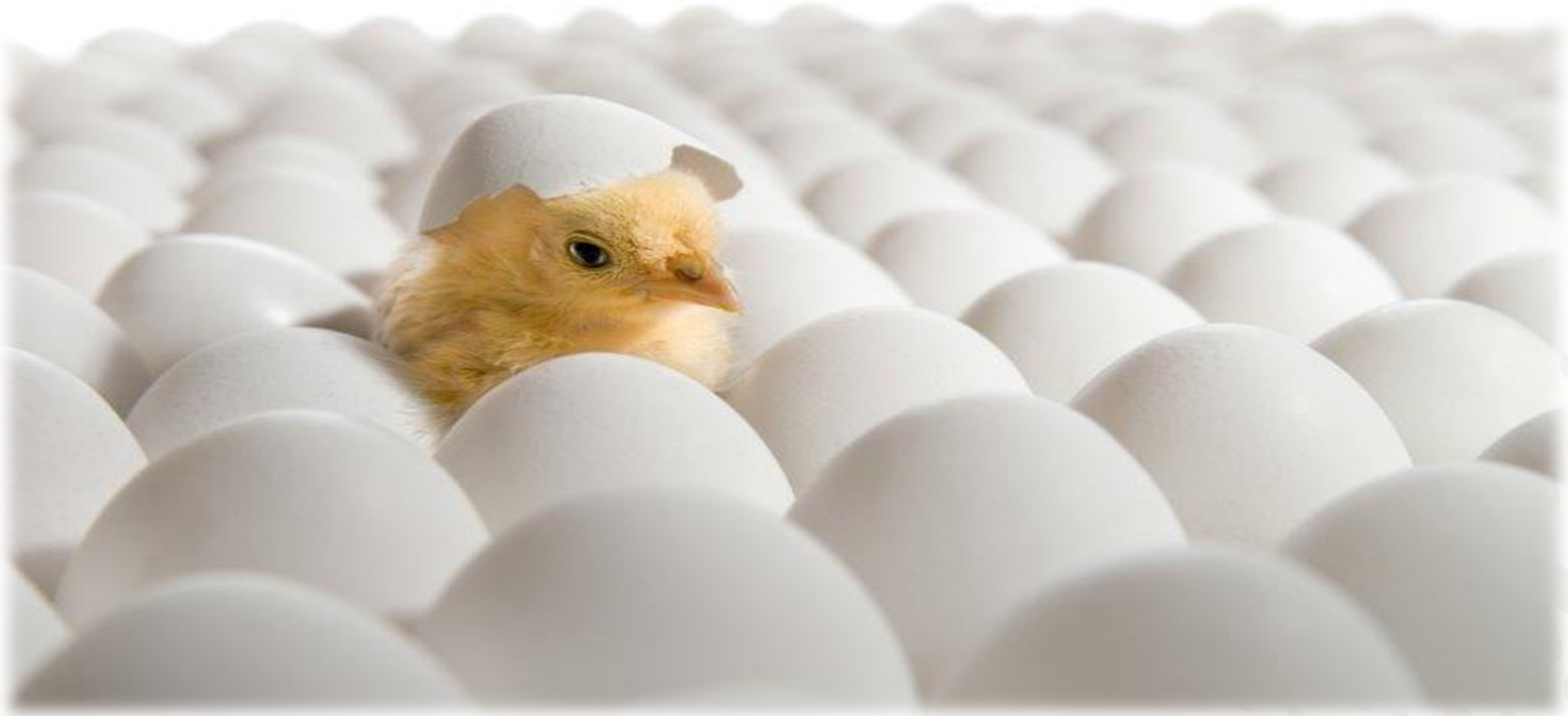
Phibro Animal Health Corporation



First Quarter – September 30, 2020
Webcast and Conference Call
November 5, 2020

U.S. toll-free +1-833-968-1955
International toll +1-647-689-6656
Conference ID: **8813439**

Cautionary Statements

Forward-Looking Statements

This communication contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical or current fact included in this report are forward-looking statements. Forward-looking statements discuss our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “aim,” “anticipate,” “estimate,” “expect,” “forecast,” “outlook,” “potential,” “project,” “projection,” “plan,” “intend,” “seek,” “believe,” “may,” “could,” “would,” “will,” “should,” “can,” “can have,” “likely,” the negatives thereof and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. These statements are not guarantees of future performance or actions. If one or more of these risks or uncertainties materialize, or if management’s underlying assumptions prove to be incorrect, actual results may differ materially from those contemplated by a forward-looking statement. Forward-looking statements speak only as of the date on which they are made. Phibro expressly disclaims any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. A further list and description of risks, uncertainties and other matters can be found in our Quarterly Report on Form 10-Q and Annual Report on Form 10-K, including in the sections thereof captioned “Forward-Looking Statements” and “Risk Factors.” These filings and subsequent filings are available online at www.sec.gov, www.pahc.com, or on request from Phibro.

Non-GAAP Financial Information

We use non-GAAP financial measures, such as adjusted EBITDA and adjusted net income, to assess and analyze our operational results and trends and to make financial and operational decisions. Management uses adjusted EBITDA as its primary operating measure. We report adjusted net income to portray the results of our operations prior to considering certain income statement elements. We believe these non-GAAP financial measures are also useful to investors because they provide greater transparency regarding our operating performance. The non-GAAP financial measures included in this communication should not be considered alternatives to measurements required by GAAP, such as net income, operating income, and earnings per share, and should not be considered measures of liquidity. These non-GAAP financial measures are unlikely to be comparable with non-GAAP information provided by other companies. Reconciliation of non-GAAP financial measures and GAAP financial measures are included in the tables accompanying this communication and/or our Quarterly Report on Form 10-Q and Annual Report on Form 10-K.

Internet Posting of Information

We routinely post information that may be important to investors in the “Investors” section of our website at www.pahc.com. We encourage investors and potential investors to consult our website regularly for important information about us.

GAAP and Non-GAAP Financial Information

- *Reported* results are presented in accordance with GAAP
- *Adjusted* results are GAAP results adjusted to exclude
  - Acquisition-related items, including intangible amortization, cost of goods sold and transaction costs
  - Unusual, non-operational or non-recurring items, including stock-based compensation and restructuring costs
  - Other (income) expense as separately reported in the consolidated statements of operations, including foreign currency (gains) losses, net
  - Income tax effects related to pre-tax adjustments and unusual or non-recurring income tax items

Opening Remarks and Financial Review

- Jack Bendheim

  Chairman, President, Chief Executive Officer

- Richard Johnson

  Chief Financial Officer

- Damian Finio

  Incoming Chief Financial Officer

Highlights

Q1 – September 2020

Consolidated

For the three months ended September 30	2020	2019	Change	
	(in millions, except per share amounts and percentages)			
Net sales	$ 195.2	$ 189.7	$ 5.5	*3%*
Net income	12.3	2.5	9.8	*
Diluted EPS	$ 0.30	$ 0.06	$ 0.24	*
Adjusted EBITDA	$ 24.3	$ 19.7	$ 4.6	*24%*
Adjusted net income	10.8	7.6	3.2	*41%*
Adjusted diluted EPS	$ 0.27	$ 0.19	$ 0.08	*42%*

** Calculation not meaningful*

- Sales increase driven by the Animal Health segment, partially offset by lower Mineral Nutrition sales. Performance Product sales were comparable to the prior year. Animal Health experienced increased international demand and volume growth across the product portfolio.

- Net income and diluted EPS increases were driven by improved gross profit, partially offset by higher SG&A costs. Animal Health and Performance Products delivered strong gross profit increases, partially offset by a decrease in Mineral Nutrition gross profit. Foreign currency gains in the current year, compared to foreign currency losses in the prior year, also contributed to the net income improvement.

Selected Line Items

Q1 – September 2020

Consolidated

For the three months ended September 30	2020	2019	Change	
	(in millions, except per share amounts and percentages)			
Net sales	$ 195.2	$ 189.7	$ 5.5	*3%*
Adjusted gross profit	65.7	59.5	6.2	*10%*
Adjusted SG&A	47.2	45.6	1.6	*4%*
Adjusted EBITDA	24.3	19.7	$ 4.6	*24%*
Depreciation expense	5.8	5.7	0.1	*2%*
Adjusted interest expense, net	2.8	3.3	(0.5)	*(15)%*
Adjusted income before income taxes	15.6	10.6	5.0	*47%*
Adjusted provision for income taxes	4.8	3.0	1.9	*63%*
Adjusted net income	$ 10.8	$ 7.6	$ 3.2	*41%*
Adjusted diluted EPS	$ 0.27	$ 0.19	$ 0.08	*42%*

- Adjusted gross profit
  - Animal Health increased due to sales growth, favorable product mix and favorable production costs, primarily driven by foreign currency movements
  - Mineral Nutrition declined due to unfavorable production costs
  - Performance Products increased as a result of favorable product mix and production costs
- Adjusted SG&A
  - Increased professional fees to support the use of carbadox, costs of strategic initiatives and new products. Favorable foreign currency movements and timing of marketing spending were partial offsets.
- Adjusted income taxes
  - Effective tax rate of 31% vs. 28% in prior year

Animal Health

Q1 – September 2020

Animal Health

For the three months ended September 30	2020	2019	Change	
		(in millions, except percentages)		
MFAs and other	**$ 78.7**	$ 75.0	$ 3.7	*5%*
Nutritional specialties	**32.6**	30.4	2.2	*7%*
Vaccines	**17.1**	16.4	0.7	*4%*
Net sales	**$ 128.4**	$ 121.9	$ 6.5	*5%*
Adjusted EBITDA	**$ 30.1**	$ 25.1	$ 5.0	*20%*
% of segment net sales	*23.4%*	*20.6%*		*+280bps*

- MFAs and other
  - Increased international demand in poultry products and timing of certain customer orders
- Nutritional specialties
  - International growth in dairy products
  - Domestic sales were comparable
- Vaccines
  - Increased international demand for poultry vaccines
- Adjusted EBITDA
  - Overall sales and related gross profit increase, partially offset by increased SG&A costs

Other Segments

Q1 – September 2020

For the three months ended September 30	2020	2019	Change	
		(in millions, except percentages)		
Mineral Nutrition				
Net sales	$ 51.4	$ 52.6	$ (1.2)	*(2)%*
Adjusted EBITDA	$ 3.0	$ 3.5	$ (0.4)	*(12)%*
% of segment net sales	*5.9%*	*6.6%*		*-70bps*
Performance Products				
Net sales	$ 15.4	$ 15.2	$ 0.2	*1%*
Adjusted EBITDA	$ 2.0	$ 0.9	$ 1.1	*131%*
% of segment net sales	*12.8%*	*5.6%*		*+720bps*
Corporate				
Adjusted EBITDA	$ (10.8)	$ (9.7)	$ (1.1)	*

** Calculation not meaningful*

Mineral Nutrition

- Volume growth was offset by lower average selling prices
- Adjusted EBITDA decrease driven primarily by lower gross profit as a result of unfavorable production costs

Performance Products

- Increased sales of personal care product ingredients were partially offset by lower sales of copper-based products
- Adjusted EBITDA increase driven by gross profit due to favorable product mix and production costs

Corporate

- Increased costs for strategic initiatives

Capitalization

September 30, 2020

- 3.7x leverage ratio at September 30, 2020
  - $399 million total debt
  - $107 million LTM Adjusted EBITDA
- $92 million cash and short-term investments on hand at September 30, 2020
- $6 million use of cash before financing for the September 2020 quarter, excluding changes in short-term investments
- Quarterly dividend of $0.12 per share
  - $4.9 million paid September 2020
  - $4.9 million to be paid December 2020

Guidance

Q2 – December 2020

- We continue to forecast only near-term expectations, given the uncertainty of the future course of the pandemic and the ongoing difficult conditions in the industry. The animal production industry continues to recover from the effects of the pandemic. We believe industry conditions will continue to normalize as we progress through our fiscal year and the industry gradually will return to typical operating levels.

- Our expected financial results for the three months ending December 31, 2020 are:

  - Net sales of approximately $205 million
  - Net income of approximately $9 million
  - Diluted EPS of approximately $0.23
  - Adjusted EBITDA of approximately $26 million
  - Adjusted diluted EPS of $0.28

Guidance

Q2 – December 2020

- We are encouraged by the improving trends in our business. Compared to our financial results for the September 2020 quarter, our expected December 2020 quarterly net sales, adjusted EBITDA and adjusted diluted EPS are expected to increase by $10 million, $1.7 million and $0.01, respectively.
- Compared to the same period last year, our expected December 2020 quarterly results are lower as our business continues to gradually recover from the effects of the pandemic. Net sales, net income and diluted EPS are expected to be below last year by $9 million, $3 million and $0.06, respectively. Adjusted EBITDA and adjusted diluted EPS are expected to be below last year by $2.5 million and $0.06, respectively.

Q&A Session

HEALTHY ANIMALS. HEALTHY FOOD. HEALTHY WORLD.®

Phibro ANIMAL HEALTH CORPORATION™

© 2020 Phibro Animal Health Corporation, Teaneck, NJ 07666
Phibro; Phibro logo design; Healthy Animals. Healthy Food. Healthy World.; and any other Phibro brand or brands shown herein are trademarks owned by or licensed to Phibro Animal Health Corporation or its affiliates. Any other trademark that might be mentioned herein and that is not a Phibro brand (property of or licensed to Phibro Animal Health Corporation or its affiliates) is used for identification purposes only and is owned by its holder.