<<Michael DiFiore, Analyst, Evercore Group LLC>>

Hey, good morning, everybody. Thank you for joining us today at the Evercore ISI Healthcare Conference. I'm Michael DiFiore and I'll be moderating today's fireside chat. I tell you I'm pleased to have the very first time at our conference, Phibro Animal Health Corporation, which is a global diversified animal health and mineral nutrition company. So, from the company today, we have Damian Finio, Chief Financial Officer; and Dani Bendheim, Executive Vice President of Corporate Strategy.

Damian, welcome. Thanks so much for being here. Damian and Dani, thanks so much for being here. For those who are less familiar with Phibro story, perhaps let's just kick it off with some historical background, as well as a high-level overview of the business before we delve into specifics.

<<Damian Finio, Chief Financial Officer>>

All right. Why don't I take that one? And good morning, Mike. Good morning, everybody. And thank you for having us. We're glad to be here at our first Evercore. Hopefully it's not the last, but we'll see how it goes!

So, let me provide a little bit of company background. The company has been around since 1946. So, for quite a while. It was started as a private company. In 2014, we went public. When we started in 1946, we were a chemical company. And since then, through a series of acquisitions and organic growth, we've moved towards animal health. So, the first was in the mid-70s, we bought some animal nutrition assets; in year 2000, we bought a medicated feed additives business from Pfizer, in 2009 we bought some vaccine assets from Teva.

So, over the years, we've pivoted towards animal health to the point now where we operate three primary business segments. Our biggest is animal health. It represents about two thirds of our topline sales. We also have a Mineral Nutrition segment, which is about 26% of sales. And then the legacy business, which we refer to as performance products, is about 8% of sales. Those are all percentages by the way that I'm quoting from our June 30, 2021, 10-K, we are a June 30 year end.

So, I mentioned in 2014, we went public, the Bendheim family, which Dani is a representative of, owns 50% of our company. So, we are a closely held public company. Our President, Chief Executive Officer and Chairman of the Board is Dani's father, Jack Bendheim. He has been with the company in a variety of roles since 1969. Wee have a seasoned management team that has been here for a number of years.

If I could give you some more current numbers, again want to mention we are a June 30 year end, in August we reported our fiscal year 2021 financials. We had a really strong

year, $833 million in consolidated sales, $108 million in EBITDA. In our first quarter 2022, which we just reported a few weeks ago in early November, we had a strong first quarter. There's some seasonality to our products, so our first quarter is always a little bit slow, but we had 10% year-on-year sales growth, driven by our two product lines within animal health that we refer to as nutritional specialties and vaccines. And I'm sure we'll talk a little bit more about those as we get into our conversation here. And we were confident enough in our first quarter results to raise our full year guidance for sales about 2%, so, a modest increase.

What we are looking at for fiscal year 2022 is $860 million to $890 million of consolidated sales and an adjusted EBITDA of about $110 million to $114 million. So, strong last year, strong first quarter and we raised guidance.

The last thing I'd say is one of the things we've started to talk about on the last couple of earnings calls is our interest in the companion animal health space. I'm sure we'll talk again a little bit more about that today. We have a product on the market, some products in the pipeline, and that's probably what we are most excited about when we look to our future. So, hopefully that gives you a little bit of background about Phibro and where we're at today.

<<Michael DiFiore, Analyst, Evercore Group LLC>>

Excellent. Very helpful. So more of a high-level question, just given all the consolidation that has happened, taking place in the animal health industry, what would you consider your competitive advantage to be versus much larger peer companies?

<<Damian Finio, Chief Financial Officer>>

Yes, great question. So, I've been at Phibro for about a year now, a little bit over a year. I spent the first 30 years of my career in human pharmaceutical; about half of that at AstraZeneca. So, I've been at companies of varying size. I'm sure Dani may want to add to this but I'd say from my perspective, there's really four things that differentiate us from other companies.

One, I kind of touched on it earlier. We're a closely held public company. I mentioned Jack's background. It's pretty easy here to get decisions made. Jack sits right down the hall. We have access to the President, CEO and Chairman of the Board. If we need to get something done, we can get it done quickly. And having worked in big organizations where there's maybe more of a hierarchy and a little bit more organizational complexity here, we can cut right through the chase and make decisions pretty quickly. So, I think that's a differentiator versus our competition.

The other thing I'd say is we have a really diverse commercial portfolio. So, although animal health is primarily in feed animals, although I mentioned, we have one product on the market for companion animals, we have Mineral Nutrition and Performance Products, as well. So, we sell over 1,600 product presentations in more than 80 countries. So, very diverse product portfolio, which gives us a lot of stability, especially in these turbulent times that we've all experienced in the last year and a half or two years.

Third thing, for a company of our size, we have access to capital. So, as we mentioned in our last earnings call, we have about $234 million of liquidity. That's broken down about $97 million of cash, $137 million of available credit. And we just refinanced all of our debt back in the spring of 2021. We have a syndicate of banks that we work with, very solid relationships. So, I feel in addition to the cash on hand, access to our credit facility and the relationship with the banks, I think we have pretty good, strong access to capital.

And the last thing I would say again, touching on this companion animals and our interest to move into that space, I would say we have pretty much a blank slate. What I mean by that is if you are a company or an individual out there with a product or an idea and you come to Phibro, you'll have the expertise, you'll have access to capital and you'll have a product that'll get prioritized and won't become the backup for some other compound that we have in development. And you'll have access right to the top. Dani spearheads our efforts in the companion animal space. So, you'll have a voice, and your product will have space, which again, I think, some of the bigger companies may not be able to offer you that. So, I'd say those are our four things, make decisions, diverse commercial portfolio, access to capital and the blank slate as it relates to companion animals.

<<Michael DiFiore, Analyst, Evercore Group LLC>>

Excellent. Excellent, okay. That's very helpful. Just delving into Rejensa for canine joint health. This is your first foray into the companion animal space. And you mentioned that although sales are currently immaterial to your overall top line now, sales have doubled over the past year, and that you are expecting sales to double again next year. So how big could this product be and how might it differentiate among other Glucosamine pet products on the market?

<<Daniel Bendheim, Executive Vice President, Corporate Strategy>>

Yes, I'll take that. Good morning. We estimate that the glucosamine market probably is around $500 million in the U.S. We see Rejensa playing in the upper tier of the premium market. The results speak for themselves. You can go on social media and kind of see some of the testimonies of people who have used it. It's an over-the-counter product, but we sell it specifically through the vet channel. And we believe that there is a lot of runway left ahead of us and just to correct you Mike, something that you just said, we actually doubled six months over six months last year. And then this year, as you

correctly noted, our guidance will double over the 12 months versus last year's 12 months.

And we're on, after Q1 we're on track for that. So, we feel really strongly about it. It's obvious the upper premium part of the market represents a sizable though not the majority of the market that I laid out. But there is a – we haven't necessarily given guidance as far as how big we think we can make it, but there is a decent amount of runway ahead of us still there.

<<Michael DiFiore, Analyst, Evercore Group LLC>>

Got it. And you also touched upon something that was a nice segue into my next question. You're also choosing to sell those products exclusively through the vet channel. Given that it's an OTC product, why not take more of an oven omni-channel approach i.e., like via online retailers in that?

<<Daniel Bendheim, Executive Vice President, Corporate Strategy>>

Yes, that's a great question. And the truth is there's nothing in the future that will stop us necessarily from doing that. What we've seen today is that we are working exclusively with one of the large distributors in the United States. Distribution has been squeezed, and as our animal health competitors consolidate in the pet space, they have a lot of pricing power and leverage with their distributors and the distributors are looking for other solutions.

So, what we have is what we really believe is a win-win situation with our distributor where they are detailing our products. They really like to know that what they sell to their customer they can't look it up on Chewy and see better pricing and different pricing. It used to be – historically it used to be - that they sold through the omni channel, you could not sell at all through the vets. They would punish you guys along with their case at the same time, it is preferred though, if you do keep it exclusively through the vet, if you are selling through the vet.

So, we've penetrated about 20% of the vet practices that we ultimately think are relevant to our business. This probably answers your previous question as much as this question. There's a lot of room to grow. We're seeing increasingly strong sales growth. And we're seeing that the distributor’s salespeople are latching onto this and seeing, understanding that this is kind of the future of where their business should look like, where they are going to be looking to be promoting unique opportunities, which gives their company higher gross margin, but also allows us to better leverage the assets that they have put in place.

<<Michael DiFiore, Analyst, Evercore Group LLC>>

Got it. Got it. In regard to those three largest distributives that you're exclusively working with...

<<Daniel Bendheim, Executive Vice President, Corporate Strategy>>

Exclusively working with what?

<<Michael DiFiore, Analyst, Evercore Group LLC>>

Right. In terms of the build-out of your own salesforce, how might that look like during this next fiscal year and what might that imply for say quarterly SG&A spend?

<<Daniel Bendheim, Executive Vice President, Corporate Strategy>>

Yes. So, what we have – we're very slowly building out our internal salesforce and what we're looking to do is more or less match one internal person, which will maybe be an agent or something less than full-time with a territory for our distributors. So, our distributor has about 20 territories countrywide. We're about halfway through. By the end of this fiscal year, we'll be about halfway through with that build. So, we'll have about 10 salespeople working with us, it's built into our guidance. It's incrementally that the – the incremental sales are paying for the salesforce. So, it's all self-funding at this stage. And we think that this not only obviously helps Rejensa but lays the groundwork for future companion animal products as we build those out and get those to market. We'll have an infrastructure in place to enhance those reps and sales of those products.

<<Michael DiFiore, Analyst, Evercore Group LLC>>

Got it. Got it. Okay. Along the companion animal health topic, obviously plenty to continue down this path as evidenced by your pipeline that go so. How should we think about your long-term margin trajectory given that companion animal products inherently carry a higher gross margin than, than say your company's average?

<<Damian Finio, Chief Financial Officer>>

Yes. Right, I'll take that one. So, you're right. We think we have some room for margin expansion, and there's a couple of reasons for that. One, as you said, there's better margins in companion animals, generally speaking. The other thing I would say is – the other two growth drivers for us are two product lines within our animal health division. So, I mentioned them earlier, nutritional specialties and vaccines. We've built out the manufacturing capacity in those areas over the past couple of years and as sales start to ramp up, so do volumes, and so does the efficiency of the plant. So, we hope to leverage our manufacturing capacity over time, which should help to improve margins as well.

Now, two other things we mentioned on our last call that are impacting margin - one is we're all-seeing rising costs; input costs, labor costs, freight costs, right? You name it. We're no different than anybody else. We've talked a little bit on our last call that we need to pass some of those costs through to our customers. We've already started to do that. We'll continue to do that, and that should help preserve margins.

The other thing is to take price increases. So, a lot of people are taking price increases. As you know, we're not a company that typically raises price the same exact percentage on the same exact day every year. We take price more on a market-by-market competition driven basis. And we'll continue to do that in order to, again, preserve margins. So, I'd pay for a diverse company like us, there's a lot beneath the surface when it comes to talking about margin expansion, but you net all that, all those items I mentioned together, and we do think there's room for improvement over the medium term.

<<Michael DiFiore, Analyst, Evercore Group LLC>>

Got it. Got it. Okay. So, your slides indicate, like an early stage but perhaps catch us up on development timelines for the dermacare, oral care and Lyme vaccine pipeline assets. How far out are they and when might we expect launch?

<<Daniel Bendheim, Executive Vice President, Corporate Strategy>>

Yes. So, none of them were short-term. I would say the oral care products and we haven't really laid out for good reasons, we have not given specifics about these products. But the oral care products have an easier regulatory pathway. So, we think those will hit first. Assuming we reach a positive conclusion with them. Dermacare is the product that has probably the largest market opportunity and it is still early stage. We have a while to go there. It's making nice progress, but it is a complicated product with a complicated regulatory pathway. And within our internal spend, that's clearly the number one product that we're spending on. There's a decent amount of spend this year. There'll be decent amount of spend next year. And then we actually see that some of the spend trailing off as we get further into there – it's a regulatory process. So, there's nothing in this fiscal year. We haven't necessarily given guidance for next fiscal year, but I think it's fair to say that there's nothing in the short-term within the products that you mentioned.

The Lyme product, that is actually our first product, and it's taking way longer than we had hoped and truthfully, we're a bit pessimistic about it.

It was held up by COVID and we are working with another company there that that at this stage is bearing all the financial costs of hitting the next milestone, which will bring it pretty close to regulatory approval. So, that is not in our budget for this year, as far as even as costs are concerned. If that were to hit, that'd would be a positive for us to spend

on that because that would mean that it is close. But at this stage, it's fair to say that Rejensa would be our product for this year and most likely for next year.

<<Michael DiFiore, Analyst, Evercore Group LLC>>

Okay. And I have to ask this because the fact that canine dermatitis is such a hot topic nowadays. So, to the extent that you can you be able to comment on the mechanism of action of your canine derm pipeline asset, or no?

<<Daniel Bendheim, Executive Vice President, Corporate Strategy>>

So, the answer is no. One of the advantages of being in the pet business versus, as Damian will tell you from the human side is, while it's an investor disadvantage, there's not a lot of visibility into [animal health] pipelines, and we don't get to know what our competitors are doing, nor do we necessarily want our competitors to know what we're doing. So, what we have told people is, on paper, the profile of this product if it were to perform as it's kind of been laid out that it showed, it would be an extremely competitive product within the marketplace. So those products that are out there today. So, I realize that's a mealy-mouthed answer, but it's the best we can do at this stage.

<<Michael DiFiore, Analyst, Evercore Group LLC>>

All right. Fair enough. Fair enough. Just moving on to livestock. So just in general, the overall outlook for your suite of livestock products, just given us the current state of pandemic, do you see more headwinds to come? Do you see it easing up? What's the general status, do you see?

<<Damian Finio, Chief Financial Officer>>

Yes. So, as I mentioned, we raised guidance2% on top-line sales. We had growth across all regions in our first quarter. As we know though, we don't know what we don’t know as anything related to COVID . We have manufacturing facilities in Brazil, Israel and the U.S., primarily. Knock wood, we haven't had any issues, COVID related. We've been able to produce the entire time. Folks have been getting into the office and into the plants this whole time. Right now, in most of our countries, we feel our customers are making money and things look better. Who knows what this new variant holds for us, but we still see growth. But there's always that caveat of we don't know what we don't know like I said about COVID.

I mentioned our product lines within animal health. Right now, they areMFAs and other, nutritional specialties and vaccines. And nutritional specialties and vaccines had strong growth in the first quarter and that's where we expect growth in the future. They represent about 17% and 9% of sales as of June 30, 2021 for the year ending respectively and that's

where we expect the growth. So, we often say we expect double-digit percentage growth in those two product lines within animal health. And I just want to mention too that the companion animal product that you spoke about earlier, Rejensa, we report as part of nutritional specialties under animal health. So that's part of the growth driver of nutrition specialties.

<<Michael DiFiore, Analyst, Evercore Group LLC>>

Okay. No. That's great. In the limited time we have left, just want to touch on, on your new vaccine facility in Sligo, Ireland. I guess you were ahead of schedule that you reported your actual first curtail added that facility ahead of schedule. So, in terms of the vaccine production, what's its relative capacity for that site relative to say your Israeli site, and how much of the market will that serve once it's up and running?

<<Daniel Bendheim, Executive Vice President, Corporate Strategy>>

Yes. So, I don't think we've disclosed that. It's going to be smaller at least in this first iteration than our Israeli site. So, I don't think we're giving out exact information in that respect, but suffice it to say that it will be smaller. Our current vaccine sales, just to be clear though, are split between our Israeli site and we have a, let's call it an Autogenous business in United States, which is custom made vaccines.

So, it's a subset of, it will be smaller, it'll be poultry focused, but I think what the first sale represents is the fact that the products we will be making - they're similar to the products we are making in Israel – they really do have a strong demand out there. And countries are looking to expedite their regulatory process in order to bring these products in. So, whereas we've got one or two countries now in, each country has obviously a different regulatory pathway. We expected it to take until the end of this fiscal year; it's taken us a few months less. Obviously other countries will take longer. But we're pretty excited and I think it's a signal as far as the market's desire for some of these products and access to countries that perhaps until now we have not been able to access.

<<Michael DiFiore, Analyst, Evercore Group LLC>>

No doubt. Definitely a positive step forward. So, in the very last minute or two any update on your African swine fever research being conducted in China, I know you mentioned that China is essentially on lockdown. It's been hard to get employees into China to work on it, but any incremental updates on that front would be great?

<<Daniel Bendheim, Executive Vice President, Corporate Strategy>>

Yes. So obviously the lockdown continues. We have been making progress. Our research is based out of Israel. However, the true progress has to happen on pigs with ASF, and

that can only happen in China. So, there's incremental progress, but I don't want to mislead – until we get back into China, it's going to be hard for us to really make large jumps in our progress.

<<Michael DiFiore, Analyst, Evercore Group LLC>>

Got it. Listen gentlemen, this has been extremely helpful. Thank you so much for your time. We're out of time, unfortunately, but this has been again very informative and we look forward to seeing your story develop and thank you again for coming.

<<Damian Finio, Chief Financial Officer>>

Alright. Thanks again for having us. Have a great day rest of your conference.

<<Michael DiFiore, Analyst, Evercore Group LLC>>

Thank you. Take care.