
balchem
Investor Presentation
Q4, 2022

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: Montvale, NJ
- Approximately 1,300 Employees
- 23 Manufacturing Sites:
  - 18 in North America
  - 4 in Europe
  - 1 in Asia
- 6 Technology Centers
- 2022 Revenues of $942M
- 2022 Adj. EBITDA of $216M or 23% of sales
- 2022 Cash Flow From Operations of $139M

A Global Health And Nutrition Focused Company With A 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
- Bachelor's degree from Northwestern University in economics and began career as Senior Auditor for Deloitte

Executive Leadership

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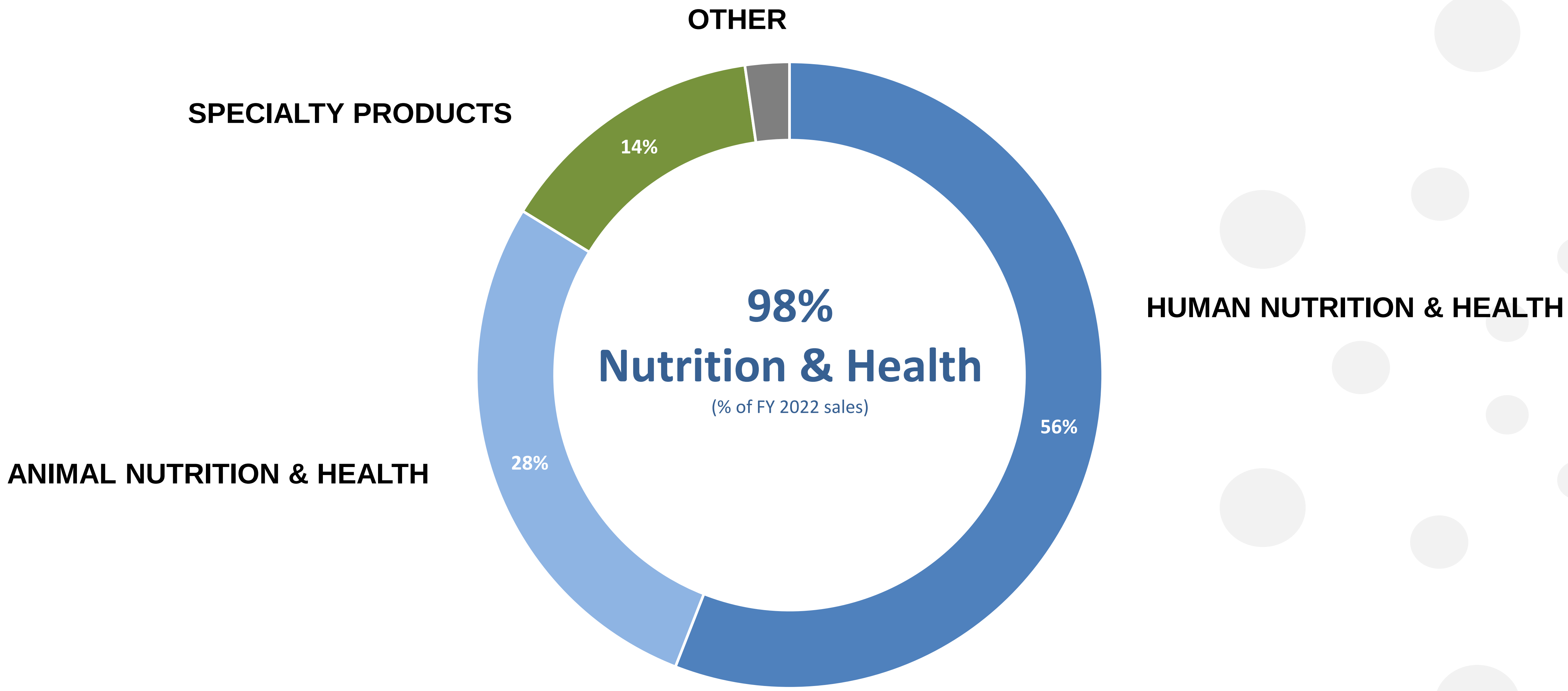
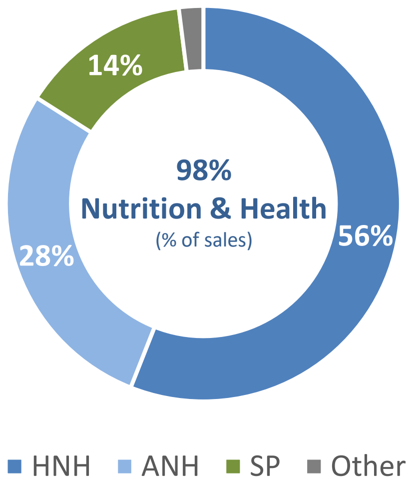
Balchem at a Glance



98% Of Revenues Focused On Nutrition & Health

Segment Overview



Segment	Markets Served	Solutions
Human Nutrition & Health	• Nutritional Supplements • Food and Beverage • Infant & Toddler Formula • Organic Cereal	• **Microencapsulation** • **Choline**, & Vitamin K2 • **Chelated Minerals** • Powder, Flavor, & Cereal Systems
Animal Nutrition & Health	• Dairy • Poultry and Swine • Companion Animal • Aquaculture	• **Microencapsulation** • **Choline** • **Chelated Minerals** • Amino Acids and Other Nutrients
Specialty Products	• Medical Device Sterilization • Nut and Spice Fumigation • Plant Nutrition	• **Chelated Minerals** • Performance Gases re-packaging
Other	• Oil and Gas Fracking • Other Industrial Markets	• **Choline** • Choline Derivatives

Leveraging Solutions Across Segments

Vision and Mission

Our Vision

To make the world a healthier place.

Our Mission

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

Committed To Building A Global Nutrition And Health Company

Strategic Focus

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

Staying Focused

Balchem Growth Platforms

Human Nutrition & Health

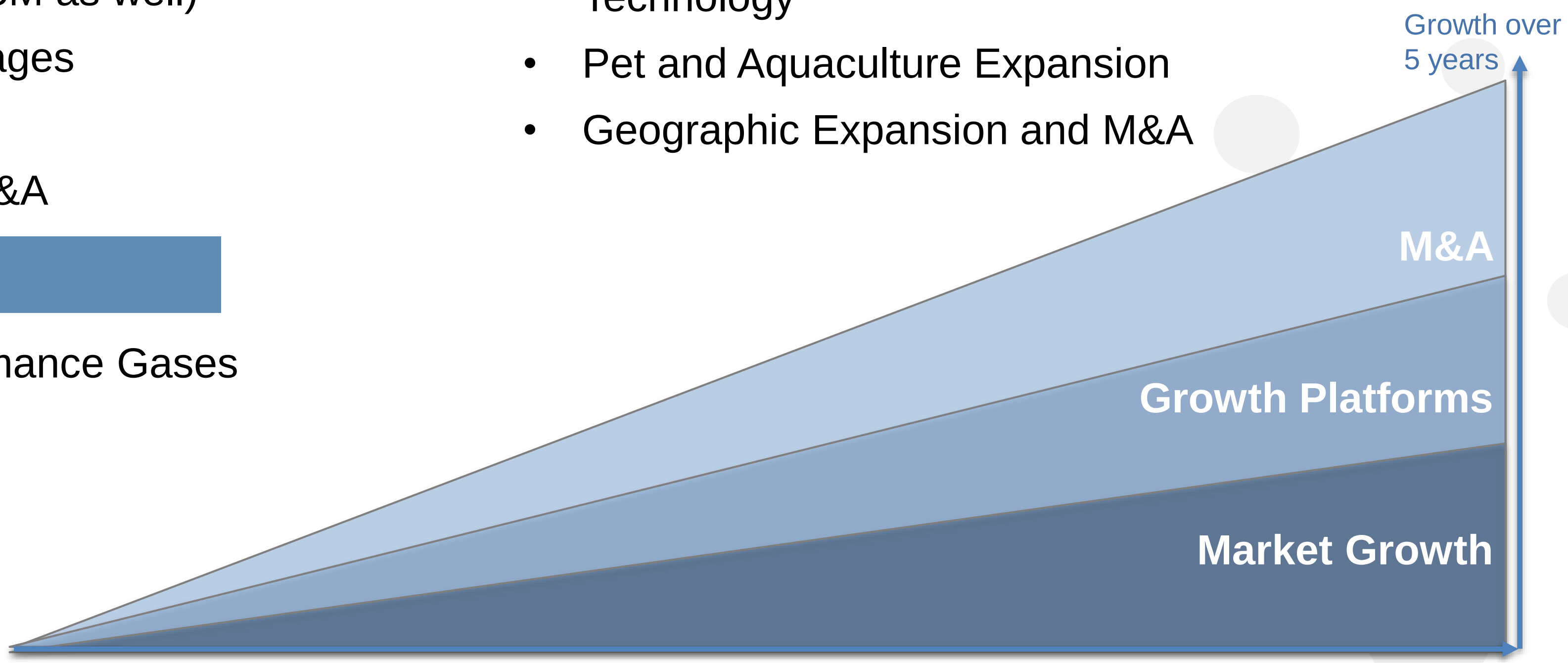
- Leveraging Synergies Across Segment
- Realize Vitamin K2 market potential
- FDA RDI for Choline and Expanded Choline Awareness / Science
- Mineral Nutrition (now with MSM as well)
- Systems for Nutritional Beverages
- Curemark® Delivery System
- Geographic Expansion and M&A

Specialty Products

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

Animal Nutrition & Health

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



Multiple Platforms To Drive Growth

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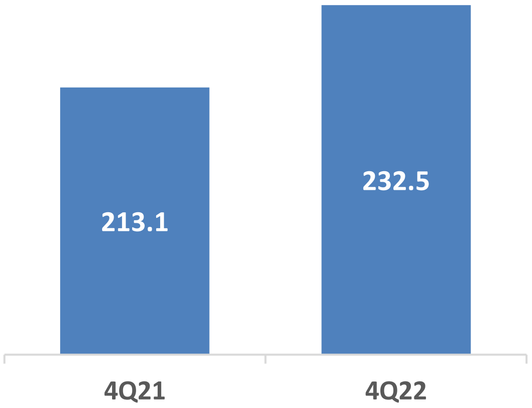
Q4 2022 Financial Summary

Sales
($M)

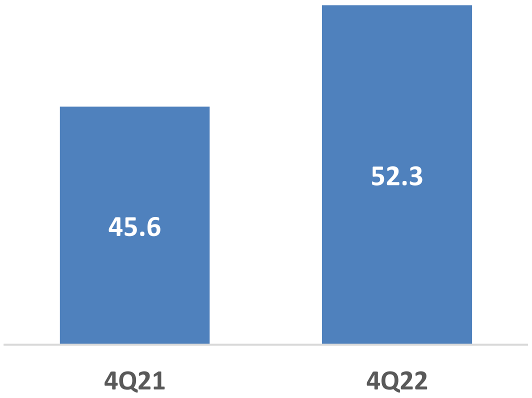
↑ 9.1%



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

Adj. EBITDA
($M)

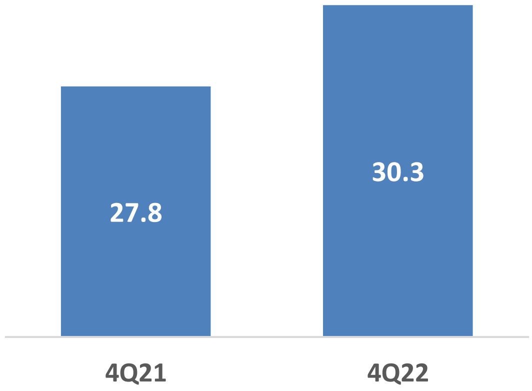
↑ 14.6%



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

Adj. Net Earnings
($M)

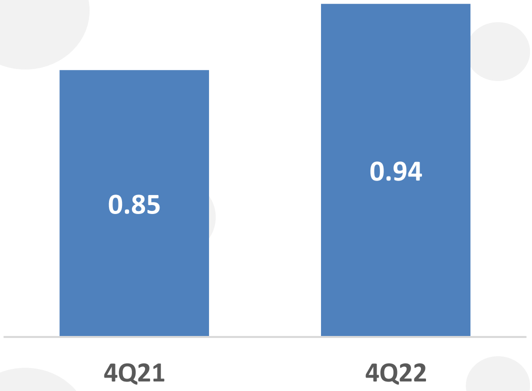
↑ 9.1%



- Driven by sales growth
- Higher interest expenses partially offset by lower tax rate in Q4’22 vs prior year

Adj. EPS
($/share)

↑ 10.2%



- Growth in earnings
- Small decrease in diluted outstanding shares (-1.0%)

Strong Quarter In Challenging Environment

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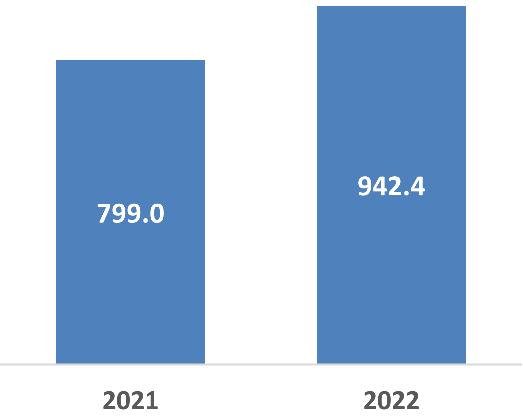
FY 2022 Financial Summary

Sales
($M)

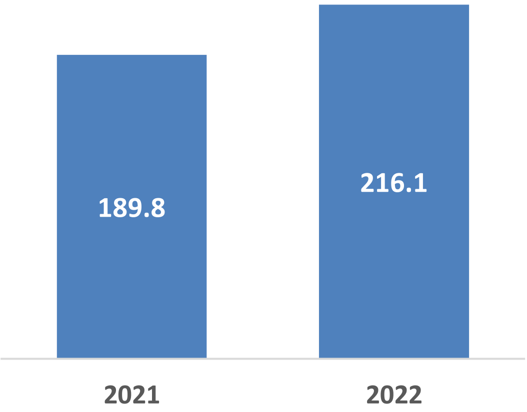
↑ 17.9%



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

Adj. EBITDA
($M)

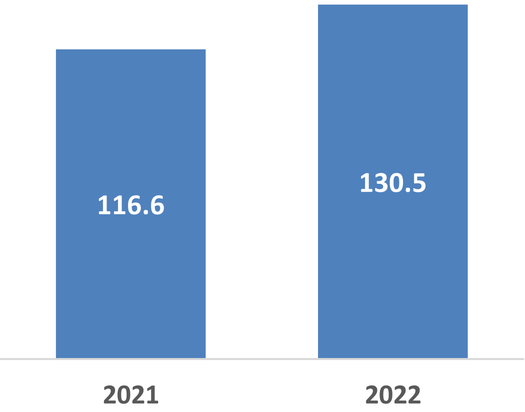
↑ 13.8%



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

Adj. Net Earnings
($M)

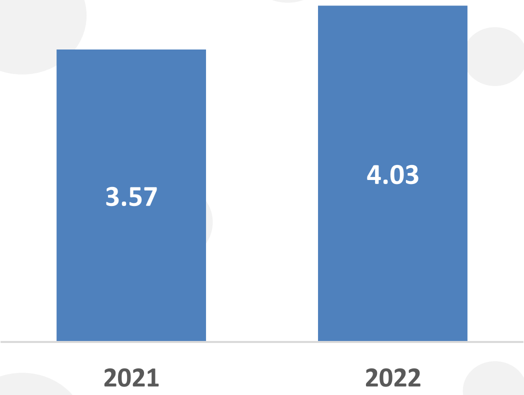
↑ 11.9%



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

Adj. EPS
($/share)

↑ 12.9%



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

Another Strong Growth Year

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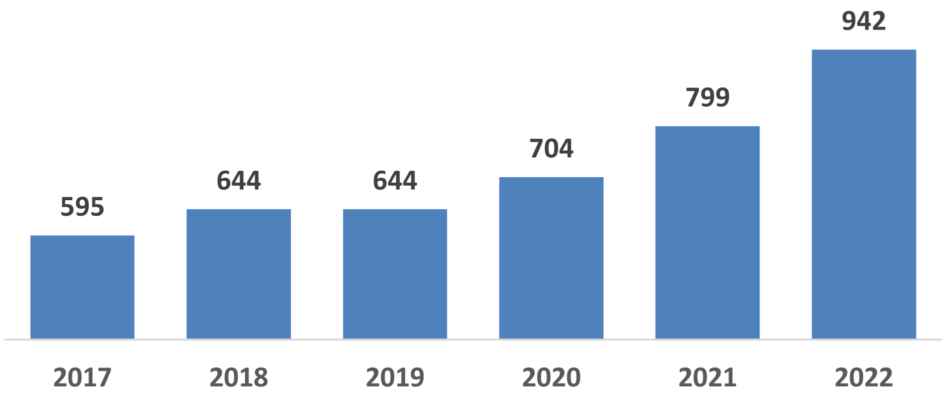
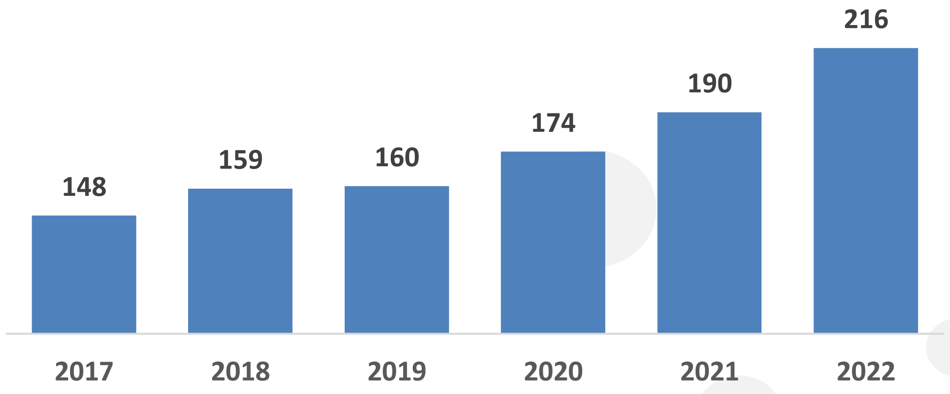
Historical Financials

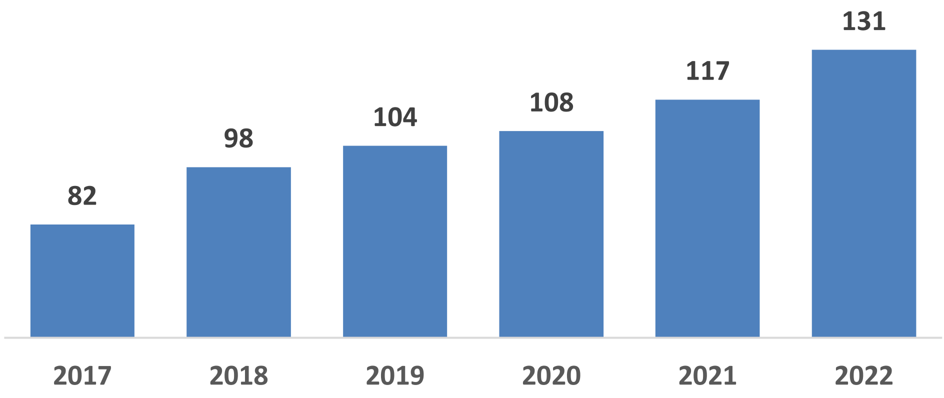
SALES ($M)



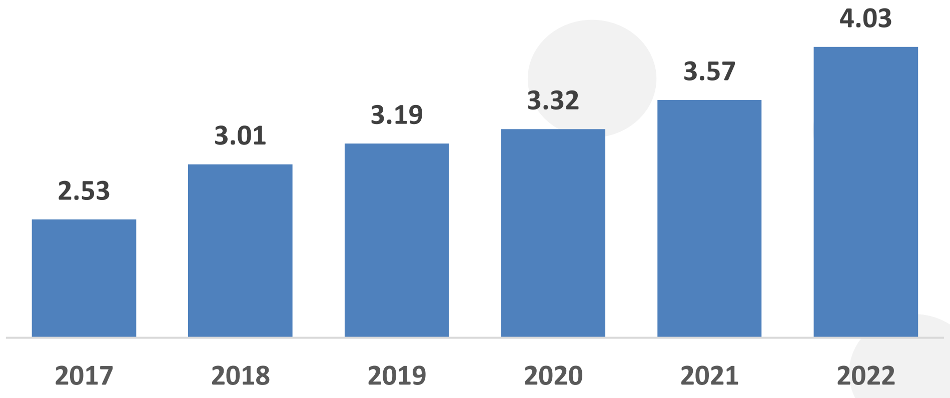
ADJ. EBITDA ($M)



ADJ. NET EARNINGS ($M)



ADJ. EPS ($/share)



Consistent Performance Due To Resilient Business Model

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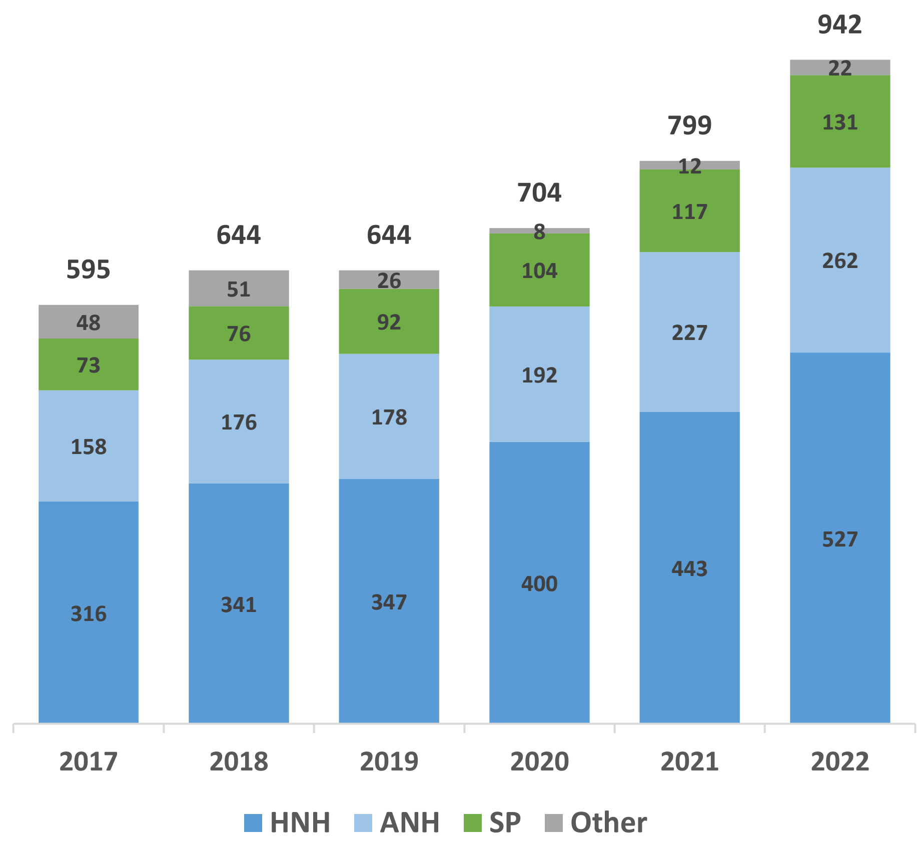
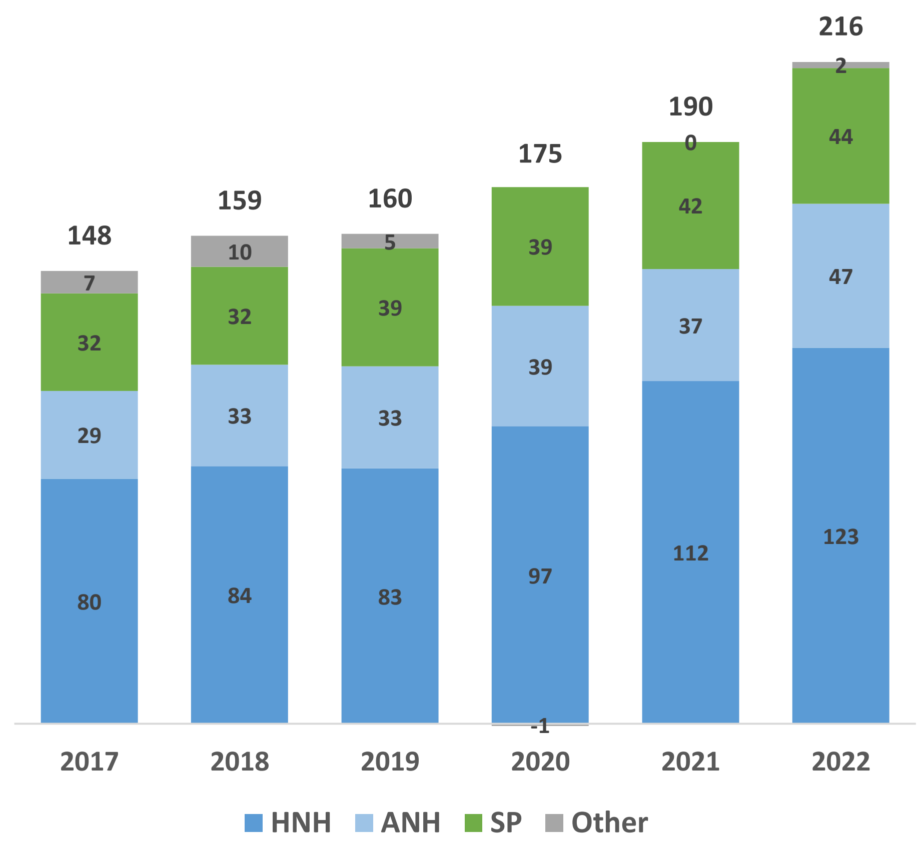
Segment Financials

SALES ($M)



ADJ. EBITDA ($M)



Resilient Business Model

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Capital Allocation Strategy and M&A

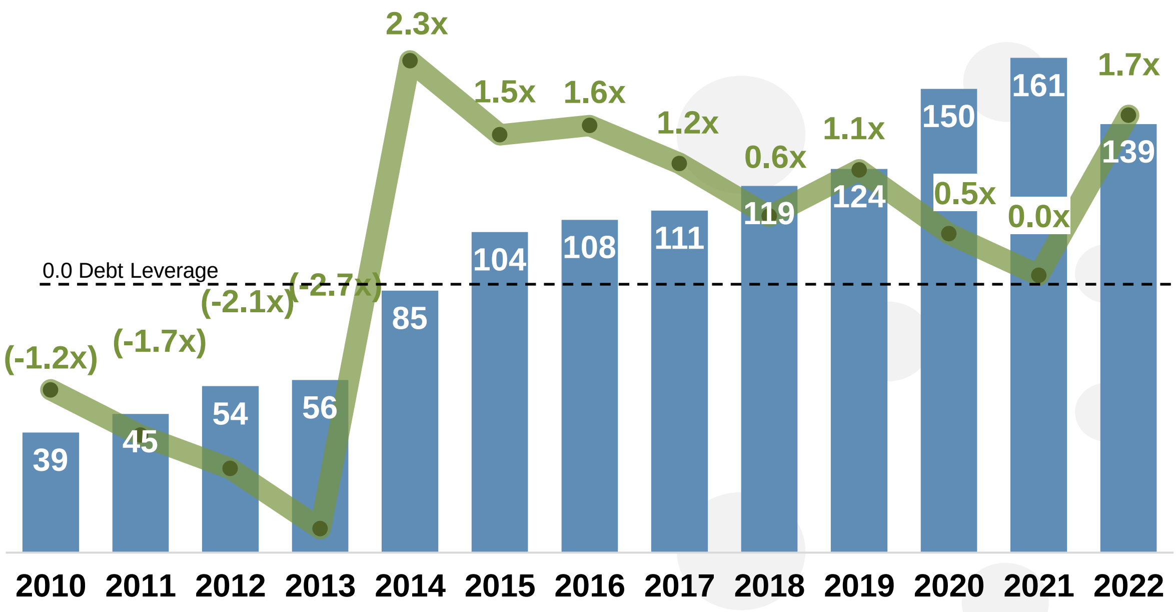
Capital Allocation Strategy

- 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

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

Annual Cash Flow ($M) and Debt Leverage Ratio



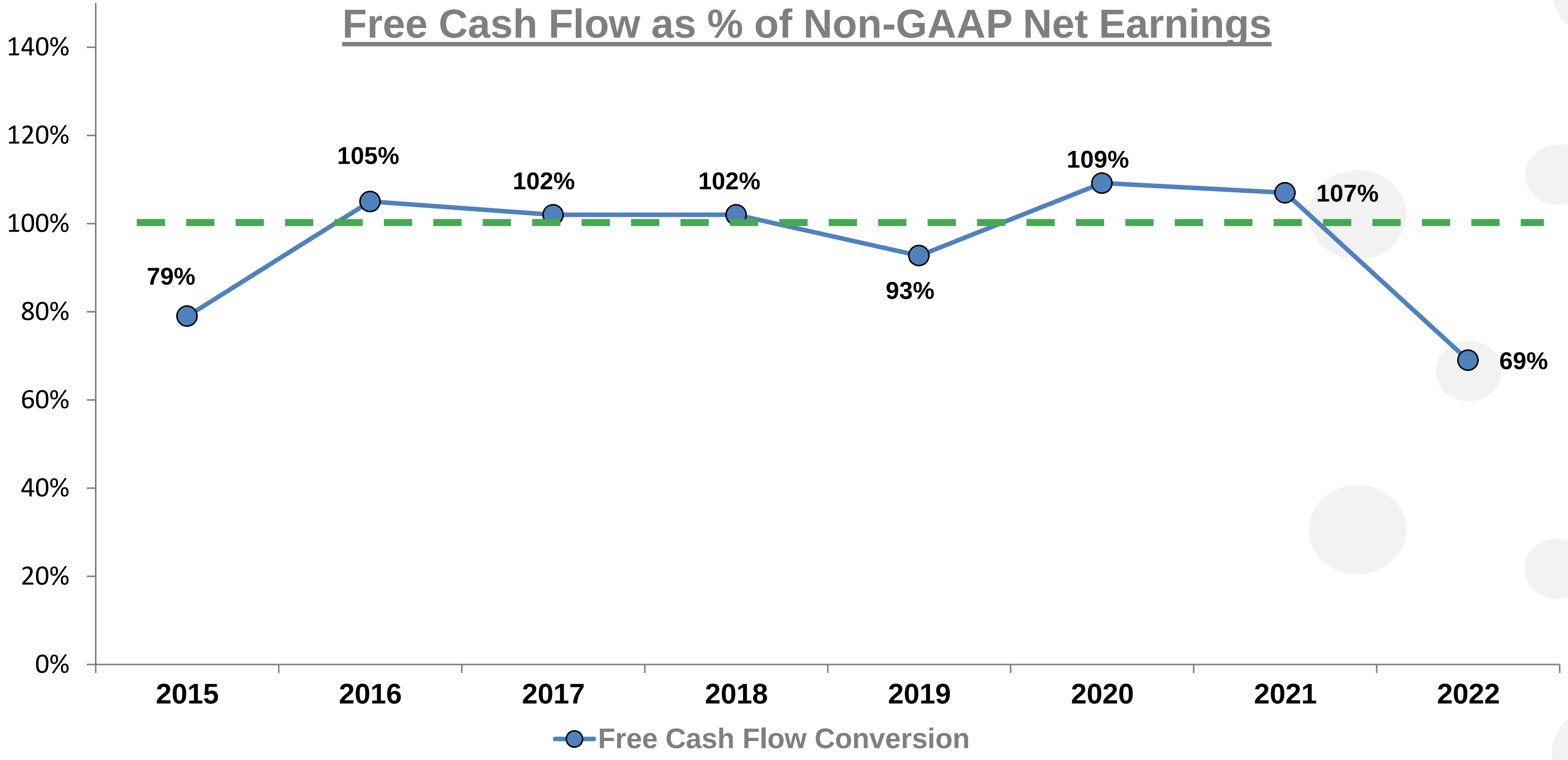
Maintain Disciplined Capital Allocation Strategy

Recent Acquisitions

	Rationale	Key Offering
Bergstrom Nutrition August 2022	Adjacent product offering to existing Minerals portfolio	Specialty Sulfur for dietary supplements
Kappa Bioscience AS June 2022	Adjacent product offering in high growth market	Specialty Vitamin K2
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	Performance Gases re-packaging
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 in high growth market	Chelated Magnesium, Iron, Calcium, Zinc, and others

Augmenting Organic Growth With Targeted Acquisitions Close To Core

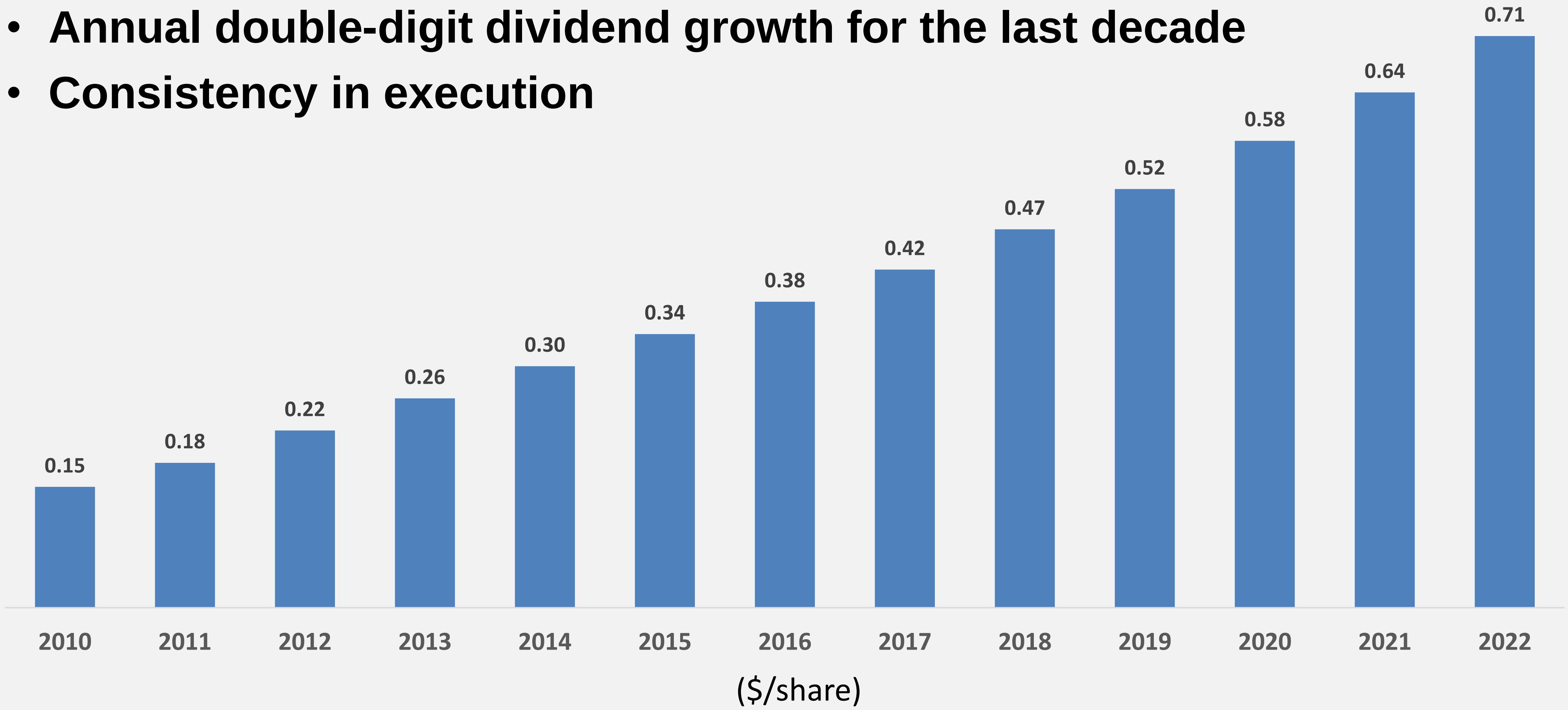
Free Cash Flow Conversion



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

Dividends

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



Consistent Dividend Policy

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Our Sustainability Framework

1.4 Billion People Reached in 2021

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

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

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

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

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

Making The World A Healthier Place

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Our 2030 ESG Goals

EMISSIONS REDUCTION

Balchem commits to reduce our GHG emissions by

25%

OPPORTUNITY EXAMPLES

- Process improvements in spray drying by increasing feed solids
- Reduce drying with product design (e.g., ReaShure®-XC)
- Major consumer efficiency improvements (e.g., modernized boilers)
- Use of renewable energy sources (e.g., Grimbergen solar project)

WATER CONSERVATION

Balchem commits to reduce our global water use by

25%

OPPORTUNITY EXAMPLES

- Eliminate "once through" cooling water systems in Marano and Verona sites
- Reduce water use in clean in place (CIP) systems with improved utilization and change to dry clean options
- Condensate recovery systems

Committed To 2030 Goals

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What Makes Balchem Unique?

Proven Track Record Of Growth

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

Protected Positions

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

Technologies

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

Future Upside

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

Well Positioned For The Future

Summary / Wrap Up

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

Reasons To Invest

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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 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 December 31, 2022	Three Months Ended December 31, 2021	Year Ended December 31, 2022	Year Ended December 31, 2021
Reconciliation of adjusted gross margin				
GAAP gross margin	$ 68,639	$ 64,066	$ 280,451	$ 243,174
Expense related to a flash flood event (1)	—	(4,308)	—	—
Inventory valuation adjustment (2)	1,473	—	3,057	—
Amortization of intangible assets and finance lease (3)	712	332	2,025	1,496
Adjusted gross margin	$ 70,824	$ 60,090	$ 285,533	$ 244,670
Reconciliation of adjusted earnings from operations				
GAAP earnings from operations	$ 33,305	$ 33,821	$ 145,186	$ 127,502
Expense related to a flash flood event (1)	—	(4,308)	—	—
Inventory valuation adjustment (2)	1,473	—	3,057	—
Amortization of intangible assets and finance lease (3)	7,641	6,277	27,481	25,302
Transaction and integration costs, ERP implementation costs, and unallocated legal fees (4)	293	259	3,109	1,264
Impairment charge (5)	—	1,675	—	1,675
Adjusted earnings from operations	$ 42,712	$ 37,724	$ 178,833	$ 155,743
Reconciliation of adjusted net earnings				
GAAP net earnings	$ 21,406	$ 24,949	$ 105,367	$ 96,104
Expense related to a flash flood event (1)	—	(4,308)	—	—
Inventory valuation adjustment (2)	1,473	—	3,057	—
Amortization of intangible assets and finance lease (3)	7,713	6,347	27,816	25,584
Transaction and integration costs, ERP implementation costs, and unallocated legal fees (4)	293	259	3,109	1,264
Impairment charge (5)	—	1,675	—	1,675
Unrealized foreign currency gain on contingent consideration liability and net realized gain on foreign currency forward contracts (6)	2,015	—	(512)	—
Income tax adjustment (7)	(2,560)	(1,117)	(8,306)	(8,003)
Adjusted net earnings	$ 30,340	$ 27,805	$ 130,531	$ 116,624
Adjusted net earnings per common share - diluted	$ 0.94	$ 0.85	$ 4.03	$ 3.57

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Non-GAAP Financial Information - Continued

Table 2
(unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net income - as reported	$ 21,406	$ 24,949	$ 105,367	$ 96,104
Add back:				
Provision for income taxes	4,370	8,197	28,382	29,129
Other expense	7,529	675	11,437	2,269
Depreciation and amortization	13,817	12,187	51,513	48,597
EBITDA	47,122	46,008	196,699	176,099
Add back certain items:				
Non-cash compensation expense related to equity awards	3,386	1,993	13,224	10,802
Expense related to a flash flood event [1]	—	(4,308)	—	—
Inventory valuation adjustment [2]	1,473	—	3,057	—
Transaction and integration costs, ERP implementation costs, and unallocated legal fees [4]	293	259	3,109	1,264
Impairment charges [5]	—	1,675	—	1,675
Adjusted EBITDA	$ 52,274	$ 45,627	$ 216,089	$ 189,840

Non-GAAP Financial Information - Continued

Table 3
(unaudited)

	Three Months Ended December 31,			
	2022	Effective Tax Rate	2021	Effective Tax Rate
GAAP Income Tax Expense	$ 4,370	17.0 %	$ 8,197	24.7 %
Impact of ASU 2016-09[8]	249		84	
Adjusted Income Tax Expense	$ 4,619	17.9 %	$ 8,281	25.0 %

	Year Ended December 31,			
	2022	Effective Tax Rate	2021	Effective Tax Rate
GAAP Income Tax Expense	$ 28,382	21.2 %	$ 29,129	23.3 %
Impact of ASU 2016-09[8]	963		1,115	
Adjusted Income Tax Expense	$ 29,345	21.9 %	$ 30,244	24.2 %

Table 4
(unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net cash provided by operating activities	$ 41,655	$ 44,491	$ 138,536	$ 160,514
Capital expenditures, capitalized ERP implementation costs, and an insurance reimbursement	(14,136)	(13,964)	(49,157)	(36,070)
Free cash flow	$ 27,519	$ 30,527	$ 89,379	$ 124,444

Non-GAAP Financial Information - Continued

(1) Expense related to a flash flood event: Expenses related to a flash flood event at our Verona, Missouri manufacturing site are expensed in our GAAP financial statements. We believe that excluding these costs from our non-GAAP financial measures is useful to investors because such expense is inconsistent in amount and frequency causing comparison of current and historical financial results to be difficult.

(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, 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.

(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 transactions that are inconsistent in amount and frequency causing comparison of current and historical financial results to be difficult.

(5) Impairment charge: An asset impairment charge in 2021 was related to convertible notes receivable. Impairment charge 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 amounts and frequency causing comparison of current and historical financial results to be difficult.

(6) Unrealized foreign currency gain on contingent consideration liability and net realized gain on foreign currency forward contracts: The unrealized foreign currency gain relates to the contingent consideration liability recorded in connection with Kappa acquisition and was recorded as other income in our GAAP financial statements. The net realized gain on foreign currency exchange forward contracts relates 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.

(7) 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.

(8) 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, 2022 and 2021, 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.