

Phibro Animal Health Corporation
(PAHC) Q2 2026 Earnings Call
February 5, 2026

5-February 2026

PHIBRO ANIMAL HEALTH CORPORATION

Q2 2026 Earnings Call

Call Participants

EXECUTIVES

Daniel M. Bendheim

*Executive VP of Corporate Strategy
& Director*

Glenn C. David

Chief Financial Officer

Jack Clifford Bendheim

Chairman, President & CEO

Larry L. Miller

Chief Operating Officer

ANALYSTS

Ekaterina V. Knyazkova

*JPMorgan Chase & Co, Research
Division*

Linda H Bolduc

Morgan Stanley, Research Division

Navann Ty Dietschi

BNP Paribas, Research Division

Alexa (substitute for Michael Ryskin)

Bank of America (BofA)

Presentation

Operator

Hello, and thank you for standing by. My name is Regina, and I will be your conference operator today. At this time, I would like to welcome everyone to the Phibro Animal Health Corporation Second Quarter 2026 Conference Call. [Operator Instructions] I'd now like to turn the conference over to Glenn David, Chief Financial Officer. Please go ahead.

Glenn C. David

Chief Financial Officer

Thank you, Regina. Good day, and welcome to the Phibro Animal Health Corporation Earnings Call for our fiscal second quarter ending December 31, 2025. My name is Glenn David, and I'm the Chief Financial Officer of Phibro Animal Health Corporation. I am joined on today's call by Jack Bendheim, Phibro's Chairman, President and Chief Executive Officer; Daniel Bendheim, Director and Executive Vice President of Corporate Strategy and as recently announced, our CEO Designate; and Larry Miller, Chief Operating Officer.

Today, we will cover financial performance for our second quarter and provide updated financial guidance for our fiscal year ending June 30, 2026. At the conclusion of our remarks, we will open the lines for your questions. I would 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 quarterly Form 10-Q as well as the transcript and slides discussed and presented on this call.

Our remarks today will include forward-looking statements, and actual results could differ materially from those 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 financial measures, which were not prepared in accordance with generally accepted accounting principles or U.S. GAAP.

I refer you to the non-GAAP financial information section in our earnings press release for a discussion of these measures. Reconciliation of these non-GAAP financial measures to the most directly comparable U.S. 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 nonrecurring items, including stock-based compensation, other income expense as separately reported in the consolidated statements of operations, including foreign currency losses, gains, net and income taxes related to pretax income adjustments and unusual or nonrecurring income tax items. Now let me introduce our Chairman, President and Chief Executive Officer, Jack Bendheim, to share his opening remarks.

Jack Clifford Bendheim

Chairman, President & CEO

Thanks, Glenn. In the second quarter, we delivered 26% growth in Animal Health sales and a 41% increase in Animal Health adjusted EBITDA. A clear sign our strategy is working. Medicated Feed Additives led with a 34% growth, supported by strong gains in nutritional specialties and vaccines. This reflects our continued success integrating the MFA portfolio into our operations.

While our total legacy business continues to perform with 3% growth. Beyond Animal Health, we saw continued growth in Minerals with decline in our Performance Products segment. Consolidated sales were up 21% in the second quarter, while EBITDA was up 41%. As Glenn will discuss in more detail, we're raising both our full year sales and earnings guidance. These results are encouraging, but what's impressed me just as much is what I have seen firsthand from our people and our customers in the past few weeks. It's one thing to see performance in the numbers. It's another to hear directly from the teams and customers who are living this momentum every day.

Earlier this month, more than 150 of our global leaders came together in Barcelona, our largest meeting of this kind in over a decade. The energy and alignment were outstanding. We heard a consistent message across regions. Our teams remain deeply focused on customer partnerships. We're sharpening our innovation agenda with stronger global coordination. We're executing better and more consistently across the business and the unity across our leadership team has never been stronger.

I left Barcelona feeling incredibly proud of our people and confident in the direction we're heading. When you see the level of alignment and enthusiasm from long-tenured leaders to newer faces, it tells you that the culture is strong and the strategy is working. Last week, I was in Atlanta for the IPPE, the annual Poultry Show. While it was very cold in Atlanta, the conversations they were warm and optimistic. IPPE is always a great pulse check on the protein sector. And this year, the tone was upbeat. Producers across poultry and the broader protein markets are seeing more stability. Demand remains strong. Customers are prioritizing performance, reliability and cost efficiency, and areas where we're delivering real value. And we got a lot of positive feedback about the MFA integration and the strength of our technical support. It's clear that the work our teams have done over the past year is resonating where it matters most with customers.

Taken together with our financial performance, Barcelona and IPPE make it clear that Phibro has real sustainable momentum. And as I looked at that momentum, the strength of our business, the alignment of our people and the opportunities ahead, it's also clear that this is an opportune moment for a leadership transition. And with that, I turn it over to Dani.

Daniel M. Bendheim

Executive VP of Corporate Strategy & Director

Thank you. Before we move into our results, I want to share how honored I am to be stepping into this role in July. I'm deeply grateful for the trust the Board and the entire Phibro team have placed in me. I'm especially pleased that my father will continue as Executive Chairman. The culture and foundation he has built over 5 decades are the bedrock of this company. Having a continued guidance and experience is a significant advantage for Phibro and is incredibly meaningful to me personally. Equally important is the stability of our broader leadership. Our full management team remains in place. These are the leaders who know our customers and our global operations intimately.

That continuity across every region and function is one of our greatest competitive strengths. In short, this leadership transition is occurring from a position of momentum and operational excellence. I'm stepping into this role at a dynamic moment for our industry. We are seeing genuine momentum in the protein markets. Producer confidence is rising and global demand remains resilient. The energy we felt at IPPE recently confirmed this. Our customers are moving forward, investing and planning for growth. Looking ahead, we are entering a new era of opportunity. Producers today are under pressure to do more with less. At Phibro, we see sustainability and profitability as one and the same. Better gut health, improved feed conversion and reduced disease pressure don't just support sustainability, they drive profitability.

By investing in R&D and our digital capabilities, we are positioning Phibro to lead the next wave of breakthroughs in Animal Health. These efforts are central to our Phibro Forward strategy and build on the strength of our core business and our unified leadership team. With that, I'll hand it over to Glenn to discuss our performance for the quarter and our outlook for the remainder of the fiscal year. Glenn?

Glenn C. David

Chief Financial Officer

Thanks, Dani. Starting with our Q2 performance on Slide 4. Consolidated net sales for the quarter ended December 31, 2025, were \$373.9 million, reflecting an increase of \$64.6 million or a 21% increase over the same quarter 1 year ago. The Animal Health segment grew 26%, while Mineral Nutrition grew at 9% and Performance Products declined by 10%. GAAP net income and diluted EPS increased significantly, driven by the successful integration of the new MFA business, increases in demand, improved gross margin due to favorable mix, partially offset by increased SG&A due to higher employee-related costs.

After making our standard adjustments to GAAP results, including acquisition-related items, foreign currency losses and certain one-off items, the second quarter adjusted EBITDA increased \$19.9 million or 41% versus prior year. Adjusted net income increased 60% and adjusted diluted EPS increased 58%. Increased gross profit driven by sales growth was partially offset by higher adjusted SG&A and higher adjusted interest expense. Moving to segment level financial performance. The Animal Health segment posted \$290 million of net sales for the quarter, an increase of \$60.6 million or 26% versus the same quarter prior year.

Within the Animal Health segment, we reported legacy MFA's net sales decrease of 5%, driven by the timing of inventory purchases from a particular large customer. Excluding the impact of this timing, our legacy MFA growth would have been a positive 3%. The new MFA business contributed a full quarter of sales of \$94.1 million versus a partial quarter last year, driving the total MFA and other growth to 34%.

The Nutritional Specialty net sales increased \$4.3 million or 9% due to increased North America demand for dairy. Vaccine net sales growth of \$4.5 million or a 13% increase driven by continued growth of poultry products in Latin America and higher international demand. Animal Health adjusted EBITDA was \$82.2 million, a 41% increase, driven by the new MFA business, higher gross profit from improved mix in the legacy business, partially offset by higher SG&A.

Moving on to second quarter financial performance for our other business segments on Slide 6. Starting with Mineral Nutrition. Net sales for the quarter were \$68.9 million, an increase of \$5.7 million or 9% due to an increase in demand for zinc and trace minerals. Looking at our Performance Products segment, net sales of \$15 million reflects a decrease of \$1.6 million or negative 10% as a result of lower demand for the ingredients used in personal care products. Mineral Nutrition and Performance Products adjusted EBITDA was \$6.4 million and \$0.8 million, respectively. Corporate expenses increased \$3.7 million, driven by higher employee-related costs.

Turning to key capitalization-related metrics on Slide 7. We generated \$47 million of positive free cash flow for the 12 months ended December 31, 2025. We generated \$93 million of operating cash flow and invested \$46 million in capital expenditures. Please note that our cash generation has been negatively impacted by a buildup of inventory in advance of tariffs and to meet increasing customer demand. We expect inventory to stabilize in the coming quarters.

Cash and cash equivalents and short-term investments were \$74.5 million at the end of the quarter. Our gross leverage ratio was 3.1x at the end of the quarter based on \$737 million of total debt and \$235 million of trailing 12-month adjusted EBITDA. Our net leverage ratio was 2.8x at the end of the quarter based on \$662 million of net debt and \$235 million of trailing 12-month adjusted EBITDA. On interest rates, there are no changes to our current swap agreements. Turning to dividends. Consistent with our history, we paid a quarterly dividend of \$0.12 per share or \$4.9 million in aggregate.

Let's turn to Slide 8, which lays out our updated guidance for fiscal year 2026. Based on our strong performance year-to-date and continuing momentum, we are raising our revenue, EBITDA and income guidance. Our guidance for fiscal year 2026 is as follows: Net sales increased from a range of \$1.425 billion to \$1.475 billion to a range of \$1.450 billion to \$1.500 billion. This represents a growth range of 12% to 16% and a midpoint of approximately 14%. Total adjusted EBITDA increased from a range of \$230 million to \$240 million to \$245 million to \$255 million. This represents a growth range of 33% to 39% and a midpoint of approximately 36%.

Adjusted net income increased from a range of \$108 million to \$115 million to \$120 million to \$127 million. This represents growth of 41% to 49% with a midpoint of approximately 45%. GAAP net income and EPS assumes constant currency and no additional gains or losses from FX movements. Also included in our GAAP net income and EPS are onetime costs related to our Phibro Forward income growth initiative. In closing, we're excited about the continued strong performance in fiscal year 2026. We are confident in the demand for our products around the world and look forward to seeing continued strong performance in our business. So, with that, Regina, could you please open the lines for questions?

Question and Answer

Operator

[Operator Instructions] Our first question will come from the line of Ekaterina Knyazkova with JPMorgan.

Ekaterina V. Knyazkova

JPMorgan Chase & Co, Research Division

Congrats on the results. So, first question is just on gross margins. Obviously, a very strong number this quarter. You've touched upon this, but what are the main drivers of this? And how much is mix or anything potentially onetime in there? And how should we think about gross margins over the next few quarters?

And then second bigger picture question just on the guidance update. Can you just elaborate a bit what's kind of doing better than expected as you kind of think about the EPS and the EBITDA upside? How much of this is fiber forward versus mix versus commercial execution versus anything else?

Glenn C. David

Chief Financial Officer

Sure. Thanks for the question, Ekaterina. So, in terms of the gross margin, there are a number of factors that are driving it, particularly in this quarter and also on a year-to-date basis as well. So, we've been successful in taking additional price, particularly on the Zoetis portfolio, which has exceeded our expectations and helps drive improved margin. We've also seen very positive mix. We continue to see strong performance in our nutritional specialties and our vaccine products, which do come in at a higher margin as well.

So really strong mix, strong price and strong overall performance. And also, just a focus internally on driving growth on the higher-margin products as well has helped. In the quarter, in particular, I think I mentioned in last quarter's call that we should have some returns coming as part of our transition from what we call Tier 3 markets to Tier 1 markets. Those returns came at full cost. So, the price of sales and the price of cost was the same. So that partially elevated the gross margin as well for that quarter, but that's less than, call it, 100 basis points.

But overall, really strong underlying performance from a gross margin perspective. And from an EPS and guidance perspective, a number of factors that have driven the positive view that we have for the rest of the year. A strong revenue performance, as I mentioned, really strong performance in our acquired portfolio, really exceeding our expectations and how we're performing there. And our ability to leverage our existing infrastructure without building quite as much additional staff or resources to support the new business as well has continued to perform positively and the improved mix that we mentioned as well that helps us for the full year guidance as well. So, a lot of factors that are going in the right direction and helping our performance for the first half of the year, but also for our guidance for the full year.

Operator

Our next question will come from the line of Michael Ryskin with Bank of America.

Alexa, Analyst

BofA

This is Alexa on for Mike. I was wondering about if you could talk about the impact of the customer timing on the MFA business. If you could give any details on what happened there and if it will flip into 3Q? And how should we think about the legacy MFA business and Zoetis MFA and those normalized growth rates going forward for both businesses given some of the lumpiness in recent quarters? And then I have a follow-up question.

Glenn C. David

Chief Financial Officer

Okay. Sure. So, in terms of the customer timing that we mentioned for the legacy MFA business, that's one customer that we do a significant amount of business for. They hold different inventory levels at different times. So sometimes within the quarter, we'll have pretty significant fluctuations. That ends up varying throughout the year and evening out through the year. It was roughly \$10 million in this quarter.

We do expect it to improve as we move into the next quarter. So, we don't expect that significant negative hit as we move into the second half of the year. In terms of the legacy MFA and the Zoetis MFA, as we move into the second half of the year, we'll have a full comparative, right?

So, this is the last quarter where we sort of had a partial quarter of the previous year. So, as we move into the second half, we'll have a full comparative both the legacy portfolio as well as the recently acquired portfolio, which will obviously slow growth. And I think what we talked about for the long term is we expect this business to grow sort of in the low to mid-single digits. With the strength that we have from a field force perspective and technical expertise, we'll look to drive that greater. But overall, we expect this business to be a low to mid-single-digit growth.

Alexa, Analyst

BofA

Okay. Got it. That's super helpful. And then my follow-up question is on end markets. So, they've been really favorable livestock in recent quarters with very strong results. Can you just talk about how sustainable this is versus it being a cyclical upswing?

Glenn C. David

Chief Financial Officer

Yes. Larry, do you want to address the protein markets and the sustainability?

Larry L. Miller

Chief Operating Officer

Yes, sure. Thanks for the question. So, the demand for high-quality clean proteins continues to be very strong, and we see benefits for that, particularly in our beef sector, our chicken, broiler sector, pork, turkey, dairy and also for eggs. We certainly see continued favorable feed costs, which is obviously the largest input cost of producing animals, and that's helping to maintain margins. We'll probably see -- expect to see a little bit of some shift in trade between certain countries, which is sometimes driven by tariffs and also some disease outbreaks.

But I want to emphasize, we really feel good about our diversification amongst our livestock species as well as geographic presence in all the key global livestock production markets, including many markets which are increasing their domestic production to be more food secure and less reliant on imports. Our diversity has certainly been enhanced with the MFA acquisition.

Alexi, Analyst

BofA

Great. And if I can just ask one quick follow-up on the MFA business again. I want to talk about share gains. Are you taking share from others given the strong combined portfolio? And that's my final question. Congrats on the great results.

Glenn C. David

Chief Financial Officer

So, Larry, do you want to address the share gains?

Larry L. Miller

Chief Operating Officer

So, I would say that we -- in the quarter in the first half, we've certainly seen strong performance in our poultry anticoccidial range. We are able to offer a much more complete portfolio of offerings, particularly in broiler coccidiosis management. Often people change and rotate every few months on these. So, it's allowed us to have more opportunities to participate in those anticoccidial programs. We've also seen good growth in our swine rhinitis business.

Operator

Our next question comes from the line of Navann Ty with BNP Paribas.

Navann Ty Dietschi

BNP Paribas, Research Division

Just what drove the outperformance of the Zoetis MFA portfolio specifically? And a clarification on the legacy ones. So should we expect the \$10 million in -- to come back in Q3, just to make sure. And then I'll have a follow-up.

Glenn C. David

Chief Financial Officer

Yes. So just in terms of the legacy business and the negative impact to the quarter, we will expect that to come back in the second half of the year. But how much of it comes between Q3 and Q4, that will depend on the orders that we receive, but we do expect it to come back within the second half of the year. I'll start on the drivers of the Zoetis MFA, but Larry, if you could add as well in terms of the outperformance. I think it's been tremendous execution from the team in terms of the integration. We've built a very strong team that's been extremely effective in their interactions with our customers. We have been able to take share on some particular products in the marketplace as we continue to gain momentum, and we expect that hopefully to continue as well. But Larry, I don't know if you have additional things to add on the Zoetis MFA outperformance.

Larry L. Miller

Chief Operating Officer

I think our team has done a really good job of focusing on these. We've got a lot of shifts, particularly in the segments. People are -- our customers are growing animals to larger, heavier harvest weights. And so that's changing some of the dynamics that they have to deal with. And our team is really doing a great job in promoting and reminding customers of the indications and claims that we have for these new products and how those fit some of these trends and challenges of feeding animals longer.

So, we're really seeing good receptivity from our customers. Obviously, the value of animals are at historic highs. So, customers are very interested in investing to protect their animals, to keep them healthy and healthier animals, obviously, are more efficient and help optimize the margin and opportunities for returns.

Jack and Dani talked about our presence at the International Poultry and Egg Conference last week in Atlanta. I'm actually at the National Beef Cattlemen's Association right now in Nashville, where we're able to have a presence in the trade show and in a lot of the activities here. And we're meeting a lot of great customers here that are in the beef production segment. And I have to say their interest in these products, how they can fit and help them solve the challenges they're facing really are excited to see us with representing these products, owning these products and investing in these products. And enthusiasm for this beef segment is really high right now. Obviously, consumption of beef has grown for the first time in quite a long time. And so, people are feeling really good about this acquisition as are we.

Navann Ty Dietschi

BNP Paribas, Research Division

And then in companion animal, can you maybe expand on the commercial traction and the vet feedback of Restoris since the launch?

Daniel M. Bendheim

Executive VP of Corporate Strategy & Director

So, it's Dani. I'll take that. So, we launched it, obviously, late last year into the holiday season. It's actually gone more or less according to plan. I don't know if you had a chance to be in Orlando for VMX, we actually had our first time that we've been an exhibitor, a lot of foot traffic, a lot of interest. We've seen a boost since then. We'll be continuing on the circuit. We'll be in Vegas for the Western Vet Conference. And overall, there is a lot of excitement within the vet community for what Restoris offers.

Operator

[Operator Instructions] Our next question will come from the line of Erin Wright with Morgan Stanley.

Linda H Bolduc

Morgan Stanley, Research Division

This is Linda on for Erin Wright. So, could you please provide an update on the Phibro Forward initiatives, specifically what's been realized to date versus what may remain ahead? And also, how much of the margin expansion embedded in the latest outlook is driven by structural cost initiatives versus cyclical or mix-related benefits?

Glenn C. David

Chief Financial Officer

Sure. So, I'll start on the Phibro Forward. As in the past, we haven't given specific dollar amounts in terms of the contributions or the expectations. What we have said is it continues to be a significant driver of our growth. We are now halfway through fiscal year '26. And we expect sort of the optimal of the max contributions coming from a full year fiscal year '27. I'd say we're sort of halfway through the process. We expect the contributions from Phibro Forward to continue to accelerate as we move through the end of fiscal year '26. And then we'll get a full annualization of benefits as we move into fiscal year '27, and that will be a key contributor to growth in fiscal year '27. I'll turn it to Dani to see if there's anything additional to add.

Daniel M. Bendheim

Executive VP of Corporate Strategy & Director

Thanks, Glenn. What I'd say is Phibro Forward really touches upon all parts of our company. So, there is the structural changes, and we're seeing it in our higher gross margin. I think we're seeing it in some of our revenue strategies. But it's also overall on how we approach R&D, on how we approach technology, we've laid the groundwork for future growth with these initiatives. And it puts us in a really strong place both for today and as we enter kind of the next era.

Linda H Bolduc

Morgan Stanley, Research Division

That's helpful. And then also, there have been a number of innovation developments across companion animal, notably oral health. Is this a meaningful contributor to 2026 or more so going forward?

Glenn C. David

Chief Financial Officer

So that will be more so going forward. So, within this quarter, it was a limited contributor. We'll expect a little more in the second half of the year. But I think we'll start to see more material contributions in fiscal year '27 and then beyond.

Operator

And that will conclude our question-and-answer session. I'll hand the call back to Glenn David for any closing comments.

Glenn C. David

Chief Financial Officer

Thank you, Regina, and thank you, everyone, for listening to today's call. We really appreciate your time, attention, interest and support of Phibro Animal Health Corporation. Have a great night.

Copyright © 2026 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analysis. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2026 S&P Global Market Intelligence.