



Q4 and Fiscal Year 2023 Prepared Management Remarks **October 13, 2023**

Please review the following prepared management marks in conjunction with the company's fourth quarter and fiscal year 2023 earnings release and webcast. These materials can be found on Oil-Dri's website under the [quarterly archives](#).

The following remarks may contain forward-looking statements regarding the company's performance in future periods. Actual results in those periods may materially differ. In our press release and in our SEC filings, we highlight a number of important risk factors, trends and uncertainties that may affect our future performance. We ask that you review and consider those factors in evaluating the Company's comments, and in evaluating any investment in Oil-Dri stock.

Susan Kreh, Chief Financial Officer and Chief Information Officer

As Dan Jaffee often reminds us, "winning at Oil-Dri is a team game." It is such a pleasure to be a part of this winning team that has worked together incredibly well and has delivered all-time record Net Sales of \$413 million and record Net Income of \$29.6 million. Since the press release does a good job of summarizing our 4th quarter and our full fiscal year results, I will make a few comments on three key themes: momentum, strong growth and strong balance sheet.

Let's start with momentum. While our supply chain team has performed very well, we continue to face inflationary cost pressures as well as increasing costs associated with our aging manufacturing infrastructure. The costs related to our aging infrastructure show up as increased maintenance and repairs expense as well as increased depreciation expense as we replace aged equipment. Both are included in our non-fuel manufacturing costs.

Our sales team continues to focus not only on making sure that we serve our customers well, but also on recovering those increased costs through pricing initiatives in order to restore pre-pandemic margins. While we have not yet recovered margins to our pre-pandemic levels, we made significant progress in fiscal 2023. During the 4th quarter our Gross Profit margin grew to 28.3% from 26.1% in the 3rd quarter and 22.6% in the quarter before that. For the full year, our gross margins grew to 25% from 17.9% in the prior fiscal year. Therein lies momentum. Momentum in successfully restoring our margins.

Next let's highlight strong growth. Consolidated net sales were up double-digits for both the fourth quarter and the full year, growing 15% and 18% respectively, with all areas of our business achieving record annual net sales driven in large part by increased pricing. However, we also had meaningful full-year volume growth of 19% within our Business-to-Business segment. That volume growth, on a consolidated basis, was offset by the purposeful shedding of some low-profit volume within our Retail and Wholesale segment.

And finally, let's talk about our strong balance sheet. Our record full year financial performance of Net Income Attributable to Oil-Dri which was \$29.6 million, resulted in a record full year Net Cash Provided By Operating Activities of \$49.8 million, which compares to \$9.0 million in the prior year. In other words, we generated more than five times the cash from operations in fiscal 2023 than in fiscal 2022. This strong cash generation served to further strengthen our balance sheet and our financial position. That, coupled with the termination during the year of our defined benefit pension plan, leaves Oil-Dri with a strong balance sheet and well-positioned to invest in growth opportunities. Our cash priorities continue to be investing and reinvesting in our business with a focus on future growth opportunities while maintaining our existing asset base, supporting our dividend which we have increased for 20 straight years, maintaining enough financial strength to support strategic M&A if targets become available, followed by opportunistically repurchasing shares of our stock.