Phibro Animal Health Corporation



Financial Results

Fiscal Year 2022

Second Quarter Ended December 31, 2021

Webcast and Conference Call
February 10, 2022

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Important Information

Cautionary Statement Regarding Forward-Looking Statements

This communication contains forward-looking statements that are subject to risks and uncertainties, including with respect to future debt and leverage levels. All statements other than statements of historical or current fact included in this presentation 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 a guarantee 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 Measures

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 presentation 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 presentation and/or our Quarterly Report on Form 10-Q and Annual Report on Form 10-K. Reported results are presented in accordance with GAAP, whereas adjusted results are GAAP results adjusted to exclude a) acquisition-related items, including intangible amortization, cost of goods sold and transaction costs, b) unusual, non-operational or non-recurring items, including stock-based compensation and restructuring costs, c) other (income) expense as separately reported in the consolidated statements of operations, including foreign currency (gains) losses, net and d) income tax effects related to pre-tax adjustments and unusual or non-recurring income tax items.

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.

This presentation is a supplement to, and should be read in conjunction with, Phibro Animal Health Corporation’s earnings release for the quarter ended December 31, 2021.

Key Themes

Second Quarter

Strongest Quarterly Sales in Company history	Adj. EBITDA margin improvement, despite persistent cost increases	Second raise to fiscal year 2022 guidance	COVID-19 variants remain a risk
Net Sales of $233 million is the single-largest quarter of Sales in Company history and reflecting a 13% improvement over the same quarter prior year	*Price increases and surcharges helped to improve adjusted EBITDA margins 200 basis points over prior quarter, despite persistent increases in the cost of materials, shipping and labor*	*We are raising full year sales guidance to $890-$920 million and adjusted Diluted EPS to $1.30 - $1.39, which implies continued growth in adjusted EBITDA margin in the second half of the fiscal year*	*The rapid global spread of the Omicron variant and the workforce impacts it presented to most businesses is evidence that the world is still grappling with the effects of the pandemic*

Financial Performance - Consolidated

Second Quarter, Year-on-Year comparison

$ in millions, except per share data

	Q2	YOY %Δ
Consolidated		
Net Sales	$ 232.7	13%
Net Income	$ 17.5	36%
Diluted EPS	$ 0.43	34%
Adjusted EBITDA	$ 29.1	2%
Adjusted Net Income	$ 15.1	9%
Adjusted Diluted EPS	$ 0.37	9%

- **Net Sales** – increased $26.6 million, or 13%, increase driven by improvement in our Animal Health and Mineral Nutrition segments offset slightly by a $0.6 million decline in Performance Products
- **Net Income** – increased $4.7 million, or 36%, increase driven by stronger volumes and selling prices, partially offset by increases in raw material costs and unfavorable product mix and a $4.8 million increase in foreign currency gains offset by a $2.8 million increase in income tax expense
- **Adjusted EBITDA** – increased $0.6 million, or 2%, increase driven by higher gross profit in Animal Health and Mineral Nutrition offset by higher SG&A and a decline in Performance Products profitability
- **Adjusted Net Income and adjusted diluted EPS** – After adjusting GAAP results for one-offs, acquisition-related items and foreign currency movements, our Adjusted Net Income and Adjusted Diluted EPS increased, driven by higher gross profit from an increase in volumes and average selling prices, partially offset by increased SG&A due to incremental strategic investments

- *Year-On-Year % changes are in comparison to the same period of the prior fiscal year*
- *Adjusted results adjust GAAP results for one-off items, acquisition-related items and other (income) expense, including foreign currency (gains) losses.*

Financial Performance – Animal Health

Second Quarter, Year-on-Year comparison

$ in millions

	Q2	YOY %Δ
Animal Health		
Net Sales	**$ 150.9**	**11%**
MFAs & other	91.7	12%
Nutritional specialties	37.3	3%
Vaccines	21.9	20%
Adj. EBITDA	**$ 33.7**	**1%**
Adj. EBITDA Margin	**22.3%**	**-220 bps**

- **Net Sales**
  - MFAs and other
    - Increased $10.1 million, or 12%, driven by stronger demand in North and South America, reflecting continued recovery from the effects of the pandemic
    - Processing aids used by producers of ethanol, distillers corn oil, and distillers grain product contributed $3.5 million of the $10.1 million increase
  - Nutritional specialties
    - Increased $0.9 million, or 3%, driven by increased selling prices and volumes, as well as increased revenues of our companion animal product, Rejensa®
  - Vaccines
    - Increased $3.6 million, or 20%, driven by increased domestic and international volumes
- **Adjusted EBITDA**
  - Increased $0.3 million, or 1%, on higher gross profits, offset partially by an increase in SG&A expenses

- *Year-On-Year % changes are in comparison to the same period of the prior fiscal year*
- *Adjusted results adjust GAAP results for one-off items, acquisition-related items and other (income) expense, including foreign currency (gains) losses.*

Financial Performance – Other Segments

Second Quarter, Year-on-Year comparison

$ in millions

	Q2	YOY %Δ
Mineral Nutrition		
Net Sales	$ 66.7	23%
Adj. EBITDA	$ 5.5	32%
Adj. EBITDA Margin	8.3%	+60 bps
Performance Products		
Net Sales	$ 15.1	-4%
Adj. EBITDA	$ 1.3	-42%
Adj. EBITDA Margin	8.8%	-560 bps
Corporate		
Adj. EBITDA	$ (11.5)	(2%)

- **Mineral Nutrition**
  - Net Sales increased $12.5 million, or 23%, driven by higher average selling prices of trace minerals, correlated with the movement of the underlying raw material costs
  - Adjusted EBITDA increased $1.3 million, driven by increased gross profit
- **Performance Products**
  - Net Sales decreased $0.6 million, or 4%, as a result of lower average selling prices and lower volumes in copper-based products, partially offset by higher sales of personal care product ingredients
  - Adjusted EBITDA decreased $0.9 million primarily driven by higher raw material and production costs
- **Corporate**
  - Adjusted EBITDA decreased $0.2 million primarily due to an increase in strategic investments

- *Year-On-Year % changes are in comparison to the same period of the prior fiscal year*
- *Adjusted results adjust GAAP results for one-off items, acquisition-related items and other (income) expense, including foreign currency (gains) losses.*

Key Capitalization Metrics

Second Quarter Highlights

Free Cash Flow[1]	**$14 million of trailing 12-month free cash flow;** operating cash flow $44 million less capital expenditures of $30 million
Leverage	**3.8x gross leverage ratio;** $401 million total debt / $107 million trailing 12-month adjusted EBITDA
Liquidity	**$235 million;** $95 million of cash and short-term investments + $140 million of available revolving credit[2]
Dividend	**Quarterly Dividend of $0.12 per share;** $4.9 million dividend paid

[1] Free cash flow equals cash flows from operating activities less capital expenditures for the trailing 12-months ending December 31, 2021

[2] Available revolving credit is shown net of letters of credit outstanding and subject to leverage ratio limitations. For more information regarding our credit facility, see the Company's Form 8-K filed with the SEC on April 22, 2021 and the exhibits thereto.

Revised Financial Guidance

Fiscal Year 2022

$ in millions, except per share data

			FY 2022 Guidance			
			Previous		*Revised*	
	FY21	H1 FY22	Low	High	Low	High
Consolidated						
Net Sales	$ 833.4	$ 447.4	$ 860.0	$ 890.0	$ 890.0	$ 920.0
Adjusted EBITDA	$ 107.9	$ 51.6	$ 110.0	$ 114.0	$ 110.0	$ 114.0
Adjusted Net Income	$ 51.3	$ 25.3	$ 50.7	$ 53.3	$ 52.8	$ 56.4
Adjusted Diluted EPS	$ 1.27	$ 0.62	$ 1.25	$ 1.32	$ 1.30	$ 1.39
Adjusted EBITDA Margin	12.9%	11.5%	12.8%	12.8%	12.4%	12.4%
Adjusted Effective Tax Rate	29.5%	25.9%	29.0%	31.0%	26.0%	27.0%

- We are revising and raising financial guidance for net sales, adjusted Net Income and adjusted diluted EPS
- Adjusted EBITDA guidance of $110 - $114 million is unchanged and assumes further improvement in adjusted EBITDA margin
  - from the 10.5% and 12.5% reported in our first and second quarters, respectively, to an average of 13.2% for the second half of the fiscal year
  - assumed margin improvements are expected to be derived from price increases, subject to normal competitive conditions, which have been and will continue to go into effect, and
  - continued freight surcharges, where applicable, which have been and will continue to be applied
- The potential economic impact of COVID-19 variants remains a risk

Note, the Company does not project movements in currency exchange rates and therefore these projections assume no foreign currency gains or losses for the remainder of the 2022 fiscal year.

Q&A

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Phibro ANIMAL HEALTH CORPORATION™

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