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American Vanguard Corp. (AVD)

Q4 2023 Guidance Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello and welcome to the American Vanguard Announces Preliminary 2023 Results and 2024 Outlook Conference Call and Webcast. [Operator Instructions] A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It's now my pleasure to turn the call over to Director of Investor Relations, Bill Kuser. Please go ahead, sir.

William A. Kuser

Director of Investor Relations, American Vanguard Corp.

Thank you very much, Kevin, and welcome, everyone, to American Vanguard's preliminary 2023 financial performance review. Our speakers today will be Mr. Eric Wintemute, Chairman and CEO of American Vanguard; Mr. Don Gualdoni, the Chief Financial – excuse me, the Transformation Officer of the company; Mr. Tim Donnelly, our Chief Administrative Officer; and to assist with your questions, Mr. David Johnson, the company's Chief Financial 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 include weather conditions, changes in regulatory policy, competitive pressures, and a variety of other risks that are 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. Hello, everyone, and welcome to the American Vanguard January 2024 financial update. Today, we want to hold a brief call to give you our impressions of Q4 and full-year 2023 ahead of our formal 10-K issuance, as well as to revisit our 2024 outlook. We presented slide 4 and our Q3 2023 earnings call to show our financial expectations. Bottom line, while we have not completed the full product cycle, we are broadly on track to meet our previously forecasted 2023 numbers. Further, we remain positioned to meet our 2024 targets. In short, our outlook is unchanged.

With respect to 2023, in our last call, we outlined that we had secured a supply of two important high-value products, namely Aztec and Dacthal, both of which experienced availability constraints in early 2023 due to supply chain issues. During the fourth quarter, we were able to produce volumes of these products sufficient to meet grower needs. Consequently, our quarter-over-quarter sales were up by about 8% in 2023 as compared to 2022.

Further, we made up some of the ground that we had lost early in 2023, such that our full-year net sales declined by only 5% compared to the prior year. During 2023, gross margins held up, as we predicted – as I predicted, and while still subject to completion of audit also appeared to be in line with our forecasted range. The same can be said for our adjusted EBITDA.

Let's turn to working capital, which we have captured on slide number 5. With improved sales, inventory management and robust prepaid collections, we generated enough cash and EBITDA to reduce debt to about $139 million and an inventory at about $220 million, while increasing our borrowing capacity to about $100 million. In other words, we deleveraged the balance sheet significantly such that based upon initial numbers, we're able to achieve our debt-to-EBITDA target ratio of 2.75 times.

As you may recall, our lenders had loosened covenants during Q4 to give us sufficient room to meet working capital needs. This relief included an uptick in interest rates. If we are able to maintain our current trajectory, we should be able to return to lower rates and reduce interest expense. We will, of course, provide greater detail on Q4 and full-year 23 financial performance in our March earnings call and within our Form 10-K.

Before turning to our full-year 2024 outlook, I want to report on our transformation efforts. With me today is Don Gualdoni, our Chief Transformation Officer, who will cover our plans to improve operating profit through cost, margin and revenue initiatives. Also with me is Tim Donnelly, our Chief Administrative Officer, who is spearheading our digital transformation effort.

At this point, let me turn the call over to Don and Tim, after which I'll return with my thoughts on the 2024 year. Don?

Donald J. Gualdoni

Chief Transformation Officer, American Vanguard Corp.

Thank you, Eric. It's a pleasure to be here with all of you on my two-month anniversary at AMVAC. As you'll see from slide 6, a robust and sustainable transformation has three core elements. First, it's multifaceted, not limited to a single area of the company or a single profitability lever. Second, a sustainable transformation is about accountability, which requires transparency. And lastly, transformation done right changes the DNA of the company, and that pays dividends well after the formal process completes.

So where are we in this pursuit? We are drafting and implementing key performance indicators that will serve both as internal targets and as a set of vital signs for senior management and the board. These will include factors such as sales performance against plan and compared to the prior year, raw material costs, gross margin, production to plan, inventory DSO, forecast accuracy and the like. By driving these key performance indicators or KPIs into the organization, we'll be driving profitability and measuring it as we go.

Beyond KPIs, we will take a deeper dive into our cost and capital structure, measuring fully burdened margins of our product lines, return on capital for our businesses, freight costs, selling expenses, and the use of cash across multiple entities. The structural transformation should enable us to realize material improvement in our operating leverage and yield a lean platform for growth.

As is typical in these types of transformation, we will also define a specific target for additional profitability on a year-by-year basis. We anticipate that during our next earnings call in early March, we will have set the target for improved operating leverage for the balance of 2024 and full-year 2025. I'm excited to be working with my AMVAC colleagues to set our course, deliver our plans, and see the results flow through into our financials. We will be reporting to you on our progress quarterly.

I will now turn it over to Tim to update you on our digital transformation progress.

Timothy J. Donnelly

Vice President, General Counsel, Chief Administrative Officer & Corporate Secretary, American Vanguard Corp.

Thanks, Don. Let me start first by answering the question, why are you doing a digital transformation. The short answer is, so that we can grow and remain competitive. Let's look back for a second, following the point on slide number 7. As many of you know, we have grown and diversified over the past 10 years or so, largely through acquisition. When I started here nearly 20 years ago, we had maybe half-dozen businesses. Today, we have 33 businesses throughout the world.

With that, growth has come increased complexity and we find ourselves at a stage in our growth cycle when it is necessary to step back, look at how we work, and ensure that our processes are standardized and our information is current [ph] consistent (00:08:50) and easily accessible.

That, in a nutshell, is what we have been doing with business consultant, Kearney, and our Enterprise Resource Planning or ERP vendor QAD. We have [ph] canvassed to the (00:09:01) owners of our major business processes: sales, forecasting, inventory, planning, and finance and defined how we work today, how we would like to work in the future, and how we can work on the same ERP system globally.

I just signed the services and subscription contract with QAD last Friday, and we are now poised to move into the implementation phase of this effort. Over the next 18 months or so, QAD and our internal team will do two things, first, bring our users up on QAD's latest adaptive ERP system and second, implement standard processes for these functions, processes that our people have themselves fashioned.

And through this process, we will be able to provide senior management, in fact, all users with a single source of truth through warehouse to data that is gathered and rolled up in a fully automated manner. In this way, management will have a top-down view of business metrics in real-time. This, in turn, will enable us to make the best decisions in the shortest response time.

These days, external factors seemingly change with the wind and we cannot control them. We can, however, give our business leaders the tools to operate effectively in the face of change and in the process provide a platform for growth. In order to take the next step in our evolution, digital transformation is essential.

With that, I turn the call back to Eric.

Eric Glenn Wintemute

Chairman & Chief Executive Officer, American Vanguard Corp.

Thank you, Tim. Turning now to our full-year 2024 outlook on slide 8. Our assessment is unchanged versus our previously issued targets. That is, we're still expecting revenue to rise by 8% to 12%, and adjusted EBITDA to increase by 25% to 35%. One of the primary reasons for the improvement is that, we do not anticipate any material supply chain snags as we had experienced last year.

On a relative note, many of you have heard of the shipping impediments caused by military activity in the Red Sea. While it may have an economic impact down in the Middle East, this activity does not directly affect shipping lines that we use for either supply or delivery. We continue to monitor developments closely that at least for the present, have not been adversely affected.

Fundamentals look encouraging for 2024. Commodity prices, which are globally driven, have been relatively stable. Interestingly, while Brazil had record crops in corn and soybean in 2023, the agchem industry fell by 33% within that country. By contrast, our sales in Brazil were down only 4% year-over-year.

With adverse weather, Brazil crop numbers are forecasted by some to fall slightly in 2024. While this may continue to affect some in this industry, we do not expect a material effect on our global results. With Brazil trending down, the US farm economy should trend up or at least remain stable. We do expect some drag on herbicide sales for 2024 as the presence of low-priced generic herbicides within the US and international markets will remain with us. We have taken this into account in our outlook.

Our ex-US crop businesses should generate good results. Bear in mind that we have [ph] diverse (00:12:46) portfolio in many regions. This breadth tends to blunt the effect of product-specific market challenges. On the non-crop side, we expect the shift in procurement that occurred in 2023, that is, our customers shifting from building 4 to 6 months' worth of inventory, to maintaining 40 to 60 days' worth of inventory will stabilize in 2024.

Even though retailers may buy smaller lots with greater frequency, assuming unchanged demand, the retailers will eventually buy a similar volume of goods on an annual basis. In other words, we took a hit in 2023 due to a shift in timing on orders, but that timing should even out in this current year.

That said, let me now connect up our outlook with the transformation discussion that Don and Tim had covered earlier. First, our targets for 2024 that we will make a host of changes that should generate $15 million in operating profit on an annualized basis. These include manufacturing optimization, reduced raw material costs, lower selling expenses, and reduced freight and interest expense.

We have assigned these initiatives to our business leaders and are measuring them regularly. In the short-term, however, we have to cover additional costs, for example, relating to the transformation and implementation. That will reduce the full-year impact of these efforts [indiscernible] (00:14:20). The idea here, however, is to improve operating efficiencies so that we have stronger operating leverage in 2025 and beyond.

At the same time, working with our Head of Human Resources, Shirin Khosravi. Don is leading the charge in defining and implementing key performance indicators that will serve to keep our team focused on the things that matter most to maintaining profit while giving me and the board a monthly health check.

In addition, Don will establish targets for transformative benefit. This is called sizing the price. We should have that in hand this March. While not intended as a solution for improving operating leverage, our digital transformation is an accelerant to growth and increase speed of decision making.

As Tim had pointed out, we're a complex, mid-sized operating company in many regions on many platforms. As markets and conditions shift, we need the most comprehensive, accurate, and current data to make the best decisions.

It's important to note that our entire team is committed to these transformation efforts. They can see the benefit from having more efficient systems and better real-time data. Further, these changes will make us a leaner, faster supplier in the eyes of our customers. Finally, we are confident that we can conduct our business profitably and efficiently, even while improving our cost and digital structures.

In summary, we are on track to achieve target performance for Q4 and full-year 2023, subject to the completion of the audit. Our keeping, our 2024 outlook unchanged and our position ourselves for maximized growth and profitability through transformation.

With that, I ask our operator, Kevin to poll listeners for any questions. Kevin?

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] One moment, please, while we poll for questions. Our first question is coming from Scott Fortune from ROTH MKM. Your line is now live.

Scott Fortune
Analyst, ROTH Capital Partners LLC

Q

Yeah. Good morning or good afternoon. Thanks for the questions. Kind of big picture. Just wanted to know if you can provide a little more color on the inventories and the different geographies and channels now that we're in through January here and kind of the ongoing destocking process. We're still seeing that destocking taking longer down in Brazil.

But just kind of a sense of where we're at in that process [ph] as it runs its course and are you starting (00:17:06) to see, you know, the ramp-up to normalize inventories from that perspective, just kind of that big picture view of that, that'd be great.

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

A

Yeah. I mean, with regards to our specific inventories, we don't see that we've got any areas where we're [ph] way over inventory, (00:17:27) I would say, the only areas a little bit on the herbicide line [indiscernible] (00:17:35) maybe more on the impacts that might have a little bit over what, might be a normal inventory.

But we've been pretty careful not to push and this last year, it would have been difficult to try to push people anyway, because [ph] as I said (00:17:55) they were destocking. So outside of the United States, yeah, we know that there are different products that have higher inventory, but we're not seeing it with our inventory.

So we think – I mean, if we look at demand, I mean, demand was relatively stable, but there was an effort by everybody to try to reduce their inventory. So I don't know if that [indiscernible] (00:18:26) part of your question or not, Scott.

Scott Fortune
Analyst, ROTH Capital Partners LLC

Q

No. That's great. And just kind of a follow-up with building supply and inventory in Aztec and Dacthal, kind of, obviously, you had supply issues last year, but kind of where are we in that process to get back to those normalized levels as you were before for those two.

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

A

[indiscernible] (00:18:50) I mean, we started production on Aztec in September. We completed the Aztec run in December. With Dacthal, we started the production in November and we still are pushing Dacthal, although [ph] I think now (19:15) we've produced, I think, at this point enough to get us into May. But we'll be going into another production run in April. So I think we feel good about the supply chain of those two products.

Scott Fortune
Analyst, ROTH Capital Partners LLC

Q

Okay. And the other big picture question is kind of the Chinese generics, [indiscernible] (00:19:38) pressure hit more than Latin American markets and down south, but just kind of the sense of the supply coming out of China on the generic side and is that trying to run its course as the impact on pricing and margins have been hit from that? Just kind [ph] of little bit (00:19:59) more color on where the Chinese generics are ending up here.

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

A

I think, I mean, we track the import prices of the Chinese products. And as you noted, they fell fairly dramatically in the 2023 year. We saw uptick on some of them such as the glyphosate, glufosinate [ph] starting to move (00:20:24) back up. Some of the products have flattened out, some have trailed down even a little bit further. But, I mean, there is pressure certainly on the Chinese producers, given the Chinese economy, to export everything they can. But then, as far as what's in the channel, we don't deal on a lot of generics. We do have probably maybe Central America might be where we have more. But we're relatively flat year-over-year down, maybe [ph] 3% or 4% (00:21:06), I think, 4% to 5%, I think, in Central America.

So, again, our emphasis is on our products that we manufacture. It's where we get our best margins. It's where our focus of our global team is. So not that we are unaffected, certainly, for sure by lowered abundance of Chinese products, but it's not – certainly not anything that's [ph] poor (00:21:35) to us.

Scott Fortune
Analyst, ROTH Capital Partners LLC

Q

Appreciate the color. And then, one last one from me, just kind of looking at your 2024 guidance. And can you, you know, you're looking to really drive growth in your SIMPAS and the Green Solutions kind of segments there. I know you have [indiscernible] (00:21:54) lofty targets there for the next couple of years. Obviously, that's probably [indiscernible] (00:21:59). But just kind of put in perspective where SIMPAS and Green Solutions fit in driving that growth in 2024 and any indications of kind of expectations for those two segments over the next couple of years here?

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

A

Yeah. So, both of them are again, technologies where we've got intellectual properties that we're excited about. I would say Green Solutions didn't hit the expectations for growth that we were hoping, certainly neither did SIMPAS. But we did have growth in both. But I think as people were kind of dialing back investments, that certainly had a position. But, going forward, the conditions are sound. Again, from the farm gate economy, I think [ph] income (00:23:02) may have been down, but things were kind of near record highs. So there's plenty of profit there.

So, I mean, there will be us moving out and showing the return on investments that can be there with our Green Solution products. I think, the demand continues to increase for Green Solutions as part of soil health, a more efficient uptake of nutrients. Within SIMPAS, we continue to add to our portfolio of products.

So I think we're adding several products here for this year and plan on more again for the [ph] 2025 year (00:23:47). So, as we add more products, it just builds the demand for multiple products being [ph] applied at the time of plan (00:23:56).

Scott Fortune
Analyst, ROTH Capital Partners LLC

Q

Great. That's it from me. I'll jump back in the queue. Thanks.

Operator: Thank you. Next question is coming from Chris Kapsch from Loop Capital Markets. Your line is now live.

Christopher John Kapsch
Analyst, Loop Capital Markets LLC

Q

Hey. Good afternoon. I'll just pick up from that last question, I guess, on the growth platforms. Just curious if what you're saying just now, Eric, is, do you think that the growth objectives and trajectory for these platforms is still valid and are you going to have to adjust the timeline over which you might achieve those targets?

And then, within, you know, peeling that back a little bit, which of the platforms are you, you know, based on the momentum or the commercial traction that you have, which are the growth platforms do you feel most confident about in terms of the growth targets that you conveyed and which ones do you feel like maybe were setback, because of this supply chain craziness and so forth?

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

A

Yeah. So, I mean, the growth that we're showing in the 8% to 12% is a combination of all three targets. Yeah, we will at the March kind of reset our targets over the 2025 and 2026 year that we have previously given, yeah, we obviously took a step backwards in 2023, and I think we'd like to go another month or so to kind of see how things unfold, so we can give maybe a little bit better update as to how we're going to look in our growth on all three platforms over the next coming three years.

Christopher John Kapsch
Analyst, Loop Capital Markets LLC

Q

Okay. Well, we'll sit tight on that. And but speaking [ph] on the March,(00:25:50), I think you said that you would use that event to sort of quantify some of the expected transformation targets in terms of sizing the price and just the overall transformation program. But I'm just curious, based on your initial guidance that you're reaffirming for 2024, how much benefit are you expecting just from initial transformation efforts that you're – that are going to be in place this year.

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

A

Yeah. So I mean, the initial piece that we kind of identified the $15 million that we did – really was not related to the transformation targets that we were looking to accomplish, so there were – I mean, it certainly, when you are looking at how to improve operating margin and costs and that sort of thing, those were efforts that we did without what we are now implementing.

So that would be something that we would look at, okay, and how much of this is going to occur in 2024 and then, what's more annualized come 2025 and then 2026 going forward. So that's what we're in the process of pulling together.

Now, I mentioned before, I mean, as far as improvements in freight, raw materials, interest, and also in manufacturing optimization, those are part of – and those will certainly be things that are going to be measured as part of the transformation process and the KPIs, but those are efforts that we began early in 2023.

So those [indiscernible] (00:27:42). I think, we think that freight – freight we think, we've made good improvements on in Q4. Obviously, I mentioned earlier about the bank leniency increase in interest. So, of course, driving interest down is something that is key for us. [indiscernible] (00:28:09) job of collecting cash globally. $220 million on our inventory. We'd like to get that down to maybe in that $200 million or below at the end of the year.

And getting our debt to equity ratio down, of course, that just lowers our interest rates with banks. So those are, I would say, we still have, I think, to report what – and we did, we've met with Kearney several times and meet with them once a week, but our team's meeting with them kind of daily here. And they've kind of laid out some initial targets, but we need to kind of bake those a little bit as to how much benefit we're going to get from the system itself and having more clear data.

But they have given us some targets that we are looking at now. We'll do some testing and checks on those, and, as I said, we have been in a position to kind of give you some guidance in the March part.

Christopher John Kapsch
Analyst, Loop Capital Markets LLC

Q

Just to make sure I understand, so you're – those opportunities that should manifest through the transformation process that's separate than the $15 million initial target that you referred to? I'm just curious about how much of the $15 million might be expected to contribute to the bridge from, call it, $58 million in EBITDA to $75 million in EBITDA based on your guidance? Because that bridge is $17 million, a little over $17 million, so some of that is just business recovery, but it sounds like some portion of it is from cost, taking out costs as well. I'm just trying to...

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

A

Right.

Christopher John Kapsch
Analyst, Loop Capital Markets LLC

Q

...parse that out?

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

A

Yeah, in that $15 million, again, there were a number of pieces that we touched on. Having us all rowing the boat in the same direction with the same information, make – being able to make better decisions. I mean, our sales team spends a lot of time putting information in. We expect to be able to free up some of their time by having the systems automated, so that should result in more sales because we're going to have a little bit more time with which to focus on customer interaction. So that would be an example of something that we could not put in play that we could quantify and then kind of report back.

So going back to part of what we're doing, let's say, with optimizing manufacturing, how well our yields are, raw material reductions, those are pieces that we have baked into that $15 million. But we don't have things, like I mentioned, benefits of sales. And having better visibility, let's say, of our margins in real time. So that we're not – I mean, it's visible to the marketing team, here's what we are. I think I mentioned also that we were baking freight into cost of goods. But getting that available in real-time to any of our people will be, I think, a valuable tool as we look to optimize our margins globally.

Christopher John Kapsch
Analyst, Loop Capital Markets LLC

Q

Okay. If I could just circle back to two more. One is on the comments about the generic pressure from China in – particularly in broad spectrum herbicides, so glyphosate, glufosinate; so you mentioned it doesn't really affect you directly. I'm just wondering if there's an indirect effect on that, particularly in your Central America or Latin American operations. Is that aggressive exportation from China, is that affecting just the pricing overall? Because you mentioned that your margins have been maintained, but you also mentioned that, that this is a dynamic that's influencing the market. So I'm – just want to reconcile that? Thanks.

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

A

Yeah. I mean, I mentioned impact, which is an adjunct to – I mean, it's a like a steroid. It's a little bit of cover for hard-to-kill weeds for glyphosate and glufosinate. But we have broadened that into offering an impact like glufosinate combination, an atrazine combination, an acetochlor combination. So we've broaden the spectrum of what we can do with that molecule.

But as I said, there were – there was a lot of broad coverage herbicides that were the price came down. And that was probably, I would say, the biggest effect on those – on pricing. So, it's – I mean, we certainly have some effect, but I mean, overall they were down, again to 5% for the year. And we had two key products that we weren't able to provide in the season. And so, I just – and we're not quite in the same realm as people that are more reliant on generic products.

Christopher John Kapsch
Analyst, Loop Capital Markets LLC

Q

Okay. That's helpful. And the last one is just sort of taking a step back. I mean, if you look at the share price has been halved over the last year. You've – and what you've conveyed today, you're saying, in my interpretation, right, that, okay, there was obviously some industry issues and then some idiosyncratic issues that have affected American Vanguard's performance. But the fourth quarter should restore some confidence. Your guidance, if you hit it, sort of suggests like, okay, this business isn't broken, we're just navigating some challenges.

Now, as you come through this, you have – if you come out at 2.7 times levered with that, improving EBITDA trajectory, one could say, by the end of this year, 2024, you'll be overcapitalized. If that EBITDA levels hit, you're roughly – rough math here, [ph] the company will be (00:35:11) valued at 6.3 times, which is pretty attractive considering where these assets typically trade. So the question is, does this lead to an opportunity for American Vanguard to put some capital to work and buying back stock at these beleaguered levels? Just what's your view on that? What's the right leverage level for the company to operate as you go through this transformation and navigating these issues? Thank you.

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

A

Yeah. I mean, you're making the call, but the stock is undervalued, and we certainly would agree with that. Now, as far as stock repurchase, we did participate at a greater level previously. With the leverage that we hit, we've been in a – we're kind of in a temporary suspension with our bank from acquiring, but we are in a position that we can choose to come out of that covenant.

And if we do so then we would be in a position should the board agree, that we could be back in the market purchasing stock. That being said, we're obviously looking at what's the best return on the money that we have. We obviously mentioned we've got a little bit more runway now with $100 million to work with and we want to make sure that we deliver on our numbers, because frankly, if we deliver on the numbers then basically [indiscernible] (00:36:50) but at these levels, stock's very attractive.

Christopher John Kapsch
Analyst, Loop Capital Markets LLC

Q

That's it from me. Thank you.

Operator: Thank you. [Operator Instructions] Our next question is coming from Jeff Bronchick from Cove Street Capital. Your line is now live.

Jeffrey Bronchick
Analyst, Cove Street Capital LLC

Q

Good afternoon, everybody. Hi, Eric.

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

A

Hi, Jeff.

Jeffrey Bronchick
Analyst, Cove Street Capital LLC

Q

So, let's presume it's extremely doable and within the core of your competence to, reproduce your two products to, see normal supply chain reversion and get inventories down as they have in the past and et cetera. But here's what I'm missing as someone who's followed the company for a very long time, I don't see anything different. I mean, in other words, yes, a year, 18 months from now, being a better organization and doing things today that maybe should have been done five years ago, okay, better.

But, for example, is this process and the three new board members that came on, is there a complete review of why this company exists as an independent company? Is there a review on really why are we still devoting time, effort and attention in SIMPAS, which, again, I would argue, has been, is just never going to happen? Is there going to be an announcement of some sort of new strategic division or a vision for the next 5 to 7 years, which I would argue the company had 15 years ago and sort of, meandered over the last 15 years? That's what I don't hear. Let's – everyone on this call, I think, can assume you guys can you mean revert back over and over the next 18 months and be back where you were. But then what? And how does the company and a stock that's whatever, "been in the teens" for 15 years, get better?

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

A

So, we've outlined a plan that has gone from what we say our core business, which has been largely responsible for our growth for a number of years and going from a market cap of less than $10 million to up. And, yes, we've gone through our down cycles on that front. But our core business has been acquiring products and growing those products that's no longer are fortune to our peers or through this combination of acquisitions and consolidations, they've got an excess portfolio. So that part is still robust for us. Our peers go through portfolio rationalization every three to five years so that continues.

But what we've done is we've grown from being a US company to being a global company. We've acquired businesses as part of our core piece that would allow us to expand our strength and leverage our manufacturing assets into other countries. The Green Solutions happens to be one of the two biggest growth areas for our industry, which is something that we've seen strong investments and big investments from our bigger peers have put into to getting into that space. We've had relatively frugal investments, to acquire and have in position in over [ph] 105 now to 150 over (00:40:46) patents as well. So that's a growth cycle that we and the board think is great.

And with regard to SIMPAS, yeah, the technology for precision, again, is another big growth area for the industry. So we have three growth platforms that are interrelated. And as the board has reviewed and looked at it, the consensus is we need to implement – we need to implement these growth patterns and feed upon them and grow them. So, yeah, that's where the board is now. And as far as looking at acquisitions, mergers, divestments, as a board, obviously, we're always looking at the best opportunities to improve shareholder value. So, I mean, that's the position. We're open to alignments with other companies, and we have done so in the past. But we've got a unique position here in the industry, and we think we're in a good position to exploit and execute on it.

Jeffrey Bronchick
Analyst, Cove Street Capital LLC

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Eric, I appreciate your time.

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

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Yeah.

Operator: Thank you. We've reached the end of our question-and-answer session. I'd like to turn the floor back over to management for any further or closing comments.

Eric Glenn Wintemute

Chairman & Chief Executive Officer, American Vanguard Corp.

Well, we look forward to, as we're talking about providing additional color. But we felt it was important that we give you an update of where we believe we are at this point, rather than waiting until the early March period. So, again, we'll be back in touch with you shortly and appreciate the questions and the time that you people spent on the call. Have a good evening.

Operator: Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time, and have a wonderful day. We thank you for your participation today.