



Phibro Animal Health Corporation
BOFA - 2026 Healthcare Conference - May 13, 2026

Mike Riskin:

All right. Thanks everyone for joining us. We'll kick off for the next session. My name is Mike Riskin. I'm on the Bank of America Life Science Tools and Diagnostics team, also covering animal health.

And for our next fireside chat, I'm excited to be joined by Phibro Animal Health Corp. We're joined by a number of members from the team here. To my right, I've got Dani Bendheim, corporate strategy and future CEO. Larry Miller, chief operating officer; and then Glenn David, chief financial officer. Dani, Larry, Glenn, thanks for being here. Thank you for visiting with us.

Larry Miller:

Thank you.

Glenn David:

Thank you.

Dani Bendheim:

Thank you.

Mike Riskin:

Format of the session will be a fireside chat Q&A. If you've got a question in the audience, feel free to throw up your hand and we'll get you in. Maybe just to kick things off, you very recently reported your fiscal 3Q calendar, 1Q result, updated the guide implications for 4Q.

Can you just give us a quick rundown for how the quarter played out relative to your expectations, what came out a little bit stronger, where you saw some unique challenges?

Dani Bendheim:

Yeah. I guess, I'll start with that and Glenn jump in. It was a really strong quarter. For those who know our story, this was the first quarter we had a full overlap with the Zoetis MFA business as part of our business.

Despite that or with that, we showed 10% overall growth. Our Zoetis MFA sales, I think grew about 13% overall and we saw strength throughout nutritional specialties and vaccines as well. So overall business continues as it has been for the last number of quarters. It's been very strong.

And with that, we reiterated our guidance. We actually raised it a little bit by raising the lower half of it. And we're excited by where the business is. With that, I mean, a couple of announcements we made

actually, after the quarter: we had announced that we enlarged our revolver, which was oversubscribed, showed the strength of our underlying business and the view of it within the banking community.

We also announced some negative news about a potential headwind that we'll face in Brazil and I'm sure we can talk about that a little bit more with dealing with one of our products.

And then finally, one thing that I think I'm extremely excited about is we launched our sustainability program. There's a huge unmet need in the protein market with regard to the commitments companies have made to lower their carbon emissions, the carbon intensity. And we have announced a platform and specifically a product that we're launching that we think can address this opportunity.

And when people begin to dig into this opportunity, and I know Elanco's been out there talking somewhat about it, but the size of this market is tremendous. There's nothing that's been like this in animal health for decades as far as an opportunity. And we think we're really well positioned and excited about it. So, all those things kind of came together towards the end of our quarter and we think we're in a really good spot.

Mike Riskin:

Maybe we'll start a little bit deeper on the quarter and then I'll follow up on a lot of those points, Dani.

So, on the fiscal 3Q, you talk about really strong MFA results but sort of broad strength. Any specifics on what kind of drove that? Was it more of the legacy Phibro portfolio, more some of the products that came from Zoetis? How long are you going to keep differentiating those or is it just going to be Phibro? Where'd you see the strength?

Glenn David:

I think the strength was broad in the quarter and across all areas. So, the MFAs in total grew 13% for the quarter and that was across both the legacy as well as the Zoetis portfolio. So, the legacy portfolio grew 5%. It's grown for the year as well.

The Zoetis's portfolio grew 25%. It was an easier comp to last year based on the fact that we were still growing the business at that point in time and building the fuel force. So, there was a ramp last year. We had a very strong Q4 last year as well as we were building, but Q3 was a little weaker.

But then we also had strong performance in our vaccine portfolio. Our vaccine portfolio grew 16%. Our nutritional specialty portfolio grew 8%. So, the strength was really broad across the portfolio, and it was a strong quarter on top of a very strong first half to the year. So, we continued to see strong momentum in the quarter and good performance pretty much across the entire portfolio.

As Dani mentioned, we had 10% revenue growth. The EBITDA growth was 11%. So, the margin appreciation was a little less than we've seen in the first half of the year. FX was a negative impact for us for the quarter from a margin perspective, but still really strong performance overall for the quarter on top of a very strong start to the first half to the year.

Mike Riskin:

Anything to call out from a geography perspective, any region that was a little bit better than others or maybe from species or, again, was just really broad based?

Glenn David:

So, I think we continue to see how North America unit perform particularly well. And Larry could talk a little bit about, particularly with the new MFA portfolio, we built a cattle fuel force there and the team has been executing extremely well, but we've seen growth in the quarter across all geographies as well. But Larry, I don't know if you want to comment further.

Larry Miller:

We're nicely diversified, particularly after the acquisition now. By species, we're much more balanced and by geographic area and by species and also stronger and more balanced, and we did see growth in all major regions.

Mike Riskin:

Okay. Dani maybe then on the other point you brought up the other recent update, I believe it was in the 8K on the Brazil regulatory change. Just walk us through that. You kind of talked about this is something that's... I think happened in other parts of the world before. You have experience with this. It's not a complete surprise that Brazil's gone down this path, but still, what are your contingencies for that update and just sort of give us a timeline of how that plays out going forward.

Dani Bendheim:

Larry, you want to take that?

Larry Miller:

Sure. In April, late April, MAPA, who is a regulatory agency that governs over animal health products in Brazil, removed any growth promotion claims for in-feed antimicrobials; this affected two of our products, but virginiamycin, the major one. The second one, bacitracin, already had both the growth promotion and the therapeutic claim.

So, Brazil is the last major country in the world to do this. We've gone through this migration in every other major livestock-producing country. So, MAPA took the first step in their process in aligning with the EU antibiotic policy when they removed those claims.

In our case with virginiamycin, we have made a submission last year for the therapeutic claims and we are expecting to get those claims, one for use in cattle and the second for chickens. We expect to get those therapeutic claims within the 180-day transition period. In that 180-day transition period, we can continue to sell the products with existing labels and producers and customers can continue to use the product as labeled as a transition.

Mike Riskin:

Okay. And like you said, this has happened in other regions in the past. You've got experience with this. We always kind of debate this. When you have these label changes, especially if it's related to growth promotion, yes, so we'll stick with virginiamycin.

So, let's assume that you will have a non-growth promotion therapeutic use label. Should you expect the same amount of revenues that you would've had otherwise? Sort of like how will the users respond to that? And there's also usually some requirements about veterinarian involvement. How does that port over more in the near term and in the long term?

Larry Miller:

As Dani said, the transition period it's going to be different in poultry than it's going to be in the beef cattle segment. Poultry integrators are very fully integrated. They have veterinarians on staff as an employees and their job is to manage health of their flocks. And so, they have systems internally to write the prescription and track the prescription, et cetera. So, our expectation in Brazil Poultry is that's going to be the smoother transition and that's what we've seen in other markets as well.

In the cattle, it's a little bit different. The Cattle segment is more fragmented. They tend to use consulting veterinarians who are independent, who will visit an operation. We'll just talk about feed yards. For instance, they'll visit an operation on a regular basis (maybe every four to six weeks), to check in on the health of animals, the records, update prescriptions, et cetera. And that's all-in fulfillment of their vet client, valid vet client relationship that si required to maintain for prescriptions.

So, we think cattle will be the more challenging one as far as species. And as we disclosed, our total sales in Brazil of virginiamycin and last year were about \$26 million.

Glenn David:

Yeah. And Mike too, also in the short term, we do expect in fiscal year '27 for it to have a negative impact as we work through this change and our customers learn how to adapt to it as well. Over time, we do expect to claw a bit of that back. So, in the long term, we think we can recover, but in the short term, we definitely do expect an impact.

Mike Riskin:

I'm going by memory here. Correct me if I'm wrong, but I think, like you said, something similar was done in Europe, I want to say like 20, 25 years ago, around the turn of the century. Is that about, right? And then the US was like five to 10 years ago? Am I dates right? Or...

Glenn David:

No, it's about right for the veterinary feed directive in the US.

Mike Riskin:

Yeah.

Larry Miller:

Yeah. The VFD went into effect in late 2015.

Mike Riskin:

Yeah. Yeah. I'm just trying to think of, are there other precedents we can look back to historically to see what the impact was? Are those the two best examples?

Dani Bendheim:

No, I think the best example probably, I mean, from our mind... I mean, there's no one exact fit. The most recent large country was Mexico and there we were pretty quick to get back to the levels.

Again, each country has some factors that are different and the cattle market's probably a little bit more concentrated in Mexico than it is in Brazil. So that's an easier lift for us, but we do expect to be banked within a few years to where we are today.

Mike Riskin:

Okay. And remind me, when did the Mexico transition happen? Couple years ago?

Dani Bendheim:

Yeah.

Mike Riskin:

Okay. Okay. Yeah. I mean, you'd think that having gone through this two, three, four times, you now have the processes, the workflow, you've got the products ready in terms of all that operational work.

I mean, every country, every region's going to be a little bit different, but it's going to be easier second time, third time, fourth time, every time down, right?

Dani Bendheim:

100%.

Mike Riskin:

Is that reasonable? Okay, great. And then last one on that and we'll move on to other topics. So, what's the next update you're waiting for? Like you said, it's 180 days. You expect to hear on the label change for virginiamycin within that time period.

Larry Miller:

Yeah, we're in contact with the MAPA, the regulator. And again, we've made our full submissions, so it's been a consultative process as far as outlining the studies that needed to be done locally, other data that need to be submitted, and the studies showed excellent efficacy.

And so again, we're expecting to have it soon. There's no number of days that they have set as a clock-stop or anything like that, but we're expecting that it will happen soon in this transition period.

Dani Bendheim:

And we've been in collaboration with MAPA on this from the start. So, this is not something that is surprising to them or to us. And our expectation is well known by them.

Mike Riskin:

Okay. Okay. All right. Okay. Dani, let's talk about that other topic you brought up, the sustainability program you announced in the quarter. That was interesting.

Like you said, we've had a lot of similar conversations with Elanco over the last couple of years. They've certainly been very loud and very vocal on beating the drum on this. Now, it's exciting to have you talking about some of the same. We'd love to hear more about the program and the product you're discussing.

Dani Bendheim:

Yeah. So, I think there's a lot of education that needs to happen within the investor community. But basically, if you look at this market, you look at, say, the Fortune 500 companies and you look at their pledges that they have made as far as their greenhouse gases, right, there's Scope 1, Scope 2, and Scope 3.

Scope 1 being the emissions that factories themselves admit. Scope 2 would be the electricity they buy, the move from coal to solar. And Scope 3, which represents typically 90% of your emissions as a company is your supply chain.

And the ag companies or ag within those Fortune 500 represents a huge opportunity. If you look at the people who have publicly pledged and you kind of look at the carbon intensity that they've pledged to reduce, the typical pledge being to reduce by 30% by 2030, which is not that long from now. And then you take the market signals as far as what the cost of that is...

So, for every ton of carbon that a company needs to reduce to meet their pledge, if you take the WHO or the science-based target initiative, SBTi, which most companies sign up for, they've been told to look for \$40 to \$100 per ton. You put that math together and we're looking at 100 to \$200 billion opportunity across ag. That's a huge opportunity and it's hardly been addressed to date. So, these pledges were mostly made three or four years ago. We're getting closer to 2030.

Now, for those companies that in Europe, these pledges actually... there's governmental tax incentives or fines or whatever it is. A lot of them are going to have to do it no matter what. The American companies, there's no governmental mandate there, but what has been surprising is even under the current administration, the number of companies that have been signing up for new pledges have actually gone up. It's been the opposite of what you might have expected. So, there's a rising tide of pledges. There's a huge gap between what they've actually done and what they have pledged to do in the next few years.

Our product, specifically the one that we've launched called VERRATAIN where we've partnered with a company called VAXA Technologies based out of Iceland and they have a really unique process where they have created a product, a spirulina product or Omega-3 product from algae that actually through the manufacturing process... carbon negative.

So, you add this product to your feed and it's an easy feed insert and it doesn't change your chicken or your cow or anything like that. We're not making any changes to the process of how these animals operate like other processes might. And now you're able to say legally that this animal or our company has now met our pledge, our Scope 3 supply chain pledge where we have brought down our carbon intensity and it doesn't take that much of this product to do a huge effect. So, we've just launched this.

We know that there's an unmet need based on these pledges. Ultimately, it's going to be based on whether or not companies decide to fulfill their pledges. Until now, frankly, they haven't had the ability to because you can move your trucks to EV that work on your side. You can work on some crop conservation methods on soil tilling, things of that nature, but that hardly moves the needle overall. If you're looking to reduce 30%, you need a breakthrough product, and we have now have this breakthrough product.

Mike Riskin:

Are there any nutritional benefits from the product? I mean, what else does it provide besides the negative carbon?

Dani Bendheim:

So, to be honest, there are nutritional benefits, but the value of the carbon so exceeds the benefits that we don't think we're... We're not going to be selling this based on the benefits alone, at least. And the carbon value is by far the most important part of it. And it's doing real work. It's really removing carbon from the atmosphere.

The removal is happening in Iceland, but carbon is a global phenomenon. When you remove it, if miraculously we removed carbon from Las Vegas today, in two weeks, it's gone over halfway around the world and then one year it's mixed fully. So, it doesn't make a difference where you remove the carbon from.

And so, the benefit of this is that it really is doing real good work without... and a company's able to fulfill their pledge without really changing the way that they do their business.

Mike Riskin:

So, then the carbon removal happens during the manufacturing process?

Dani Bendheim:

During the manufacturing process.

Mike Riskin:

Okay. Yeah. That's really interesting. I mean, something you talked about earlier is there's a lot of education that needs to happen about this. Just given our prior experience with Elanco on similar moves in sustainability, a lot of it was having to overcome any preconceptions or just sort of familiarize ranchers, livestock producers, feedlot operators with these products and getting them on board. Do you anticipate having to do a lot of heavy lifting there? So, what's been the initial receptivity to that and how have those conversations gone? Right.

Dani Bendheim:

So, we literally launched this a week or two ago. I would say the advantage of our product... Well, there's room for everybody and Elanco's product goes after methane, which is part of the global, the larger need within carbon. Methane is more immediate because removing methane can do... For every ton of methane, it's worth 28 times or 28 tons in the math of a carbon. So, you want to do both to start with.

The advantage of our product, I'd say though, is it does not change the physiology of the animal. The other products, all methane inhibitors that you'll see, be it Elanco's product or seaweed products that are out there or synthetic seaweed, they are changing the way that the cow rumen functions and this does not. So, this will be a lot easier on the farmer's point of view.

Mike Riskin:

Okay.

Dani Bendheim:

Having said that, there's questions, who pays up the supply chain? Is it the CPG? Is it the protein company? Is it the farmer? Who's going to pay for this? There is a cost. This is not a free good. This is a good for society as a whole. The consumer might end up paying ultimately or always does, I guess.

But I think it's going to take a while to ramp up, but we know by 2029, if you're going to hit 2030, you got to be right by 2029. And so, we expect while not this year to see an impact beginning in the years going forward. If this program works like we expect, we would expect a real impact.

Mike Riskin:

Are you launching it globally? Where's it going to be your regional focus? And do you think that US and Western Europe is going to be more engaged here? Or...

Dani Bendheim:

So, our initial trials will be in Europe, but we do expect US to be a large focus as well. The rest of the world, you have companies in South America and Asia that have made Scope 3 pledges, but it's less predominant there as far as the need of those companies to make those pledges to satisfy their own internal stakeholders.

Mike Riskin:

Okay. And anything to say in terms of the economics here? I know you're not... Like you said, it doesn't seem like it's going to be a fiscal year '26 impact, but cost per cow per year, just sort of any data points we could say to kind of try to evaluate?

Dani Bendheim:

Yeah. I mean, this would add 10 to 20 cents to a cheeseburger. So, our pricing isn't set yet, but you kind of work backwards on... What we have said is it will be within the 40 to \$100 that the science-based target initiative says should be the cost of carbon removals and depending on there is a lot of work that has to go on as far as accounting and things like that. So, you're going to charge more to people who are taking a smaller amount, obviously, but overall, it's going to add cost, but it's nothing that's going to be earth-shattering.

Mike Riskin:

Okay. Okay. We'll ask one on that topic and then we'll move on. I also just want to say, do you see this as a one-off? Is there opportunity for more products in that vein? Sort of this is like your first foray into this market, how do you see that-

Dani Bendheim:

We have a platform that we're starting and clearly, we've seen a number of products out there. This is by far the one that we think is most unique and most exciting, but I would anticipate eventually we'll come up with a methane product, not in the same vein, but a methane product we see other areas on the farm that we could tackle as well related to environmental sustainability. So, I do think we will have other products, but this will be the anchor and the star.

Mike Riskin:

Yeah. I mean, again, Elanco's very constructive and optimistic on both Experior and Bovaer for them. So certainly, does seem to be like a market with a lot of opportunities down the road.

Okay. I want to chat a little bit about broader end market dynamics and what you've seen in livestock markets in the last couple of years. I think we've been very pleasantly surprised by the strength we've seen in livestock demand for therapeutics, both for feed additives but nutritional specialties, vaccines across the board, the entire portfolio over the last couple of years.

There are a lot of moving pieces or cross currents in terms of rising input cost, consumer demand, supply demand in terms of number of animals, number of animals in the feed a lot. There're all these moving pieces, but just at a high level, what's your take on why livestock markets have been so strong for several years now?

Larry Miller:

It's ultimately all about consumption. And in the protein sector we've seen rising... Chicken consumption has risen for many years, decades actually at a pretty constant rate. Beef actually had not. It had done the opposite, and we have seen for the first time in the United States beef consumption per capita increase in the last two years.

It's always as far as supply for cost, as you mentioned, inflation, et cetera. But within that, protein consumers tend to stay within that. And so, they might shift down in meat price points as inflationary prices rise, but we expect it to be the whole sector to be strong.

Obviously, after the acquisition, as I mentioned earlier, we are now participating in a lot of these segments that we had not participated in before. So, the US feedlot, we didn't have a presence, and we have a very nice portfolio now with the acquired products, particularly for starting cattle.

So, we have a group of five or six products that can be used and should be used at the starting phase of feedlots. So, the opportunity I think for animal health companies and for our customers is that we are at historic high levels of values of animals. Every animal coming into a feed yard is worth record prices and the harvest weight is also a record. So, producers are willing to invest in keeping those animals healthy. And so that's a very good thing.

I guess the other thing I would say is that people are feeding animals longer. Right now, according to USDA the average animal coming out of feed yard for a harvest is at 1,475 pounds. That's gone up 100 pounds in the last two years. So, they're feeding them longer and the margin opportunity of each animal in maintaining optimal health is very attractive.

Obviously, healthy animals will perform better. Their health status is higher, their immunity is higher, so are not sick and they're able to convert better. And the other thing that is really, really important is a healthy animal will grade higher, either Choice or Prime. And today, in the US, almost 90% of all animals are grading either choice and prime and almost 15% of those are grading Prime. And that's very premium priced beef. And so, our products come in to help producers keep animals healthy and it's a great value proposition.

Mike Riskin:

Yeah. I mean, I think what's been most striking is how broad it's been. It's been in multiple geographies, it's been across species, like you mentioned, both poultry and beef and also swine. And it's sustained that growth at that demand level despite inflation concerns, consumer weakness concerns.

I mean, there's been continued pressure. And other parts of the economy, you're seeing some challenges on spending from the consumer. You really haven't seen it on livestock yet. Is there a breaking point you're worried about? Or I mean, just I guess my question is sort of like, how sustainable is this level of demand longer term?

Larry Miller:

So, I think a lot of the trends that we see, we increased protein consumption continuing. And outside of the US and some of the more developed countries, still have to remember that what has been driving a lot of the increased demand has been the global.

Some of these markets, underdeveloped markets where people are starting to be able to go to a meat-based diet, they may have been on an all-veg, rice diet or lower protein diet. And as those economies rise and as incomes rise in some of those countries, that raises the whole tide, if you will. And so that's also an important part of growth for the sector.

Mike Riskin:

Okay. Glenn, maybe let's get you in for a couple. Now that you've annualized the Zoetis MFA acquisition, we have the new organization all put together, can you talk to us about operating leverage going forward for the new co in a sense? And in terms of investment priorities, could you lay out certain areas you're going to be attacking a little bit more?

Glenn David:

So, as you said, we're starting to annualize the Zoetis portfolio, but we still have many areas that we think will help contribute to continued margin growth. We talk about the fact that we expect to see our vaccines and nutritional specialties grow faster than the MFAs. Those come at a higher margin than the MFAs do and will help with our growth and continue to contribute to margin growth.

We do see opportunity for continued price increase as we move forward, sort of in that one to 2% range. And then we also... We've talked about our Phibro forward income growth initiative, which carries forward into 2027 and helps drive additional margin growth there as well.

But it's really something that we've embedded in the organization and it's a skillset that we've embedded in the organization to help continue to drive growth and drive greater EBITDA margins. So, when we look at past fiscal year '27 even, that goal of making sure that from a revenue perspective we're growing at or faster than the livestock market, but then growing our income faster is something that we're going to continue to strive for and expect to achieve. And it's something that's really embedded within the organization right now.

Mike Riskin:

Okay. So, is there any kind of longer-term framework in terms of margin expansion or is it too early to say?

Glenn David:

We haven't given a specific margin target, but we are confident that we'll be able to grow our income faster than our revenue, which will drive additional margin expansion. But as I mentioned, it's something that we're looking at every day internally to see how we could continue to improve our efficiencies.

Mike Riskin:

Okay. Okay. And then maybe one last one for you, Dani, you kind of mentioned in your opening remarks that you were able to increase the cash on the balance sheet and the revolver.

Dani Bendheim:

Right.

Mike Riskin:

Any plans for that you specifically want to call out as just working capital and just being able to service the needs of the business or anything you've got in mind for that?

Glenn David:

Yeah. So, in terms of the increase in the revolver, that's really for general corporate purposes. It was a good opportune time to go to the market, represented the strength that we have on our balance sheet and our overall income generation as well.

And should BD come up, it gives us more flexibility to act quickly, but it really was for more general corporate purposes. In terms of overall capital allocation priorities, it's going to remain to first invest within the business. We have seen strong growth within our vaccine portfolio, so there will be some investments to continue to support the growth that we expect there from a capital perspective.

And then we'll look to continue to look for opportunities externally through business development, through licensing to generate additional revenue and income growth moving forward as well. And then finally to look to pay down debt over time as well.

Mike Riskin:

Okay. Okay. Maybe last minute that we have left, Dani, I don't know if there's any closing remarks you want to make or maybe any big picture thoughts you want to lay out for us as you're incoming CEO.

Dani Bendheim:

Yeah. I think we're really in a good place. Our business has done really well. As I step into the role, obviously on the one hand, we have a very strong management team that's continuing, and it's going to be really a seamless transition.

On the other hand, I think it would be shame on us for not taking advantage of just the fact that when you do make a transition, you are able to look at things a little bit differently. And I know all of us within management are going to take a fresh set of look at our business and see where we can double down, see areas that maybe make less sense.

And I think we will take the best parts of the continuity and really grow from there. So, I'm really confident about the future of Phibro and I know that's shared by others on the stage and we're excited to show what we can do.

Mike Riskin:

Okay, great. Thank you so much. I guess we'll leave right there. Thank you, gentlemen.

Dani Bendheim:

You too.

Glenn

David:

Thank you.

Larry Miller:

Thanks so much.