

Financial Analysis on:



1. Abstract

The research presented here examines American Vanguard Corporation's financial results from 2013 to 2023, paying particular attention to profitability and solvency indicators. The company's balance sheets, income statements, and cash flow statements are thoroughly examined to identify and analyze significant trends in cash flow, revenues, net income, and important financial ratios like profit margin, asset turnover, ROI, and ROE. In spite of possible difficulties in the agricultural chemicals industry, American Vanguard exhibits adaptability as well as possible increases in profitability and solvency ratios in the later portion of the period under review. The study offers significant implications for stakeholders and industry observers alike, not only evaluating American Vanguard's financial management strategies but also offering insights into financial practices and challenges within the agricultural chemicals industry.

2. Market Cap

American Vanguard is ranked 6405th in the world in terms of market value, with a market capitalization of \$0.31 billion as of March 2024. Having a focus on crop protection and management products, it faces competition from companies such as CVR Partners (UAN), McEwen Mining (MUX), Rayonier Advanced Materials (RYAM), Endeavour Silver (EXK), and Intrepid Potash (IPI). McEwen Mining is a gold, silver, and copper mine; CVR Partners is primarily a fertilizer company. Endour Silver runs silver mines, and Rayonier Advanced Materials manufactures high-purity cellulose. Potash and Langbeinite products are the areas of expertise for Intrepid Potash. These competitors influence market dynamics and investor sentiment since they work in related industries within the chemicals or natural resources sectors.

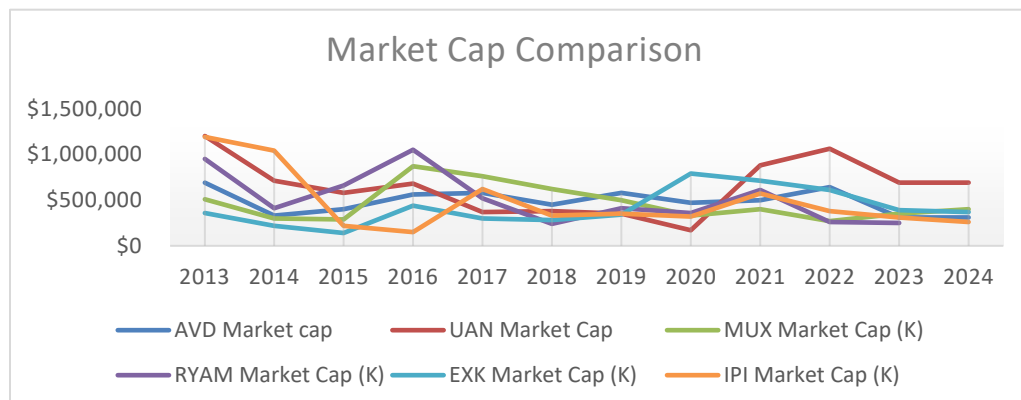


Fig 1 Market Cap

3. Revenue generation

The most recent financial reports from American Vanguard show that the company's revenue for the trailing twelve months (TTM) is \$0.56 billion, which is an increase from \$0.55 billion in 2021 but a slight decrease from \$0.61 billion in 2022. Similarly, the company's TTM period earnings before interest and taxes (EBIT) are \$4.87 million, which is an increase from \$27.14 million in 2021 but a decrease from \$35.96 million in 2022. American Vanguard has experienced variations in revenue and earnings over the last ten years, which have been impacted by market circumstances, industry dynamics, and strategic initiatives. These financial indicators shed light on how well the business is performing and how profitable its operations are.

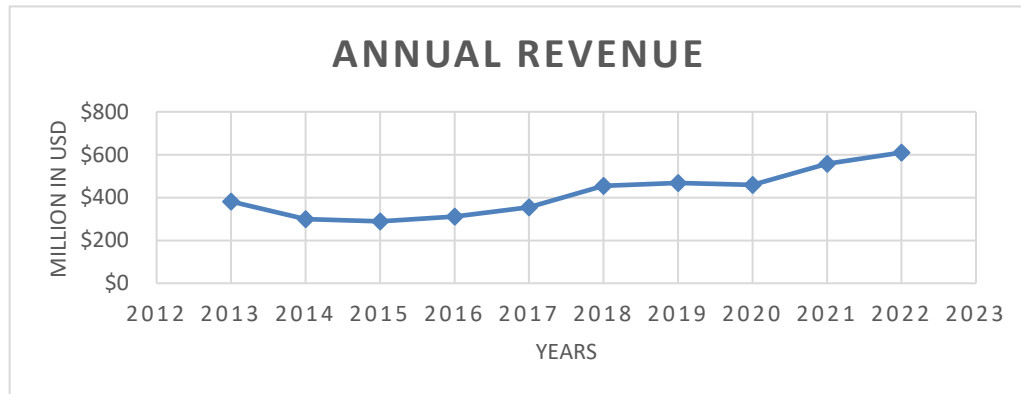
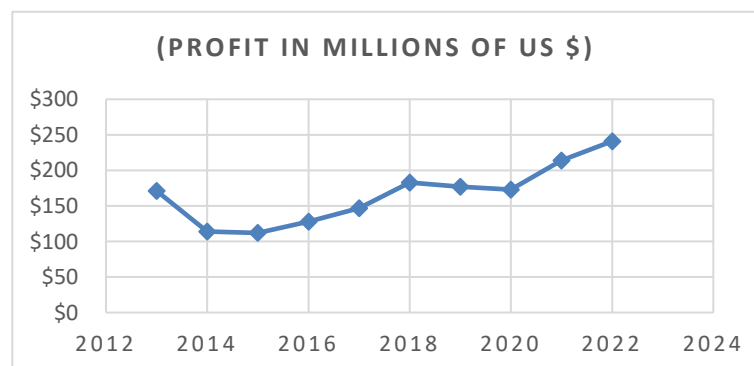


Fig 2 Annual Revenue comparison

4. Profits

Over the last ten years, American Vanguard Corp. has shown a steady increase in yearly gross profit, with variations due to changes in the market and strategic choices. The business posted a \$241 million gross profit in 2022, continuing its upward trajectory from \$112 million in 2015. This suggests efficient cost control and increases operational effectiveness as it shows a positive trajectory in revenue generation. The company's consistent annual growth in gross profit suggests that its financial standing is strong. To fully comprehend American Vanguard's overall financial performance and stability, it is imperative to examine additional financial metrics like net profit margin, debt levels, and cash flow. In 2023, net sales fell by 10% as a result of a 14% decline in domestic sales and a 3% decline in sales abroad. The gross profit margin dropped to 31% despite a 9% drop in the cost of sales because of less economical factory performance. While operating expenses went up, net income dropped significantly to \$540 from \$23,506 in the previous year due to lower income before taxes and higher interest expenses.



5. Assets liabilities and Inventory

The company's current assets, liabilities, and liquidity ratios from 2013 to 2023 show a strong financial profile. Stronger liquidity is indicated by the current assets' steady upward trend over the period. The growth in assets has outpaced the gradual increase in current liabilities, indicating efficient working capital management. The company's ability to meet short-term obligations with its current assets is demonstrated by the current ratio, which continuously exceeds 1. Furthermore, the quick ratio continuously exceeds 1, indicating the company's ability to pay short-term obligations without depending on inventory sales. All these indicators point to the company's ability to sustain a strong liquidity position, which guarantees both financial stability and operational continuity.

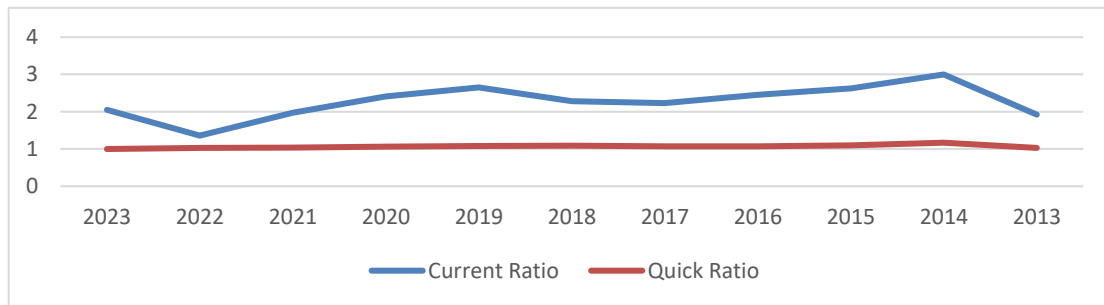


Fig 4. Quick and Current ratios

6. Debt and Equity

The debt-to-equity ratio of American Vanguard Corp. has fluctuated between 0.78 and 1.28 throughout the years, indicating the company's steady financial standing. Effective capital utilization is demonstrated by the consistent growth of shareholder equity, which increased from \$820 million in 2014 to \$1.07 billion in 2021. The long-term debt, which will be \$1.2 billion in 2023, is still comparatively stable. This stability is a result of careful debt management without excessive leverage. The firm is in a strong financial position to grow in the future. However, for a precise evaluation of the competitive landscape, benchmarking against peers and industry standards is advised. Maintaining financial stability and seizing opportunities requires constant observation of market trends, industry dynamics, and strategic initiatives. Given the circumstances, American Vanguard Corp.'s financial operations exhibit resilience and prudence, which promotes sustained growth and prosperity.

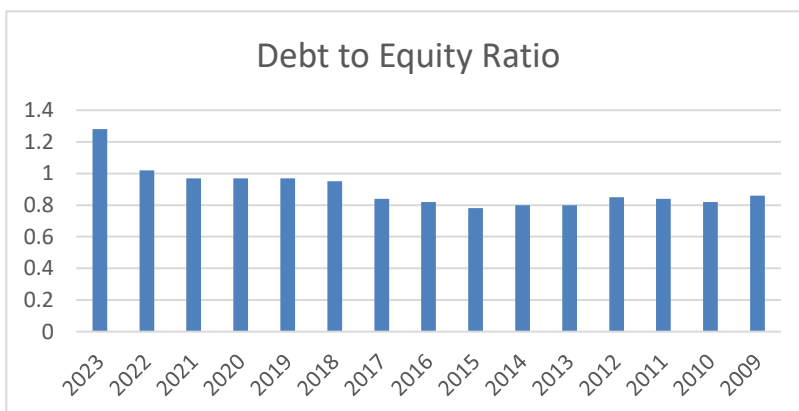


Fig 5 DEBT and Equity ratio

7. Returns/Investment

The financial performance of American Vanguard Corp. exhibits shifting patterns over time. With total assets of \$2,090K and trailing twelve months (TTM) net income of \$90K in 2023, the return on assets (ROA) was 4.57%. Compared to prior years, this shows a moderate asset utilization efficiency. Interestingly, with total assets of \$1,180K, the company reported a noteworthy TTM net income of \$260K in 2013, resulting in an impressive ROA of 24.07%. Nevertheless, there were variations in the years that followed, with ROA varying from 2.97% in 2015 to 9.06% in 2022. The total assets increased from \$1,280K in 2016 to \$2,090K in 2023, showing a steady trend. Additionally, TTM net income varied, peaking at \$260K in 2013 and \$150K in 2022. These trends suggest varying levels of efficiency in asset utilization and profitability over the years, necessitating further analysis to identify underlying factors influencing performance. Overall, American Vanguard Corp's financial performance underscores the importance of ongoing monitoring and strategic management to sustain profitability and optimize asset utilization.

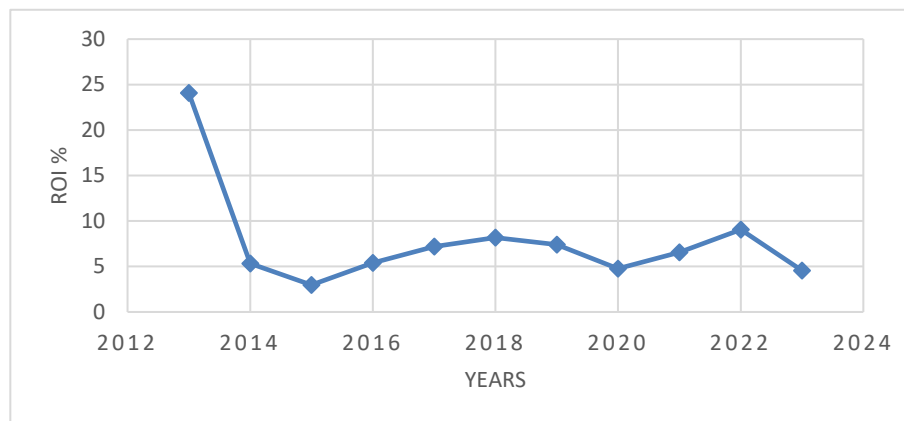


Fig 5 Yearwise Return on Investment

8. Risks

The Annual Report of American Vanguard Corp. identifies a number of important risk factors that could have a big effect on the business operations and financial results of the company. Among these dangers are:

- 1. Global Supply Chain Disruption:** The continuous disruptions in the supply chain present problems for the industry, including delays, unavailability, and unfavorable conditions. Uncertainties remain despite some progress, impacting the availability of intermediates and raw materials. Any significant interruption could have a negative impact on the business's cash flows, finances, and operations.
- 2. Dependency on Few Suppliers:** For some raw materials and active ingredients, the business depends on one supplier or a small group of suppliers. As we've seen in 2022 and the first part of 2023, supply chain disruptions have caused sourcing challenges that have affected production scheduling and product availability. A lack of trustworthy supply sources could reduce sales and have an impact on financial statements. Risk of changing the product based on post clinical trials.

3. **Customer Early Pay Program:** By providing cash flow for covering working capital requirements and lowering interest costs, customer early pay programs benefit the business. Variations in consumer involvement, however, may have a negative impact on working capital management and liquidity.
4. **Regulatory Risks:** Public declarations about product registrations made by regulatory bodies like the USEPA may influence sales and the viability of the business. The usage and acceptance of products on the market may be impacted by regulatory actions resulting from preliminary findings about product safety concerns, like those noted with DCPA.

The risk factors highlight the significance of employing proactive risk management strategies in order to minimize any potential negative effects on the financial performance and long-term viability of American Vanguard Corp. Effectively navigating these challenges requires constant observation and adjustment to changing market conditions.

9. Conclusion

In conclusion, American Vanguard Corporation is exposed to a number of risks, such as regulatory uncertainties, changes to customer early pay programs, reliance on a small number of suppliers, and disruptions in the global supply chain. Despite these obstacles, the business demonstrates tenacity and flexibility, using strategic planning and careful financial management to successfully negotiate the complicated terrain.

American Vanguard exhibits stability and growth in its finances, as evidenced by steady increases in shareholder equity and prudent debt management. The business maintains a solid financial position, setting it up for future growth, despite variations in profitability and asset utilization efficiency over time. Given the circumstances, American Vanguard's persistent growth and success in the agricultural chemicals sector are a result of its proactive risk management techniques and emphasis on financial stability.

10. Appendix

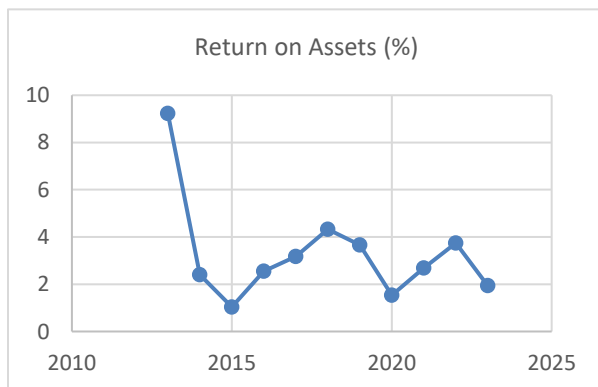


Fig7: Return on Assets

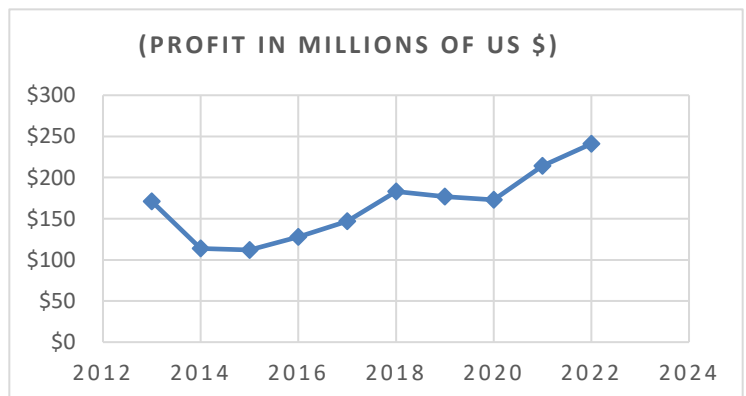


Fig8: Profit over the years

11. References

1. Annual 10-K Reports for American Vanguard Corp <https://www.sec.gov/edgar.shtml>
2. <https://fullratio.com/debt-to-equity-by-industry>
3. <https://companiesmarketcap.com/american-vanguard/marketcap/>
4. [https://www.marketbeat.com/stocks/NYSE/AVD/competitors-and-alternatives/#:~:text=The%20main%20competitors%20of%20American,and%20Gatos%20Silver%20\(GATO\).](https://www.marketbeat.com/stocks/NYSE/AVD/competitors-and-alternatives/#:~:text=The%20main%20competitors%20of%20American,and%20Gatos%20Silver%20(GATO).)