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American Vanguard Corp. (AVD)

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CORPORATE PARTICIPANTS

William A. Kuser
Director-Investor Relations & Corporate Communications, American Vanguard Corp.

Eric Glenn Wintemute
Chairman & Chief Executive Officer, American Vanguard Corp.

David T. Johnson
Chief Financial Offer, American Vanguard Corp.

Ulrich Trogele
Chief Operating Officer & Executive Vice President, AMVAC Chemical Corporation, American Vanguard Corp.

James Thompson
Director Of Business Development, Portfolio Management Biologicals and Non-Crop, AMVAC, American Vanguard Corp.

Scott Hendrix
Senior Vice President-US & Canada Crop Sales and Application Technology-AMVAC Chemical Corp., American Vanguard Corp.

MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the American Vanguard Corporation Fourth Quarter 2021 Financial Results Conference Call. At this time, all participants are in listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note that this conference is being recorded. I will now turn the call over to our host, Bill Kuser, Director of Investor Relations. Thank you. Please go ahead.

William A. Kuser

Director-Investor Relations & Corporate Communications, American Vanguard Corp.

Thank you very much, Diego. Welcome everyone to American Vanguard's fourth quarter and full year earnings review for the calendar year 2021. We will have several speakers on today's call. Mr. Eric Wintemute, the Chairman and CEO of American Vanguard; Mr. David Johnson, the company's Chief Financial Officer; Mr. Scott Hendrix, our Senior Vice President for the US Crop business and the SIMPAS Commercialization; Mr. Jim Thompson, Director of Business Development, who leads our Green Solutions Initiative. Also to assist in answering your questions, Mr. Bob Trogele, the company's Chief Operating Officer.

Before beginning, let's take a moment for our usual cautionary reminder. In today's call, the company may discuss forward-looking information. Such information and statements are based on estimates and assumptions by the company's management and are subject to various risks and uncertainties that may cause actual results to differ from management's current expectations. Such factors can include weather conditions expectations, changes in regulatory policy, competitive pressures and various other risks as detailed in the company's SEC reports and filings. All forward-looking statements represent the company's best judgment as of the date of this call, and such information will not necessarily be updated by the company.

With that said, we turn the call over to Eric.

Eric Glenn Wintemute

Chairman & Chief Executive Officer, American Vanguard Corp.

Thank you, Bill, and good day to everyone. We have a different format for today's call that we believe you will find insightful. I'll begin with some opening remarks, turn it over to David to discuss the financials. And then, we want to have two guests talk about our two premier growth initiatives. Jim Thompson will give you an update on our Green Solutions; and then Scott, who will give you a kind of an update or his view of the North American marketplace, which is evolving quite dramatically. And in addition, he will give you an update on our SIMPAS platform. And then, I'll come back with some concluding remarks.

First, I'd like to talk to you about kind of the cornerstones of American Vanguard from an investor's viewpoint. First, we are leading solutions provider to targeted niches in the agricultural and non-crop industries. Second, we are poised to benefit from favorable industry fundamentals and tailwinds, which we are currently enjoying at this point. Third, we have broadened our geographical footprint, providing greater market access and cross-selling opportunities and then, on to our two major growth initiatives that we'll discuss in greater detail later in this presentation. First, we have significant embedded value offering, clear upside to our shareholders through the SIMPAS platform. And second, our growing Green Solutions portfolio offering breakthrough technology.

On the sixth point, we have proven innovation capabilities with a compelling new product pipeline to support our long-term growth. And we have displayed powerful M&A and licensing platform with over 20 acquisitions just in the last 10 years. And we have a very highly experienced and diverse management team with an excellent track record. And, finally, we have strong earnings momentum with mid-double-digit growth anticipated in this 2022 year, which I'll elaborate on shortly.

So, just a little bit on our 2022 performance scorecard. We had originally said we'd have revenue growth and low-double digit. We round up at 21%. We have gross profit margin we said similar to recent years and it was exactly 38%. Our operating expenses we're looking to reduce as a percent of sales and we came in at 33% versus the 34%. Our interest expense was lowered by 29%.

Our tax rate is we're still trying to resolve. We have I think basically here, we're doing a preliminary results. We have an issue that David will talk about. That's a noncash issue. But our tax rate currently, as we're reporting is at 30%. And then we have a debt to equity target of less than 1 without acquisitions, with acquisitions 2.5. We are less than 1, but we should point out that we didn't have an acquisition in the vicinity of $10 million in our third quarter. Net income as we're currently again preliminary reporting, 22% increase and our EBITDA at 20%.

So, in the third quarter last year, I did bring up something that I thought was germane in our – not only in our industry, but across all the industries. And so, that's the supply chain challenges that continue today. So, COVID obviously shifted demands. We've seen surges and depletements of demand, right now, we're pretty much all seems strong demand. This is translated into a number of global factory disruptions and I'm talking about force majeures. We've seeing more force majeures this year than I can ever recall. Companies that just are not getting raw materials, have equipment problems. The whole system is strange, and try to manage demand as we come out of COVID.

Inflation is also rapid, as I think you're all aware. And lastly, logistics, moving products from point A to point B is difficult and it's very expensive. Freight rates have increased dramatically, and we hope at some point this will balance. But given what fuel costs are today, I think it's something that we're prepared for the longer haul. So, I think this adds up to a number of major challenges. And I guess the question is, okay, what are we doing to deal with this? So, first, we're looking at our critical raw materials and we're adding new sources where we can to take the pressure off of and dependence on any one party or even two parties.

Second, we're placing orders well in advance giving extra lead time in order to make sure that we're going to have material when we need to start production. We're forecasting our cost of goods on a rolling 12-month period. And this is a global effort coming together with what our supply chain thinks, the costs are coming. Our accounting team and finance coming up with that, expressing that into what actually is occurring with our cost of goods versus our current price structure and then the next point communicating constantly with our global marketing team in order to give them the ability to maintain our gross margins.

And finally, what was kind of a once-a-month discussion with our six North American factories, it's weekly or sometimes two or three meetings a week to discuss how to maximize the output of these factories to try to meet the growing demands that we're seeing in the marketplace today.

Okay. With that, David, I'd like to turn it over to you to discuss the financials.

David T. Johnson

Chief Financial Offer, American Vanguard Corp.

Thank you, Eric. With regard to our public filing, we plan to file our Form 10-K within the next few days. As we have previously noted, the company is fortunate to participate in industries that are considered part of critical infrastructure in all countries in which we operate. As a result, throughout 2021 and 2020, our customers and suppliers, our employees and operations have all continued to operate more or less without disruption during the pandemic.

The 2021 year has been a strong operating performance for the company, with the overall business revenues up by about $100 million or 21% as compared to 2020. Within that improvement in 2021, our US Crop business increased by 25% to $264 million and our US Non-Crop business increased by 30% to $79 million. And finally, our International business grew by 15% to $215 million. All parts of our business are seeing strong demand across the broad range of our product lines and regional distribution businesses.

For the full year 2021, despite some movement by category, gross margin percentage was in line with 2020 at 38%. This underpins the basic stability of the business as we have managed through significant inflationary pressures throughout the supply chain. Our operating expenses have increased by 18% to end at $182 million. This is on sales, up 21%.

As a result, operating expenses as compared to sales were 33% in 2021 as compared to 34% in 2020. Our strategic goal is to improve operating leverage of 1% per year. In summary, for 2021, our net sales improved by about $100 million or 21% as compared to 2020. Our gross margin performance has remained flat at 38% of sales, despite significant general inflationary pressures. And during the second half of the year, significant inbound logistics challenges.

Our operating costs, which for the company includes outbound freight and logistics, have increased but at a slower pace than sales. And as a result, operating expenses when compared to sales have improved to 33% of sales as compared to 34% in 2020. Our cash management performance has been strong throughout the year. Average debt is down and interest expense is 29% below last year. Finally, our effective tax rate of 30% includes the release of certain, uncertain tax provisions, offset by a onetime noncash charge to establish a valuation allowance against the deferred tax assets in Brazil. The company retains the ability to utilize those net operating losses in the future.

Our net income at $18.6 million is up 22%. And EPS is at $0.61 per share as compared to $0.51 last year. If we disregard the onetime tax charge just mentioned, net income would have been $0.72 per year – per share. Furthermore, during the final quarter of 2020 we had the benefits of a bargain purchase gain at $4.7 million that did not recur in 2021. If for a moment we disregarded that gain, net income improvement would have been even higher.

From my perspective, the operating and financial focus for the company remains as follows. As you can see on this slide, we have had another very strong performance on cash. The 2020 and 2021 combined, we have generated a total of $177 million of cash from operations. That performance is stronger than the aggregate of the last seven years combined. The cash has come from our operating activities and from managing working capital. This performance allows us to continue to invest in the long-term development of our business, while also continuing to pay down our borrowings on the credit line. It also allows us to make decisions in the long term benefit of our shareholders, including the decision to repurchase up to 1 million shares over the next year.

We continue to follow a disciplined approach to planning our factory activity, balancing overhead recovery with demand forecasts and inventory levels. It is pleasing to note that inventory reduced again in 2021, ending at $154 million as compared to $164 million this time last year. Debt at the end of 2021 has reduced by about 51% since this time last year.

With regard to liquidity, as you can see from this chart, we've been consistently working down debt from a high in Q1 of the year, which is the normal rhythm for the company to a low at the end of the year. At the same time, each quarter of 2021, our financial performance has been stronger than that of the comparable quarter of 2020. As a result, availability under the company's credit facility has similarly been improving throughout the year.

For the full year, EBITDA was up 20% at $56.8 million as compared to $47.5 million in 2020. As noted above, with a significant improvement in EBITDA and debt down as compared to December 2020, availability under the company's credit line has more than doubled. The strong liquidity position ensures that we can continue to invest in the company's future. In fact, it is interesting to note that if we took – if we look at debt, net of cash on hand, the level achieved at the end of 2020 is close to that achieved in 2016 and is better than any other year since 2012.

In summary then, sales are up and gross margin compared to sales has remained steady. Operating expenses, which include outbound freight, have reduced when compared to net sales, interest is improved with strong cash management during the year. As far as the balance sheet is concerned, inventories have again reduced. Our customers continue to pay well, causing no change in our overall credit risk profile. Some of our biggest customers in the domestic business continued to enthusiastically participate in our early pay programs, generating deferred revenue that will be realized in 2022. Debt is down significantly and availability under the credit line has more than doubled.

With a solid balance sheet and increased availability under our credit facility, the company is well positioned to repurchase shares in the market, continue our long track record of dividend payments, funded long-term growth initiatives and follow through on our strategic initiatives to acquire products and businesses that complement our global footprint.

With that, I will hand back to Eric.

Eric Glenn Wintemute

Chairman & Chief Executive Officer, American Vanguard Corp.

Thank you, David. I'm going to ask our COO, Bob Trogele, to give you the background on our Green Solutions platform and introduce Jim Thompson. So, Bob?

Ulrich Trogele

Chief Operating Officer & Executive Vice President, AMVAC Chemical Corporation, American Vanguard Corp.

Yeah. Thank you, Eric. Good afternoon. In 2020, we formally presented our biological strategy to our Board of Directors. One result was in the spring of 2020, we formed a global virtual Green Solutions team comprising of the country heads or country technical people and the functions to drive growth in this segment, technology exchange and to focus on the double-digit adjacent space with high margins.

In October 2020, we purchased the assets of Agrinos. At that time, Jim Thompson was the CFO and interim CEO and joined American Vanguard, and our team worked on integrating two manufacturing plants, eight subsidiaries and 80 employees and the technology into the American Vanguard family. In the spring of 2021, the Green Solutions segment team leader retired. At that point, we appointed Jim to Head the Green Solutions team. So, it's my pleasure to introduce you, Jim, and hand over to you.

James Thompson

Director Of Business Development, Portfolio Management Biologicals and Non-Crop, AMVAC, American Vanguard Corp.

Good afternoon. Thanks, Bob, very much. I have a short presentation to go through an overview of our Green Solutions business. We'll be focusing primarily on near-term performance, current and future planned activities, as well as an outlook for this segment going forward. In terms of the latest performance, we're very excited about the segment as you can see from the numbers we closed the year out at $40 million in sales to our Green Solutions platform. It's an increase of – up from $22 million in the year 2020. Two primary drivers were solid organic growth with the existing offerings that we have and also reflecting the acquisitions of both Agrinos and AgNova, which occurred in 2020. We're getting a full year effect of that in 2021.

So, in total, the growth rate was 82% if you include the acquisitions, but more importantly, really, the organic growth rate of 39% without the acquisitions is a strong base to build from. Latin America and Brazil represent the strongest growth geographies currently in 2021 for AMVAC. And with respect to Agrinos, as a subset of this number, they generated $9.5 million on that product set an increase of 19% over the previous year. More importantly, we expect that percent increase to continue to grow over time as really 2021 was a year for preparation for stronger growth in 2022 and beyond.

The gross margins of the segment are 46% currently. We expect that to stay static, but we do expect to see higher volumes of the AMVAC produced products and a growing menu of higher margin third-party products, important to note that our Green Solutions portfolio is comprised, both of AMVAC products and of third-party distribution products. What's – how are we achieving this growth? I'll spend a couple of slides highlighting the current activities that we have in the segment. First, as we've discussed the expansion of the Agrinos products and those product lines with a few sub-points.

Scott Hendrix team in the US has did, a tremendous effort in trialing in 2021 that will lead to strong results in 2022. We've also focused on global geographic expansion by taking the Agrinos products into other geographies that we're not currently selling into. And we've also established a pipeline of tolling opportunities through our facility in Clackamas, Oregon, which is a microbial fermentation facility that is an attractive asset that can be utilized by other parties in addition to AMVAC.

The second point is SIMPAS, which Scott will also go into much more detail later. But we've launched a biological menu in 2022. As you can see from our more recent press releases, on the right, we've announced that the iNvigorate product from a greenhouse now part of AMVAC is one of the first biological liquid solutions that we have running through the system. We also completed an agreement with Azotic a partner company, and we'll be displaying their nitrogen fixing product also in SIMPAS in 2022.

More importantly, we've got an extensive pipeline identified for years 2023 and beyond. And the importance of having a strong and open menu for the growers is critical to SIMPAS' success. In addition, we have a business in Latin America called Greenplants. Again, on a similar theme of taking solutions and running them across our company, we have established sales outside of Latin America with our first sales in China, and we're expecting to grow in the coming years in multiple other geographies with the Greenplants products.

Next slide here. Lastly, another key area of activities for the Green Solutions products is in the AMGUARD Environmental Technologies section of our business. There we have a very robust raw, raw material and development effort underway. We're focusing on broad-spectrum, herbicide and insecticide active ingredients. We've got 58 patents filed along with another six that are pending. This is a new development for AMVAC and that we're doing basic research for both the Crop and Non-Crop sectors, and that work started last year. The fruits of those efforts so far have yielded 1.2 million compounds screen so far with 30 new active ingredients identified with strong efficacy.

Additionally, we've taken the Agrinos products and we've tested those in the turf and ornamental segment, which was a new segment for our greenhouse that had never been touched before. And we see strong results in those trials, which we believe will lead to future growth in this segment as well. So this is just a summary of the types of activities that we're seeing in the Green Solutions segment that should lead to future growth activities.

And you can see the fruits of these efforts through our product portfolio. These are the different pillars of products that we have currently in our portfolio that are already generating revenue. And you can see that it's quite broad and you can see from the attributes below each of these pillars that we're covering a very broad part of the market with many different modes of action and many different value propositions for customers.

And most importantly, I think that the key to success for AMVAC in the segment is that we present – we have strength in each of these four pillars. We have a strong research effort and a growing research effort over the past than what AMVAC had previously. An example of this would be Biotor Labs, which you see in the left hand column there, which is a partnership that we've been collaborating with a Latin American company for a number of years, but we will be announcing a new engagement with them that strengthens that relationship going forward, provides additional microbial product benefits.

We also partner with third-party universities, and we have our own internal R&D as you see through the Envance Technologies Group. Secondly, we – with the acquisition of Agrinos, added two additional manufacturing plants to further bolster the four that are in the AMVAC family. Manufacturing continues to be a key asset. From that, then you have a very broad range of brands that are different in all the geographies around the world, but with a common strategy that runs throughout.

Lastly, and most importantly, is market access. This is where AMVAC has a distinct advantage. We have very, very broad reach throughout the world, again strengthened by several new entities acquired through the acquisitions in 2020 of Agrinos and AgNova. And we believe that that market access is a key not just for us to take our own products to market, but also as we partner and license and do distribution agreements with third parties. We have very, very broad reach.

So, going forward, the key drivers to our continued success are identified here. We see and as Scott will talk about as well generally a much higher level of acceptance of the biological products in the space now. And we would – we see that trend really increased over the last two years. In addition, AMVAC possesses all of the necessary elements to take advantage of these tailwinds.

We have a SIMPAS solution that's promoting soil health. We have a very strong product development pipeline. And we in addition have created other tools around all of these products and inputs that helps to automate and validate the application of these crop inputs. And we are able to not just provide products to the market, but provide technology solutions that can be utilized across all of the various groups in the company, Crop, Non-Crop, International geographies. There's lots more that we can do in these areas, but we think that we have all of the tools necessary to be successful.

And lastly, all of that – all those activities and all of these performance metrics that we showed kind of leads to what we think the future looks like. As you look at the dark green shaded area, that's our base business that really consists of the current products that we have, the current geographies that we have and we're estimating that growth rate to continue at about a 20% clip over the next several years.

But the light green shaded area are the incremental growth opportunities that we see from Green Solutions, come in the form of an R&D pipeline, which we've discussed, additional licensing and distribution opportunities, which are presented to AMVAC on a nearly daily basis. And a SIMPAS channel upside potential, which we see, merger and acquisition activity, which Eric has highlighted is a strong point for the company. And lastly, tolling pipeline opportunities, all of those we consider to be different areas of increased success over the coming years.

So, in summary, we're very bullish about where our Green Solutions platform is going and what we can do in the coming years to help increase profit and revenue to the company.

Eric Glenn Wintemute

Chairman & Chief Executive Officer, American Vanguard Corp.

Thank you, Jim. Thank you. Okay. We have some remarkable dynamics occurring right now in the ag space. So, I thought you'd like to hear from Scott Hendrix, who heads up our US ag team and Canada to give you his insights. Scott's been with us for 12 years now and also is in charge of our application technology, including SIMPAS, which he is going to update you on as well. Scott?

Scott Hendrix

Senior Vice President-US & Canada Crop Sales and Application Technology-AMVAC Chemical Corp., American Vanguard Corp.

Eric, thank you. Eric, had asked me to provide an overview of our US ag sector. So, I will do that. I will highlight a number of drivers that are really stimulating our overall ag economy in our US business. I'll talk about what AMVAC is focusing on to drive and facilitate our growth and then talk about our new and exciting technology with SIMPAS. US ag has a rich history providing the world with the highest quality and safest food globally. It's through our advancement using innovation and keeping the US ag sector on the cutting edge through technology that keeps us on the forefront of productivity within US ag.

But before we get to technology and how it is driving our business today, I want to talk a little bit about what the catalyst is for driving and stimulating our US ag sector. It starts with two primary crops and you can look at the other commodity crops within our US business as well. But there is a growing trend. And so what Eric is showing is the chart of soybean futures. If you look over the last 10 years, yesterday it hit a high compared to 2013.

Eric, we're going to shift to the next slide. The same thing with corn, if you add annually the production of corn and soybeans, it represents around 180 million acres across the United States in production. And in those two markets, certainly understanding the commodity price is a primary driver for gross farm income that relates to input purchase decisions that allows growers, retail customers to maximize production and yield for their operations. It's our goal to make sure that we understand that and plan, to give some perspective of how the segments within our US business is divided, herbicides by far continue to lead the way. Weed resistance, to lead the way with resistance, the number one driver in crop protection use in the US ag market. We continue to build plans and solutions by Crop segment to divide and defend it. And although AMVAC has historically been strong in the insecticide sector, we recognized the opportunity for growth and have expanded our herbicide portfolio in corn, soybeans, rice, cotton and sugarcane.

We've acquired through our M&A strategy, six herbicide brands, Assure II, First Rate, Classic, Python, Hornet and Envoke that has helped drive our market share in the herbicide segment. The growth per annual has been about 5% year-over-year and continues to be a strong driver in our marketplace. If you look at what we're focused in our resources and investments in today, we start with our core business. We implemented our managerial forecasting in innovation process implementation.

I want to highlight our customer planning activities. This leads to more accurate forecasting. It helps us better understand trends in the marketplace and helps drive our innovation review process, which is helping us accelerate herbicide growth in our core segments. We launched just this last year, two additional brands to expand our brand, Impact brand family now to four brands. We launched ImpactZ, IMPACT CORE and SINATE over the last three years and have had significant growth.

Much like Jim mentioned a moment ago, we have a focus on our Green Solutions. We continue to look at ways to leverage technology across functional segments by capitalizing on what Greenplants has to offer and what we can see from activity in other markets, the same thing with AMGUARD and OHP Biosolutions. We are building on the foundation of what we acquired through Agrinos in the biostimulants business by focusing on soil health, looking at opportunities to continue to expand, opportunities in this segment by developing sustainable solutions with our partner customers. And then, we continue to drive our historical biosolutions SmartBlock, Ecozin Plus, and other solutions we have in the space.

Precision ag technology is a continuing and growing sector in our business. The CAGR has been double digit over the last several years. It's certainly an area that we continue to focus with SIMPAS and the balance of our application technologies. We are continuing to look at ways to be relevant to our customers and use our experience in our solutions to help drive that segment of the business. But we have to start with the advantages of our North American manufacturing. We have six plants as Eric mentioned a moment ago in North America. And really, our competitive advantage is our agility to respond to the changing US market , the opportunity that we have to work with our supply chain colleagues and manufacturer to change product mix have been critical to meet the demands in 2021 and what we see in 2022.

We continue to look at ways to maximize our plant capacities despite challenges with logistics and labor. We on a monthly basis, review our costing and it helps drive our gross margin. In 2021, we implemented three price increases throughout the course of the season. Beginning in 2022, we added a 2% surcharge on all sales to offset logistical cost that are continuing to rise. We're looking at opportunities to increase price throughout the growing season with planned activities.

Our goal for the last decade has been to drive portfolio and market diversity to achieve sustained growth. Market diversity enables AMVAC to gain mind and market share with our customers. As Eric indicated earlier in his comments, the US Crop segment has demonstrated strong growth and I hope you have a better understanding of our business and our outlook today. SIMPAS is AMVAC's next application technology that augments our current delivery systems. Our goal from day one of development was to deliver a game-changing platform for retailers and growers. The SIMPAS ecosystem encompasses a number of technologies and innovations that allow our customers to go out and extract value in a marketplace. It enables our precision ag retailers an opportunity to optimize their repository of data collected through soil and tissue samples, along with other methods over time.

Customers now can utilize data that they have collected to make prescriptions that are driven based on data points proactively in the marketplace at plant with our SIMPAS solutions. SIMPAS utilizes embedded learning blocks that provides growers insight to their return on investment by treatment zone. If you can picture this, as the SIMPAS system moves through the field, we place a small, untreated check in each treatment zone to allow the grower and the precision ag agronomist an opportunity to overlay yield maps, so at the end of the season, they can measure return on investment on an annual basis.

Lastly, SIMPAS was developed to deliver operational efficiencies, the up and down, the chain manufacturing, all the way to productivity.

We have automated processes that provides traceability from manufacturing to distribution, to retail, to infield application. This is critical to make sure that we have scale and convenience. SIMPAS ecosystem has been engineered to address the challenges associated with industry carbon initiatives. We developed a software system called Ultimus that supports seamless integration of data that's needed to meet the USA standard for carbon records. You got to be able to measure, validate, record and audit. We believe the ability to provide all stakeholders' traceability is invaluable with current and future carbon credit, food safety and sustainability goals by customer.

Our goal is to continue to expand the toolbox of SIMPAS solutions that meet unmet needs today, while enabling our customers to achieve their sustainability objectives through their [ph] carbon in soil (00:38:48) health strategy. By 2024, we will have 14 SIMPAS applied solutions for corn and soybeans, nine for cotton, and seven for peanuts. We're excited about the portfolio that's growing. We're excited about the opportunity that we're going to be able to provide our customers both today and tomorrow through SIMPAS' solutions.

As we look at the highlights from 2020 to some insight from 2023 and beyond, we're on pace to achieve our target of selling 70 systems to grower, in fact, our sales have outpaced our ability to supply for 2022. If you look at our target at 125 systems for 2023, we are on track. We have a number of prospects that we have in the [ph] holding den (00:39:40), prepared and ready for 2023 and beyond. As Jim mentioned and Eric early on, we have a number of commercial agreement announcements that we launched into the marketplace. The announcement of MycroSync IronClad by Verdisian; Envita by Azotic, which is a plant nitrogen-fixing solution that we're very excited to bring to the marketplace; and our own iNvigorate, biosolution for soil health product.

As we look at the revenue that can be generated by SIMPAS in the coming years, we continue to look at past to better understand the future. This was a chart that we share with the investment [ph] community (00:40:27) in 2021 that indicated what our revenue would be out to 2025. On a monthly basis – on a quarterly basis, we continue to look at refinements based on what we see with solutions that we're able to bring to the market, what we feel like are going to be value propositions that customers are going to want – going to need based on information that we're gleaning from the marketplace.

And with that, we're excited to share that we've made another refinement to our projections. We're now projecting that in 2025 that we can add an additional $30 million to the bottom line in net sales. So, we are very excited about SIMPAS, the technology that we're going to be able to provide as an organization through the solutions that we're working on along with third parties, both our customers and peers in the marketplace, and the future of the business is very strong. Thank you, Eric.

Eric Glenn Wintemute

Chairman & Chief Executive Officer, American Vanguard Corp.

Thank you, Scott. And just to clarify, Scott is talking about four crops in the US market only. We have not modeled in Brazil, Australia, Mexico or other geographical regions at this point, but we'll be reporting that in the future to you. Okay, I'd like to just wrap up kind of giving you two viewpoints on our future growth. So in November, we gave you kind of our base business at what we saw at $694 million. We're not changing anything there.

Again, we've updated this before and I've come up with where we see our green initiatives. And we had reported, as Scott said $84 million back – $84 million hitting in 2025. But that's now that's now updated. And so, if we pull that together, we're now hitting a peak level of $947 million revenue by the end of 2025. And as is committed to you, we will update these graphs as we move forward on a quarterly or as they occur.

And finally, just kind of what we're looking at for guidance on our 2022 year. Our revenue growth, we're projecting somewhere between 8% and 11% increase in revenue, gross product – gross profit margins in that 38% to 40% level, operating expenses, I think David mentioned we have a target to try to reduce 1% per year as a percent of sales. Sorry, it's in advance for you.

On interest expense, we do that being similar to what we were in 2021, but again it depends on our acquisitions. Right now, we're obviously trending down in debt, but we'll see what kind of acquisitions we have come on board. Tax rate, we're expecting to be somewhere in the mid-20s. Our debt-to-EBITDA ratio, again, we're kind of sticking to less than 1 without acquisitions. And we may, depending on the right acquisitions, press our debt for the right strategics. Okay. And finally, on net income, yeah, based upon the $0.61 we're reporting, we're seeing an expectation of increase in net income in 60% to 70% where final outcome to be more in what David talked about the 72% – $0.72 a share, that would reflect an increase in earnings of 35% to 45%.

So, with that, appreciate you guys all listening to this, and we'll open it up to any questions you may have. Diego?

QUESTION AND ANSWER SECTION

Operator: Thank you. And ladies and gentlemen, at this time, we'll conduct our question-and-answer session. [Operator Instructions] And ladies and gentlemen, there appears to be no request for questions. At this time, I'll turn the floor back to management for closing remarks.

Eric Glenn Wintemute
Chairman & Chief Executive Officer, American Vanguard Corp.

Okay. Well, I'll take that as – that you enjoyed our new format and we've answered all of your questions. So, again, we remain available to anybody who would like to have an individual discussion coordinated through Bill Kuser. And thank you very much for this update and we look forward to reporting again in the near future. We're...

David T. Johnson
Chief Financial Offer, American Vanguard Corp.

Early May.

Eric Glenn Wintemute
Chairman & Chief Executive Officer, American Vanguard Corp.

...looking forward...

David T. Johnson
Chief Financial Offer, American Vanguard Corp.

Early May.

Eric Glenn Wintemute
Chairman & Chief Executive Officer, American Vanguard Corp.

...early May. So, we're coming up on that soon. So, thank you very much, everybody, and have a great evening.

Operator: Thank you. This concludes today's call. All parties may disconnect. Have a good day.