

Transcript of
American Vanguard Corporation
American Vanguard First Quarter 2026 Earnings Conference Call
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Participants

Robert Winters - Alpha IR Group
Douglas Kaye III - Chief Executive Officer, American Vanguard Corporation
David Johnson - Vice President & Chief Financial Officer, American Vanguard Corporation

Analysts

Rosemarie Morbelli - Gabelli Funds

Presentation

Operator

Good day and welcome to the American Vanguard First Quarter 2026 Earnings Conference Call. At this time, all participants are placed 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 your host, Robert Winters with Alpha IR. You may begin.

Robert Winters - Alpha IR Group

Thank you, operator. Good afternoon, and welcome to American Vanguard's first quarter 2026 earnings conference call review. Our prepared remarks will be led by Dak Kaye, American Vanguard's Chief Executive Officer; and David Johnson, Chief Financial Officer. After their prepared remarks, we will open up the call for questions.

A copy of today's press release, along with supplemental slides, are available on our website. A replay of the webcast and a transcript from this event will be made available on our website shortly after the call.

Before we begin our presentation, we would like to remind everyone that today's press release and certain comments on the call include non-GAAP figures and forward-looking statements, and actual results may differ materially from these forecasts. Please refer to the cautionary language included in our press release and slides and to the risk factors described in our SEC filings, all of which are available on our website.

It's now my pleasure to turn the call over to CEO, Dak Kaye.

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Douglas Kaye III - Chief Executive Officer, American Vanguard Corporation

Thank you, Bobby and welcome everyone to our first quarter 2026 earnings conference call. The year so far for American Vanguard has gotten off to a good start despite continued challenging market conditions, which I will speak to more in a few minutes. As I indicated during our last earnings call in mid-March, 2025 was a challenging year for the agricultural sector overall, but it was also quite a consequential year internally for American Vanguard.

Important actions were taken on the commercial and operational fronts and we also made important investments in technology and systems while making key personnel changes across the organization and we're not done. There's still plenty of work to put the company in a better position for growth opportunities that we see in front of us.

However, a lot has been accomplished in the last 12 months that lays the foundation for delivering value for our shareholders. Going forward, our progress will be measured in many areas, but three key metrics to focus on that can be tracked are sales growth, operating efficiency and improvement in net trade working capital. Progress on these fronts will all be tied to accountability around key financial goals or metrics to deliver on our success.

Importantly, I will also provide some near to medium-term goals that we will be focused on over the next 18 to 24 months. A little later in my prepared remarks, I'm going to provide a more expansive view of what has been accomplished so far beyond my comments from our fourth quarter 2025 earnings call.

I will also talk more about the key strategic areas of focus for us going forward and finally review the new capital structure put in place that positions us well to execute our strategy.

Turning to the first quarter results, we are pleased to see net sales of \$124 million for the quarter, an increase of approximately 7% versus the year ago period. The improvement in sales year-over-year was mostly driven by our domestic crop business, which saw sales increase by 17%, driven by strong demand from both our herbicide and our insecticide products, as well as a 6% growth in our specialty business driven by our OHP horticultural products. This growth was partially offset by weaker results from our international businesses, which saw revenue decline of 7% year-over-year.

Higher sales in Central America, Mexico, and Australia were more than offset by lower sales in Brazil, mostly due to timing of deliveries in the previous year that created a tough comparable. We also saw weaker sales year-over-year in India that was mostly timing related. Adjusted EBITDA increased by 245% year-over-year to \$10.3 million compared to \$3 million in the first quarter of 2025. The strong improvement in adjusted EBITDA was driven by increased sales of higher margin

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U.S. crop and specialty domestic products and improved gross margins, which increased by 500 basis points year-over-year. I am pleased with the progress we are making on the manufacturing front.

We have been streamlining our manufacturing footprint over the past year, transferring production from our now more focused L.A. facility to our operation in Axis, Alabama, driving further efficiency and cost savings. As a reminder, we expect the rationalization of the L.A. production facility to save us at least \$4 million on an annualized basis going forward. Adjusted operating expenses, which exclude items such as transformation costs and asset impairment costs were 26.7% of sales this quarter compared to 27.9% in the year ago period. Improvements in operating efficiency and tight cost controls drove the year-over-year improvement.

Turning to what we are seeing in the agricultural economy, a lot of what I said in March when we reported our year-end results for 2025 still remains true. The industry is yet to recover from a downturn that started in 2023, though we are seeing some improvement in 2026, at least in the U.S., relative to the environment across most of last year.

As I said in March, while agricultural commodities are recovering from the low levels that we experienced during the summer of 2025, they remain well below what industry observers consider to be historically normal levels. The worst of the industry destocking appears to be in the past, but distributors have shown no inclination to restock their inventories. Farmer liquidity remains a top concern after several years of depressed commodity prices, and thus growers are making more last-minute crop decisions than ever before. Furthermore, global geopolitical developments this year have only added to the existing levels of uncertainty that was in place last year.

Turning briefly to the disruptions caused by recent events, mostly in the Middle East, like everyone, we are seeing higher oil prices, higher natural gas prices, and higher fertilizer prices. Higher fertilizer prices should not materially impact this season, as most farmers have already made those purchases for this season.

But the current situation, even if resolved relatively soon will likely have some impact on next year's crop decision. As I've indicated in recent calls, while we wait for an improvement in the agricultural economy, we are focused on the things we can control and executing our strategic business improvement plan, which should allow us to improve adjusted EBITDA as compared to 2025. We continue to expect to generate adjusted EBITDA of \$44 million to \$48 million in 2026 on sales of \$530 million to \$550 million.

I'll now turn the call over to our CFO, David Johnson, who will briefly review our financial results for the quarter in greater detail.

David Johnson - Vice President & Chief Financial Officer, American Vanguard Corporation

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Thanks, Dak. Good afternoon, everyone. Turning to our financial performance for the first quarter of 2026, the company generated sales of \$124 million in the period as compared to \$116 million in the same period of 2025, an increase of 7%. The U.S. crop business increased 17% due to strong herbicide and insecticide demand. Additionally, sales of soil fumigants and other products remained steady in the quarter.

U.S. crop sales growth was offset by lower nematicide sales of COUNTER and cotton defoliant sales of FOLEX. Our specialty sales improved by 6%, driven primarily by a strong OHP performance and increased demand for biological product solutions. Sales in other specialty markets, including professional pest control, turf, and landscape were relatively flat.

U.S. growth in the quarter was offset by sales in our international operations, which were down 7% due to Brazil as Dak mentioned, which was the result of timing of deliveries in the previous year, as well as reduced sales in India due to timing delays in customer purchases. The decline was somewhat offset by improved sales in Central America, led by the launch of MOCAP in Ecuador.

Gross profit in the first quarter rose to 31% as compared to 26% in the same quarter of 2025 on increased volumes of higher-margin domestic products, reduced volumes of lower-margin international products, and a slightly improved factory efficiency performance. Adjusted EBITDA in the first quarter was \$10.3 million, an increase of \$7.3 million or approximately 245%. The EBITDA expansion was driven by higher sales, higher margins, and continued cost-cutting efforts.

Turning to the balance sheet, cash on hand at the end of the quarter was \$71 million as compared to \$12 million in the prior year period. The year-over-year increase reflects the term loan structure put in place following the refinancing, which replaced the revolving working capital facility.

Total debt was \$267 million at quarter end as compared to \$166 million at the end of the first quarter of 2025. Given the impact of the change in the debt structure, we have focused on net debt, which was approximately \$196 million as compared to \$154 million a year ago. The increase is primarily related to the lower customer prepayments we received at the end of 2025.

Inventories were \$175 million as compared to \$185 million in Q1 last year, a \$10 million improvement reflecting our supply chain discipline and our sales, inventory, and operations planning or SLOP process improvements that we put in place in 2025 that are gaining traction.

I will turn the call back to Dak for some final comments.

Douglas Kaye III - Chief Executive Officer, American Vanguard Corporation

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Thank you, David. Looking back to 2025, we took important steps to enhance the management team across the organization, bringing in experienced talent as well as elevating rising stars. I've highlighted before the addition of Mike DiPaola and his transition to Chief Commercial Officer as an important step that is already paying dividends. He is adding beneath him more talent, and at the same time, I am focused on hiring a Senior Vice President of Product Development and Marketing, which is the role that Mike originally held.

We've also added or promoted people to key positions in commercial sales, operations, IT, and finance, all areas that needed building up and strengthening. As we've added and promoted people, we also focused on eliminating non-core expenses and prioritizing our resources.

As I reviewed during our March call and briefly discussed today, we moved to rationalize our L.A. operation to become a more focused facility and shifted synthesis production to our Alabama operation, building on its strengths in order to optimize our overall manufacturing footprint. Finally, we are relocating our headquarters this month. All these actions will reduce our operating costs and better align responsibilities and accountability across the company.

Turning to the new capital structure we recently put in place, I think it is important to understand that the term loans replaced our existing revolver, which was really a working capital-focused credit line and therefore was not aligned to our long-term strategy. I believe it is also important to track net debt when considering the leverage ratio, as there is now substantial cash on the balance sheet at March 31 and should be there in the future.

The terms of the refinancing align with our strategic plans and objectives while maximizing our flexibility. While this new structure does come at a higher cost, we expected that trade-off because it provides the foundation we need to execute our plan without being overly constrained by quarterly and seasonal working capital swings.

The combined facilities give us a stable base of capital and meaningful liquidity, providing excess cash that serves as a buffer or a cushion so we can continue to invest and execute our strategy while maintaining the flexibility to pay down debt as we grow. As we make progress and execute on our top line and bottom line growth initiatives, we also have the flexibility to pay down these loans on our schedule, and we have a game plan to achieve that over the next two to two and a half years and ultimately refinance.

Higher revenue, better manufacturing utilization, greater operating cost efficiency, and lower overhead costs are expected to drive higher gross profit margins and operating margins, leading to substantially higher EBITDA. Cash flow and free cash flow from this growth will be supplemented by reduced working capital levels going forward as we achieve greater capital efficiency. Underlying the growth opportunities for American Vanguard is the ability to drive significant volume

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growth in the future. This will come from a combination of new products and from our existing portfolio, but it will also be driven by a commercial strategy that prioritizes volume across market cycles.

Notably, American Vanguard has a broad portfolio of products across agricultural markets in U.S. and around the world. And this portfolio is well known from a brand perspective and well regarded by customers. These are large markets, especially relative to American Vanguard's size and sales. And thus, we have the ability and opportunity to drive volume growth without always resorting to price.

I want to talk for a few minutes about what it takes to execute and deliver on the financial goals we have set for ourselves. It starts with the people we have at American Vanguard and the culture we create. It's about building a culture of commercial and operational excellence, focusing on our customers' needs and solving their problems. These actions will drive volume growth across our product portfolio, leveraging the operational focus and the more concentrated asset base we are putting in place.

To succeed, we have, as already mentioned, brought in leaders from the outside with deep industry experience to complement internal talent that we have retained or elevated. We have also put in place new initiatives and programs to drive these results and help our employees succeed in their mission. And of course, we need to give them the tools and information to succeed, which has been another key focus area, our technology footprint. Our systems and our system capabilities as well as the ability for these tools to functionally and seamlessly connect with one another and to be responsive and useful to our people. This is another important area that needed attention at American Vanguard. And as such, we've made it a top priority.

New product development is critical in my opinion and this is yet another area that needed immediate attention upon my arrival, and it has gotten that. Innovation and new product development is a foundational component of our growth strategy going forward. I've talked about our goal to have 50 new product launches over the next five years, driving \$100 million in annualized revenue by 2030. We have put in place a new product process internally, which will drive this effort.

One of the key things to note about new product introductions and why they are important is that their success and the associated incremental revenue tied to them tends to be ag cycle agnostic. Because the company pursued non-core activities over the last 10 years, the company really found itself in a position over the past two to three years of not having new products to bring to the market. This is still impacting our business right now, but we changed that in 2025 and have positioned the company to have a more regular and greater cadence of new products to bring to the market starting later this year. We will not fully see the fruits of this until 2028.

And the last thing I want to talk about in terms of key strategic efforts and goals is accountability. We are focused on driving growth here at American Vanguard. And as I previously talked about, our plan 2030, laying out priorities for today and

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tomorrow, I talked about improving manufacturing efficiency, implementing standard processes across the organization and becoming a KPI-driven management team with a more flexible, dynamic organization. But accountability is also about results. And as a public company, those results come back to the numbers.

And here, I want to provide more specifics about what some of those numbers are, those goals over the next two plus years. Executing on these will position American Vanguard to be in a position by the end of 2028 to be able to consider refinancing our debt, presuming that markets and market rates provide an attractive and stable environment for doing so.

From a revenue or top line perspective, we expect to be north of \$600 million in annualized revenue, which is approximately 20% above our 2025 level. But this growth needs to be matched by even greater focus and improvement in our productivity, efficiency, and overall cost structure, driving margins significantly higher.

I've indicated that over the long-term, I believe the business should operate closer to 15% EBITDA margins across the cycle and that is still the goal. But in the short term, we need to move our EBITDA margins in the double-digit area as soon as possible, and that is a top priority. Together, these should help us to generate solid free cash flow, which along with lower net working capital will enable us to drive net debt down over the next two years. This will position us well to refinance our debt.

In summary, we've had a good start to 2026, but there is still a lot of work for us to do, and we will continue to assume that the external environment will do us no favors. We have to control what we can control and execute with a capital base in place that aligns with our strategic goals and objectives, it's time to play offense, built on a culture of operational excellence and customer service, supported by new product development and tied to the financial goals that make us accountable.

With that, operator, you can open up the call for questions.

Operator

Thank you. At this time we will be conducting a question-and-answer session. [Operator Instructions] And the first question today is coming from Rosemarie Morbelli from Gabelli Funds.

Q: Thank you. Good afternoon everyone. And congratulations on all of the progress you have made so far and thank you for all of the details you have given us. I have a few questions. Your top line growth of 7%. I mean, I understand it was very strong in North America and not so much in Brazil and India. But could you separate the price and the volume?

Douglas Kaye III - Chief Executive Officer, American Vanguard Corporation

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Yes. So Rosemarie, thank you for the question. Good question. And one of the things that we're working on more diligently is better data. But I can tell you from the U.S. crop standpoint that the volume was the main driver for the U.S. increase in sales. So there was mainly driven -- the sales increase is mainly driven by volume in the U.S.

Q: Okay. And can you bring us up to date on the generics impact? Is that continuing to affect pricing in addition to volume in other areas in the U.S.? And then if you could give us a better feel for any particular crops that triggered that 17% increase in the U.S.? Or is it that it was so bad last year, and I apologize for phrasing it this way, that it is easy comps more than real demand?

Douglas Kaye III - Chief Executive Officer, American Vanguard Corporation

Sure. Let's answer the first question, the generics impact. The generics are definitely coming into the marketplace fairly heavily and in the environment that we have here in the ag cycle, they are prevalent. Having said that, a majority of our products are fairly sticky in the marketplace with the brand reputation. So we are seeing spotty. Specifically, I've talked about Folex in the past, generic pressure. And that has not yet impacted 2026 sales, because we haven't got into that cycle yet. But we have a very strategic generic strategy to fight that. And so we're actively engaged to fend off that our market share and actually grow our market share in the U.S. in that segment of Folex.

As far as crops, I can tell you that Impact and Aztec were the two large products that we have here that showed increases in sales. Was it related to 2025 or was it related - - I mean, Q1 of 2025 being poor or was it related to Q4 of 2025 being poor or just a switch in timing of the purchases by the market, it's hard to tell. We did see that -- I mean, I can tell you that Impact and Aztec were down in Q4, and they were up in Q1 of this year.

Having said that, Metam was still flat or slightly down after being down in Q4 of 2025. I think a lot of it is a changing in the dynamics of the market and how they buy and we're just trying to feel that out. It's kind of a convoluted answer, but it's still something in motion at this point in time, Rosemarie. The one last thing I'd say about crops is that we're a small player in the grand scheme of things. We have a broad portfolio that works very well. But the amount of acres that were on in relation to the total amount of acres of corn and soybean, it doesn't really impact us that much in those two crops, where we would see more impact would be in the cotton and peanut acres.

Q: Okay. So that would be the impact in Brazil on the cotton side, right, more than in the U.S.?

Douglas Kaye III - Chief Executive Officer, American Vanguard Corporation

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Yes. But I mean the impact that we saw in Brazil in Q1 was a comparable issue between Q1 of 2025 and Q1 of 2026. We had some sales in Q1 of 2025 that leaked over from Q4 of 2024 in Brazil due to timing of shipments. And so it made it difficult from a comparable standpoint.

Q: Sure. Just one quick one, if you don't mind. Corteva is expecting the ag market to grow low-single digit in 2026. Do you agree with that assessment? Or do you have a different view because you are offering different product lines?

Douglas Kaye III - Chief Executive Officer, American Vanguard Corporation

I think the ag industry is going to grow single digits for sure. I don't think it's going to be negative this year, and it is going to grow. It still as we said, there's a lot of things in front of us with geopolitical aspects of it. One, commodity prices; two, and weather and pest. But those are all in front of us as a negative, but it does feel like there's a little bit of clean air in front of us now.

Q: All right. Thank you very much.

Douglas Kaye III - Chief Executive Officer, American Vanguard Corporation

Thank you, Rosemarie. Thanks for the questions.

Operator

Thank you. [Operator Instructions] And there were no other questions from the line at this time. I will now hand the call to Dak Kaye for closing remarks.

Douglas Kaye III - Chief Executive Officer, American Vanguard Corporation

Thank you. In summary, we had a good start to 2026, but there is still a lot of work for us to do, and we will continue to assume that the external environment will do us no favors. We have to control what we can control and execute with a capital base in place that aligns with our strategic goals and objectives, it's time to play offense, built on culture of operational excellence and customer service, supported by new product development and tied to financial goals that make us accountable. Thank you all for your time today.

Operator

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