Phibro Animal Health Corporation



Financial Results

Fiscal Year 2022

Third Quarter Ended March 31, 2022

Webcast and Conference Call
May 5, 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 March 31, 2022.

Key Themes

Third Quarter

Fiscal year-to-date Net Sales growth across all segments and regions	Macroeconomic headwinds persist	Aggressive price increases taken to combat inflation	Raised Net Sales guidance, maintained Adjusted EBITDA guidance
Year-to-date Net Sales growth of 12% over prior year-to-date driven by double-digit percentage growth in Animal Health, Mineral Nutrition, and Performance Products segments and growth in each of our four regions	*The Russian / Ukraine conflict and impacts of COVID-19 are driving higher than anticipated inflation and could result in broader economic impacts and security concerns which could adversely affect our business*	*Price increases partially offset inflationary impacts, supply chain delays and unfavorable product mix - subject to normal competitive conditions, further price increases will be taken to drive profitable growth*	*Given year-to-date performance including upside in our Mineral Nutrition segment, we raised full year Net Sales guidance to $930-$950 million, a projected 12-14% increase over prior full year, and maintained Adjusted EBITDA guidance of $110-114 million*

Financial Performance - Consolidated

Third Quarter, Year-on-Year comparison

$ in millions, except per share data

	Q3	YOY %Δ
Consolidated		
Net Sales	$ 239.6	13%
Net Income	$ 17.7	45%
Diluted EPS	$ 0.44	47%
Adjusted EBITDA	$ 28.0	(0%)
Adjusted Net Income	$ 13.4	(4%)
Adjusted Diluted EPS	$ 0.33	(3%)

- **Net Sales** – increased $27.9 million, or 13%, increase driven by improvement across all reportable business segments, major product categories and geographic regions
- **Net Income** – increased $5.5 million, or 45%, increase driven by stronger volumes and selling prices driving higher gross profit, a $10.0 million increase in foreign currency gains offset by a $3.5 million increase in income tax expense and higher SG&A expenses
- **Adjusted EBITDA –** comparable to the prior year's quarter, driven by higher gross profit in Mineral Nutrition offset by lower Animal Health gross profit and a slight increase in corporate expenses
- **Adjusted Net Income and Adjusted Diluted EPS** – After adjusting GAAP results for one-offs, acquisition-related items and foreign currency movements, Adjusted Net Income and Adjusted Diluted EPS decreased 4% and 3%, respectively, due to increases in employee-related and technology-related costs, partially offset by higher gross profit driven by an increase in volumes and average selling prices

- *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

Third Quarter, Year-on-Year comparison

$ in millions

Animal Health

	Q3	YOY %Δ
Net Sales	**$ 148.6**	**11%**
MFAs & other	84.3	7%
Nutritional specialties	41.4	12%
Vaccines	22.9	21%
Adj. EBITDA	**$ 29.2**	**(6%)**
Adj. EBITDA Margin	**19.7%**	**-330 bps**

- **Net Sales – increased $14.2 million, or 11%**
  - MFAs and other
    - Increased $5.8 million, or 7%, driven by increased sales of processing aids used to improve production efficiency in the ethanol fermentation industry
  - Nutritional specialties
    - Increased $4.4 million, or 12%, driven by higher demand in dairy and microbial products, as well as increased revenues of our companion animal product, Rejensa®
  - Vaccines
    - Increased $4.0 million, or 21%, driven by increased domestic and international volumes
- **Adjusted EBITDA**
  - Decreased $1.7 million, or 6%, due to greater than anticipated inflation driven by macroeconomic headwinds and 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

Third Quarter, Year-on-Year comparison

$ in millions

	Q3	YOY %Δ
Mineral Nutrition		
Net Sales	$ 69.0	19%
Adj. EBITDA	$ 7.3	40%
Adj. EBITDA Margin	10.6%	160 bps
Performance Products		
Net Sales	$ 22.0	15%
Adj. EBITDA	$ 2.9	(2%)
Adj. EBITDA Margin	13.0%	-230 bps
Corporate		
Adj. EBITDA	$ (11.4)	(3%)

- **Mineral Nutrition**
  - Net Sales increased $10.9 million, or 19%, primarily driven by higher average selling prices of trace minerals correlated with the movement of the underlying raw material costs
  - Adjusted EBITDA increased $2.1 million, driven by increased gross profit
- **Performance Products**
  - Net Sales increased $2.8 million, or 15%, as a result of higher volumes of ingredients for personal care products and higher volumes and average selling prices of copper-based products
  - Adjusted EBITDA comparable to the prior period
- **Corporate**
  - Adjusted EBITDA decreased $0.3 million, or (3%), primarily due to increased technology-related costs

- *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

Third Quarter Highlights

Free Cash Flow	**$1 million of trailing 12-month free cash flow;** operating cash flow of $33 million less capital expenditures of $32 million
Leverage	**3.9x gross leverage ratio;** $417 million total debt / $107 million trailing 12-month adjusted EBITDA
Liquidity	**$216 million;** $93 million of cash and short-term investments + $123 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 March 31, 2022
[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

FULL YEAR

	Current Guidance		Revised Guidance	
	Low	High	Low	High
Net Sales	$ 890.0	$ 920.0	$ 930.0	$ 950.0
Adjusted EBITDA	$ 110.0	$ 114.0	$ 110.0	$ 114.0
Adjusted Net Income	$ 52.8	$ 56.4	$ 52.8	$ 56.4
Adjusted Diluted EPS	$ 1.30	$ 1.39	$ 1.30	$ 1.39
Adjusted EBITDA Margin	12.4%	12.4%	11.6%	12.3%
Adjusted Effective Tax Rate	26.0%	27.0%	26.0%	27.0%

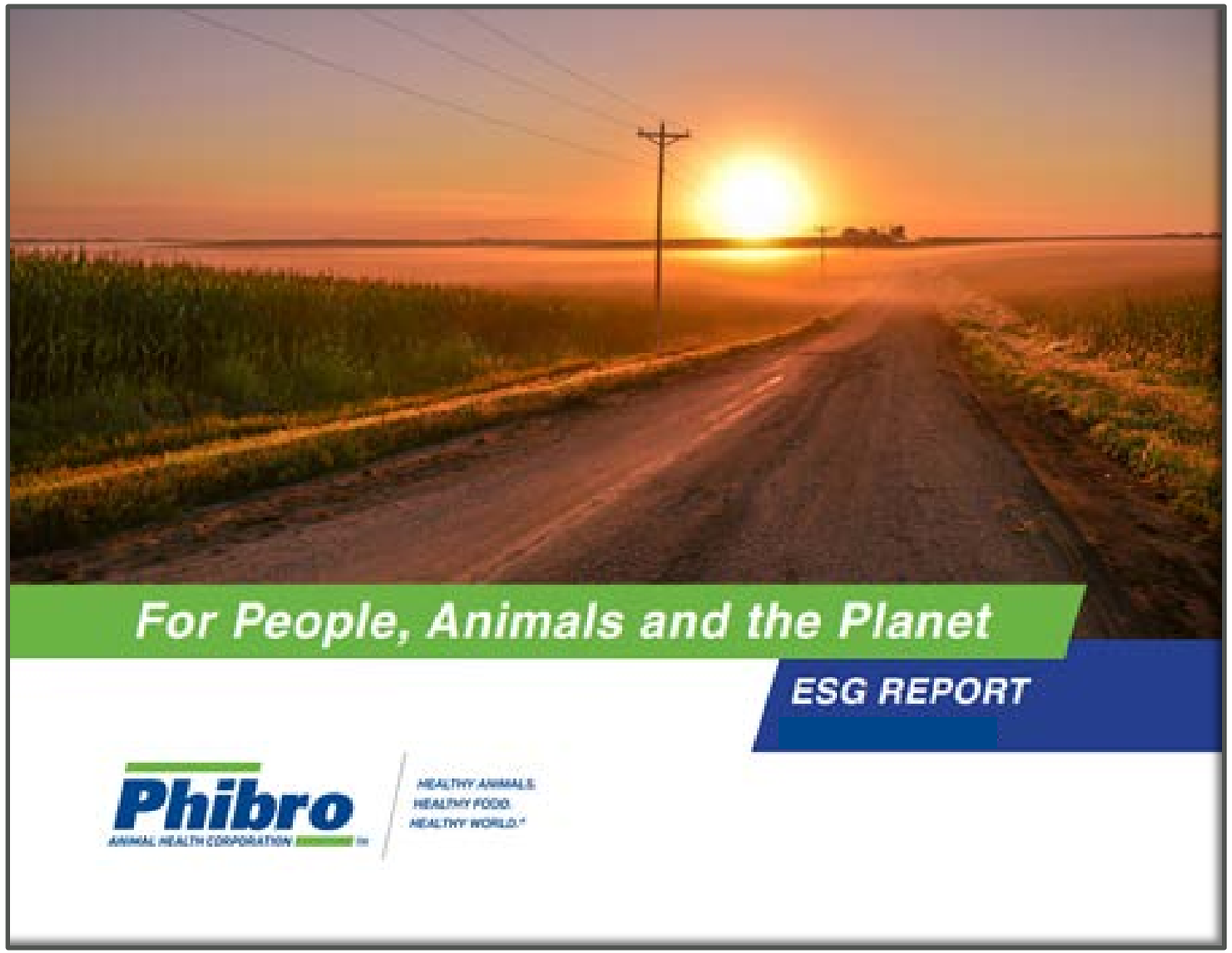
Q4

	Revised Implied Q4	
	Low	High
Net Sales	$ 243.0	$ 263.0
Adjusted EBITDA	$ 30.4	$ 34.4
Adjusted Net Income	$ 14.1	$ 17.7
Adjusted Diluted EPS	$ 0.34	$ 0.43
Adjusted EBITDA Margin	11.6%	14.2%
Adjusted Effective Tax Rate	26.0%	27.0%

- Given our year-to-date financial performance, we raised financial guidance for Net Sales with no change to Adjusted EBITDA guidance due to the persistent macroeconomic headwinds
- The revised financial guidance assumes:
  - improved top and bottom-line financial performance in Q4 over Q3
  - top and bottom-line price increases, subject to normal competitive conditions, have been and will continue to go into effect
  - freight surcharges, where applicable, have been and will continue to be applied
- The Russian conflict with Ukraine and the lingering effects of COVID-19 in some markets where we compete could result in broader economic and security concerns which could adversely affect our business and the accuracy of the revised financial guidance

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.

Inaugural ESG Report



- We plan to publish our inaugural Environmental, Social & Governance (ESG) Report shortly.

Q&A

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