

Phibro Animal Health Corporation



Webcast and
Conference Call

February 8, 2024

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Conference ID:
3927884

Financial Results

Fiscal Year 2024

Second Quarter Ended December 31, 2023

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, 2023.

Key Themes

Three months ended December 31, 2023

Strong growth in Animal Health

Animal Health sales and adjusted EBITDA growth of 6% and 6%, respectively.

Sales growth:

- Vaccines +31%
- Nutritional specialties -6%
- MFAs and other +5%

Second Half expectations

Continuing Animal Health growth

Recovery in Mineral Nutrition

- Working through inventory imbalances

Performance Products

- Rebound in demand

Guidance affirmed for adjusted items

Affirming fiscal year 2024 guidance

- Net sales of \$980 million to \$1.020 billion
- Adjusted EBITDA of \$106 million to \$112 million
- Adjusted EPS of \$1.04 to \$1.16

Updating fiscal year 2024 guidance

- GAAP net income
- Diluted EPS

Financial Performance - Consolidated

Second Quarter, Year-on-Year comparison



\$ in millions, except per share data

Consolidated

	Q2	YOY %Δ
Net Sales	\$ 249.9	2%
Net Income	\$ 1.3	(82%)
Diluted EPS	\$ 0.03	(82%)
Adjusted EBITDA	\$ 29.5	(5%)
Adjusted Net Income	\$ 13.5	(2%)
Adjusted Diluted EPS	\$ 0.33	(2%)

- **Net Sales** – +\$5.3 million, or 2%. Animal Health +6%; declines in Mineral Nutrition and Performance Products
- **Net Income & Diluted EPS** – Net income decreased \$5.9 million
 - Foreign exchanges losses +\$7.6 million, mostly Argentina
 - Brazil employment taxes of \$4.2 million; last year included environmental remediation of \$6.6 million
 - Interest expense, net increased \$0.8 million
 - Income tax expense decreased by \$2.6 million
- **Adjusted EBITDA** – decreased \$1.5 million, or 5%.
 - Animal Health +\$2.2 million
 - Mineral Nutrition \$(0.9) million
 - Performance Products \$(1.5) million
 - Corporate expenses \$(1.3) million - strategic investments
- **Adjusted Net Income and Adjusted Diluted EPS** – Adjusted Net Income decreased \$0.3 million, or 2%.
 - Increased adjusted gross profit, driven by sales growth
 - Higher adjusted SG&A due to strategic investments and increased employee-related costs
 - Higher adjusted interest expense, net, due to higher variable interest rates
 - Improved effective tax rate

- 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	\$ 173.1	6%
MFAs & other	101.9	5%
Nutritional specialties	41.4	(6%)
Vaccines	29.7	31%
Adj. EBITDA	\$ 39.3	6%
Adj. EBITDA Margin	22.7%	+10 bps

Net Sales +\$9.3 million, or 6%

- Vaccines +\$7.0 million, or 31%
 - poultry product introductions in Latin America
 - increased domestic demand
- Nutritional specialties \$(2.4) million, or (6%)
 - mostly lower domestic dairy demand
- MFAs and other +\$4.8 million, or 5%
 - increased demand in international regions
 - processing aids used in the ethanol fermentation industry

Adjusted EBITDA +\$2.2 million, or 6%

- gross profit from increased sales
- partially offset by higher SG&A

Financial Performance – Other Segments

Second Quarter, Year-on-Year comparison



\$ in millions

	Q2	YOY %Δ
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Mineral Nutrition

Net Sales	\$ 61.3	(0%)
Adj. EBITDA	\$ 3.5	(20%)
Adj. EBITDA Margin	5.7%	-140 bps

Performance Products

Net Sales	\$ 15.5	(19%)
Adj. EBITDA	\$ 0.8	(64%)
Adj. EBITDA Margin	5.3%	-660 bps

Corporate

Adj. EBITDA	\$ (14.2)	10%
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- **Mineral Nutrition**

- Net sales down \$(0.3) million, or less than 1%
 - declines in average selling prices
 - some reduction in sales volume
- Adjusted EBITDA down \$(0.9) million
 - Working though inventory imbalances

- **Performance Products**

- Net sales down \$(3.7) million, or 19%
 - decreased demand for personal care product ingredients and industrial chemicals.
- Adjusted EBITDA down \$(1.5) million
 - lower product demand; unfavorable product mix.

- **Corporate**

- expenses +\$1.3 million; increased 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

December 31, 2023



Free Cash Flow ⁽¹⁾	Free cash flow was \$37 million for the TTM -- positive cash from operating activities of \$74 million, less capital expenditures of \$(37) million. Cash and cash equivalents and short-term investments of \$92 million as of December 31, 2023
Leverage	4.4x gross leverage ratio; \$476 million total debt / \$108 million TTM adjusted EBITDA
Dividend	Quarterly dividend of \$0.12 per share; \$4.9 million dividend paid
Interest Rates	\$300 million of debt at fixed interest rate of 0.61% + margin

⁽¹⁾ Free cash flow equals cash flow from operating activities less capital expenditures
TTM: trailing twelve months

Financial Guidance

Fiscal Year 2024



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

Consolidated

	FY 2023	FY 2024	
	Actual	Full Year Guidance	
		Low	High
Net Sales	\$ 978	\$ 980	\$ 1,020
Net Income	\$ 33	\$ 12	\$ 17
Diluted EPS	\$ 0.81	\$ 0.30	\$ 0.42
Adjusted EBITDA	\$ 113	\$ 106	\$ 112
Adjusted Net Income	\$ 49	\$ 42	\$ 47
Adjusted Diluted EPS	\$ 1.21	\$ 1.04	\$ 1.16
Adjusted Effective Tax Rate	33.0%	30.0%	28.0%

- Affirming fiscal-year 2024 guidance for net sales, adjusted EBITDA, adjusted net income and adjusted diluted EPS
- Updating fiscal-year 2024 guidance for Net Income and Diluted EPS
 - Brazil employment taxes; foreign currency losses; other items; related income tax effects



Q&A

