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Analyst, Stifel, Nicolaus & Company, Inc.

Good morning. Next up we have Phibro Animal Health. Excited to have you folks join us again this year and good to see you. I'm welcomed by the company's COO, Larry Miller; and Daniel Bendheim, Director and EVP of Corporate Strategy.

I want to turn it over to the team for some slides. They have a lot to talk about. If you remember, they did a major MFA deal. It was announced around this time last year. I believe we can get into that and leave some time at the end for Q&A. Over to you all.

Larry Miller, Chief Operating Officer

Thanks very much. Good morning everyone and thank you for joining us this morning. Since many of you are new to Phibro, we wanted to provide some background on Phibro this morning in our presentation.

Before we get it proceed. I want to cover provide a disclaimer regarding our comments today regarding our Safe Harbor Statement: We will discuss financial performance data and expectations regarding the development of our business. Therefore, I want to draw your attention to our Safe Harbor statement. The text you see in this slide essentially states that the information to be presented today is intended for internal purposes. Any forward-looking statements are preliminary and subject to risks and uncertainties. And we just ask that you make note of legal disclaimers on the slide, including the disclaimer on the use of non-GAAP financial measures.

I want to start by sharing with you the great challenge the livestock sector faces which also speaks to our noble cause. The world population is growing and continued expected to grow, matter of fact, in the next couple decades expected to reach 10 billion people on this planet. And that will require us as an industry and our customers to produce 70% more animal-based protein than what we have today. And we all know that the size of number of acres available and the size of the earth is just not going to grow, right? So, we have to do more with less.

And that's where Phibro's opportunity and comes in really because our animal health and nutrition products help maintain the well-being of livestock by preventing, treating, and controlling disease, which enables animals to achieve more optimal performance. So, focusing on overall animal health and welfare as well as more affordable food with less use of natural resources to produce that food.

Our vision, our purpose and our values are very important to us. Vision, really what we focus on every day is to improve lives through innovation and proven solutions and comparable expertise and exceptional care. Care for our customers, care for our animals primarily and for our people. We want to empower our customers to protect and nourish both animals, people, and our planet. Again, producing more with less inputs. And our values are keeping animals healthy, investing in our and in supporting our people, and again providing unwavering customer support and service.

A little bit about our company. Basically, we have been in business since 1946. We manufacture about 70% or so of the products that we produce today. And we are listed publicly traded on the NASDAQ as PAHC. We have about 2,300 employees, 18 manufacturing plants around the world that produce those some 22,000 product registrations and customers that buy our products in approximately 100 countries around the world. And our business has been growing, and we'll talk a little bit more about that later.

Prior to the acquisition which, which we'll talk about a little bit more. In our fiscal year ending FY 2024, which ended June 2024, we achieved the $1 billion mark. So, before the acquisition, organically, we had achieved the $1 billion mark before we added the new products that we have just acquired.

So, I'm not going to go through every one of these. A little bit of a snapshot of our history as I mentioned, since 1946. But a couple of things that I would point out that are kind of hallmarks along this roadmap for us would be in the year 2000, the company then known as Phillips Brothers actually acquired the medicated feed additive business from Pfizer. That brought us many of our legacy products today and really positioned us in the Animal Health segment and particularly around Animal Health products for livestock.

We, as I mentioned, were listed in 2014. And the other one that was important to us is in 2009 we got into the vaccine business. So, at that point we were nutritionals and we recently had the medicated feed additives, and this was important for us. So, we were able to acquire the Teva, decided to get out of their animal health business, which was largely vaccines, poultry vaccines, and we made that. The acquisition really helped us to bring us another growth driver for our business in a segment which enabled us to bring a lot of solutions, especially preventative solutions to livestock.

And then we also launched Rejensa, our first companion animal product, in 2019. And as John mentioned, we just closed this deal in November 2025 and are in the integration process for the Zoetis medicated feed additive and certain water-soluble products business. It's a very nice addition to our current legacy business.

Daniel Bendheim, Director and Executive Vice President-Corporate Strategy

Okay. So, Dani Bendheim, I'll take over for here. Typically, Glenn David, who our CFO would be presenting this. So, I say, everything, I say, take with a little bit of grain of salt, a little-ish when it comes to the numbers. Glenn is visiting some of our plants in Europe right now.

So, Larry touched upon our acquisition of the MFA business from Zoetis. I think Zoetis is next. I'll let them explain exactly the rationale they had in letting go of the business. But I will say, it was a rare transaction that when it was announced, both their stock and our stock went up. So, it made a lot of strategic sense for both parties and for us. If you go through our history and you looked at the acquisitions that we had, the businesses that we had acquired over that timeline that Larry just shared.

With the exception of the 2000 acquisition of the Pfizer medicated feed additive business, almost all of our acquisitions were nutritional specialties and vaccines. And truthfully, if you would come to us and said two years ago, hey, what's your next acquisition going to be? It would probably have been in those areas. But this was a really compelling opportunity. It was an opportunity where Zoetis was selling the plants and the products, but not the people, which meant that there were very few people on our side who could bid on this. And I think, as a result, we got a very fair price.

And the other part that I think is important to realize is that at least from how I view or how we view Zoetis' point of view, they were staying in the animal health business, right on the livestock side. So, it was very important for them that the customers would be well served. And I think both. Again, I'll speak for Phibro, our vision always is to put in the customer first. I think that matched what Zoetis was looking for. So, it's been really a great integration process, seamless integration process. The North Star is the customer, and we're collaborating closely with them. And as a result, I think, from the industry point of view, this has been a very successful acquisition. And specifically, from Phibro's point of view, it has gone very well as well.

So, we had this opportunity. We had the opportunity to expand and diversify our revenue base. As Larry mentioned, our legacy business was about $1 billion in sales. This would take us on a pro forma basis to about $1.4 billion. And it was also extremely accretive and allowed us to raise our EBITDA margins, our gross margins. When we announced this business, and this slide is actually from when we announced this business, we were targeting a margin of low 20% so far, actually. Thankfully, we've been in the mid to high-20s on the acquired business. It's obviously a little difficult once you acquire business to give it a standalone EBITDA as there are shared services and things of that nature. But thus far it's been really strongly accretive, and our overall margins have increased.

Next slide. It has also made our business introduced us to new geographies and new markets. You could see that the Phibro legacy business was largely in poultry. So, a little bit of beef and we had dairy and swine and other. The Zoetis business that we acquired was also strongly in poultry, but it introduced us to beef in a meaningful way. So as a whole now we are much better balanced. We're about 37% poultry, 14% dairy, 19% beef, 13% swine. And from a geographic point of view, when we bought this MFA business from Pfizer in 2000, they had just exited Europe. And we have for years been trying to get back into Europe, but we never really had that flagpole to get back in. And our ability to sell our nutritional and our vaccine products were hindered by the fact that we did not have the base in Europe. And this brought us the base.

So now Europe has become a much more important part of our business. It was 8% of the Zoetis business. And as we look towards the future, I think one of the areas that you'll see us grow across all of our business lines now will be Europe, which is the second largest market.

And again, now taking a look at our legacy business. So, our fiscal year just is June 30th fiscal year. So, we're actually near the end of fiscal year 2025. I'm showing you here, fiscal year 2024 numbers about $1 billion in sales, $111 million in EBITDA. What we consider our core business is our Animal Health business. That was $700 million of sales with the acquisition. Now obviously it performed above $1 billion. MFA and others so that's the medicated feed additives and others. That grows with population growth. That's a steady business for us. I think if you look historically, we've probably outperformed the market with that we now with the acquisition, we're the number two player behind Elanco in MFAs.

The other areas that we concentrate and as I mentioned before, probably where you'll see acquisitions historically and going forward, nutritional specialties and vaccines. So, nutritional specialties, these are products, I'd say, the equivalent of human products you'd see in GNC or Vitamin Shoppe [ph]. These are high value products, high performance products. That don't necessarily have the same regulatory pathway as medicated feed additives do, but they are still regulated. And vaccines are, as we all know, biological products.

So that's our core business. We have a largely U.S. based mineral nutrition business. This is the daily minerals that animals need to take. It's a high-volume business, lower margins, but a great cash business. And finally, we have our legacy business, our Performance Products business. About $70 million in sales, $8 million of EBITDA last year, and corporate, about $60 million is obviously the negative we're here to help.

And so, for this year through three quarters, just to give you a sense on our legacy business, we're up about 8% through Q3 on our legacy business. And our EBITDA is up 26%. So, we have a strong legacy business, strong growth opportunities. And within that EBITDA being up 26% corporate wide, our Animal Health business is up about 8% on the EBITDA side.

Larry Miller, Chief Operating Officer

So, a little bit more color around our product. Our combined product grouping now after the acquisition. So, Dani talked about and just shared with you, 70% or so of the business has been in the – what we call the animal health space. And when we say animal health, we have three main categories. First is the medicated feed additives, the nutrition specialty or branded nutritional products and then the vaccines. And within the medicated feed additives, there's really three key segments that comprise that.

The first is antimicrobials. So, these are in most cases antibiotics or other compounds that deter bacterial growth. These are used in therapeutic basis for animals to prevent and treat diseases. And we have a nice complement with a combined group here in different classes of molecules as well as different modes of actions among the antimicrobials.

The second important space is anticoccidial. So, this is a very important segment in anybody that's producing poultry. And we have again nice complement with the acquired products adding to the legacy products here. So again, we have different modes of action, and we have good choices now, more choices to offer to our poultry customers. In many cases, or in most cases poultry, because animals are continually exposed to coccidia, they need to rotate. And so, they're always looking for options, strategic options that help them with their rotations, which is usually on a seasonal basis. We also now have a good mix of antiemetics as well as ruminant function products and other products such as MGA that's used to control suppress estrus in feedlot cattle.

The middle space here on the slide is nutrition specialty. So again, these are nutritional products that are non-medicated. These are products that are branded, and they are mixed into feed and fed in the animals' diets. And so, we have products for our ruminants primarily dairy is the strength here with the nutrition specialty products, monogastrics, a number of different products that are used to maintain health and really help with gut health in particular. And then some other branded nutritional products. And as I mentioned earlier, the Rejensa companion animal, we put that in as a nutrition specialty group product.

And third, the vaccines. So, we have conventional vaccines. These are almost all poultry vaccines products that are sold around the world with the exception of the U.S. the regulations for the U.S. are a bit different than many other countries around the world. So, we have a very nice offering of products to prevent disease for poultry. And then we have what we call our autogenous. These are tailor made custom vaccines primarily in the United States as well as Brazil. So, we take an isolate, could be viral or it could be bacterial from a farm and produce a custom vaccine to fit their needs. And we also produce adjuvants, these are specialty adjuvants that we use in our own vaccines, but also, we do supply to other leading livestock manufacturers.

Daniel Bendheim, Director and Executive Vice President-Corporate Strategy

Okay, so this is the guidance that we have given for our fiscal year. So, this is through June 30th. We're obviously three quarters in. Net sales of $1.26 million to $1.29 million and EBITDA of $177 million to $183 million. This obviously includes now the acquired business. Again, repeat that our legacy business is up about 8% on sales year-to-year and 26% on EBITDA year-to-year.

Our sales of the Zoetis products in the five months that we've had it is $113 million. When we bought the business, we said on a full year basis about $350 million. The math obviously does not round to that in this first year. There is, when you acquire a business, there's lockout periods. As far as just making sure that customers, you'll stock the customers before the business is sold. We have about two weeks beforehand, two weeks afterwards where there wasn't much sales.

So, I think if you were to look at our business probably in Q4, that would give you a better sense of the run rate that we expect. We're also running this business a little bit differently than Zoetis has been running it. There has been some skew rationalization. We are running it very much bottom line oriented. And I think as mentioned the margins that we had talked about when we acquired the business were actually doing significantly better than that. And I think that's part of the focus of what we're looking to do here.

So, getting down a little bit more on the updated guidance. Go through this. I would say, the other thing is that when we announced the deal, we had looked to bring our it was financed through debt. We had looked to bring our EBITDA leverage down to three times by 2027. We've actually hit that two years early and we are now below, on a pro forma basis, below three times leverage. And we are looking to continue with that going forward.

And then finally, we have not given guidance for our next fiscal year, but we have kind of given some top-line stuff and we do see continuing growth in the legacy business across all the business lines. The vaccines, nutritional specialties, and medicated feed additives. We'll have the full year's revenue and profits from the new acquisition of the Zoetis MFA business. We'll have eight months in this year versus 12 months next year. And again, I think it's a fuller 12 months than the eight months that we had.

And then finally, we haven't talked about this, but one of the things that has helped drive our EBITDA growth this year and will further drive it next year is, we have been going through internally through a transformation process that we call Phibro Forward. It's an income growth initiative. It's very much focused on levers on both the cost side as well as the sales side. It's gone very well for us. It continues to impact us in this fiscal year, but I think the bigger growth is in the years to come. So, we believe that will be another strong driver as we hit 2026.

There are headwinds in 2026 tariffs. I think we have framed it as currently listed as between $5 million and $10 million of EBITDA impact. We also have a very favorable bank line that comes off in next year or – little a swap that comes off in next year. So, in the next fiscal year. So those are some incremental headwinds, but overall, we feel pretty strongly that we're really well positioned to grow nicely next year.

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That was great. Thanks guys. And I'll kick it off and if you have questions, let me know throw up your hand and we'll get it in front of management. But let's just continue with the MFA deal. It seems like it's very successful for you all. You mentioned the revenue growth, but obviously the EBITDA growth has been tremendous. So maybe a little bit more where you are post closure eight months on the integration. And do you see further opportunities to streamline, take costs out as you go into the next fiscal year?

Larry Miller, Chief Operating Officer

Yes. So first of all, the integration standpoint, marketing authorizations and some of the TSAs, et cetera, are going really nicely to our plan. As you saw, biggest part of – the top market by far is the U.S. and the process for transferring the marketing authorizations here was very quick. So that was roughly 60% of the sales that we was, that the TSA came through right away for. The others, we are working on a transition. Many we've received already, and others are certainly online with what we expected as far as the transfer of the marketing authorizations and as well as the transfer of our systems.

I think as far as the integration itself, our people have been excited about this since day one, since we announced, as you said, a little more than a year ago. We see the opportunity to combine very well-known, trusted, relied on products with our legacy products, which also have been around and are very trusted process products. And it was really a nice complimentary fit to those. I've had the opportunity to be out with a lot of our key customers in the last many months, and I see a lot of excitement from them as well.

They're excited to see our commitment and our excitement for these products and the fact that we're going to have high priority for these products. It is a large segment for us and it's one that we're looking and exploring opportunities with our customers. And in some cases, there will be some opportunities where, particularly in the United States, the largest segment, where you have to get combination approvals to use existing products together. And we see some opportunities there that our customers have helped us identify where we can actually do some combination approvals in-house with the acquired as well as the legacy products.

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And how about to take that a step further? Sort of that question was on the EBITDA side, and you answered it seems like there's more stuff to do there. But how about if I use the word halo effect? I mean, this was a big deal for Phibro. The billions of the one four, roughly pro forma, you showed your commitment to Animal Health. I'm guessing it probably brought in maybe some new customers along the way, opportunities to get in front of those customers and show them the Phibro Animal Health portfolio. Have you started to realize that? Has that helped sort of aid overall sales of the company and opened up new avenues or touch points with additional customers?

Larry Miller, Chief Operating Officer

I'll start on this and Dani, you can jump in. And I think that Dani presented the slide where there was a really nice opportunity for us to strengthen geographically, first of all, some markets where we weren't as strong as we would have liked to have been. Some markets in Asia as well as Western Europe, Dani talked about that. So that certainly is giving us a new foundation in those markets from which to build. And then by species we would like to have been stronger in swine and in beef cattle. And this acquisition brought us strength in both, particularly in the U.S. fed cattle market.

So, we are beginning to see again, in those cases, we did not acquire any people with this acquisition, commercial people. And so, we've hired a feedlot team and really proud of the team that we've hired and they're out there working with customers. Obviously, they've been in industry, most of them, for some time. And so, they've got established relationships. So, we are seeing some really nice momentum, I think, from our customers and excitement. So, nothing to that.

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Okay. And how about just a little bit of the lay of the land? Most of the time in animal health we get the companies coming up here. Jefferies was giving me a hard time that I spent 26 minutes on companion animal and only allocated four minutes for farm animal. And here we sort of have the inverse, you folks, a very, very big footprint on the farm animal side. A little bit of the lay of the land, how things are in the U.S. now, you have the reach, and as you highlighted even a bigger footprint in Europe post the deal, what are you seeing end market wise from a demand perspective? Any trends or particular species that you want to call out when you look at the market?

Larry Miller, Chief Operating Officer

Yes. So, by species, I would say that again, we had a pretty nice footprint and established relationships with poultry customers. It's been our largest segment and on a global basis with our medicated, our nutritional products as well as our vaccines globally. So, I think what we're seeing there is, and I talked about the anticoccidials, some nice tools that give more options and rotations, et cetera, give more options to – that we can bring to our customers in helping them, design their strategic anticoccidial programs.

Swine, we've been had some presence in swine. Again, this gives us some very nice presence for treating and controlling diseases in swine. And as I mentioned just a few minutes ago, the beef segment, particularly in the United States, is a very exciting segment for us to be in that segment now. And again, our field people have had their relationships, but Phibro is, they don't know Phibro as well. And so, this is an opportunity for us to get out there with them. And we're doing that with some of the leading feedlot companies as well as the veterinary nutritionists and consulting nutritionists and veterinarians.

Q&A

<Q>: Okay. Please.

<Q>: [Question Inaudible]

<**A – Larry Miller**>: Yes, so we do spend up. We just don't break it out. I'd say, if you look at our core business, the $1 billion Animal Health business, it's about 3%, spend. It's embedded in our SG&A.

<Q>: [Question Inaudible]

<**A – Larry Miller**>: Yes, I think in the case of African swine fever, it's been one of the holy grails. It's been around for a long time. And I think for the most part there's been some control from what we saw when it really broke many years ago, particularly in Asia, but then it drifted into some of the other continents. As far as the flu, we do not today have an offering in that space. As you are probably aware, for the most part, the United States is not vaccinated for high path Avian Influenza. And there's a lot of debate about that there is one product that has been conditionally approved. And so, we're looking at this, certainly, as an opportunity in our pipeline.

<**A – Daniel Bendheim**>: Yes. And I would say there are. We do have it in our pipeline in different countries. So, bird flu, I mean, bird flu, there's lots of different flu's that could be bird flu. Right. So, there's different variations of it. But we do have bird flu within our pipeline, not in our United States offerings.

<Q>: [Question Inaudible]

<**A – Larry Miller**>: It's complicated. Yes. Certainly, the animals are here and there's a big opportunity for it, but it's just, will the industry vaccinate? And that's the question out there now. I think the industry and has done a very good job. We'll just talk about the broiler industry, but of being very quick to identify when there's an issue to isolate those farms to depopulate, to disinfect, to let those farms set, the amount of time that they need to be in quarantine before they repopulate. And the producers are able to then set more eggs and place more in other farms.

<Q>: Maybe just to follow up on that, when we talk about big opportunities within farm animal, again, just referencing Elanco again, they talked about the future opportunity in livestock sustainability and maybe a little bit of a lower trajectory from Bovaer that they were hoping for. How do you view that market? They've thrown out big numbers of $1 billion to $2 billion. And what does that mean for Phibro longer-term?

<**A – Dani Bendheim**>: Yes. I think it is a great market. It's exciting to have that as a new market within the industry. It's a tough one to really put your finger on the current value you have. It's a matter of there's both carrots and sticks out there. You have countries that are forcing it. You have Denmark with a carbon tax. You've got the state of California with some credits. You obviously have the CPG companies out there that have made pledges. Now, I mean, we saw PepsiCo this week, I think backed away from some of their pledges in some areas, strengthen them in others.

So, because it meets a need that is, it's not necessarily, from a production point of view, from making the animal grow more, healthier, or better for our customers, it's hard to exactly pinpoint the value, but it's clear that. And obviously we have the politics of it, in today's day and age, especially domestically. So, it's clear that there is a value there. I don't know if we see it in the extreme near term, but we definitely think over time, collectively as people inhabiting this earth, we're all going to play a part in that.

And specifically, within Phibro, I think we are extremely well positioned. A lot of the discussions obviously have been about dairy. And dairy has the double whammy of both just carbon tonnage in general, or CO2, but methane specifically, which, if you treat methane, it's a faster way to help us hit our environmental goals. As an industry, we believe that we probably have the largest sales force serving dairies in the United States. So especially if the solutions out there are feed oriented, we're extremely well positioned, both U.S. and overseas. But it's not just dairy. Every animal that is produced has a contribution out there. And, the Tyson's of the world have made pledges, not just the Danone's.

So, we do think that it is a market that is going to, over time, take time. But we'll get its footing. We think – we know that there's a lot of companies out there who are looking at it as far as technology solutions. We think we're, again, well positioned when technologies, other technologies emerge. There obviously have been some very successful technologies from a technical point of view that have emerged, and we're excited to see where it goes. We think there's room for multiple parties to benefit from this.

Analyst, Stifel, Nicolaus & Company, Inc.

Fantastic. Any last-minute questions for the team? Gentlemen, thank you very much. I appreciate it.

Larry Miller, Chief Operating Officer

Thank you.