vs Russell 2000 Index</p>

Making The World A Healthier Place

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

Technologies

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

Protected Positions

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

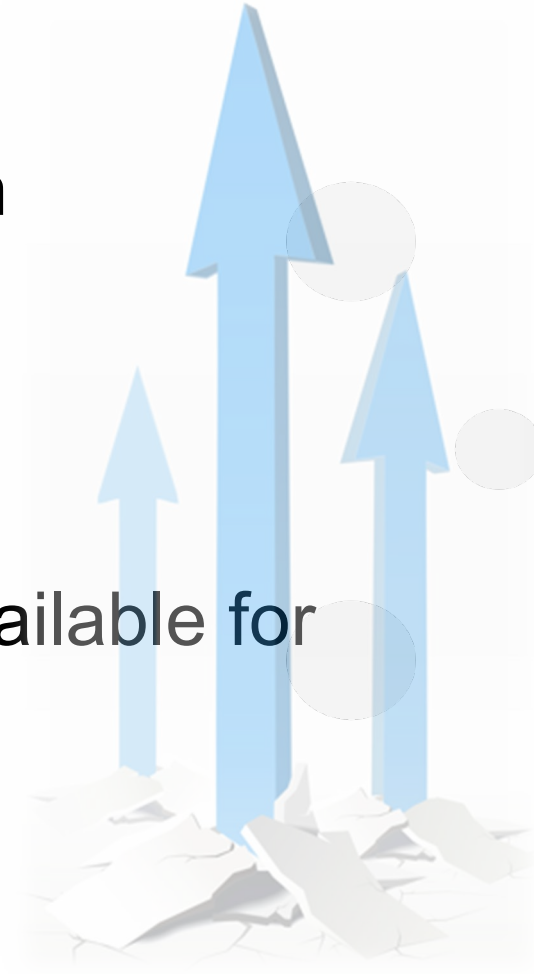
Future Upside

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

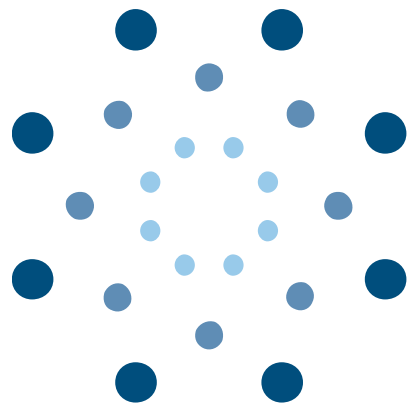
Well Positioned For The Future

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[®]

Solve Today. Shape Tomorrow.

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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Reconciliation of adjusted gross margin				
GAAP gross margin	\$ 56,368	\$ 54,008	\$ 167,079	\$ 157,021
Inventory valuation adjustment ⁽²⁾	—	—	208	—
Amortization of intangible assets and finance lease ⁽³⁾	881	616	2,347	2,011
Adjusted gross margin	\$ 57,249	\$ 54,624	\$ 169,634	\$ 159,032
Reconciliation of adjusted earnings from operations				
GAAP earnings from operations	\$ 29,028	\$ 26,030	\$ 82,223	\$ 78,912
Inventory valuation adjustment ⁽²⁾	—	—	208	—
Amortization of intangible assets and finance lease ⁽³⁾	7,062	6,753	21,026	18,723
Transaction and integration costs, ERP implementation costs, and unallocated legal fees ⁽⁴⁾	161	688	2,179	2,253
Goodwill impairment ⁽⁵⁾	—	—	1,228	—
Adjusted earnings from operations	\$ 36,251	\$ 33,471	\$ 106,864	\$ 99,888
Reconciliation of adjusted net earnings				
GAAP net earnings	\$ 21,568	\$ 20,676	\$ 62,461	\$ 59,288
Inventory valuation adjustment ⁽²⁾	—	—	208	—
Amortization of intangible assets and finance lease ⁽³⁾	7,133	6,823	21,238	18,935
Transaction and integration costs, ERP implementation costs, and unallocated legal fees ⁽⁴⁾	161	688	2,179	2,253
Goodwill impairment ⁽⁵⁾	—	—	1,228	—
Income tax adjustment ⁽⁶⁾	(1,938)	(1,878)	(6,387)	(5,191)
Adjusted net earnings	\$ 26,924	\$ 26,309	\$ 80,927	\$ 75,285
Adjusted net earnings per common share - diluted	\$ 0.83	\$ 0.81	\$ 2.49	\$ 2.32

Non-GAAP Financial Information - Continued

⁽²⁾ 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.

⁽³⁾ 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, and one finance lease related to Zumbro acquisition. 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.

⁽⁴⁾ 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.

⁽⁵⁾ Goodwill impairment: A goodwill impairment charge related to business formerly included in the Industrial Products segment is expensed in our GAAP financial statements. Management excludes this item for the purposes of calculating Adjusted EBITDA and other non-GAAP financial measures. We believe that excluding this item from our non-GAAP financial measures is useful to investors because this item is inconsistent in amount and frequency causing comparison of current and historical financial results to be difficult.

⁽⁶⁾ 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.

⁽⁷⁾ 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 nine months ended September 30, 2020 and 2019, 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.

Non-GAAP Financial Information - Continued

Table 2
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income - as reported	\$ 21,568	\$ 20,676	\$ 62,461	\$ 59,288
Add back:				
Provision for income taxes	6,339	3,760	15,909	14,822
Other expense	1,121	1,594	3,853	4,802
Depreciation and amortization	12,984	11,683	38,137	33,273
EBITDA	42,012	37,713	120,360	112,185
Add back certain items:				
Non-cash compensation expense related to equity awards	2,254	1,966	6,708	5,588
Inventory valuation adjustment ⁽²⁾	—	—	208	—
Transaction and integration costs, ERP implementation costs, and unallocated legal fees ⁽⁴⁾	161	688	2,179	2,253
Goodwill impairment ⁽⁵⁾	—	—	1,228	—
Adjusted EBITDA	\$ 44,427	\$ 40,367	\$ 130,683	\$ 120,026

Non-GAAP Financial Information - Continued

Table 3
(unaudited)

	Three Months Ended September 30,			
	2020	Effective Tax Rate	2019	Effective Tax Rate
GAAP Income Tax Expense	\$ 6,339	22.7 %	\$ 3,760	15.4 %
Impact of ASU 2016-09 ⁽⁷⁾	189		532	
Adjusted Income Tax Expense	<u>\$ 6,528</u>	<u>23.4 %</u>	<u>\$ 4,292</u>	<u>17.6 %</u>

	Nine Months Ended September 30,			
	2020	Effective Tax Rate	2019	Effective Tax Rate
GAAP Income Tax Expense	\$ 15,909	20.3 %	\$ 14,822	20.0 %
Impact of ASU 2016-09 ⁽⁷⁾	1,019		741	
Adjusted Income Tax Expense	<u>\$ 16,928</u>	<u>21.6 %</u>	<u>\$ 15,563</u>	<u>21.0 %</u>

⁽⁷⁾ 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 nine months ended September 30, 2020 and 2019, 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.

Table 4
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net cash provided by operating activities	\$ 35,360	\$ 42,682	\$ 102,540	\$ 91,494
Capital expenditures and capitalized ERP implementation costs	(7,096)	(6,927)	(19,843)	(21,615)
Free cash flow	<u>\$ 28,264</u>	<u>\$ 35,755</u>	<u>\$ 82,697</u>	<u>\$ 69,879</u>