

Phibro Animal Health Corporation
(PAHC) Q3 2026 Earnings Call
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PHIBRO ANIMAL HEALTH CORPORATION
Q3 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 Miller

Chief Operating Officer

ANALYSTS

Ekaterina V. Knyazkova

*JPMorgan Chase & Co, Research
Division*

Luis Mario Higuera

Citi

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 Third Quarter 2026 Earnings Conference Call. [indiscernible] 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 third quarter ended March 31, 2026. 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 previously announced, our CEO designate; and Larry Miller, Chief Operating Officer. Today, we will cover financial performance for our third 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 to you to the non-GAAP financial information section in our earnings press release for a discussion of these measures. Reconciliations 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 non-recurring items, including stock-based compensation. Other income expense is separately reported in the consolidated statement of operations, including foreign currency losses, gains 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?

Jack Clifford Bendheim

Chairman, President & CEO

Thanks, Glenn, and good morning, everyone. We had a strong third quarter. Net sales increased 10% to \$383 million and adjusted EBITDA increased 11% to \$60 million. Animal Health sales increased 13% with solid demand across MFAs, nutritional specialties and vaccines. This performance is all the more impressive due to a complex broader protein backdrop and beef supply remains tight, which continues to support prices. In dairy, we're seeing early signs of stabilization even as fats have remained under pressure. And while poultry demand is positive, we are managing through elevated geopolitical volatility in the Middle East. Importantly, our diversified portfolio and geographic reach allow us to navigate these different cycles effectively.

Since quarter end, there are 3 updates I want to touch on. First, Brazil and antimicrobials. Brazil has implemented a new regulatory framework that removes growth promotion and performance indications for certain antimicrobials, including virginiamycin and bacitracin with 180-day transition period. While we are working closely with regulators and industry to support an orderly transition and maintain continuity for customers. We are also engaged with MAPA, the Brazilian regulatory agency for several years on

Therapeutic registrations for virginiamycin and bacitracin, and those are in the final stages of review. Glenn will provide some framing of the dollar amounts later in this call, but I want to put this in context.

This change has been in motion in Brazil for a long time. And what we're seeing now is a culmination of a process that's been underway for years. In many ways, Brazil is catching up to a regulatory approach that's already in place across the other major markets, which is why we view this as the last major shoe to drop in this area, not the start of a new wave of changes. Just as importantly, our history has shown that we emerge from these transitions stronger than when we entered them. Sometimes that's by maintaining demand as products move to therapeutic use and sometimes it's by winning share with other parts of our broad portfolio, but the content is growth. And as the market moves towards prescription-based use, our Phibro Vet platform is designed to make compliance easier for veterinarians and producers and to position us as the partner of choice in this new environment. Second, our sustainable solutions platform and Verratain. We launched our new sustainable solutions platform and introduced Verratain, Verified Sustainability Solutions through our partnership with VAXA. The customer need is clear. Many are being asked or will be asked to show progress on supply chain emissions and feed is often the biggest lever. What managed for adoption is practical solutions, and that can scale and fit into existing systems without requiring customers to overhaul their operations. We're still in the early stages of rollout. The scalability of this platform provides a clear path for long-term growth as customers increasingly prioritize credible, high-impact sustainability solutions. This is something I'm confident you'll be hearing a lot more from Danny in the years to come. Third, we strengthened liquidity. We upsized our revolving credit facility by \$125 million through an oversubscribed process, further enhancing our financial flexibility.

Before I turn it back to Glenn, I want to close on a personal note. As previously announced, Danny will assume the CEO role in July. Having worked closely with him and our long-term strategy for many years, I have full confidence in his leadership and the depth of our management team. While I'm transitioning to Executive Chairman, I'm excited about this next chapter and look forward to supporting Danny and the board as we continue building on the momentum of the business. I also want to thank the analysts and investor community for the engagement and support over the years, the thoughtful questions, and the long-term perspective. I want to thank our employees around the world because the performance you see in our results is a product of their work every day. With that, I'll turn it back to Glenn.

Glenn C. David
Chief Financial Officer

Thanks, Jack. Starting with the Q3 performance on slide 4. Consolidated net sales for this quarter ended March 31, 2026, were \$383.5 million, reflecting an increase of \$35.7 million or a 10% increase over the same quarter 1 year ago. The Animal Health segment grew 13%, while Mineral Nutrition grew at 10% and the Performance Products declined by 17%. GAAP net income and diluted EPS increased, driven by favorable gross profit, partially offset by increased SG&A due to higher employee-related costs. Interest expense net increased \$1.1 million due to the expiration of an interest rate swap agreement.

Foreign currency losses were \$1.9 million for the three months ended March 31st, 2026, as compared to gains of \$5.5 million for the three months ended March 31st, 2025. Income tax expense decreased by half million dollars. After making our standard adjustments to GAAP results, including acquisition-related items, foreign currency losses, and certain one-off items, the third quarter adjusted EBITDA increased \$5.9 million or 11% versus prior year. Adjusted net income increased 19% and adjusted diluted EPS increased 19%. The increase was driven by higher gross profit, partially offset by higher SG&A expenses and higher interest expense. The higher gross profit resulted from higher sales.

SG&A expenses increased due to higher employee-related costs. Interest expense increased due to the expiration of an interest rate swap agreement. Now moving to segment-level financial performance.

The Animal Health segment posted \$291.2 million of net sales for the quarter, an increase of \$32.8 million or 13% versus the same quarter prior year. Within the Animal Health segment, we reported legacy MFA net sales increase of 5%, driven by demand in North America and certain antimicrobials sold by our Ethanol Performance business. The new MFA business contributed a full quarter of sales of \$95.9 million or 25% growth versus last year. Nutritional specialties net sales increased \$3.5 million or 8% due to increased demand in North America and higher companion animal sales. Vaccine net sales growth of

\$5.2 million or a 16% increase driven by higher sales demand in Israel and higher sales of autogenous vaccines.

Animal Health adjusted EBITDA increased \$8 million or 13% due to higher sales and gross profit, partially offset by increased SG&A. Moving on to third quarter financial performance for our other business segments on slide 6. Starting with Mineral Nutrition, net sales for the quarter were \$73.4 million, an increase of \$6.6 million or 10% due to an increase in demand for zinc and trace minerals. Looking at our Performance Products segment, net sales of \$18.9 million reflects a decrease of \$3.8 million or a decrease of 17% as a result of lower demand for the ingredients used in personal care products. Mineral Nutrition and Performance Products adjusted EBITDA were \$5.1 million and \$2.2 million, respectively.

Mineral Nutrition adjusted EBITDA decreased \$0.6 million due to lower gross profit. Performance Products adjusted EBITDA decreased \$1.1 million due to lower sales. Corporate expenses increased \$0.3 million due to higher employee-related costs. Turning to key capitalization-related metrics on slide 7. We generated \$13 million of positive free cash flow for the 12 months ended March 31, 2026. We generated \$66 million of operating cash flow and invested \$53 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 \$77.5 million at the end of the quarter.

Our gross leverage ratio was 3.1x at the end of the quarter based on \$741 million of total debt and \$241 million of trailing-twelve-month adjusted EBITDA. Our net leverage ratio was 2.8x at the end of the quarter based on \$663 million of net debt and \$241 million of trailing twelve-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. As Jack mentioned, we also upsized our revolver by \$125 million. This process was significantly oversubscribed, reflecting our strong financial position.

Let's turn to slide 8, which lays out our guidance for fiscal year 2026. Based on our performance to date and improved visibility into the remainder of the year, we updated our full year guidance by increasing the lower end of several of our guidance ranges, resulting in higher midpoints across key financial measures. Our guidance for fiscal year 2026 is as follows: Net sales updated from a range of \$1.45 billion-\$1.5 billion to \$1.46 billion-\$1.5 billion. This represents a growth range of 13%-16% and a midpoint of approximately 14%. Total adjusted EBITDA updated from a range of \$245 million-\$255 million to \$247 million-\$255 million.

This represents a growth range of 34%-39% and a midpoint of approximately 37%. Adjusted net income updated from a range of \$120 million-\$127 million to \$122 million-\$127 million. This represents growth of 44%-49% with a midpoint of approximately 47%. 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 one-time costs related to our Phibro Forward income growth initiative. Regarding virginiamycin in Brazil, sales of virginiamycin in Brazil were \$26 million in fiscal year 2025.

The margin profile of the product in Brazil is above our average for the company.

As mentioned in the press release, we do anticipate receiving approval for therapeutic claims during the 6-month transition period. We will be able to better quantify the impact for fiscal year 2027 once the final approval is received. While this will be a headwind for fiscal year 2027, we are confident that growth in our business in other areas will more than offset this impact. 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 growth in our business. With that, Regina, can you please open the line for the questions.

Question and Answer

Operator

Our first question comes from the line of Ekaterina Knyazkova with J.P. Morgan. Please go ahead.

Ekaterina V. Knyazkova

JPMorgan Chase & Co, Research Division

Thank you guys so much.

First, just on the sustainability offering you've recently announced, just how are you thinking about the size of debt that opportunity, and how does the offering fit into relative to some of the other products out there like Experior and Bovaer? The second question is just on the conflict in the Middle East. Just any exposure there as you think about shipping costs and higher oil prices? Thank you.

Daniel M. Bendheim

Executive VP of Corporate Strategy & Director

Hey, this is Danny. I'll take the first question on the sustainability, so on Verratain. The market potentially is huge. I think we talked about in our press release the sustainability market based on Scope 3 pledges, within the Fortune 500 measures in the tens of billions to hundreds of billions of dollars. Obviously, that's not the market for this product, it really depends on the ability of these companies that made these pledges to act on their pledges. What's special about Verratain is we believe it allows these companies to actually achieve what they set out to do and allows them to hit their pledges with a product that until now it was just not economically feasible for them to actually act on their pledges.

As far as the competitive products out there, you mentioned two. One of them deals with ammonia. It's not really a greenhouse gas. It's not a carbon intensity product. It actually has ammonia as well production claims, so that's not really the competition. The other product is a methane reduction that is, you know, greenhouse gas. Obviously, it's a different form. It, you know, there's plenty of room for both products. Our product works across species. The methane product would be primarily for the dairy industry. You know, that would be the competitive profile there.

Glenn C. David

Chief Financial Officer

In terms of the Middle East, our guidance that we have for fiscal year 2026 includes any additional shipping costs or additional freight costs related to that. It also includes any potential downsides to our business in the Middle East, as we do sell a number of vaccines there. We currently haven't seen much of an impact, you know, we think on the downside that's a, small risk, but our guidance range does incorporate that.

Operator

Our next question comes from the line of Luis Higuera with Citi. Please go ahead.

Luis Mario Higuera

Citi

Hey, this is Luis Mario in for Daniel. The fourth implied guidance does imply a notable slowdown. Was there any pull-forward dynamics that may have occurred in this quarter or anything else you'd call out that may be causing this cadence? Thanks.

Glenn C. David

Chief Financial Officer

Yeah. We didn't have any pull forward in Q3. I think one of the things to note when you look at the growth ranges is particularly when you look at the comparators for 2025.

Just for context, in Q3 of 2025, we did \$348 million of sales. The step up to Q4 of 2025 was another \$31 million to \$379 million. The comparator becomes a lot stronger between Q3 and Q4, which does impact the growth that we would expect in Q4.

You know, the other thing that I would mention related to the revenue guide, and the implied Q4, we probably did take a somewhat conservative approach for the revenue guide for the year based on some of the unknowns with the conflict in the Middle East. We would anticipate to be towards the higher end.

Operator

Once again, for questions, simply press star one on your telephone keypad. We'll pause for a moment to compile the Q&A roster. We have no further questions at this time. I'll now hand the call back to Glenn for any closing comments.

Glenn C. David

Chief Financial Officer

Thank you, Regina, and thank you everyone for listening to today's call. Really appreciate your time, interest and support for Phibro Animal Health Corporation. Hope you all have a great day. Thank you.

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