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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.

Other Participants

Gerry Sweeney – Analyst, ROTH Capital Partners LLC
Chris Kapsch – Analyst, Loop Capital Markets LLC

MANAGEMENT DISCUSSION SECTION

Operator: Greetings. Welcome to American Vanguard Third Quarter 2021 Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded.

I will now turn the conference over to Bill Kuser, Director of Investor Relations. Thank you. You may begin.

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

Thank you very much, Sherry. And welcome, everyone, to American Vanguard's third quarter and 9-month year-to-date earnings review. Our speakers today will be Mr. Eric Wintemute, the Chairman and CEO of American Vanguard; and Mr. David Johnson, the company's Chief Financial Officer. Also assisting to answer your questions, Mr. Bob Trogele, the company's Chief Operating Officer.

A little reminder for those of you who may have been listening by phone, this conference call is being webcast live via the News & Media section of the company's website. This approach would allow you to see the PowerPoint presentation that accompanies our commentary. To listen to the live webcast, go to the AVD website, register, download and install any necessary audio software. If you are unable to listen to our entire call today, the conference call will be archived on the company's website for your review at a later date.

Before beginning, let's take 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, changes in regulatory policy, competitive pressures and various 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. Such information will not necessarily be updated by the company.

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

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

Thank you, Bill. Good morning and good afternoon to everyone. Welcome to American Vanguard 2021 third quarter and 9 months business update. We appreciate your continued support and interest in the company.

Today, I want to give you a quick view of our financial performance, supported by commentary on market conditions. Then I will turn to the global supply chain, which is a subject of strong interest to most industries. I will then ask David to cover financial and operational matters in great detail. After that, I will return with an update on our green solutions and precision application initiatives.

So on slide 4 here, as we ended Q2's conference call, we presented a scorecard on how we did in the first half of 2021 versus what we had given at the beginning of the year as our targets. So I'm going to update that now through the third quarter and year-to-date through third quarter. And so, with revenue, we were at 25% through the first half. Through the 3 quarters, we're exactly still at 25%. With our gross profit margin, we were tracking right on 39%. Through the 3 quarters last year, we had slipped a little to 38%. We're still holding at 39% at this point.

Our operating expenses, we said we would kind of maintain and hope to move down slightly, if we could. As a percent of sales, in the first half, we had dropped from 35% to 34%, and year-to-date, we're now at 33% versus 34%. Our interest expense is down now at 23%, so we're tracking certainly below 2020 and believe we'll outperform our initial forecast. On our tax rate, we were at 31% versus 23% through the first half. We're now at 27% versus 20% at this point last year. We do expect that rate to drop in the fourth quarter and certainly to meet or exceed our mid-20% range.

On our debt to EBITDA, you can see, we've dropped from 2.5 times to 2.1 times. As we look at it now, we expect to drop further probably below the 2x target that we had thrown out. And as far as net income is concerned, yeah, pretty much the same. We were at 86%. For the 3 quarters, we're at 87% increase, definitely a faster rate than our 25% revenue growth. And our EBITDA is moving up, as we're now 39% increase from where we were at this time last year.

So our strong performance was across all sectors, but our domestic crop business led the way, where we benefited from a combination of factors. Let me just focus first on commodity prices, and I'll start with cotton. And what we've done is, we've measured the price per pound, this is with Macrotrends, as of September 27 of 2020 and then comparing that to September 27 of 2021, pretty dramatic increase. It's about 59% increase.

And so, this has prompted growers to invest more heavily in corn. We've benefited from our corn – I mean, from our cotton insecticide Bidrin, which had a very strong third quarter. In addition, we've had an increase in our cotton defoliant, Folex, which was very strong in third quarter. And we're still seeing orders in – we saw orders in through October. So that's a big part of our benefit here so far.

Let's get this back up to where we were. So soybeans have – we're at $10.21 a bushel, have increased to $12.85 over that year period, 26% increase. You may recall that we have improved our soybean portfolio with several herbicides we've acquired over the last 3 years. And as such, soybeans are moving up as a crop for us. I think currently or last [indiscernible] (00:08:48), we were around 7%, 8%. So it's looking positive for us in that sector.

And then, corn, moving from $3.79 a bushel up to $5.42. And with that, we've seen strong performance with AZTEC, our number one corn soil insecticide; and IMPACT, which is our number one corn herbicide. And we've launched off two new. We had ImpactZ, which was with atrazine.

And we've launched off now, IMPACT CORE, which is with acetochlor; and SINATE, which is IMPACT plus glufosinate. And all four of these are performing well at this point.

So our increase overall in the ag sector was up 38% for US crop. And so, that certainly did lead the way for us. And this is despite us having logistics issues for our biggest product normally, which is our soil fumigant products were large volume and certainly impacted by the supply chain disruptions.

On the remaining sectors. OHP continues to see strong performance, particularly in the markets of the horticulture in plants and in greenhouse activity; AMGUARD, again, professional pest market, that is also recovering well; AgNova, our Australian business, which has tripled to where we were last year; Agrinos, which is adding incremental new business; Mexico is performing well as our other two sectors, Brazil and Central America. Overall, these combined to increase 17% versus where they were this time last year.

So want to take a second to just talk about supply chain. And I was at an industry meeting last week, where I was asked to talk a little bit about supply chain from a manufacturing side. And as I was driving from our plant in Alabama up to the conference in Memphis, I was listening to radio and the COO of Toyota was talking about specifically the jam that's occurred in the Long Beach Harbor, which is where I grew up.

And he was saying that there are currently 540,000 containers, and you're looking at boats here that have about 500 containers on them, and 540,000 that are sitting at the port today that have not been – that are backed up waiting to be unloaded. So that's about 100 vessels. And if you go down there, you can see them anchored all up and down the southern coast there. And the current ability to unload at that port is about 18,000 containers a day.

So if you looked at it and said, well, I guess, in 30 days, we would be able to unload those 540,000 containers, which is true. But the problem is that 29,000 new containers are arriving each day. And so, we're not going the right way and there doesn't seem to be any real solution at the moment.

So why is this happening? And I guess we talk about maybe a perfect storm that's occurred. We have a shift in buying pattern due to COVID. People got behind. They panicked on certain items, so things shifted around. Some items are plentiful. Some more short. As you certainly were aware, as you hit your supermarkets or if you're trying to get a car, anything with circuit boards, we've been operating with the same port capacity for years and generally being able to kind of make it through, but we just haven't had this bigger shift in buying power.

Same thing with containers. There's a limited number of containers. And those containers are being delayed as they're sitting, waiting to be unloaded, or in some cases, the empties are having trouble getting back. And just as word, we had – we've got products that we were – have been trying to ship to Australia and we can't get a truck to take it from the 20 miles from our plant down to Long Beach Harbor.

If they get there, they're going to wait 8 hours and truckers don't particularly want to do that. As such, a lot of the empty containers are just winding up on residential streets throughout the harbor area as truckers are frustrated and they're just dropping the trailers anywhere and moving on. So it's created quite a mess. And of course, we're dealing with somewhere in that 60,000 to 80,000 truckers short, which makes even once those containers do get offloaded, it gets difficult to actually move them out of the harbor.

So what's to be done? How do you deal with it? And I really kind of boiled this down to three key factors. First is production itself. We've got to decide if the product that you're searching for, whether it's intermediate or finished good is going to be produced and when it's going to be produced. And I'll talk a minute about us, dependence on China.

But for instance, China has shut down a number of factories for environmental, not necessarily that factor but production sites. Also, the government is kind of prioritizing energy and certain high-energy products are not getting permitted to continue for production. So that's putting a squeeze that goes across the world.

So first is can you – is the product – can you make that purchase order? We've had products that we've ordered and they've come back and said, you've got to pay more. And so, we say, okay. And then it's like, well, we're not going to be able to ship anything. So that's certainly first thing that you've got to identify, are you going to be able to produce or get the product itself?

The second is on logistics, which we talked a little bit about. But those containers that you saw that have come over, last year, were running about $2,500 to $3,000 per container. This year, they've picked up to $26,000 per container, and that's just bringing them into the US. Once they're here, then you've got to get it moved from there to your factory or your production site. And then, from that standpoint, you've got to get it delivered, and you've got this shortage of truckers, and you've got to try to figure out how you're going to get it and then how much you're going to pay.

So it gets to be sometimes a bidding war. If you want the product to get to point A, how much will you pay to do it, rather than kind of standard fares. So that kind of all boils down to maybe – and the most important point is, let's assume you do get your goods, you clearly need to do quick calculations to understand exactly how much those goods are costing. We're also seeing cost rises in factories as labor wages are going up.

And so, we're working with our finance team to look at all SKUs and do an analysis in real-time of what our costs are and making sure that we present those to our commercial product managers, so they have a vision of what their cost of goods that they're selling. And so, I think the companies that can go through this process will fare the best. There's no real clear vision as to when this disruption, I think, will cease. It will hit other areas harder than others and will be cyclical. And so, I think you've just got to be nimble to understand where this is going.

Okay. So on the positive side, again, we're sitting here with six production sites here in North America. That gives us the ability to produce and be in a stronger position to handle the disruptions. I mentioned with China, about 8% of our portfolio is dependent on materials from China. A few years ago, we had started a process of second sourcing, if we could, outside of China due to the tariffs which were pushing up to 31%.

Second, we manufacture 46% of our portfolio within our six North American factories. Having these manufacturing facilities gives us both greater independence and the ability to respond quickly to market conditions.

Third, we order goods from overseas on a comparatively sporadic basis. By contrast, many of our consumer businesses – or many of the consumer businesses, that being competing goods, clothing, that sort of thing, rely upon a steady stream of imported goods.

Nevertheless, we're working closely with our logistics partners to ensure that we can get goods from point A to point B, and we're ordering goods from overseas further in advance and looking at lesser congested ports. So that means, we have been able to manage through the supply chain conditions, and at this stage, are optimistic that we will be able to continue to do so without material interruption.

So with that, David, let me turn it over to you for our financial and operational analysis. David?

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

Thank you, Eric. With regard to our public filing, I understand from my controller that we are in the file – in the queue to file, and so I expect that we will file within the half hour or 45 minutes. As I've mentioned in previous conference calls, our industry is one that's considered critical in all jurisdictions in which we operate. And during the pandemic in 2020 and now throughout the 9 months of 2021, our business, our customers, our suppliers have all operated without major disruption throughout. So it's been a good place to be during this difficult time.

This is our quarterly sales performance. You can see that our sales have increased, as Eric mentioned, since the third quarter of 2020. Overall, our sales are up about $30 million to $147 million. That's about a 25% increase over the prior year. Our US sales are up about 33% or $22 million. And our international sales are up about 16% or $8 million. Because of the very strong US performance, despite the strong international performance, our international sales reduced to about 40% of total sales, whereas this time last year, they were at about 43%.

With regard to our gross profit performance, when we spoke at the end of Q2, we acknowledged that we have some production delays, but indicated that, that issue was temporary and substantially behind us. And during the third quarter of 2021, our production performance has been much better, just as we expected. And that has an impact on our gross margin performance. And when I look at the crop business, our gross margin performance improved by about 50%, including the impact of the recovery of overhead costs in the factory.

Our non-crop business had significant mix changes in 2021 in comparison to the prior year, with some higher margin business happening earlier in the year in 2020 as compared to this year. And as a result, our margins have remained comparatively flat in the quarter.

For international sales, gross margin improved as compared to the prior year and is primarily the result of the addition of businesses acquired late in 2020, which generate margins higher than our preexisting business [ph] performance (00:23:25).

Moving on. I particularly like this graph because I think it gives a quick way of visualizing the impact of factory performance as on our results. And you can see that in the third quarter of 2021, on the far right of the graph, our factories cost us about 1.2% of net sales in under-recovery, and that compared, if you look back a couple of quarters to the third quarter of 2020, you'll see that the cost amounted to 2.5%. And that's just a reflection of the kind of activity that we've managed to record in the factory in this third quarter.

Operating expenses increased by about 24%, and that amounted to $9 million. Our newly acquired businesses accounted for about 14% of the increase. Freight accounted for 17%. And then the balance was incentive compensation linked to financial performance, some legal expenses and increased marketing costs. Overall, our OpEx as a percentage of sales remained steady at 33%.

Our operating income in the third quarter was up 112% versus last year. In addition, we made some immaterial adverse changes in the value of two investments we've had for some time. As Eric mentioned, our interest expense continues to track about 24% below the prior year. Our tax rate is a little higher than last year, primarily as a result of the strong taxable income in comparison to the prior year. And finally, our bottom line is about $5.5 million, which is up 88% in comparison to the prior year.

For the first 9 months of 2021, our sales were up 25%. Gross margins in absolute terms are up 27%. All our main activities in US crop, US non-crop and international contributed to this exciting performance. Our operating expenses have increased primarily as a result of the new businesses acquired in the final quarter of 2020, increased performance-linked incentive compensation, legal costs, some increases in travel and costs associated with the volume changes such as freight and warehouse costs.

Overall, operating costs were up 22% as compared to the net sales increase, I mentioned a moment ago, of 25%, and operating costs compared to sales improved to 33% in 2021 as compared to 34% last year. Interest expense has reduced by 23% as a result of cash generated over the last 12 months. And overall, our net income has increased by 87%.

Now, I'd like to turn my attention to balance sheet. As you can see from this slide, during the third quarter, we increased cash generated from operations by 56% as compared to the same quarter of the prior year. Further, you can see that the movements on working capital was in line with the prior year, and this performance includes the expanded scope related to the businesses acquired in the fourth quarter of 2020. Overall, net cash from operations increased by 34%.

At the end of September 2021, our inventories were about $167 million as compared to $176 million this time last year. If for a moment, we exclude the impact of products and entities acquired since December 2019, which accounted for $10 million of inventory at the end of Q3, our base inventory decreased by 11% from this time last year. So we feel that we have controlled inventory well during this phase of the company's annual cycle. Our current inventory target for the end of the financial year remains at $155 million. That compares with $164 million at the end of 2020. That target is obviously dependent on a few things, including a continued low impact from the pandemic, normal weather patterns and no more acquisitions this year.

With regard to liquidity, under the terms of the credit facility agreement, the company uses consolidated EBITDA as defined in that agreement to determine leverage. Our consolidated EBITDA for the trailing 4 quarters to September 30, 2021, was $66 million as compared to $49 million for the 4 quarters to September 30, 2020. This taken in conjunction with outstanding indebtedness, translates to borrowing availability amounting to $95 million at the end of September 30, 2021, as compared to $45 million at the same time last year. As you can see from this chart, we've been controlling debt well even as we work through the annual cycle and as we continue to invest in the business for the future.

Overall, in summary then, the third quarter of 2021, we have increased sales by 25%, improved overall margins. We've managed operating expenses, which increased in absolute terms, but declined when expressed as a percentage of sales. Our net income increased by 88%.

We have a similar story for the first 9 months of 2021. We increased sales by 25%. Gross margins by 24%. Operating costs have reduced when compared to net sales. Our interest expense is down, and net income has improved by 87%.

From a balance sheet perspective, accounts receivables increased driven by strong sales. Inventories have been well-controlled. Working capital has been held flat during the quarter, and debt is lower than this time last year, despite three acquisitions in the intervening 12 months. And finally, our liquidity position has improved significantly.

With that, I will hand back to Eric.

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

Thank you, David. In recently – quarterly earnings calls, we've provided updated information on our two strategic growth initiatives and green solutions and prescriptive application technology. So let me just go into green solutions.

So we mentioned last time that we have kind of grown our technology on the green solutions and we've now see that we've got 100 different products in our expanding portfolio. So in this slide, we break out the functional categories of our offerings. As you can see, it's a balanced range of solutions with a strong emphasis on biofertilizers, biostimulants, biopesticides and micro/macro nutrients. These products allow us to offer not only our traditional crop protection kind of defensive products, but beneficial plant nutrition and soil health amendments as well. And so, we've developed quite a balanced and growing portfolio.

So green solutions has posted steady recent growth, as seen on this slide. For Q3, we increased about $10 million, just 26% increase from Q2. And I think most of – a good portion of that growth anyway was attributed to increased sales in LATAM, Brazil, India and Australia. Year-to-date, our revenues at – just at $27 million. And for the full year, we're upping our forecast from the $32 million to $35 million range, we're now thinking somewhere in that $35 million to $37 million range. And of that, about $10 million is coming from LATAM, which is our largest so far.

So when you look through what we're focusing on and keeping the eyes on the targets of what we're trying to do in expansion, we've got registrations underway in LATAM. The Colombia business has been transitioned over, completed and working well. We've got a pipeline building for further distribution in Europe and Africa. We've got our US group that's looked at opportunities now for some significant increases in 2022.

And part of that is the result of the 1,500 plot trials we mentioned last time that we were doing in 2021, which are basically looking to benefit in the 2022 period. We would also link this with our SIMPAS trials, where we're introducing iNvigorate, which again is a nitrogen fixation product that looks extremely promising. We've got turf and ornamental. Our trials are near completion at this point. We've got large-scale customer demo plots that we're doing, again looking for a pickup for next year.

With Envance/AMGUARD, we mentioned before, our bioherbicide product that we are looking for both consumer and professional pest use on our way to potentially developing for agricultural use. This is significant given Bayer's decision to exit the consumer market through, at least domestically through Scotts would roundup the kind of leading herbicide in that space. So we see demand for solutions strong and we think we're well-positioned there.

Within Greenplants, which we acquired as part of Agricenter in the latter part of 2017, we knew we had some strong products with which to expand. But it has taken us a while to work that into our other areas. We recently moved product into China, into Colombia and we've got other areas down in Australia where we think we've got some strong growth potential.

Bi-PA, which is a consortium in Belgium that we became part of 6, 7 years ago, maybe, David?

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

Yeah.

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

And we've got really our first product that's come out of that, it's a biofungicide that – called Vintec, originally developed in Europe for grapes, so we tries this on grapes. But we've seen some very strong activity in almonds, and we received our registration in California recently. There's over 1 million acres of almonds in California, and we think that we've got a nice fit for a biotreatment for canker, a particular disease that hits almonds. And we're also doing testing in bananas in Central America. That also is looking promising, and we're hoping to get registrations there as well.

So I guess what we're saying here it's a modest change. Just that we're looking to kind of moving the needle a few million dollars up in 2021 on our target, which basically we're looking to double that in the next couple of years, and then double that in the next couple of years as well. So it's an aggressive growth. But given all the products that we have and the development work we're doing, the high demand for solutions in that space, currently we're feeling that our forecast is looking good.

Shifting over to SIMPAS. Again, you guys have seen how this graphic demonstrates how the system works. During our last call, we've updated our forecast revenue for SIMPAS through 2025. At this point, the forecast remains unchanged. What we did do since our last call as we talked about that we were going to be reaching out to progressive retailers to then focus on their precision farmers, begin that shift to prescription application of crop inputs. And so, with this, we've identified a number of retailers that fit this. We've got over a dozen retailers so far that have entered into agreements for distribution of SIMPAS with us. We expect that number to double over the next few months, and we've identified, I think, there's 26 here, mostly in the Midwest, but also we've got five retailers in the South.

So I guess one question is, what's in it for a retailer? Sorry about that. So these retail partners can provide agronomy and prescription software capabilities needed for targeting SIMPAS inputs of crop protection, plant nutrition and the soil health fertility enhancements. With this on-the-ground template, SIMPAS can dispense and deposit ingredients that will give the grower maximum yield, minimum cost, elevated return on investment and beneficial environmental outcomes. These precision ag services help build a strong bond between the grower and the retailer, creating a long-term business loyalty.

Kind of one final point that I want to make is, we showed this slide before about the attention of the Ultimus software data retention that's part of SIMPAS, which allows concrete documentation through [ph] MVR of (00:39:23) beneficial agricultural treatment practices. As we pointed out in the emerging carbon credit market, the ability to authoritatively validate such beneficial practices can facilitate securing financial compensation that could substantially offset the investment outlay in adopting technologies such as SIMPAS.

So we're working with USDA on sharing this technology, which they were very excited about, and they asked us or invited us to apply for a grant, which is under the Agriculture Innovation Center Program of USDA, and we did get the grant at the end of September. The decision-making process is somewhere in that 2 to 8 months. So we expect a decision by Q2 of 2022. But this grant that we submitted is for nitrogen reduction by using a SIMPAS Ultimus system, decreasing the use of synthetic fertilizer, and in its place, applying soil health products.

So Ultimus gives the carbon credit program a way to verify, measure and validate what the grower is doing to qualify for the credits. When linked to the permanent ledger such as blockchain, Ultimus makes an immutable record of everything that was applied to the field by volume and by location. As I've mentioned before, we know of no one else in our industry that has climate-friendly technology as comprehensive as our SIMPAS Ultimus system, particularly when used to dispense our green solutions.

So let me end these comments by letting somebody else have the last word. This quote is from Jason Orr, who's the owner of Orr Farms in Iowa and a happy user. I think he's [ph] since (00:41:44) the last year or two with SIMPAS. And so, his words are, the opportunities are endless. I can foresee in the future dozens of SIMPAS-applied solutions being applied this way. This is going to change the way we producers look at in-furrow application.

So with that, I'd like to open up to any questions you may have. Sherry?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question is from Gerry Sweeney with ROTH Capital Partners. Please proceed.

<Q – Gerry Sweeney – ROTH Capital Partners LLC>: Yeah. Good afternoon. Thank you for taking my call.

<A – Eric Wintemute – American Vanguard Corp.>: Sure.

<Q – Gerry Sweeney – ROTH Capital Partners LLC>: Eric, you went through the supply chain. I actually learned a little bit about the unloading and loading or unloading of vessels and the speed at which it's done and the amount of ships coming in. But as we look forward to 2022, do you foresee any issues with maintaining your profitability or do you expect your multiple sourcing relationships as well as factories, et cetera, to be able to manage demand and everything going forward?

<A – Eric Wintemute – American Vanguard Corp.>: Yeah. Again, I think the key to that is, I mean, so far, at least domestically, we haven't had a real pushback in putting forward increases. But it is so dynamic that unless our commercial team knows where their costs, and generally, we have inventories, so when we know what the cost is kind of going forward or what it's happening in real-time, we're not at the point now where we're manufacturing just to order. And in fact, our customers are kind of placing orders kind of in advance. And so, we're trying to stay ahead of the game.

But the key is to truly understand what our costs are. And I think if we can do that and get that information, we can discuss where we need to be with our product. So I think if that was your question about, are we going to be able to pass through increased supply? That will be the key for that.

As far as disruption, I mean we definitely saw disruption in our soil fumigate, I mentioned. But this is – we produce about 12 million gallons a year, and so rail and trucking that through all over the United States, Mexico, Australia, Central America and Mexico, it's quite a quite logistic issue. And you can think about if there's 12 million gallons of product being produced, we've got a similar amount of raw materials coming in. And we have seen disruptions in trains and getting those raw materials in on a timely fashion, potentially, particularly when we get into crunch time, which we saw third quarter.

I think about 70% of our volume happens probably between August and November. And so, it puts quite a strain. And even though we've got a fair amount of storage around, the demand was high and – so I don't know if that was your question.

And then as far as other products, we meet – our whole team meets every month and we talk about [ph] end (00:45:45) all the issues. And if there's something that comes up in between, we do. But we get about 20, 29 or maybe 30 of our people, somewhere in that range, globally on each month to kind of walk through it. So did I...

<Q – Gerry Sweeney – ROTH Capital Partners LLC>: That is helpful.

<A – Eric Wintemute – American Vanguard Corp.>: ...okay.

<Q – Gerry Sweeney – ROTH Capital Partners LLC>: Yeah. Actually more than my question, which is actually perfect, so I appreciate that. Then the other question was just on acquisitions. And then I was focusing a little bit on green solutions. You have 100 different products that you outlined. As you look at the playing field and the opportunities you're looking at, is there anything that you're looking at in terms of green solutions opportunities or places that you feel as though that you would want to add to that portfolio or do you still remain just opportunistic on opportunities across the board?

<A – Eric Wintemute – American Vanguard Corp.>: Well, I think we're seeing more opportunities than we have historically. I mean, the industry has been reconsolidating. There's a lot of shifting going on. We obviously look for bargains like what we did with Agrinos. We've got – we've laid a lot of foundation to get to this point. And I think we're now looking at putting a number of these solutions through SIMPAS and we have our product [ph] partners, soil (00:47:11) fumigate that basically kind of sterilizes the soil, we now have the opportunity to come back and introduce beneficials into the soil that again promotes uptake of various nutrients.

So Tim and Bob head this up. So I don't know if you want to comment on that, Bob, as far as are we looking opportunistically or strategically. I think the answer is, yes, to both. But go ahead.

<A – Bob Trogele – American Vanguard Corp.>: Yeah. So – hi, Gerry.

<Q – Gerry Sweeney – ROTH Capital Partners LLC>: Hey, Bob. How are you doing?

<A – Bob Trogele – American Vanguard Corp.>: Good. Good. Thank you. Yeah, so we're, of course, always, I mean, letting – let everybody know who's on the selling side that we're interested in acquisitions. The EU would be a target as far as regionally, simply because of all the environmental headwinds for chemistry in Europe would be a good place maybe to invest if the price was right. But we're actually very much into a lot of licensing in discussions, distribution agreements because we have such a great team and footprint to market green solutions.

Then we acquired a microbial library from the Agrinos acquisition. So we're looking at how do we develop that further. But last but not the least, I would say there, we are looking for strategic partnerships. When you combine the green solutions with SIMPAS, there are areas around the world where we don't have a structural footprint. So we're talking to some folks about that. So there's lots there to do besides acquisitions, and I think we'll continue to take advantage of those opportunities.

<Q – Gerry Sweeney – ROTH Capital Partners LLC>: Okay. Great. Very helpful. That's it for me. I appreciate it. Thank you.

<A – Eric Wintemute – American Vanguard Corp.>: Sure.

Operator: Our next question is from Chris Kapsch with Loop Capital Markets. Please proceed.

<Q – Chris Kapsch – Loop Capital Markets LLC>: Hi. Good afternoon. Thanks for taking my questions. So focused on the green solutions portfolio, given that it's important growth vector for the company, just curious about your confidence in those numbers that you have for 2023 and 2025? In other words, are those something that should be considered as guidance or projections or are those more aspirational in nature?

<A – Eric Wintemute – American Vanguard Corp.>: Well, at this point, yeah, this is our best estimate of where we're going to be. And if we think we're going to be missing at some point, again, we'll make that adjustment. I think, we felt we can get to the [ph] 70 and the 140 (00:50:14) based on what we currently have in our portfolio. There's no acquisitions that we're putting on top of that. And the fact that we're up a few million, we think we believe this year versus what we had originally put out just kind of [ph] reads (00:50:31) a little more confidence that we can get there.

<Q – Chris Kapsch – Loop Capital Markets LLC>: Okay. And just in that upside that you referenced, what was the driver of that, just out of curiosity? Is it a couple of different product lines or one specifically?

<A – Eric Wintemute – American Vanguard Corp.>: No. It was a variety. And I think we said that our Central American piece was the strongest. We did have a truckload of product, green plants product going to China. Our Agrinos people, when they looked at it, they said, it was great and they immediately went out and got a truckload order for product. India is performing well. So I think it's a collective effort.

I think we – I may have mentioned, we had our meeting with our team in the first part of 2019 after we acquired the Brazilian business, and the biggest enthusiasm for the bioproducts was outside the United States.

But United States is now picking up. I mean, when our guys go into make their sales calls, now if they mention anything about bio, ears pop-up because there's kind of mandates throughout most of our customers that they need to look at biosolutions in a totally different way.

So I think the willingness for people to get into the space and try different products that maybe haven't been tried before, that's I think kind of leading as to why we said that's the second fastest growing segment in crop imports today.

<Q – Chris Kapsch – Loop Capital Markets LLC>: Got it. And out of curiosity, do you have a sense for what percent of that growth that you're sort of forecasting from green solutions that you believe will come from your Envance essential oil technology?

<A – Eric Wintemute – American Vanguard Corp.>: Right. So we're not kind of giving a percentage. I would say, obviously, we've got a movement that we're looking to get beyond the minimum royalty space. We're not giving specific targets as to where that's going to be. But as you've mentioned in your report, it is straight margin as well. But I don't think we're being any way aggressive on that level.

<Q – Chris Kapsch – Loop Capital Markets LLC>: Hey, Eric. If excluding the margin benefit from those royalties that you just referenced, do you have a sense for, like, so the green solutions bucket, if you will, excluding Envance, would those be margin accretive to the overall company? Or do they comp currently with lower than corporate average margins, again, excluding the benefit from the Envance's royalty structure?

<A – Eric Wintemute – American Vanguard Corp.>: Yeah. I mean, I think across the portfolio, we're – particularly since these are used also well outside of the United States, I think the bioproducts for them represent kind of the higher end, if I'm correct, Bob.

<A – Bob Trogele – American Vanguard Corp.>: That's correct. So Agrinos, of course, were a basic manufacturer and green plants were also basic. Those are very good accretive margin areas. Of course, we'd like to grow those at a higher rate. But we also get good licensing possibilities from those who want to market, for example, through SIMPAS in the future or want to market through our direct-to-market organization in Central America, Agricenter. So we're in a very good position to get good trading margins also.

<A – Eric Wintemute – American Vanguard Corp.>: Yeah. I mean, I think, again since the products are not all household that have been tried and proven, there's not – and many of them are differentiated. And so, I think the margins are higher because there is a higher degree of effort that goes into them as far as the field trials that you have to do, you've got to be able to prove that they work. And with that comes higher margins.

And so, I think that's kind of – I mean, this is – I won't say it's new because it's been around for quite a while, but it hasn't gathered strength like this until more recently. And so, I think at least for now, in the foreseeable future, it's not so much, you're just [indiscernible] (00:55:40) this is generic, they're all the same. There's a lot of uniqueness to this and performance is differentiatable.

<Q – Chris Kapsch – Loop Capital Markets LLC>: Okay. And then I had a question just on the core business and also given your comments about supply chain, which are obviously disruptive across most industrial markets these days. So are there – just the strength of your core business in terms of sales, are there any instances where you think that you're relatively lower exposure to sourcing from China?

Or given your domestic manufacturing or just your proactive management of all the challenges has led to any instances of share gains or outsized demand for your products? Or is this really just a function of a healthy ag market, healthy commodity prices, farmers or growers feeling pretty good? Thank you.

<A – Eric Wintemute – American Vanguard Corp.>: Yeah. So I mean I do think it's a combination of both. I think certainly we're seeing from our customers, one side being, the markets look strong. We want to make sure we can secure our product lines, but also there's lot of products that are short right now. And so, our customers are, one, they make sure they've got products that: one, are available; and two, can fit into a space and potentially replace products that are not.

And I would say certainly within our herbicide lines as there are some real shortages that are occurring in herbicides, we're seeing some big upticks in our herbicide business. And these are some of the more niche products that maybe haven't had the resistance develop or as products are – as herbicides prices are going up dramatically and some of the bigger herbicides just because of lack of supply, it opens the door for us to step in and take a much stronger role. So the soybean prices certainly help. But some of the boost that we're getting is definitely because we're replacing other harder to get or higher priced products.

<Q – Chris Kapsch – Loop Capital Markets LLC>: So if I could just follow up on that last point, Eric. Thanks. So you referenced a couple of herbicides were your more recent introductions, ImpactZ, IMPACT plus glufosinate. So just to be clear, the strength for those products is – do you think it's a function of resistance to sort of the one-trick pony herbicides? Or is it a function of just a surge in prices and/or lack of availability for those sort of mainstream herbicides? Thank you.

<A – Eric Wintemute – American Vanguard Corp.>: Yeah. It's more of the latter that we're seeing concerns over getting products that will work. And so, we're benefiting by the supply tightness of some of the other herbicides.

<Q – Chris Kapsch – Loop Capital Markets LLC>: Thank you.

Operator: [Operator Instructions] As there are no more questions, I would like to turn the conference back over to Eric for closing comments.

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

Okay. Thank you, Sherry. And thank you, everyone, for joining us today. Again, it's our pleasure to report on the quarter. We're looking positive as we go into fourth quarter, and things seem teed up well for the 2022 season. So again, we'll keep you updated. And next call, we're out a little ways until probably the first week of March, right? So okay, but again, thank you for joining us, and have a good evening.

Operator: Thank you. This does conclude today's conference. You may disconnect your lines at this time. And thank you for your participation.