Mike: All right. Thank you for joining us for our next session. My name is Mike Ryskin. I'm on the Life Science Tools and Diagnostics team, also covering Animal Health. Joining me here today from the team is Senior Analyst Derik De Bruin.

And for our next session, we're joined by Phibro Animal Health. With us here we have Jack Bendheim Chairman and CEO, and also Dani Bendheim and Damian Finio. Thank you for being with us, gentlemen. Appreciate you taking the time.

And I think just to get the ball rolling a little bit, you guys reported earnings just this past Thursday/Friday, the fiscal 3Q for you, very strong results. Maybe just a little bit of a quick background, sort of can you give us a recap of the main points from the earnings sprints, sort of what you thought was the most notable points.

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Damian: Let me start. So yeah, we had a good third quarter and we also put out our guide for the fourth quarter and what would be our full year. So, we went through year-to-date basis for our results because we think it gives a better view of the underlying performance of the business. So, on a year-to-date basis, although sales are comparable to prior year, the bottom line is up quite a bit.

Our Animal Health segment performs pretty well. And you'll see within that segment we break it down into three buckets, and Nutritional Specialties is up year-on-year about 8% and EBITDA for that segment is up about 1% year-to-date. And then for Mineral Nutrition and Performance Products, both are having a really strong year, especially Performance Products. I'm sure Jack will talk about that a little bit later in our conversation. So overall, really strong quarter, good top line and solid bottom line performance.

Our guide for Q4 is incremental  growth, over the third quarter. Sequentially speaking, each quarter has been a little bit better since the first full quarter of COVID, which was the quarter ending June 2020. Our earnings call will be in August for our year end, our June 30th year end and at that time we hope to be in a position to give full year guidance for our fiscal year '22. So, overall a really strong year to date.

Mike: I appreciate that Damian. Maybe just to follow right back off of that. I don't know if this is for you Jack or for Damian. But as you cited, really volatile conditions over the past year with COVID, everything that's been disrupted in the US and international markets, as far as restaurant closure, supply chain, things like that. Can you give us an update on sort of where we stand today?

It seems like we're mostly past the COVID challenges. Things have mostly normalized and obviously you're not benefiting from those easy comps. Is that a

fair assessment sort of where you see market conditions in the US, where you see market conditions in other developed markets? But then also in developing economies like parts of the Latin America, parts of Asia Pacific region sort of.

Jack: Listen, we all know about COVID and we all know how COVID affected everybody in their own businesses, in their own lives. Clearly the wealthy countries are concrete. They had both the ability to put money into the marketplace, into peoples' pockets, as well as vaccines into peoples' arms, have come out well, will be coming out well of COVID. I mean it was a crazy year, horrible year, but they are quickly coming back to whatever normal would be. And we're seeing that in the US and we're seeing that in other parts of the world.

I think in the parts of the world that do not have either the wealth or the vaccine, recovery is going to be much slower. And in parts of the Far East - and putting India even to the aside, but that's in the headlines - there the economic recovery is slower, will be slower, which means people will have less money in their pockets, which means people will be slower to buy protein. I mean they'll revert to the way it was three, four years ago or earlier. And I think that's the dynamic we're going to see.

So yes, back pretty fast and doing well in the US, doing better in Brazil, doing well in Europe, but in the rest of the world, it's going to be a slow go, and I would say at least for another year.

Mike: Okay. And in some of those developing economies, in the past, and then we talked about was sort of the trade up or the trade down in protein class, where if you think about people's economic status, I think beef is usually the most expensive protein followed by pork followed by poultry. Are you seeing any dynamics like that where you're seeing that they order more demand poultry over less demand for pork or cattle or is that sort of too nuanced and too short-term to make an appearance here?

Jack: No. I mean it's not nuanced. It's how things are and how things have been. Some of these markets I'm referring to don't have pork as an alternative protein with a strong Muslim influence so it's really nothing or poultry. And then cattle is really expensive. So, you need stronger economic growth for people to go ahead and try steak, often for the first time in their lifetime.

But I think as you see from everyone you speak to, by looking at the results of what we're seeing here in the United States, what I'm seeing in my neighborhood, in terms of people who've gotten the vaccine, people who for the first time have visited in-laws. Maybe they could have done it before. They might have chosen not to. The recovery, people are starting to go restaurants again, so there it's going

to happen. The comeback is going to be really quick. I think that's people's reactions. I live in the Bronx, so Manhattan is filling up again. And restaurants are filling up. Definitely the highways are more crowded today than they were two months ago.

See people's reactions will be much faster and all the pundits would say, oh my God, it's going to be very slow recovery and people are never going to leave their homes. I don't think that's the case. I think once people feel comfortable and once people have vaccines, it's going to come back, it's going to bounce back. But that's in the US and that's in countries that, again, are lucky they have the vaccines. Many parts of world do not have the vaccines yet and are still dealing with the pandemic. It may be round three, it maybe round four. So, for those countries it's going to take a bit longer, but eventually I think everyone will be vaccinated and that seems to work, so just in time.

Mike: Okay. And that's very helpful commentary. We're seeing sort of a similar dynamic in the rest of our coverage universe. In life science tools and the diagnostic space there's certainly a little bit of a duality between some of the developed markets and some of the developing economies.

One area we haven't really touched on or talked about so far is China. Obviously both from a demand perspective, but there's also the supply perspective with pork and the swine industry there. ASF was the big story there over the past year, coming up on two years now. I think it was August 2019 when that first really started cropping up.

All indications are they're in the middle of sort of a massive rebuild and that should be – isn't that positive for you in terms of selling into that market? But, we are also hearing some pockets of renewed outbreaks, maybe even different strains of ASF. What are you seeing on the ground and sort of how have your assumptions for China evolved over the last couple of months?

Jack: So China is working very, very hard on trying to rebuild the herd, followed up by the government putting vast amounts of money into the larger farmers to build facilities that can have high levels of biosecurity. But the disappointment is that African swine fever has not gone away and I don't think will go away until there are successful vaccines. And even though there's been some good attempts in China, so far there are no successful vaccines. We all read about illegal knockoff vaccines, they're causing more harm.

So, I think it's going to be a long time at this rate till China basically even goes back to its self-sufficiency, which was not self-sufficient back in 2019; 2018, 2019. And you have to remember this time, besides everything else, they've

emptied the freezers– I don't know how empty because no one knows how much was in, but they keep sending out when they need to lots of frozen pork.

So besides everything else, besides trying to get the herd back to a size, they need to refill those strategic storage areas for pork. So I think China will be a big importer of pork for the United States and for the rest of the world for the next, I don't know, foreseeable future; for the next five years, at least. And that'd be good and that's good for us because we sell - I mean our products are around the world.

For us in China, when African swine fever hit, we got a double whammy. It hit and then we lost our registration for virginiamycin. And so, we've done – we turned our sales team there around and we're starting to concentrate more on the dairy industry. And we're starting to build up business and doing okay there and that's growing every month.

And I'm not sure. We're hopeful to be able to get our registration back in the foreseeable future. But first we're delayed by COVID, then we're delayed by various things, which just happened in China. So that's going slower than we'd like to see, but in the meanwhile China imported pork from everywhere in the world, which they can, is good for us, so.

Mike: But just to follow up on your comments there. If we sort of go forward a couple of years, and this is just – I'm not asking for specific numbers, I'm not trying to pin you down to any, but just sort of thinking hypothetically. One trend we've seen in China is they are trying to become more industrialized with their swine industry. They're getting rid of some of the backyard farms. They're trying to become a little bit more careful with how they do some of these practices to prevent outbreaks like this in the future.

Everything we're reading is that those practices tend to include more animal health drugs and they tend to be more reliant, sort of some of the same protocols that are used in the US and Europe. Between that and between the fact that you're investing in the dairy business, do you think that when we come out of this ASF pandemic, however many years in the future it is, China could suddenly be a much bigger business for you than it has been in the past?

Jack: So, China will always be a big part of our business. And if they can solve the problem, yes, they'll be a huge producer of pork and we'll have our products in there. My hope is, truthfully, that the vaccine, the ASF vaccine that we're working on will be part of the solution. That'll be bigger than anything we've ever seen before.

And our efforts on that end have been slowed down by COVID because China, effectively they took all the laboratories and all the testing centers and they put everything into working on COVID. And it's amazing to see how an authoritarian regime can work. Because on Monday you thought you were working on ASF, but by Wednesday you say "ASF, we don't do that here. It's all COVID." And that's what happens.

So, listen, they've conquered COVID in many different ways, not like we've done in the United States, not through vaccines. But conquered in a way that maybe we would have liked to, which is they shut everything down and they basically did not give COVID a chance to really grow. And the economy in China is strong. People on the streets, people doing whatever they want to do, people are going back to eat.

But the same nature in China makes it almost very difficult to control a virus like African swine fever. Because even though – you know what happens? In order to have really good biosecurity at a farm, that has grown now successfully 1,000 pigs without facing the virus, you can't get any bigger and that's doesn't happen in China. I mean the economic incentive in China is such, it's like with our farmers, but worse. If I'm making money in 1,000 pigs, maybe I'll make twice as much money in 2,000 pigs. And how am I going to do that?

Next thing you know, the virus is introduced. They're going out and they're buying pigs from backyard farms, even though the idea was to shut backyard farms down. You can always pick up a pig from a backyard farm and put it through your system. So it's not going to be forever, but it's going to be a long time to manage African swine fever. And again, as long as the economy in China stays strong, it's still positive for the rest of the world.

Mike: Really appreciate the context. I want to follow up on a couple of points you touched on there. First, you mentioned your own ASF vaccine. I know it's something that you first brought up a couple of months ago, a couple of quarters ago. Haven't had too much follow up since then. I think at the time we kind of said that it was still in a relatively early stage. Do you have any updates on that? Is it still sort of ways down the road or anything you can say on your ASF vaccine progress?

Jack: So, as I was saying, COVID – I mean the fact that everything is shut down in China, we've been unable to get our people into China to follow up on some of the development. And I think till China opens up, which my guess will be sometime around the end of this year, November, December, we'll not be able to sort of restart. We've been doing some testing, working with our Chinese

partners, but that's at a much slower pace, so. It's a great question, obviously. Hopefully I'll have a good answer for you sometime next year.

Mike: And from what we've seen, it's actually difficult to work on the vaccine outside of China because most countries won't allow you to import the ASF virus because of biosecurity issues. They don't want you to bring it in, even if it's a research lab, right?

Jack: Exactly. And the ASF in China is slightly different than everywhere else too. This is something you have got to work on in China because at the end of the day, even if you've done some work, wherever you've done some work, the fact is it means you need permission from the Chinese government to bring in the vaccine. And they're going to be very careful of bringing in the vaccine, which is based on a virus, which might not be circulating in China. So it's very complicated, and it is China.

Well, we're still in the game. We're still in the mix. We have cooperation from the government in trying to help us to get the kind of time necessary with the sick pigs and time necessary in the laboratory that can handle this very, very virulent virus. And there are only four, maybe five locations in rural China that has permission from the Chinese government to do that and you can imagine they're all booked up all the time. So we're in one now and we're working on moving the work we've done along, but it's slow going. And it won't be fast going again till we're able to get our scientists back into China.

Mike: That makes sense. The other point I wanted to follow up on is some of the other ramifications of sort of how China's dealing with ASF, they talk about a lot – all the imports they're making in pork to offset the lost local supply. I think one of the dynamics we've seen there is we're seeing a really sharp spike in corn and other feed costs and other input costs for a lot of these producers. Any thoughts on how that's impacting sort of the end market demand for your products?

There's some debate whether it'll limit ability for a lot of producers to expand their herd. I mean I think poultry is where we've seen the biggest impact there. But if this persists, it probably could extend into swine and even to cattle down the road. Just curious what your thoughts are on feed costs and other input costs in the industry,

Jack: I think the Chinese have been the best traders in the world for the last 2000 years. So, I think it's just a trade. The imprint cost is high in China, but it's equally high in Iowa. The price of corn is set – will be set by the US, well by the Brazilians, plus the freight. So, it's for them to decide if they're going to want to import the

corn and soybean and raise the animals there or let the farmers in the US and Brazil raise the animals. Ultimately, the price differential won't be that great.

And I think the Chinese are caught between obligations they took with the past US administration in terms of what they need to buy in the United States from our farmers. I don't think that came to an end with the change in administration. I'm not sure. But you have that agreement that was signed and whatever agreements were under that none of us have seen. So, they might be just buying that because they made a commitment to import $70 billion worth of whatever. And clearly it's easy when corn is $8 and when it's $5. Less product, less chips.

I think all these things are dynamic. At the end of the day, pretty much these things even out around the world. China is a huge importer of grains, has always been and will continue to be, as they raise their own animals. But it'll also be a huge importer of the finished items. They'll do what's in their best interest.

Mike: Going back, I think one of the only sorts of markets and business segments we haven't touched on yet is the Nutritional Specialties business. Obviously, I think there's a lot of exposure to dairy in that part of the company. You've had some really strong growth there for a number of years, then 2019 or fiscal year '19 was a little bit of a hiccup. But since then you've rebounded. Strong year last year, another three quarters this fiscal year, strong results. I just want to talk about how much is that some recovery you're seeing in dairy, how much of that is maybe the Osprey business contributing and doing really well, Omnigen. Sort of what are the key drivers there and how sustainable is, that's strengthening Nutritional Specialties?

Jack: I think when we, in a strong way, entered the Animal Health business when we acquired from Pfizer their medicated feed additive business back in 2000, it was predominantly an antibiotic business. And we've all gone over and we've seen the shift most heavily in poultry, meanwhile some in swine, but less so in cattle, of a change in dynamics in the market sort of driven by consumers. And we were in the middle of it. We saw it coming and we've been working hard in developing nutritional specialties to replace antibiotics across all species.

So, the one we had for a while has been dairy and that's visible and we do really well, mainly because dairy cows can't use antibiotics. They get sick and you give them penicillin, you have to throw the milk away, so that's not a good place where the dairyman wants to be. I mean it happens and that happens. So, we came up with some interesting products. But we've grown our business on nutrition specialties in poultry and in swine, and maybe Dani wants to talk a little bit about what we saw on DFMs and the acquisition of Osprey.

Daniel: So, Mike, as you touched on, some of it has been driven by Osprey. And I think actually the first year after we bought the business there was a little bit of a dip, but it's recovered really strongly for us. And the reason we bought Osprey or acquired Osprey to start with is we were working on our own direct quote DFM for the poultry business where we were using them to supply two of the four strains, and that led to conversations that ultimately led to the acquisition. That business, that product that we launched has done really well. We're number two now in the DFM space in poultry and we think there's room to grow.

And being based in this technology, we see is just a really strong place to be. We have a library of strains within Osprey. We're looking at other strains as well. We are, as my Father mentioned, across species. It allows us to come up with products that either target, I'll call it commercial products that target an entire range of species or to be more bespoke, to actually go from farm to farm and to offer them specific strains for the issues that they're facing. And that's something that is similar to the approach we've taken on the vaccine side of autogenous vaccines. And it's an approach that we'll see play out across different species in the United States for us with Nutritional Specialties. So, a lot of really good stuff there. A lot of our innovation, I'd say over the coming years, will be driven by that acquisition and by the people and technologies we have in place there.

Mike: How big is the – I don't know if you're willing to disclose this. How big is the Osprey business for you now or is this sort of fully integrated in Nutritional Specialties and you can't really break it out anymore?

Jack: I think it's difficult to break it out because a lot of it has to do with – we're producing one place, but we're selling from a different part of the business. I mean surprising to say that our Nutritional Specialty business, I would say is going to outpace and out – forget percentage growth -n terms of dollar sales, in two, three years we'll be a lot larger than the whole MFA business. There's just more opportunities. It's fast, it's a market, and it's where the customers, where the consumer is wanting to go. And obviously it's dairy, but we're seeing a lot of – Dani spoke about some products in poultry. We're seeing a lot more opportunities. And the same thing in swine.

Everyone talks to the human side a lot about gut health. The same thing in the animals. And I think if we could figure out gut health, we can make the animals far more productive by staying healthier. And that's exactly what these direct microbials, the right ones will do.

Mike: I mean not only is it growing faster and demand higher, you're also getting probably stronger margins there than you are in MFAs and some of the older product lines in that, right or…

Jack: What we like to say, and it changes, it's pretty much we're in the same – our three businesses, vaccines, MFAs, and nutritional specialties all have approximately the same margins and which is very, very respectable margins. And it's why we invest. I mean this last year – I mean through now and these last nine months we must have invested, just in our nutritional specialties, $15 million in capital to expand the production units that we use to sell. So, we're seeing good growth across species and across geographies.

Mike: We've got about three, four minutes left, and I want to touch on the companion animal business. That's been a big focus in investors. So, Dani, maybe jumping back to, how you see Rejensa, you talked about it for a number of quarters now, but now there's a couple of other products you're starting to talk about. How do you think about that portfolio expanding over time and sort of what's your long-term vision for all of that investment? Five years from now, where are we going be in terms of companion animal for Phibro?

Daniel: So I think internally and externally, what we talk about with our companion animal business is we'd like it to be the fourth leg of the stool. And right now vaccines, MFA and other, and nutritional specialty, those are the three-legged stool that makes up animal health. Companion animal right now is reported as part of MFA and other, but eventually it'll broken out and our hope is it's at least as large as the smallest of those three. And so, our target is $100 million dollars in the time range that you talked about on the top line. And we think that we can get there.

Rejensa itself on its own is not going to get there, but it continues to grow really, really nicely and it's got a lot of room ahead of it. And then as you mentioned, we have a pipeline here that we're developing. We've done a couple of oral care products; one for cats, one for dogs. We have the derma care product, the topic dermatitis.

And then we have our first product, which we announced a few years ago, it's kind of been on the back burner just because of COVID, is our differentiated line vaccine product, the delivery system, that would allow for a consumer to actually use it without having to go through the vet. And that's a product that has been stalled by COVID. All these products are relatively early stage, but we look forward to continuing with these. Hopefully have our partner progress beginning later the summer.

Mike: One last one came in from an investor as we're going through this. If you could provide an update on Carbadox. I know a scenario that's sort of been back and forth for a couple of quarters now and you sort of had to spend a little bit more to

support the continued use of it. I was just wondering if you have an update on that.

Jack: I mean Carbadox has been a product within the portfolio we acquired from Pfizer. So, including the Pfizer sales of that product, this product goes back in the market by 40 years. It's the key product in the nurseries in baby pigs in fighting off swine dysentery. It's used by over 80% of all the pig producers in the United States. It's been safe, it's been effective, and useful all these years.

And then seemingly every once in a while, the FDA, I guess instead of concentrating on COVID, they spend some time on Mecadox and Carbadox. We're spending money to fight it, fight the FDA, and our lawyers are confident. They stay employed. And we're confident because, again, this product is safe and effective. And it would be a major blow to the US pork industry. Again, this is a product that they've been used through all these years and it's really an important product for them. So we're guardedly optimistic. And you never know with the FDA, but I think we're guardedly optimistic that we will win this current foray and continue to keep marketing this product.

Mike: Any idea on timelines there or is it completely unpredictable up to whenever the FDA decides to say something.

Jack: Again, it's the FDA and as you know they now have gone three, four months without a commissioner. I mean, I don't know. None of us know what's happening there.

Mike: That's fair. That's fair, Jack. All right. I think we're at the bottom of our hour. I have a lot more things we could discuss, but unfortunately that's all the time we have. Jack, Dani, Damian, thank you so much for joining us. Really appreciate you taking the time to chat through this. Investors, I want to say thank you for joining us as well. And have a good rest of the conference and the rest of this week.

Jack: Thank you. Thanks, Michael.

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