



*Q1 2023 Earnings Call*  
*May 9, 2023*

# Participants

<b><i>Eric Wintemute</i></b>	<i>Chairman &amp; Chief Executive Officer</i>
<b><i>William Kuser</i></b>	<i>Director, Investor Communications</i>
<b><i>Scott Hendrix</i></b>	<i>Sr VP US &amp; Canada Crop Sales &amp; Application Technology</i>
<b><i>Jim Thompson</i></b>	<i>Director, Portfolio Strategy &amp; Business Development</i>
<b><i>David Johnson</i></b>	<i>Chief Financial Officer</i>
<b><i>Bob Trogele</i></b>	<i>Chief Operating Officer</i>
<b><i>Tim Donnelly</i></b>	<i>Chief Administrative Officer</i>

## Safe Harbor

The Company, from time to time, may discuss forward-looking information. Except for the historical information contained in this release, all forward-looking statements are estimates by the Company's management and are subject to various risks and uncertainties that may cause results to differ from management's current expectations. Such factors include weather conditions, changes in regulatory policy and other risks as detailed from time-to-time in the Company's SEC reports and filings. All forward-looking statements, if any, in this release represent the Company's judgment as of the date of this release.

# American Vanguard

- **Traded on NYSE:** AVD founded in 1969, currently 810 employees
- **Fully Integrated Operation,** including selective R&D
- **Business Model:** Acquire, develop, manufacture and market a diverse group of agricultural products, specialty non-crop products, and application technologies
- **Mission:** Enhance agricultural productivity and safeguard public health worldwide
- **Proven Experience:** 53 years of successful acquisitions & licensing



**NINE**  
Companies



**SIX**  
Manufacturing Plants



**FIVE**  
Delivery Systems



**SIXTY-THREE**  
Products & Licenses

# Q1 and Full Year 2023 Takeaways

- Supply chain issues and oversupply of competitive herbicides in the channel affected Q1 Sales of Aztec & IMPACT
  - **Supply chain issues resolved**
- Expect strong sales for the balance of the year
  - **Low channel inventories of the Company's products**
- Our 2023 full year outlook is stronger than 2022

## *Performance Targets*

Net Sales	\$640M - \$652M	+5 to 7%
Adjusted EBITDA	\$84M - \$86M	+14 to 18%
Net Income	\$32M - \$34M	+17 to 25%

# AZTEC Production

- Key intermediate DAPRO
  - EU Supplier, No Supply Until 2024
  - New Chinese Supplier 2022
- DAPRO conversion to Sodium HP
  - U.S. Sodium HP Supplier delayed until end of 2022
- New Chinese DAPRO Supplier conversion to Sodium HP
  - Delays until Q1 2023
  - Target yields not reached until April 2023
- U.S. Sodium HP supplier further delayed until March 2023
- Both Sodium HP suppliers manufacturing to meet 2024 season demand.

# U.S. Crop Key Performance Drivers

## AZTEC Inventory

- 2023 Demand of 7M lbs
- 2022 Carry over Inventory 2.83M lbs (1.7M Retail, 1.13M Distribution)
- 2.28M lbs invoiced sales H1 2023
- 430k lbs AZTEC equivalent from Force 10G
- Total of 5.54M lbs available for 2023
  - YTD inventory less than 5% while historical average of +30%
  - 80% of Demand Available for 2023
- Customers will prepare in Q4 to increase their inventory base as a result of lower YTD inventory (H2 of 2023)

# AZTEC

- Unrealized Revenue \$30 Million
- EPS \$0.38
  - \$0.18 Q4 2022
  - \$0.20 Q1 2023



# U.S. Crop Key Performance Drivers

## Working Capital Management

- Customers face 2-3 point higher cost of money
- Significant 2022 carry-over inventory on crop inputs
  - Fertilizer revaluation as price declines
  - 60-80% nonselective herbicides
  - Customer response: cost averaging or upfront loss
- Delayed supply of major molecules missed on 2022 on the ground

# U.S. Crop Key Performance Drivers

## IMPACT

- Significant channel inventories of Glyphosate and Glufosinate does not allow us to capitalize on increased use rates of IMPACT as a replacement as we were able to do 2022
- IMPACT carry over inventory normal at 30%
- Strong innovative future of IMPACT with brand extension and expanded use rates to enable customers to manage difficult to control weeds
- Herbicide innovation into expanded crops (rice & soybean)

# IMPACT

## Q1 2023

- Unrealized Revenue \$10 Million
- EPS reduced by \$0.12
- Combined Aztec & Impact EPS reduced by \$0.32

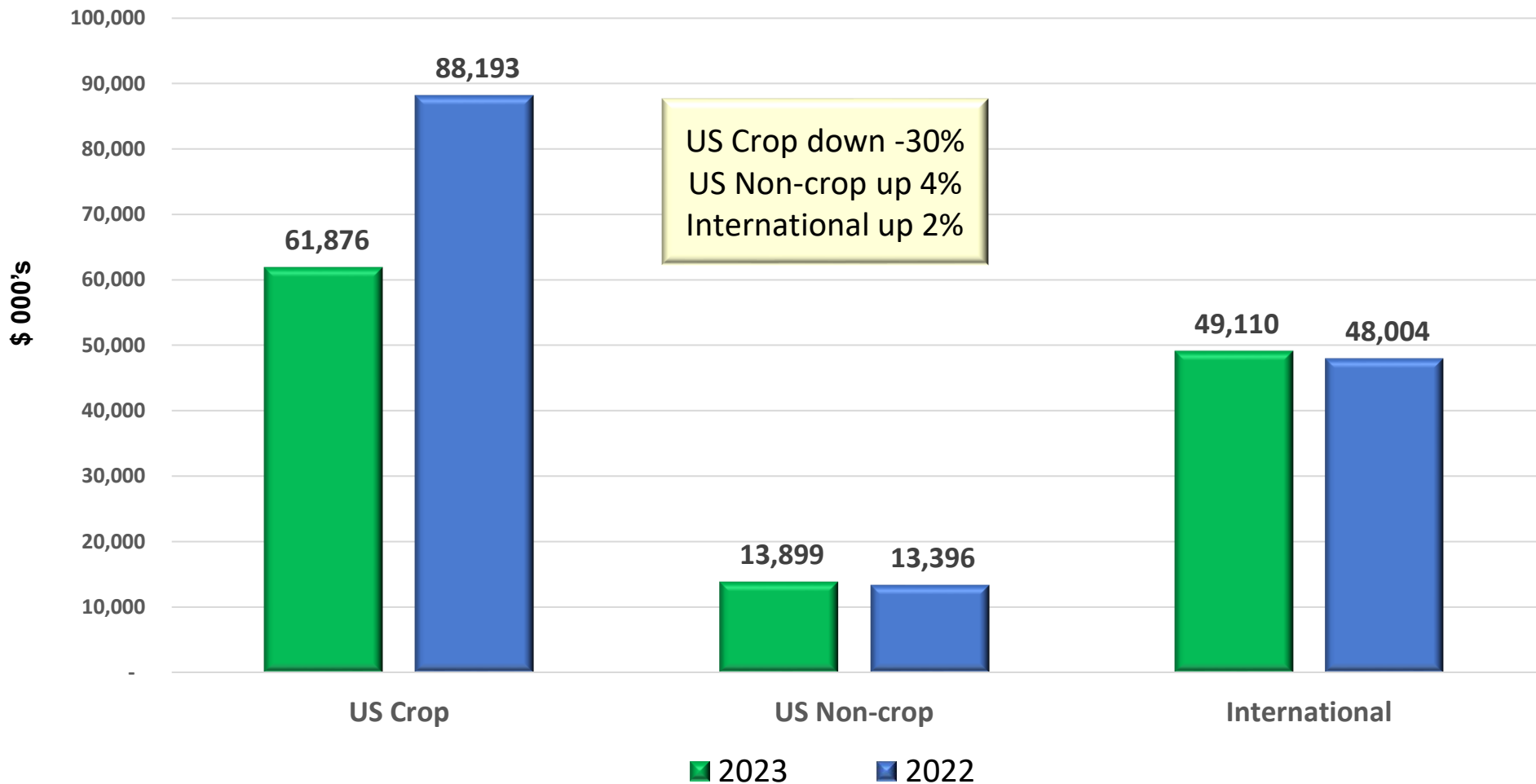
# Financial Update

***David Johnson*** *Chief Financial Officer*

# Q1 2023 Sales

Overall sales Q1 2023 \$125m vs \$150m in Q1 2022 (down -17%)  
 International 39% of total in Q1 2023 vs 32% of total in Q1 2022

Net Sales, 3 months Ended Mar 31, 2023 & 2022



# Change in presentation of Statement of Operations

- *We have determined that our statement of operations is more directly comparable with industry peers with out-bound freight presented as an element of cost of goods.*
- *The change includes shifting annual expenses (that average approximately 7-8% of sales) from operating expenses to cost of goods.*
- *No impact on operating income or net income.*
- *We have made this change effective January 1, 2023, and for all periods reported.*

# Q1 2023 Gross Profit Performance

(\$000's)

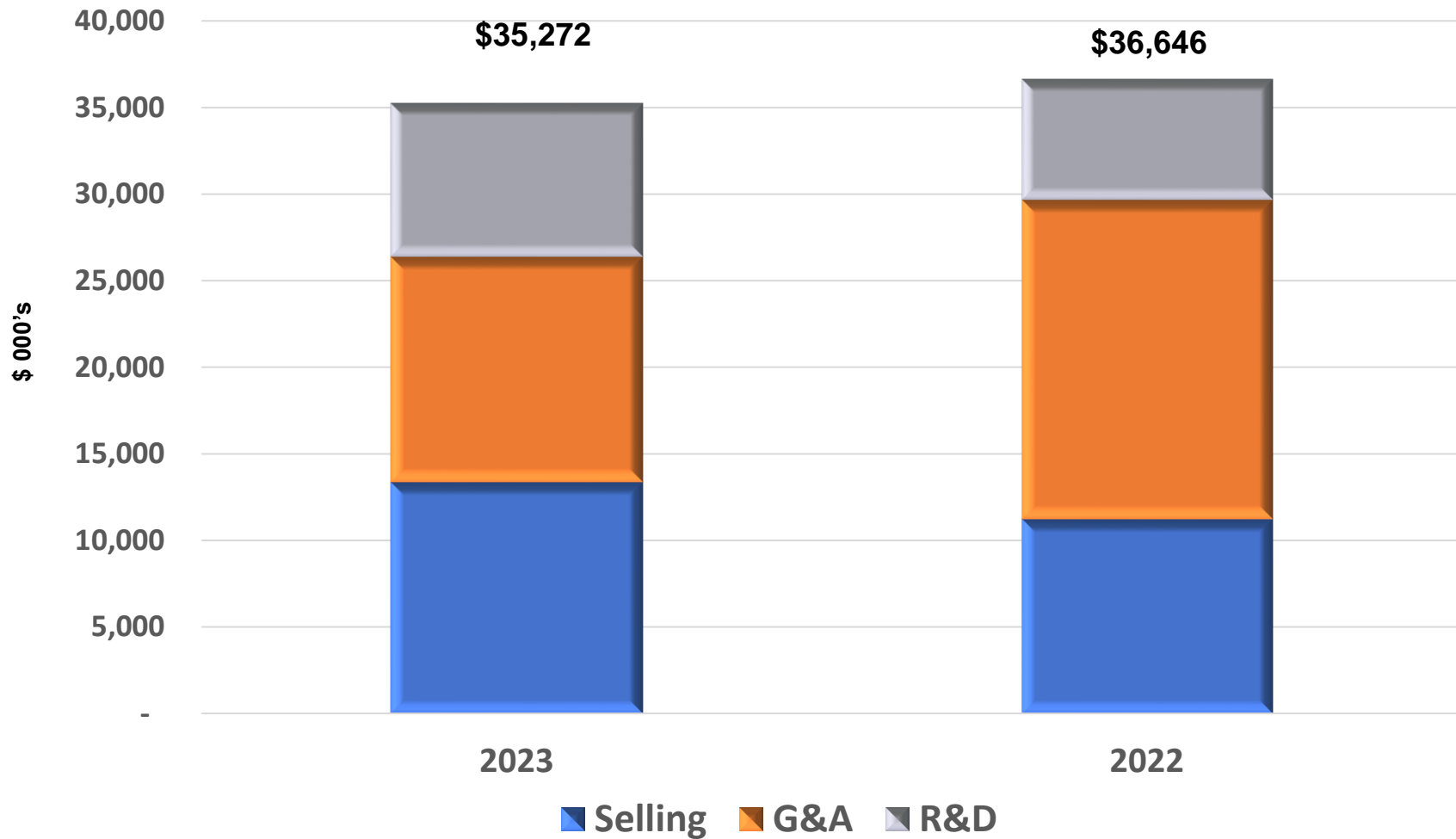
3-months Ended Mar 31,

Gross Profit	<u>2023</u>	<u>2022</u>	<u>Change</u>
US Crop	20,622	33,993	-39%
US Non-crop	5,446	5,767	-6%
<b>US</b>	<b>26,068</b>	<b>39,760</b>	<b>-34%</b>
International	12,469	11,635	7%
<b>Total</b>	<b>38,537</b>	<b>51,395</b>	<b>-25%</b>

Gross Margin %	<b>2023</b>	<b>2022</b>
US Crop	33%	39%
US Non-crop	39%	43%
<b>US</b>	<b>34%</b>	<b>39%</b>
International	25%	24%
<b>Total</b>	<b>31%</b>	<b>34%</b>

# Q1 2023 Operating Expenses

Operating expenses are 28% of sales in Q1 2023 vs 24% in Q1 2022



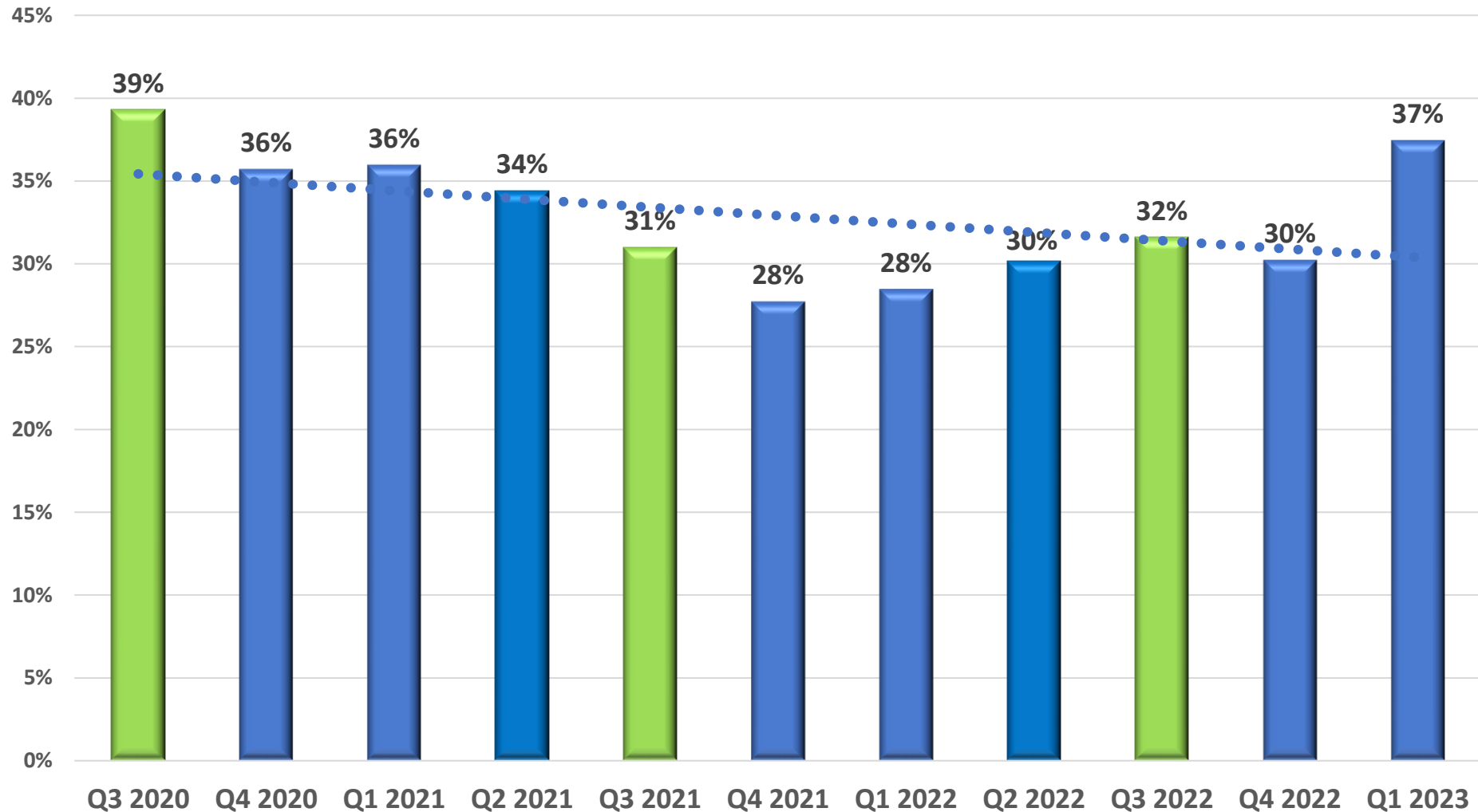


# Q1 2023 Statements of Operations

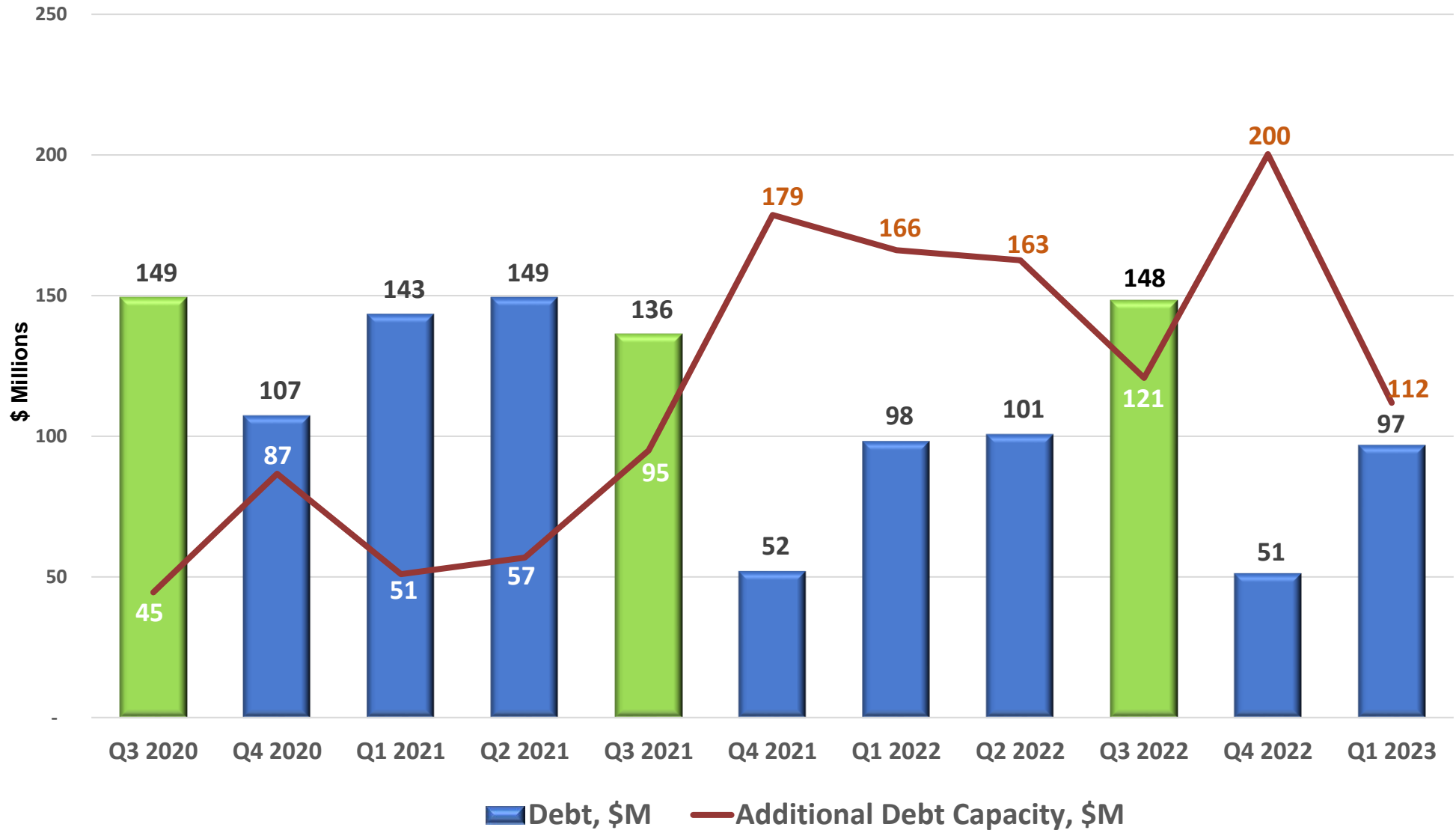
\$ 000's

	3 months Ended March 30,			
Statements of Operations	2023	2022	Change	Change
Net Sales	\$124,885	\$149,593	(\$24,708)	-17%
<b>Gross profit</b>	<b>38,537</b>	<b>51,395</b>	<b>(12,858)</b>	<b>-25%</b>
Operating costs	(35,272)	(36,646)	1,374	
<b>Operating Income</b>	<b>3,265</b>	<b>14,749</b>	<b>(11,484)</b>	<b>-78%</b>
Equity investment MTM	(22)	83	(105)	
Interest Expense	(1,686)	(398)	(1,288)	
<b>Income before Tax</b>	<b>1,557</b>	<b>14,434</b>	<b>(12,877)</b>	<b>-89%</b>
Tax	361	(4,499)	4,860	
<b>Net income for AVD</b>	<b>1,918</b>	<b>9,935</b>	<b>(8,017)</b>	<b>-81%</b>
Diluted shares	29,073	30,349	-4%	
EPS	\$0.07	\$0.33	-80%	

# Inventory as a Percentage of Sales (TTM)



# Debt & Borrowing Capacity



# Enterprise Value

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Shares Outstanding:	29.4	29.4
Stock Price (Dec 20, 2022):	\$21.88 /share	\$21.68 /share
Market Capitalization:	\$643.4	\$637.7
Long-Term Debt:	\$ 97.0	\$ 52.3
Cash & Equivalents:	\$ 19.6	\$ 20.3
Net Debt:	\$ 77.4	\$ 32.0
Enterprise Value:	\$720.8	\$669.7
Working Capital:	\$175.0	\$122.0
Debt to adjusted EBITDA	1.63X	0.72X

*All numbers (except per share data) are in millions*

# SIMPAS Technology Performance Progress



## 2023 Planting Season

- Hardware and software **upgrades are functioning successfully** with nominal problems
- **Select group of growers** participating in **Phase 3 SIMPAS Technology** development of liquid systems
  - Our first liquid SaS solutions will be used at planting in 2023
- **50 New SIMPAS technology systems** sold and installed to treat **~100,000 acres**
- Total **SIMPAS 2023 revenue** outlook is unchanged @ **\$12 M**

# SIMPAS Technology Performance Progress

## Key Financial Drivers



- Average SIMPAS Solo user
  - Grew treated acres since 2021 from 700 to 2,000 acres
  - Increased revenue an additional \$32 K per user
- U.S. 161 SIMPAS Technology Systems total operating in 2023
  - 126 SIMPAS Solo
  - 35 SIMPAS SaS Systems
- Introduction to Brazil for September 2023 season
  - 15-20 SIMPAS Technology Systems
- **Total Capital investment in SIMPAS Technologies \$27 M to date**

# Green Solutions Updates for Q1 2023

## Financial Performance

- Q1 revenue of \$13.7M, affirms full year guidance of \$70M
- Q2 and Q3 are strongest quarters for Green Solutions sales
- Q1 global revenues grew 39% over Q1 2022, affirming 40% growth rate for 2023
- Business development and M&A landscape very active in biologicals market

## Commercial Achievements

- US, LATAM teams exceeded budget for Q1, led by surge in sales of Bsure
- Registration approved in Costa Rica for Agrinos products
- Successfully launched Biowake in US Market for corn and soybeans
- AMGUARD executed supply agreement with NewLeaf
- Commercial sales launch of American Bio products in Q1 2023 (Acq. December 2022)

# Biowake Market Opportunity



- New opportunity in seed lubricant market
- Treatable soybean/corn market in excess of ~ 150M acres
- Product development pipeline established:
  - Crop expansion into cotton, peanuts and wheat
  - Other biological inclusion products to be launched – bioinsecticides, bioherbicides, and micronutrients
- Product attributes:
  - Cleaner, safer alternative to talc and graphite lubricants
  - Strong nutrient uptake and root colonization
  - Increased yields
    - Soybeans – 4.4 bu/A yield increase
    - Corn – 5.3 bu/A yield increase

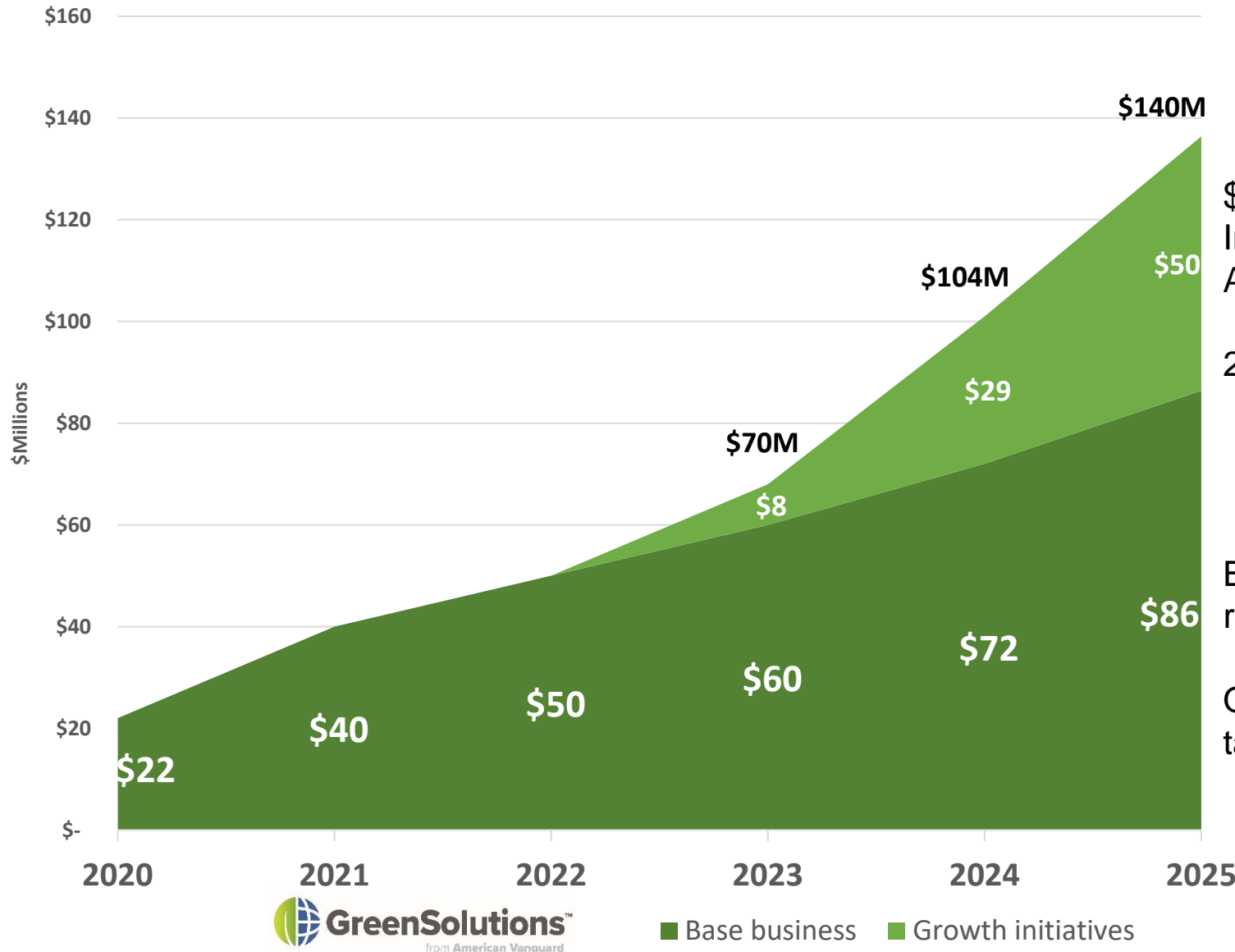






[Click here to view video.](#)

# Green Solutions Growth Plan – on target



\$70M 2023 target on track. Includes \$2.3M for Biowake & American Bio new products

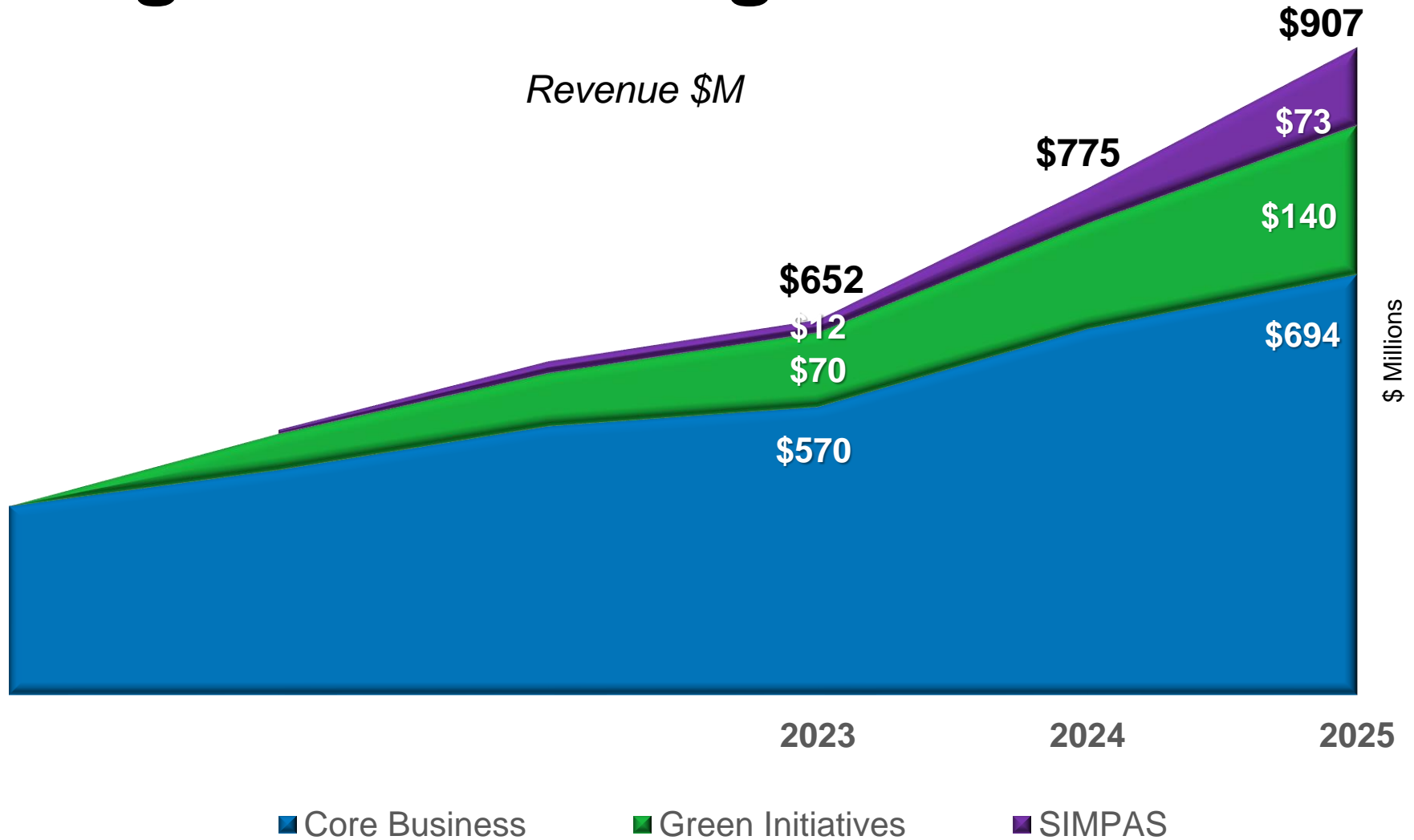
2025 targets will likely include

- Market Expansion
- Partnerships
- M&A

Base business growth 20% rate assumed for 2024-2025

Q1 2023 GS revenue on target of \$70M

# Strategic Growth Targets



**Performance EBITDA Target 2025**

**\$140 Million**

# 2023 Performance Targets

Net Sales Growth .....	5-7%
	(\$640-\$652M)
Gross Profit Margin % .....	33-35%
Operating Expenses* .....	25-27%
<i>As a percent of net sales</i>	
EBITDA** Growth .....	14-18%
	(\$84-\$86M)
Net Income Growth.....	17- 25%
	(\$32-\$34M)
Interest Expense .....	\$6-7M
Tax Rate .....	25-27%
Debt-to-EBITDA Target .....	< 1.0 without Acquisitions
	< 2.5 with Acquisitions

\*2023 Will reflect outbound freight in Cost of Goods instead of OPEX  
 \*\*Adjusted EBITDA includes earnings before interest, taxes, depreciation, amortization, non-cash stock compensation and proxy contest activities