03-Nov-2021

# Phibro Animal Health Corp. (PAHC)

## Q1 2022 Earnings Call


Copyright © 2001-2021 FactSet CallStreet, LLC

# CORPORATE PARTICIPANTS

**Damian Finio**
*Chief Financial Officer, Phibro Animal Health Corp.*

**Jack C. Bendheim**
*Chairman, President & Chief Executive Officer, Phibro Animal Health Corp.*

**Daniel M. Bendheim**
*Executive Vice President-Corporate Strategy & Director, Phibro Animal Health Corp.*

# OTHER PARTICIPANTS

**Erin Wilson Wright**
*Analyst, Morgan Stanley & Co. LLC*

**Michael Ryskin**
*Analyst, BofA Securities, Inc.*

**David Westenberg**
*Analyst, Guggenheim Securities LLC*

# MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning. My name is Shontelle, and I will be your conference operator today. At this time, I would like to welcome everyone to the Phibro Animal Health Corporation First Quarter 2022 Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

Damian Finio, CFO, you may begin your conference.

## Damian Finio

*Chief Financial Officer, Phibro Animal Health Corp.*

Thank you, Shontelle. Good morning and welcome to the Phibro Animal Health earnings call for the quarter ended September 30, 2021, which is the first quarter of our fiscal year 2022. My name is Damian Finio, and I am the Chief Financial Officer of the Phibro Animal Health Corporation. I'm joined on today's call by Jack Bendheim, Phibro's Chairman, President and Chief Executive Officer; and Daniel Bendheim, Director and Executive Vice President of Corporate Strategy.

On today's call, we will cover financial performance for our fiscal – our first fiscal quarter, as well as revised financial guidance for our fiscal year ending June 30, 2022. At the conclusion of our opening remarks, we will open the line for questions. I'd like to remind you that we are providing a simultaneous webcast of this call on our website pahc.com. Also, on the Investors section of our website, you will find copies of the earnings press release and first quarter Form 10-Q filed with the SEC yesterday, as well as the transcript and slides discussed and presented on this call this morning.

Our remarks today will include forward-looking statements, and actual results could differ materially from these projections. For a list and description of certain factors that could cause results to differ, I refer you to the Forward-Looking Statements section in our earnings press release. Our remarks include references to certain


Copyright © 2001-2021 FactSet CallStreet, LLC

financial measures which were not prepared in accordance with generally-accepted accounting principles or US GAAP. I refer you to the non-GAAP Financial Information section in our earnings press release for a discussion of these measures. Reconciliations of these non-GAAP financial measures to the most directly comparable US GAAP measures are included in the financial tables that accompany the earnings press release.

We present our results on a GAAP basis and on an adjusted basis. Our adjusted results exclude acquisition-related items; unusual non-operational or non-recurring items, including stock-based compensation and restructuring costs; other income and expenses that are separately reported in the consolidated statements of operations, including foreign currency gains and losses net; and lastly, income tax effects related to pre-tax adjustments and unusual or non-recurring income tax items.

Now, let me introduce our Chairman, President and Chief Executive Officer, Jack Bendheim, to share his opening remarks, which will include his perspective on the Phibro's first quarter financial performance and revised financial guidance for our fiscal year 2022. Jack?

## Jack C. Bendheim

*Chairman, President & Chief Executive Officer, Phibro Animal Health Corp.*

Thank you, Damian, and good morning, everyone. Let me start by saying that we are most encouraged by the 10% growth in both our consolidated net sales, as well as in our Animal Health segment. Growth in the Animal Health segment was driven by 6% growth in the MFAs and other, and even stronger growth in nutritional specialties and vaccine product lines which grew 10% and 25%, respectively. Overall, our first quarter financial performance was in line with our internal expectations.

While we were encouraged by our sales growth, our adjusted EBITDA reflected decline of 8%. Our SG&A costs were up because, as discussed in our last call, we've committed to increasing our incremental investment in strategic initiatives to fuel future growth. We're also driven by an increase in compensation-related costs, including travel. I have to say, it's good to see our sales teams getting back out there to visit customers and attend conferences face-to-face. But where Phibro and other companies are really feeling the pressure is on gross margin.

Before I speak more to pressure on gross margin, I was also very pleased to see the start of return on one of our key strategic investments, the vaccine facility in Sligo, Ireland. As I said earlier, vaccines sales grew 25% in the first quarter. Part of what drove this impressive growth is the fact that we recorded our first sales from Sligo, a very important and much anticipated milestone that we reached ahead of schedule. I look forward to the incremental sales and other opportunities this new vaccine manufacturing facility presents to our company. I'm also pleased to report that our companion animal development pipeline continues to progress nicely.

Shifting back to gross margin, this is where we are really feeling the pressures because supply chain and labor challenges, among other things, persist. These challenges clearly had an impact on our first quarter profitability, reflected in the 270 basis point consolidated gross margin decline, in comparison to the same quarter last year. While we raised prices of select products and we realized increased volumes, these increases do not fully compensate for the higher cost of freight, labor, materials, and unfavorable currency movements. Combined, these items more than offset improvements of volume and price and reduced first quarter margins. Subject to normal competitive conditions, we will continue taking steps to adjust pricing to reflect changes in costs and pass-through incremental freight costs in the form of a surcharge, the benefit of which should be realized primarily in the second half of the current fiscal year.


Copyright © 2001-2021 FactSet CallStreet, LLC

Because of these market dynamics and the actions we've taken and we'll continue to take, we are revising our financial guidance. We are raising full year net sales guidance from a range of $840 million to $870 million to a range of $860 million to $890 million. However, we are maintaining our previous issued adjusted EBITDA guidance of $110 million to $114 million. Our revised financial guidance reflects that we will continue to focus on what we can control and that we are committed to taking the actions needed to maintain the company's profitability.

But let's keep in mind that COVID-19 variants remain a risk. Vaccine and booster availability and administration varies, and the virus continues to have an adverse impact on the economies of many of the countries where we sell our products. As the economic impact varies, the strength of the respective currencies opposite the US dollar also varies. In addition to adding pressure to gross margin, this variability impacts comparisons of actual results of prior periods, our actual results versus our projections, and our projections going forward.

As many of you know, I have been in this business for a few years but some dynamics occurring in the marketplace are a first, even for me. We've seen frequent shipping delays and variability, yet carriers are raising prices. We're seeing a shortage of qualified workers, while the workers that are available can demand a higher wage. We're seeing fluctuations in the value of foreign currencies relative to the US dollar, yet hearing those economies are recovering. The economic effect of the COVID-19 pandemic has been difficult to predict and continue to persist.

Overall, our first quarter financial performance was in line with our internal expectations, and I am encouraged by our top line sales growth across all segments, especially Animal Health. And I'm also pleased about the first sales out of the facility in Sligo. We are focused on what we can control and committed to take the actions needed to maintain the company's profitability despite the continued COVID-19-related challenges.

Now, let me hand the call back to Damian to review our results and discuss in more detail how we plan to improve margins going forward. Damian?

## Damian Finio

*Chief Financial Officer, Phibro Animal Health Corp.*

Thanks, Jack. I will start with consolidated financial performance on slide 4, then cover segment-level performance, key balance sheet metrics, and conclude with a review of our revised financial guidance for the full fiscal year 2022. And as Jack mentioned, I will provide a bit more detail related to the Animal Health adjusted EBITDA margin this quarter and how we're managing and plan to continue managing the evolving market dynamics.

Consolidated net sales for the quarter ended September 30, 2021 were $214.7 million, reflecting a 10% increase over the same quarter one year ago. This increase was driven by improvements in each of our three business segments and our four regions. GAAP-based net income and diluted EPS declined 47% versus the same quarter a year ago. The decline was driven by the increased costs that Jack spoke to earlier and an increase in selling, general and administrative expenses, which was related to our incremental investments in strategic initiatives and increased travel-related costs.

But the primary driver of the decline in these GAAP-based metrics is a $5.8 million unfavorable change in foreign currency gains and losses, which is reported below operating income and driven mostly by the effect of translating inter-company balances to the US dollar for reporting purposes at the end of our reporting period. After making our standard adjustments to GAAP results, including acquisition-related items, foreign currency movements and one-offs, first quarter adjusted EBITDA, adjusted net income, and adjusted diluted EPS were down 8%, 6%, and


Copyright © 2001-2021 FactSet CallStreet, LLC

6%, respectively. These declines were driven by declines in Animal Health gross profit and an increase in selling, general and administrative costs, offset partially by strong performance in our Mineral Nutrition and Performance Products segments.

Moving to segment-level financial performance on slide 5, I'll start with first quarter financial performance for our largest segment, Animal Health, which includes three product lines, namely: MFAs and other, nutritional specialties, and vaccines. Net sales for our Animal Health segment increased 10% versus the same quarter prior year.

Within the Animal Health segment, we reported a 6% increase in MFAs and other versus the same quarter prior year, this was driven by stronger international demand primarily for poultry and cattle products in the Latin American and Southeastern Asia regions, partially offset by timing of certain domestic and other international customer orders; 10% growth in nutritional specialties, which was driven by strong international growth in dairy products; and lastly, a 25% improvement in vaccine net sales driven by growth across all major markets but primarily stronger demand in Eastern Europe and India. In terms of profitability, Animal Health adjusted EBITDA was $27.6 million, a decline of 8% driven by lower gross profits and increases in SG&A costs, reflecting the challenges that Jack spoke about earlier on the call.

That said, I wanted to share how we're looking at top and bottom line first quarter performance of our Animal Health segment. Please see the schedule on slide 6 for a reconciliation of Animal Health fiscal year 2021 first quarter sales and adjusted EBITDA performance versus this year's first quarter performance. In simple terms, net sales are up while adjusted EBITDA and adjusted EBITDA margin are down. Note, because we do not report gross margin by business segment, I'm using adjusted EBITDA margin here as a proxy for the gross margin pressure that Jack mentioned. And as you can see, the Animal Health segment adjusted EBITDA margin decreased 380 basis points from 23.4% to 19.6%.

In the first quarter, the three product lines within Animal Health each posted incremental net sales which, combined, totaled $12.6 million. MFAs and other contributed $5.6 million; nutritional specialties contributed $2.8 million; while vaccines contributed $4.2 million. This $12.6 million of incremental sales drove incremental Animal Health adjusted EBITDA of $5.3 million; $2.7 million and $2.6 million were attributable to price and volume, respectively. The $5.3 million of incremental adjusted EBITDA on the $12.6 million of incremental net sales equates to a 42% gross margin, which is roughly in line with what we'd expect.

However, $6.7 million of incremental cost of goods inclusive of labor, materials, and freight, coupled with unfavorable currency movements of $1.6 million, an incremental selling, general and administrative expenses of $1.1 million driven by those investments in market expansion initiatives and sales and marketing-related travel costs, combined to more than offset the improvements in volume and price. So, on a net basis, both adjusted EBITDA dollars and margins declined relative to the same quarter in the prior year.

And although not called out separately on this reconciliation, there is a bit of product and geographical mix impact embedded in each of these reconciling items. Although our non-GAAP adjusted results exclude the foreign currency gain and losses, we do not typically call out the impact of currency movements on our reported GAAP-based gross profit or operating income results. However, we wanted to share our estimate of these impacts with you today as we believe it helps to provide further clarity on first quarter Animal Health financial performance.

Subject to normal competitive conditions, we have and will continue to take steps to adjust pricing to reflect the changes we're seeing in costs and pass-through incremental freight costs in the form of a surcharge. These tactics take time to go into effect and, of course, some of the improvement ends up in inventory and doesn't work


Copyright © 2001-2021 FactSet CallStreet, LLC

its way through the P&L until the product is sold. So, generally speaking, our assumption is that will realize the benefit of these actions primarily in the second half of this fiscal year. Okay. Hopefully, that helps to better explain the first quarter financial performance of our Animal Health segment.

Now, let's move on to first quarter financial performance for our other business segments on slide 7. Starting with Mineral Nutrition, net sales for the first quarter were $54.4 million, an increase of 6% versus the same quarter prior year, driven by increased average selling prices, partially offset by lower volumes. Mineral Nutrition adjusted EBITDA was $4.5 million, an increase of 49%, and reflects an improvement in adjusted EBITDA margin of 240 basis points driven by increased average selling prices partially offset by lower volumes.

The strong financial results posted by our Performance Products segment last fiscal year continued into the first quarter of this fiscal year. Net sales of $19.2 million for the three months ended September 30, 2021 reflect an increase of 25% over the same quarter prior year, driven by strong demand for copper-based products, coupled with increased selling prices correlated with underlying raw material cost. The increased gross profit drove $2.1 million of adjusted EBITDA for the quarter, an 8% increase versus prior year same quarter; and an adjusted EBITDA margin of 11.1%, which is a 170 basis point decline from a year ago.

Lastly, Corporate expenses increased 9% versus the prior year as planned due to incremental investments in strategic initiatives and higher compensation-related cost.

Turning to key capitalization-related metrics on slide 8. Free cash flow, which we define as cash flow from operating activities less capital expenditures, for the 12-month period ending September 30, 2021 was $21.1 million. Our gross leverage ratio, calculated by dividing total debt of $406 million by trailing 12-month adjusted EBITDA of $106 million, was 3.8 times at the end of the first quarter. In terms of liquidity, we had $234 million available as of September 30, 2021; this includes cash and short-term investments of $97 million and $137 million of unused and available revolving credit. Now, as a reminder, the accessibility of available revolving credit is subject to leverage ratio limitations outlined in our loan agreement. Lastly, consistent with the past several quarters, we announced a quarterly dividend of $0.12 per share or $4.9 million in aggregate.

All right. That wraps up our opening remarks on our first quarter financial performance, so let's focus now on revised financial guidance for our fiscal year 2022.

As Jack and I both mentioned previously, we're taking actions to adjust pricing and pass-through certain incremental costs, subject to normal competitive conditions. As a result of these actions, we are raising our full-year net sales projections by $20 million, from the initial range of $840 million to $870 million to the revised range of $860 million to $890 million which, as revised, implies a full-year growth rate of approximately 3% to 7% and a 1% to 6% growth rate for the remaining three quarters of our fiscal year 2022. These projections assume growth for each of our three business segments but driven mostly by Animal Health, specifically our nutritional specialty and vaccine product lines.

We are maintaining adjusted EBITDA guidance in the range of $110 million to $114 million. This implies a full-year growth rate of 2% to 6% and a 5% to 9% growth rate for the remaining three quarters of our fiscal year 2022. We are still planning to spend a year-over-year incremental $10 million on investments in strategic initiatives relating to our companion animal development pipeline; the facility in Sligo, Ireland where work continues despite recording our first sale from the facility this quarter; African Swine Fever vaccine development activities; and the cost of ongoing product registrations.


Copyright © 2001-2021 FactSet CallStreet, LLC

We are maintaining our adjusted net income [ph] projections (00:17:42) in the range of $50.7 million to $53.3 million, and projected adjusted diluted earnings per share in the range of $1.25 to $1.32. Our revised guidance reflects the projected adjusted EBITDA margin of 12.8%, which is comparable to the 12.9% we realized in the prior fiscal year. Lastly, on a GAAP and adjusted basis, our revised guidance assumes the return to a normalized effective tax rate, ranging from 29% to 31%, consistent with guidance provided previously.

To reiterate what Jack said, we are focused on what we can control and committed to taking the actions needed to maintain the company's profitability despite the continued COVID-19 related challenges.

That concludes our opening remarks. Shontelle, could you please open the lines for questions?

# QUESTION AND ANSWER SECTION

**Operator**: [Operator Instructions] Our first question comes from Erin Wright with Morgan Stanley. Your line is open.

### Erin Wilson Wright
*Analyst, Morgan Stanley & Co. LLC*

Q

Great. Thanks for taking my questions. Across what categories are you seeing some of the supply chain headwinds in freight cost, and is this across the board or across specific sub-segments? And then, are you seeing competitors implement surcharges or associated price increases as well?

### Jack C. Bendheim
*Chairman, President & Chief Executive Officer, Phibro Animal Health Corp.*

A

So, that's a very broad question, Erin, but it's a great question. Obviously, we're hearing what everyone's reading in the papers. Freight rates – ocean freight rates are up dramatically across the board and in all markets. So, we know everyone's focusing on freight from the Far East of the United States and that's up dramatically. We've, ourselves, seen rates go from $4,000 a container to $18,000 a container. But it also is true for ships coming from South America, United States. There is just this great imbalance around the world where the containers are, where the boats are, and also the ability of the companies to charge more.

The surcharge, we're seeing more in the US and other markets as delivery of sort of finished goods from our factories to the customers; and that's driven by some labor shortages, that's driven by increased energy costs, oil and diesel costs, et cetera. And there, we're seeing and we're able to pass on. It's sort of a normal condition in the US to have a surcharge, oftentimes freight, but now just tied to various increases. So, that's a phenomenon here.And again, we're hearing from everybody and our customers see it on products, they're importing themselves. So, they – there's not that difficult an ability to pass on these higher costs.

### Erin Wilson Wright
*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. Great. And then, could you give us an update on the underlying demand trends and performance across the MFA category? Are you seeing certain pockets of growth that you would call out? And then, also, is the regulatory environment around that category relatively status quo at this point? Thanks.


Copyright © 2001-2021 FactSet CallStreet, LLC

**Jack C. Bendheim**
*Chairman, President & Chief Executive Officer, Phibro Animal Health Corp.*

A

It's – some of it, again, remember last quarter, is just the recovery from COVID around the world. Some countries – and, obviously, the US has recovered almost 100%. Some markets, even the Far East, have not fully recovered, that we're seeing some growth. So, part of it is the continued recovery; demand is strong everywhere for protein. And so, I wouldn't pick on one market specifically.

**Erin Wilson Wright**
*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. Great. Thank you.

**Jack C. Bendheim**
*Chairman, President & Chief Executive Officer, Phibro Animal Health Corp.*

A

Thanks, Erin.

**Operator**: Your next question comes from Michael Ryskin with Bank of America. Your line is open.

**Michael Ryskin**
*Analyst, BofA Securities, Inc.*

Q

Great. Thanks for taking the question, guys. I have a couple quick, small ones. First, I just want to follow-up on something Erin brought up, in terms of the surcharges and the price raises and whether your competitors are doing the same. Are there any areas where you're worried that it could hurt demand or you could see customers switch to alternatives? And how quickly would you be able to sort of adjust and fine tune that level of surcharge or the level of price raise if you start seeing that? Is there any communication with your customers now to sort of gauge their willingness to absorb the cost [ph] stuck (00:22:32) through those dynamics?

**Jack C. Bendheim**
*Chairman, President & Chief Executive Officer, Phibro Animal Health Corp.*

A

Hey. Hi, Michael. No one wants to see price increases. No one wants to receive price increases. As you know, from many, many times of talking, we're in direct contact with all of our customers. We're either selling direct or we're promoting the product to markets where we use distributors. So, it's not like there's something anonymous. We're not like listing something on Amazon and don't know exactly what the results are going to be. So, we're talking all the time. And I believe our customers are seeing the same requests from across the board. And listen, everyone is. Nothing here that we've mentioned is unique to us.

So, one would resist. I don't blame the customer for resisting. And we'll work with the customers. It has to fit into the timing. Sometimes we're trying to raise prices where we have understandings that we're going to keep prices for a year or for six months, so that requires more talk, more negotiations. But overall, there's a great understanding across the world that costs have gone up, costs are going up. So, it's not that difficult time to raise prices.

**Damian Finio**
*Chief Financial Officer, Phibro Animal Health Corp.*

A

And maybe I could just add to that. I mean, there's two tactics, right? There's – one is passing-through some of the costs, [ph] when you do shipping (00:24:01), as an example, in the form of a surcharge. The other is a price increase. I mean, keep in mind, Michael, we're four months into our fiscal year now, so we've already done some


Copyright © 2001-2021 FactSet CallStreet, LLC

of this in the first quarter. We're doing it as we speak, and it will continue. I think, generally speaking, we're not the only ones doing this, as Jack said. There's other price increases, others are passing through freight. So, we're certainly not standing out as an outlier.

And from a customer's perspective, they may be more willing to take a freight surcharge than they are a price increase because a freight surcharge may be more temporary. And in those instances, it'll vary by customer, by region, by product. But that's the way we're looking at it. I think using these two tactics to help improve gross margins, which is reflected in our updated guidance for the year.

**Michael Ryskin**
*Analyst, BofA Securities, Inc.*
Q

Okay. Thanks. That's really helpful. And maybe if I could ask a follow-up on China in particular and African Swine Fever, situation there. We've heard some very conflicting reports [ph] and the data points continue coming on (00:24:56) mix in terms of the status of recovery and the status of demand. I'm just wondering if you could provide update on what you're seeing on the ground and what your expectations are for China as a whole this year sort of as you think back to where it was a couple of years ago pre-ASF, how close are you to a full recovery?

**Jack C. Bendheim**
*Chairman, President & Chief Executive Officer, Phibro Animal Health Corp.*
A

So, what we've done since we have lost some registration in China, which we've – as we've said before, we have reapplied for; and it's sort of held up in some bureaucracy. It's held up in the fact that China is still looking to do a – get zero COVID, which means they shut down cities or buildings, and it's – this week, and it wasn't that way last week. So, the [ph] real view (00:25:40) registration of our [ph] bentonite (00:25:42) product is going more slowly than what we had hoped. But in the meanwhile, we've shifted our business in China into a nutritional business, concentrating on the dairy market. And there, we've seen sales growth. So, again, that's not answering the questions what happening to the [ph] pig (00:26:00) market there.

**Damian Finio**
*Chief Financial Officer, Phibro Animal Health Corp.*
A

And I can add again. I think most specific to Asia Pacific, the numbers we posted today reflected a 25% growth in sales; the combination of volume and price. In the volume portion of that, some was market share and we recognize that a portion of it is also recovery compared to the same period prior year. But we saw 25% growth, we think that sector will continue or that market region will continue to post gains over the remainder of the year. And we're seeing increases in all regions. So, the US is up 6%, Latin America and Canada is up 13%, and the EU and MENA is up 15%. So, we're seeing increases across all region, across all product lines; and that's assumed in our guidance going forward.

**Jack C. Bendheim**
*Chairman, President & Chief Executive Officer, Phibro Animal Health Corp.*
A

Right.

**Michael Ryskin**
*Analyst, BofA Securities, Inc.*
Q

Great. That's really helpful. Thanks, Jack and Damian.


Copyright © 2001-2021 FactSet CallStreet, LLC

**Operator**: [Operator Instructions] our next question comes from David Westenberg with Guggenheim Securities. Your line is open.

### David Westenberg
*Analyst, Guggenheim Securities LLC*

Q

Hi. Thanks for taking the question. Amazingly, only two people ahead me, and I still get all my answered questions or they still got all my questions. But I'll try to ask things just slightly different here. So, first, in kind of in regards to the pricing increases, can you kind of maybe give us a sense of the price increases or the magnitude of the price increases relative to the normal year? So, if the normal year is 1% to 2%, is the price increase going to be 3% to 4% or is it going to be somewhere in the magnitude kind of higher than that?

### Damian Finio
*Chief Financial Officer, Phibro Animal Health Corp.*

A

So, David, we don't typically – we're not a company that just raises prices across the board on the same day every year. So, our price adjustments that we referred to and what we've done in the past are more market-specific and they're based on competitive market conditions at that time. I'd rather not comment on whether they're single digits or double digits. Again, things will vary across products, across countries.

### David Westenberg
*Analyst, Guggenheim Securities LLC*

Q

Can I maybe then – I mean, you are mentioning that the industry as a whole is kind of raising prices, so I'm – I don't know, maybe you just don't have that number or a sense on that number. But is there kind of an industry whole – industry aggregate price increase that is a certain percentage magnitude higher than normal? I'm just trying to get a sense of the exact same question that everyone else is – has been getting at which is, how much different of what you're doing is different than what everyone else is doing?

### Jack C. Bendheim
*Chairman, President & Chief Executive Officer, Phibro Animal Health Corp.*

A

I mean, we are in a competitive business. Everyone figures out what they need for themselves and goes to the market. The market adjusts or accepts or doesn't accept it. That's dynamics of competition. I think just to reiterate what I said before, everyone is seeing cost increases across the board and everyone is going to do what they need to do or what they have to do or what they can achieve to get their prices up.

### David Westenberg
*Analyst, Guggenheim Securities LLC*

Q

Got you. And maybe I'll just do the last question on the companion animal business. I mean, looking out 5, 10 years from now, I mean, do you see this is a definitive second stool to the Phibro Animal Health story, or is this just kind of you think you have good products and you can sell one-off, but the heart of Phibro is in – is a livestock company.

### Daniel M. Bendheim
*Executive Vice President-Corporate Strategy & Director, Phibro Animal Health Corp.*

A

Hey, David. It's Dani. So, I think what we've talked about in the past is that [ph] was not necessarily (00:29:50) a second leg to the stool, but a fourth leg to the stool within our Animal Health division or segment. So, you look at MFA and others, which is the largest, we have nutritional specialties and vaccines. We anticipate that nutritional


Copyright © 2001-2021 FactSet CallStreet, LLC

specialty, their vaccines is probably a good proxy for where we'd like to see the companion animal segment within the time period that you mentioned.

### David Westenberg
*Analyst, Guggenheim Securities LLC*

Q

Thank you.

### Jack C. Bendheim
*Chairman, President & Chief Executive Officer, Phibro Animal Health Corp.*

A

And in fact, we said in our original guidance, David, that [indiscernible] (00:30:19) sales would double in fiscal year 2022 over fiscal year 2021. And that same assumption is in the guidance, the revised guidance that we gave today.

### David Westenberg
*Analyst, Guggenheim Securities LLC*

Q

Thank you, guys.

**Operator**: There are no further questions at this time. Damian, I turn the call back over to you.

### Damian Finio
*Chief Financial Officer, Phibro Animal Health Corp.*

All right. Thank you, Shontelle. And thank you, everybody, on today's call for your time, attention, questions, and interest in Phibro Animal Health Corporation. Hopefully, we were able to provide the clarity needed but, as always, feel free to reach out to us via the Investors section of our website should you have any further questions. Have a great rest of your day and please continue to stay safe. Thank you.

**Operator**: This concludes today's conference call. You may now disconnect.

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2021 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.