

# AgroFresh

We Grow Confidence™

**AgroFresh Solutions, Inc.**

**Fourth Quarter 2020**

**Supplemental Earnings Presentation**



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# Fourth Quarter & Full Year 2020



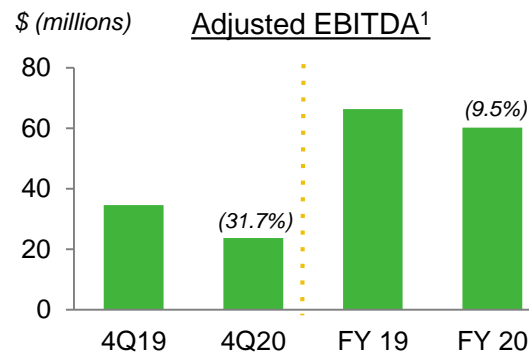
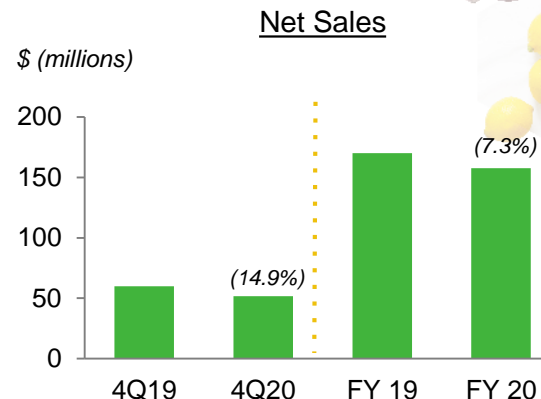
## Challenging 2020 Impacted by Global Pandemic

- Diversification project delays
- Unpredictable short-term customer purchasing decisions
- Foreign exchange impacts



## Strong Position Heading into 2021

- Cost optimization & efficiencies insulating gross margin and operating cash flow
  - Demonstrating value of service platform
  - More efficient organization poised to drive growth
- Comprehensive refinancing in July 2020 provides greater flexibility to pursue next phase of growth
- Focused on future growth:
  - Continued focus on expanding growth platforms: Harvista & FreshCloud
  - Innovative launch of plant-based coatings line: VitaFresh Botanicals



Three and twelve months ended December 31, 2019 and 2020

(1) See GAAP to Non-GAAP schedule in appendix of this presentation for a reconciliation of Adjusted EBITDA to net loss.

# SmartFresh™



## 2020 Business Drivers

- Significant headwind from smaller harvests in key geographies
  - Southern Hemisphere: overall crop volume down 4.3%
  - United States: deterioration of the apple crop, down 11%
  - Europe: apple revenue down 9% in 2020 due to smaller crop size; however, revenue up 11% for other crops (pears, kiwis)
- Managing against competitive entrants through emphasis on quality and service



## ActiMist™

- Foggable fungicide co-application with SmartFresh has become part of the overall SmartFresh Quality System
- New active launched in 2020, increased revenue by 56% in the Pacific Northwest
- Offers future growth opportunity into other regions

# Crop Penetration and Diversification



## Diversification in Crop Mix

- Citrus is second largest crop category
  - Representing 12% of revenue
- 7% of 2020 revenue is comprised of other crops
  - Opportunities in avocados, tomatoes, tropicals and broccoli

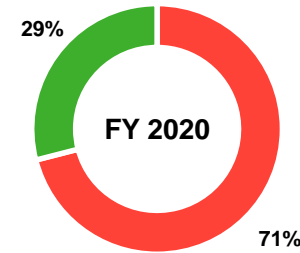
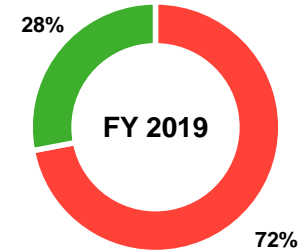


## VitaFresh™ Botanicals Launch

- Plant-based edible coatings
- Solutions for a wide variety of crops including citrus, avocados and mangos
- Utilizes “anti-thirst” technology to boost the skin’s natural protection
- Sustainability benefits and customer claims attractive for retailers
- First major customer adoption for use in avocados will be announced soon



## Sales Mix



- Apples
- Other Crops

# Harvista™

## A Near-harvest, Synergistic Solution with SmartFresh



### 2020 Business Drivers

- Net sales increased 8.5% versus prior year
- New markets:
  - Australia and Brazil benefited from recent approvals
- Existing markets:
  - Double-digit growth in Turkey and South Africa
  - Spain, Italy, and Poland benefited from emergency use permits
  - Headwind from better than expected labor availability in the US



### New Regulatory Approvals Anticipated to Drive Growth in 2021

- Apples in New Zealand
- Blueberries in Argentina

- Applied just before harvest for greater fruit quality, color and size
- Extends the ideal harvest window, reducing losses
- Allows for improved labor management
- Patent protection through 2031

# Tecnidex

## A Leader in the Post-Harvest Citrus Market



### Business Drivers

- 4Q20 increased 21% versus prior year period
- Larger crop and customer gains in Spain
- Latin America grew 21% in 2020
  - Became second largest region



### Domain Expertise was Key in the Development and Launch of VitaFresh Botanicals Coatings

- Utilized formulation R&D expertise in Valencia as well as coatings plant
- Provides necessary equipment infrastructure to apply the coatings at customers' packing lines



### Capturing Cost Synergies in Valencia, Spain

- Transfer European headquarters from Paris to Valencia
- Manufacturing SmartFresh tablets and Harvista packaging
- Will continue leveraging facility and expertise for global operations



- Provides post-harvest crop diversification
- Spain, Portugal, Morocco and Egypt are major existing markets
- Technical expertise in fungicides, coatings and waxes with leading global suppliers
- Service/solution-oriented approach

# FreshCloud™

Combines the Power of Data and Analytics with Deep Agricultural Expertise to Optimize Freshness and Produce Supply Chain Decision-making



## Created a Breakthrough Quality Management System

- **FreshCloud™ Harvest View:** complements Harvista™ near-harvest solution with an automated tool to optimize and increase the speed of fruit maturity assessment and harvest decision-making
- **FreshCloud™ Quality Inspection:** new mobile inspection service standardizes the produce inspection process with enhanced organization and visualization capabilities to provide grower teams with rapid access for optimized quality decision-making



## Further Integration of Digital Tools in Our Full-service Model

- Will allow for comprehensive insight across supply chain



## Customer Adoption

- Hortec to utilize FreshCloud Harvest View with apple growers in South Africa
- Montague in Australia successful implementation of FreshCloud Quality Inspection across its network
- First US customer contract signed in February with Blue Star Growers – more to come

AgroFresh





## Financials

**AgroFresh Solutions, Inc.**

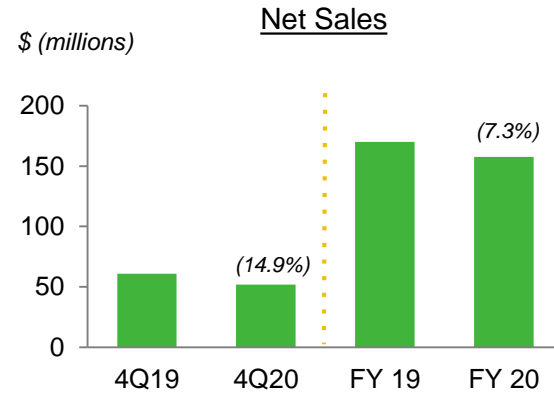


# Revenue Details



## Fourth Quarter and Full Year Highlights

- 4Q20
  - Net sales decreased 14.9% to \$51.9 million (constant currency decrease of 16.3%)
  - Drivers: smaller N. American crop size, competition, European harvest timing relative to 2019
- FY 2020
  - Net sales decreased 7.3% to \$157.6 million (constant currency decrease of 6.2%)
  - Drivers: lower volume of SmartFresh on smaller crop size and a decrease in EthylBloc sales due to COVID-19 impacts, partially offset by growth in fungicides, Harvista and diversification strategies



Three and twelve months ended December 31, 2019 and 2020

# Gross Profit



## Gross Margin

- 4Q20
  - Gross margin was 73.5% (versus 77.8% in the prior year)
  - Drivers: negative fixed cost leverage on lower sales volume and product mix
- FY 2020
  - Gross margin was 73.2% (versus 73.5% in the prior year)
  - Drivers: lower revenue offset by supply chain efficiencies
- Strong post-harvest margins supported by:
  - Service platform
  - Asset-light operating model
  - Continued R&D investment

# Operating Expenses



## Ongoing Cost Optimization Progress

- Creating greater efficiency for our business to better align operating structure
- FY 2020 SG&A improvement of 9.4%



## Selling, General and Administrative

- 4Q20 expenses increased 12.4% versus the prior year period
  - Increase were higher non-recurring expenses related to severance & phasing of some discrete expenses versus prior year
- FY 2020 expenses decreased 9.4% versus the prior year period
  - Ongoing cost optimization initiatives, decrease in travel & other miscellaneous expenses as a result of the COVID pandemic



## Research & Development

- 4Q20 decreased \$0.4 million versus the prior year period
- FY 2020 costs decreased \$1.8 million versus the prior year period
  - Driven by the timing of projects

# Net Loss & Adjusted EBITDA



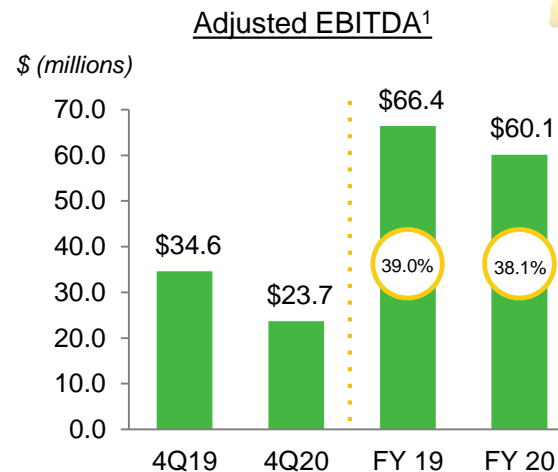
## Net Loss

- 4Q20 net loss of \$2.7 million (versus net loss of \$22.2 million in 4Q19)
- FY 2020 net loss of \$53.0 million (versus net loss of \$54.2 million in FY 2019)
  - FY 2020 Drivers: non-cash amortization expense of \$43.7 million & non-cash valuation allowance of \$24.7 million



## Adjusted EBITDA<sup>1</sup>

- 4Q20 of \$23.7 million (versus \$34.6 million in 4Q19)
- FY 2020 of \$60.1 million (versus \$66.4 million in FY 2019)
  - Adjusted EBITDA margin decreased 90 bps to 38.1% versus prior year



Three and twelve months ended December 31, 2019 and 2020

○ Adjusted EBITDA<sup>1</sup> % of Revenue

# Key Cash Flow Items and Liquidity



## Cash Flow from Operations

- Positive trends in Operating Cash Flow:
- 2018: \$3.0 million
- 2019: \$20.1 million
- 2020: \$26.7 million

Cash Flow Items (\$M)	FY 2020	FY 2019	Change
Cash Flow from Operations	\$26.7	\$20.1	\$6.6
Cash Flow from Investing	(\$2.4)	(\$4.4)	\$2.2
Capital Expenditures	(\$2.4)	(\$4.2)	\$2.0
Cash Flow from Financing	(\$4.9)	(\$22.0)	\$17.1
Change in cash, net of foreign currency	20.2	(\$5.0)	\$25.2
Ending Cash	\$50.0	\$29.8	\$20.2



## Capital Structure

- Completed comprehensive refinancing on July 27, 2020
- \$150 million convertible preferred equity investment by Paine Schwartz Partners
- Net debt-to-adjusted EBITDA<sup>1</sup> ratio of 3.8x
- Term loan maturity extended to December 31, 2024
- Undrawn \$25 million revolver

Liquidity (\$M)	12/31/20
Gross Debt	\$276.5
Cash	\$50.0
Net Debt	\$226.5
Preferred Equity	\$150.0

# Summary



## Global Leadership Position with Scalable Model

- Leader in global post-harvest market
- Expanding our addressable market
- Experienced management team



## Growth Strategy

- Drive organic growth through innovation
- Leverage partnerships to bring novel technologies to market



## Improved Operating Structure

- Attractive gross margin coupled with cost optimization initiatives enables operating leverage and cash flow generation



## Appendix

**AgroFresh Solutions, Inc.**



# Reg G Reconciliation

## GAAP Net Loss to Non-GAAP EBITDA and Adjusted EBITDA

(in thousands)	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Year Ended December 31, 2020	Year Ended December 31, 2019
<b>GAAP net loss including non-controlling interests</b>	\$ (2,663)	\$ (22,218)	\$ (52,966)	\$ (54,153)
Provision (benefit) for income taxes	1,363	(11,970)	31,376	(24,500)
Interest expense <sup>(1)</sup>	5,268	7,763	23,669	33,784
Depreciation and amortization	12,195	46,764	46,970	83,456
<b>Non-GAAP EBITDA</b>	\$ 16,163	\$ 20,339	\$ 49,049	\$ 38,587
Adjustments:				
Share-based compensation	893	603	3,598	2,714
Severance related costs <sup>(2)</sup>	455	50	885	1,086
Other non-recurring costs <sup>(3)</sup>	857	2,440	3,240	8,745
Loss on foreign currency exchange <sup>(4)</sup>	5,302	1,243	2,836	4,127
Debt modification and extinguishment costs	—	—	5,028	—
Grant income	—	—	(2,974)	—
Litigation recovery	—	—	(1,600)	—
Contingent consideration adjustments, net <sup>(5)</sup>	—	(458)	—	(330)
Impairment of assets <sup>(6)</sup>	—	10,432	—	11,424
<b>Total Adjustments</b>	\$ 7,507	\$ 14,310	\$ 11,013	\$ 27,766
<b>Non-GAAP Adjusted EBITDA</b>	\$ 23,670	\$ 34,649	\$ 60,062	\$ 66,353

(1) Interest on debt, accretion for debt discounts, debt issuance costs and contingent consideration.

(2) Severance costs related to ongoing cost optimization initiatives.

(3) Costs related to certain professional and other infrequent or non-recurring fees, including those associated with litigation and M&A related fees.

(4) Loss on foreign currency exchange relates to net losses and gains resulting from transactions denominated in a currency other than the Company's functional currency.

(5) Non-cash adjustment to the fair value of contingent consideration, including TRA and contingent payment related to the Tecnidex acquisition.

(6) Impairment of assets related to software and investments.