

# Phibro Animal Health Corporation



## Financial Results

Fourth Quarter and Year Ended June 30, 2022

Webcast and Conference Call  
August 25, 2022

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HEALTHY ANIMALS. HEALTHY FOOD. HEALTHY WORLD.®

**Phibro**  
ANIMAL HEALTH CORPORATION™

# 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 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 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](http://www.sec.gov), [www.pahc.com](http://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 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. 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 4) 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](http://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 and year ended June 30, 2022.**

# Key Themes

Fourth Quarter



## Strong demand for our product portfolio

*Year-over-year net sales growth by segment and region, as follows:*

*Animal Health, 11%,  
Mineral Nutrition, 18%  
Performance Products, 13%*

*United States, 13%  
LatAm & Canada, 15%  
Eu, ME & Africa, 7%,  
Asia Pacific, 15%*

## Our industry faces macro-economic and operational challenges

*Although countries are learning to live with COVID-19 and consumer demand is strong, supply chain challenges continue and higher feed, energy and fertilizer prices are driving higher input costs and putting further pressure on our margins and profitability.*

## Phibro continues to act

*Pricing actions taken throughout the year continue to drive top-line sales growth, while internally we are addressing the impact of higher input costs head-on by leveraging our economies of scale to improve terms and pricing from suppliers.*

## Further growth projected in FY 2023

*We are providing guidance of \$960 million to \$1 billion of net sales and adjusted EBITDA of \$113–118 million, each reflecting growth of approximately 2-6%.*

## Exciting addition to our Companion Animal development pipeline

*In June we announced a collaboration for the development and commercialization of a gene therapy for Mitral Valve Disease in dogs with Rejuvenate Bio who expects to file for a conditional approval as early as calendar year 2023.*

# Companion Animal Development Pipeline



## IN DEVELOPMENT

- ✓ **Derma care**
  - Licensed a novel early-stage atopic dermatitis compound
  - Estimated Addressable Market\* for atopic dermatitis in dogs worldwide: \$1 billion
- ✓ **Oral Care (Cats and Dogs)**
  - Novel early-stage approach for oral care
  - Estimated Addressable Market\* for oral care in cats and dogs worldwide: \$2 billion
- ✓ **Novel Lyme Vaccine Delivery System**
  - Development progress slowed due to COVID-19
  - Estimated Addressable Market\* for Lyme Disease vaccines for dogs in the US: \$80 million
- ✓ **Mitral Valve Disease (MVD)**
  - Development & commercialization collaboration with Rejuvenate Bio, Inc.
  - Estimated Addressable Market\* for MVD dogs in the US: \$200 million

## ON THE MARKET



\* Estimated Addressable Market amounts are management's estimate as of the date hereof derived from publicly available information, our industry knowledge and assumptions based on such information and knowledge. We believe these estimates are reasonable, however, they may prove to be inaccurate.

# Financial Performance - Consolidated

Fourth Quarter, Year-on-Year comparison



\$ in millions, except per share data

	Q4	YOY %Δ
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## Consolidated

<b>Net Sales</b>	<b>\$ 255.3</b>	<b>16%</b>
<b>Net Income</b>	<b>\$ 7.5</b>	<b>(56%)</b>
<b>Diluted EPS</b>	<b>\$ 0.18</b>	<b>(56%)</b>
<b>Adjusted EBITDA</b>	<b>\$ 31.5</b>	<b>17%</b>
<b>Adjusted Net Income</b>	<b>\$ 14.5</b>	<b>13%</b>
<b>Adjusted Diluted EPS</b>	<b>\$ 0.36</b>	<b>13%</b>

- **Net Sales** – an increase of \$35.0 million, or 16%, driven by growth in all three business segments: Animal Health, Mineral Nutrition and Performance Products
- **Net Income & Diluted EPS** – Decrease driven primarily by increased foreign currency losses, provision for income taxes, and selling, general and administrative expenses, offset partially by higher gross profit and lower interest expense
- **Adjusted EBITDA, Net Income and diluted EPS** – After adjusting GAAP results for one-offs, acquisition-related items and foreign currency movements, our adjusted EBITDA, adjusted Net Income and adjusted diluted EPS increased, driven by higher Animal Health revenue & gross profit as well as stronger Mineral Nutrition gross profit, partially offset by increased selling, general and administrative 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 - Consolidated

FY 2022, Year-on-Year comparison



\$ in millions, except per share data

	YOY %Δ
<b>FY 2022</b>	

## Consolidated

<b>Net Sales</b>	<b>\$ 942.3</b>	<b>13%</b>
<b>Net Income</b>	<b>\$ 49.2</b>	<b>(10%)</b>
<b>Diluted EPS</b>	<b>\$ 1.21</b>	<b>(10%)</b>
<b>Adjusted EBITDA</b>	<b>\$ 111.1</b>	<b>3%</b>
<b>Adjusted Net Income</b>	<b>\$ 53.2</b>	<b>4%</b>
<b>Adjusted Diluted EPS</b>	<b>\$ 1.31</b>	<b>4%</b>

- **Net Sales** – an increase of \$108.9 million, or 13%, driven again by growth across all three business segments: Animal Health, Mineral Nutrition and Performance Products
- **Net Income & Diluted EPS** – a 10% decline driven by increases in the provision for income taxes and selling, general and administrative expenses, offset by improved operating profits, lower interest expense and foreign currency gains
- **Adjusted EBITDA** – an increase of \$3.2 million, or 3%, driven by sales and gross profit growth, offset by an increase in strategic initiative related investments
- **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 increased driven by higher gross profit on higher sales, offset partially by increases in selling, general and administrative expenses driven by incremental strategic investments

- Year-On-Year % changes are in comparison to 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

Fourth Quarter, Year-on-Year comparison



\$ in millions

	Q4	YOY %Δ
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## Animal Health

<b>Net Sales</b>	<b>\$ 166.5</b>	<b>13%</b>
MFAs & other	101.7	12%
Nutritional specialties	42.5	15%
Vaccines	22.3	19%
<b>Adj. EBITDA</b>	<b>\$ 33.5</b>	<b>14%</b>
<b>Adj. EBITDA Margin</b>	<b>20.1%</b>	<b>0 bps</b>

- **Net Sales – an increase of \$19.8 million, or 13%**
  - MFAs and other – an increase of \$10.5 million, or 12%
    - Higher average selling prices and increased sales of processing aids used in the ethanol fermentation industry
  - Nutritional specialties – an increase of \$5.7 million, or 15%
    - Strong domestic demand in dairy, growth in the Asia Pacific region and strong demand for our companion animal product, Rejensa®
  - Vaccines – an increase of \$3.6 million, or 19%
    - Stronger demand across most regions
- **Adjusted EBITDA – an increase of \$4.0 million, or 14%**
  - Higher revenue and gross profit offset partially by an increase in selling, general and administrative 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 – Animal Health

FY 2022, Year-on-Year comparison



\$ in millions

	YOY %Δ
<b>FY 2022</b>	

## Animal Health

<b>Net Sales</b>	<b>\$ 607.1</b>	<b>11%</b>
MFAs & other	361.5	10%
Nutritional specialties	157.2	10%
Vaccines	88.3	21%
<b>Adj. EBITDA</b>	<b>\$ 124.1</b>	<b>0%</b>
<b>Adj. EBITDA Margin</b>	<b>20.4%</b>	<b>-230 bps</b>

- **Net Sales – an increase of \$61.3 million, or 11%**
  - MFAs and other – an increase of \$31.5 million, or 10%
    - Increased demand for MFAs, particularly in the Latin America and Canada region, coupled with strong demand for processing aids used in the ethanol fermentation industry
  - Nutritional specialties – an increase of \$14.4 million, or 10%
    - Strong international and domestic demand, particularly for dairy, coupled with growth in our companion animal product, Rejensa®
  - Vaccines – an increase of \$15.4 million, or 21%
    - Strong demand in most regions
- **Adjusted EBITDA – essentially flat vs. last year**
  - Strong sales and gross profits offset by an increase in selling, general and administrative expenses

- Year-On-Year % changes are in comparison to 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

Fourth Quarter, Year-on-Year comparison



\$ in millions

	Q4	YOY %Δ
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## Mineral Nutrition

Net Sales	\$ 69.4	22%
Adj. EBITDA	\$ 6.7	44%
Adj. EBITDA Margin	9.6%	+150 bps

## Performance Products

Net Sales	\$ 19.3	16%
Adj. EBITDA	\$ 2.4	5%
Adj. EBITDA Margin	12.3%	-110 bps

## Corporate

Adj. EBITDA	\$ (11.1)	(17%)
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### Mineral Nutrition

- Net Sales increased \$12.6 million, or 22%, primarily driven by higher average selling prices of trace minerals
- Adjusted EBITDA increased \$2.0 million, or 44%, driven by increased gross profit

### Performance Products

- Net Sales increased \$2.6 million, or 16%, driven by stronger demand and pricing for copper-based products and strong demand for ingredients used in personal care products
- Adjusted EBITDA increased \$0.1 million, or 5%, on performance comparable to the prior quarter

### Corporate

- Corporate expenses increased \$1.6 million, or 17%, primarily driven by an increase in investments relating to strategic initiatives

- 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

FY 2022, Year-on-Year comparison



\$ in millions

	FY 2022	YOY %Δ
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## Mineral Nutrition

Net Sales	\$ 259.5	18%
Adj. EBITDA	\$ 24.0	40%
Adj. EBITDA Margin	9.3%	+150 bps

## Performance Products

Net Sales	\$ 75.7	13%
Adj. EBITDA	\$ 8.7	(8%)
Adj. EBITDA Margin	11.5%	-270 bps

## Corporate

Adj. EBITDA	\$ (45.8)	(7%)
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### Mineral Nutrition

- Net Sales increased \$39.0 million, or 18%, driven by higher average selling prices of trace minerals
- Adjusted EBITDA increased \$6.9 million, or 40%, driven by increased gross profit on favorable product mix

### Performance Products

- Net Sales increased \$8.6 million, or 13%, driven by strong demand for ingredients used in personal care products and strong demand and favorable pricing of copper-based products
- Adjusted EBITDA decreased \$0.7 million, or 8%, driven by higher raw material and production costs

### Corporate

- Corporate expenses increased \$3.1 million, or 7%, primarily driven by an increase in investments relating to strategic initiatives

- Year-On-Year % changes are in comparison to 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

FY 2022 Highlights



<b>Free Cash Flow</b>	<b>(\$5) million of trailing 12-month free cash flow; operating cash flow of \$32 million less capital expenditures of \$37 million</b>
<b>Leverage</b>	<b>3.9x gross leverage ratio; \$434 million total debt / \$111 million trailing 12-month Adjusted EBITDA</b>
<b>Liquidity</b>	<b>\$194 million; \$91 million of cash and short-term investments + \$103 million of available revolving credit*</b>
<b>Dividend</b>	<b>Quarterly Dividend of \$0.12 per share; \$4.9 million dividend paid</b>

\* Available revolving credit is shown net of letters of credit outstanding and subject to leverage ratio limitations; see the Credit Agreement on April 22, 2021 (see Form 8-K and Company press release)

# Financial Guidance

Fiscal Year 2023



\$ in millions, except earnings per share (EPS) data

	Actual FY22	FY 2023 Full Year Guidance			
		Low	High	Low	High
<b>Net Sales</b>	\$ 942	\$ 960	\$ 1,000	2%	6%
<b>Net Income</b>	\$ 49	\$ 45	\$ 49	-8%	0%
<b>Diluted EPS</b>	\$ 1.21	\$ 1.11	\$ 1.21	-8%	0%
<b>Adj. EBITDA</b>	\$ 111	\$ 113	\$ 118	2%	6%
<b>Adj. Net Income</b>	\$ 53	\$ 52	\$ 56	-2%	5%
<b>Adj. Diluted EPS</b>	\$ 1.31	\$ 1.28	\$ 1.38	-2%	5%
<b>Adj. Effective Tax Rate</b>	29.5%	30.0%			

## Consolidated

- Although macroeconomic headwinds are anticipated to persist, we are projecting consolidated Net Sales growth of 2% to 6%
  - Animal Health, 3% to 7%:
    - Double digit % growth of nutritional specialty products by driving the use of direct fed microbials and doubling sales of our companion animal product, Rejensa<sup>®</sup>, with single digit % growth in Vaccines & MFAs and other
  - Other segments, 0% to 4%:
    - Single digit % growth projected for both Mineral Nutrition and Performance Products segments as the sales directly correlate to the underlying cost of raw materials, primarily trace minerals such as copper
- Planned strategic investments and capital improvements of \$37 million and \$39 million, a year-over-year increment of \$8 million and \$2 million, respectively
- With the annualization of FY22 price increases and actions taken to control input costs, we are projecting 2% to 6% growth in Adjusted EBITDA



# Q&A





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