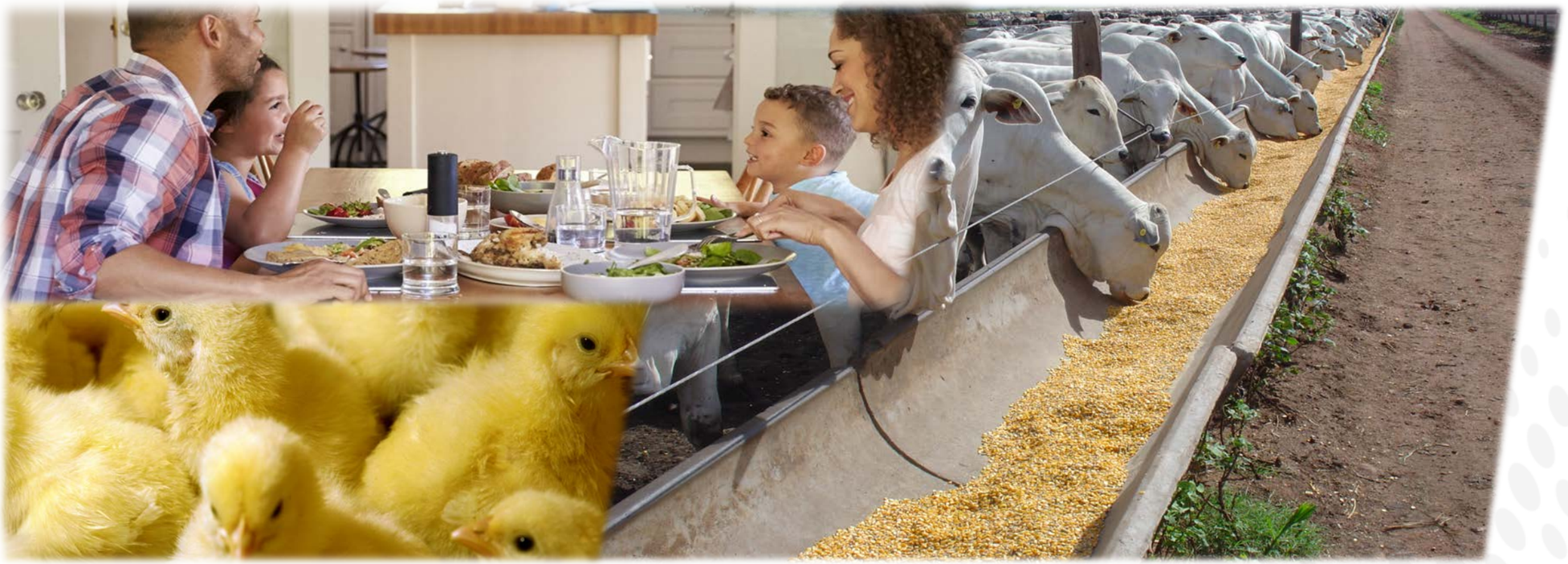
Phibro Animal Health Corporation



Company Overview

September 2018

Cautionary Statements

Forward-Looking Statements

This communication contains forward-looking statements that are subject to risks and uncertainties. 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,” “believe,” “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 guarantees 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 Information

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.

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.

Phibro Animal Health Corporation

A Global Leader in Animal Health

Global animal health company focused on food animals

Dedicated to supporting the growing worldwide demand for animal protein

Products and solutions enhance health, nutrition and productivity of animals

>1,500 product presentations
>70 countries
~3,000 customers

Manufacture >70% of our animal health products

$820 million Net Sales

$129 million Adjusted EBITDA

Public company NASDAQ:PAHC

Fiscal year ended June 30, 2018

Core Competencies

Effective Solutions



Medicated Feed Additives

- Antibiotics
- Anticoccidials
- Antimicrobials
- Rumen function
- Anthelmintics

Vaccines

- Poultry
- Swine
- Bovine
- Aqua

Nutritional Specialties

- Immune modulators
- Anionic supplement
- Yeasts
- Mycotoxin solutions
- Phytogenic feed additives
- Direct-fed microbials

MVP Adjuvants

Mineral Nutrition

- Trace and macro Minerals
- Organic trace Minerals
- Premixes
- Selenium yeast

Ethanol Performance

- Antimicrobials
- Cleaning products
- Process aids
- Yeast

The Factors Driving Demand for Our Products

Phibro Sees a Bright Outlook

- Global wealth and population growth drives animal protein demand
- Limited additional land and water for agriculture
- Food supply becoming global
- Consumer demand for safe, affordable food
- Responsible animal health and welfare



Innovation is the Solution

The Evolution of Phibro

Acquisitions Complement Strong Organic Growth



1946
Formed as Philipp Brothers Chemicals, Inc.



1974
Acquired Koffolk, an Israeli animal nutrition business

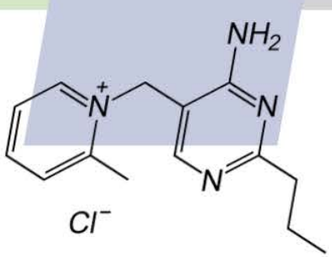
1980
Began nicarbazin manufacturing





1980
Acquired Prince Agri Products, a U.S. animal nutrition business

1994
Began amprolium manufacturing





2000
Acquired global medicated feed additive business from Pfizer Inc.

2003
Changed corporate name to Phibro Animal Health Corporation

Phibro™



2009
Acquired Abic Laboratories, an Israel-based vaccine business

2009
Acquired Baltzell U.S. mineral nutrition business



The Evolution of Phibro

Acquisitions Complement Strong Organic Growth



2011 *Acquired Animate® nutritional specialty product*

2012 *Acquired OmniGen-AF® nutritional specialty product*

2014 *Acquired AquaVet aquaculture veterinary consulting & product development business*

2014 *Became a public company, NASDAQ: PAHC*

2015 *Acquired Western Yeast business, a producer of yeast products (Cellerate Yeast Solutions®)*

2015 *Acquired rights to MJ Biologics technology (MJPRRS®)*

2016 *Acquired MVP Laboratories animal vaccines and adjuvants business*

2017 *Acquired Biotay Argentina animal health business*

2018 *Acquired vaccine facility - Sligo, Ireland*

Our Company

$820 Net Sales

$129 Adjusted EBITDA

Mineral Nutrition
$235 net sales
$19 Adjusted EBITDA

Trace minerals for animals

Animal Health
$532 net sales
$142 Adjusted EBITDA

Poultry, swine, dairy, cattle, aquaculture

Performance Products
$53 net sales
$2 Adjusted EBITDA

Specialty chemicals

Medicated Feed Additives and Other
$337 net sales

Antimicrobials and Anticoccidials

Nutritional Specialties
$123 net sales

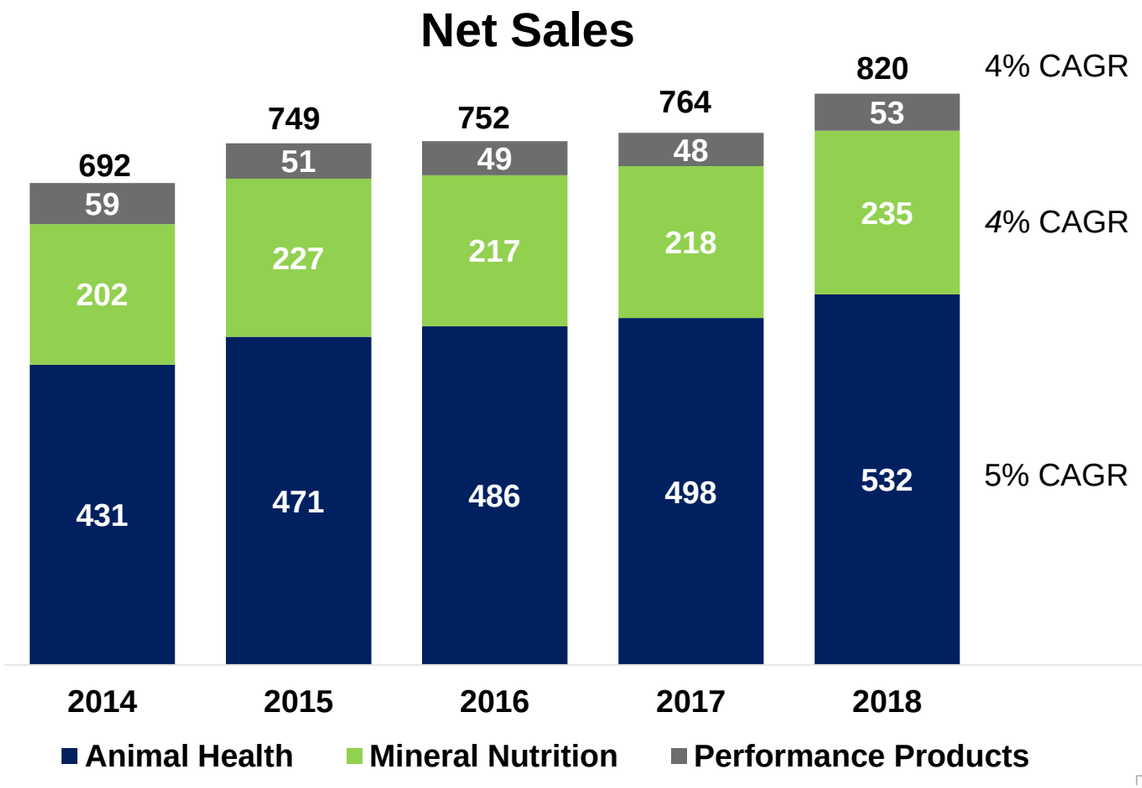
Dairy and poultry
Improve health and performance

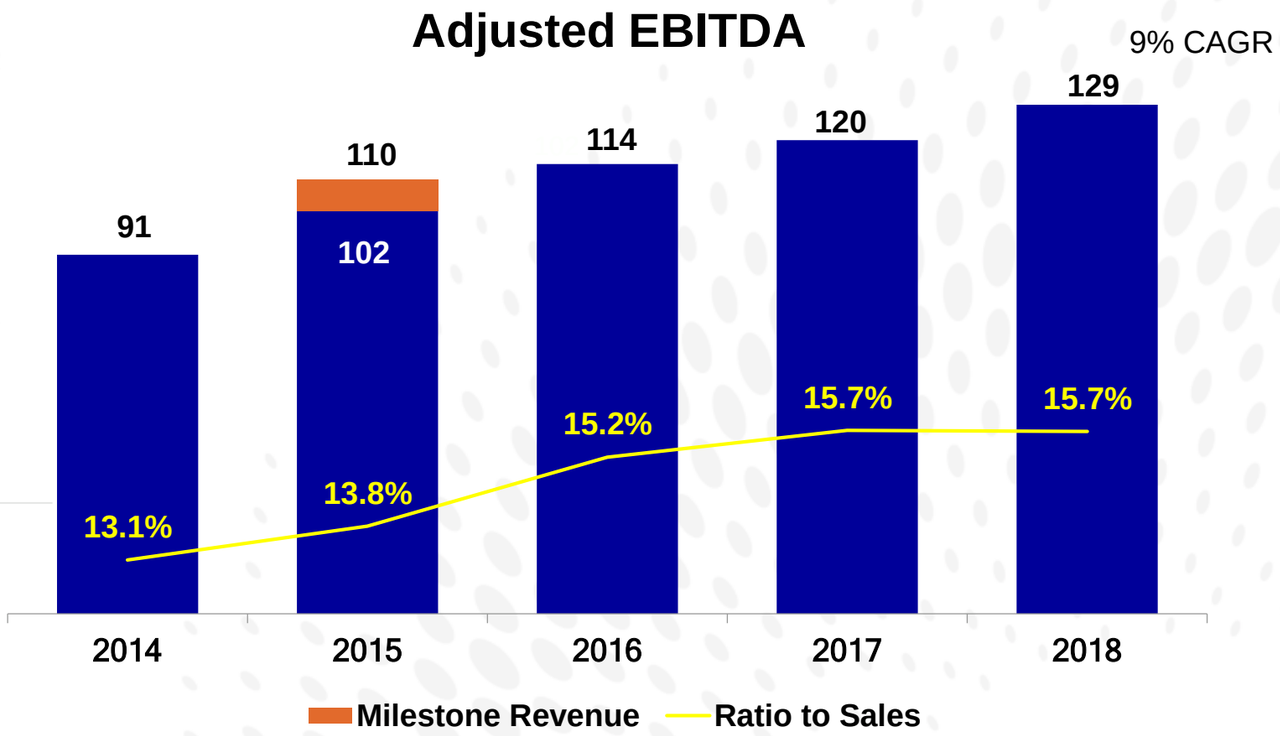
Vaccines
$72 net sales

Poultry and swine
Proprietary delivery technology

$ in millions
Net sales and Adjusted EBITDA reflect fiscal year ended June 30, 2018
Consolidated Adjusted EBITDA includes corporate overhead of $33 that is not included in segment Adjusted EBITDA. Certain amounts may reflect rounding.

Net Sales and Adjusted EBITDA



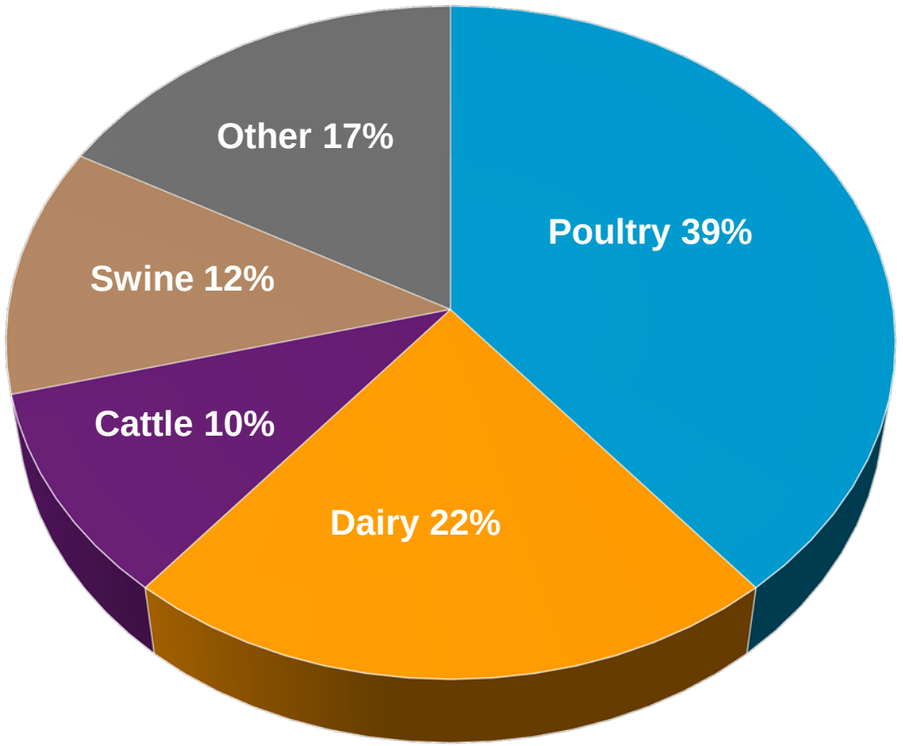


$ in millions
Net sales and Adjusted EBITDA reflect fiscal year ended June 30
CAGR-Compound annual growth rate
Ratio to net sales excludes milestone revenue

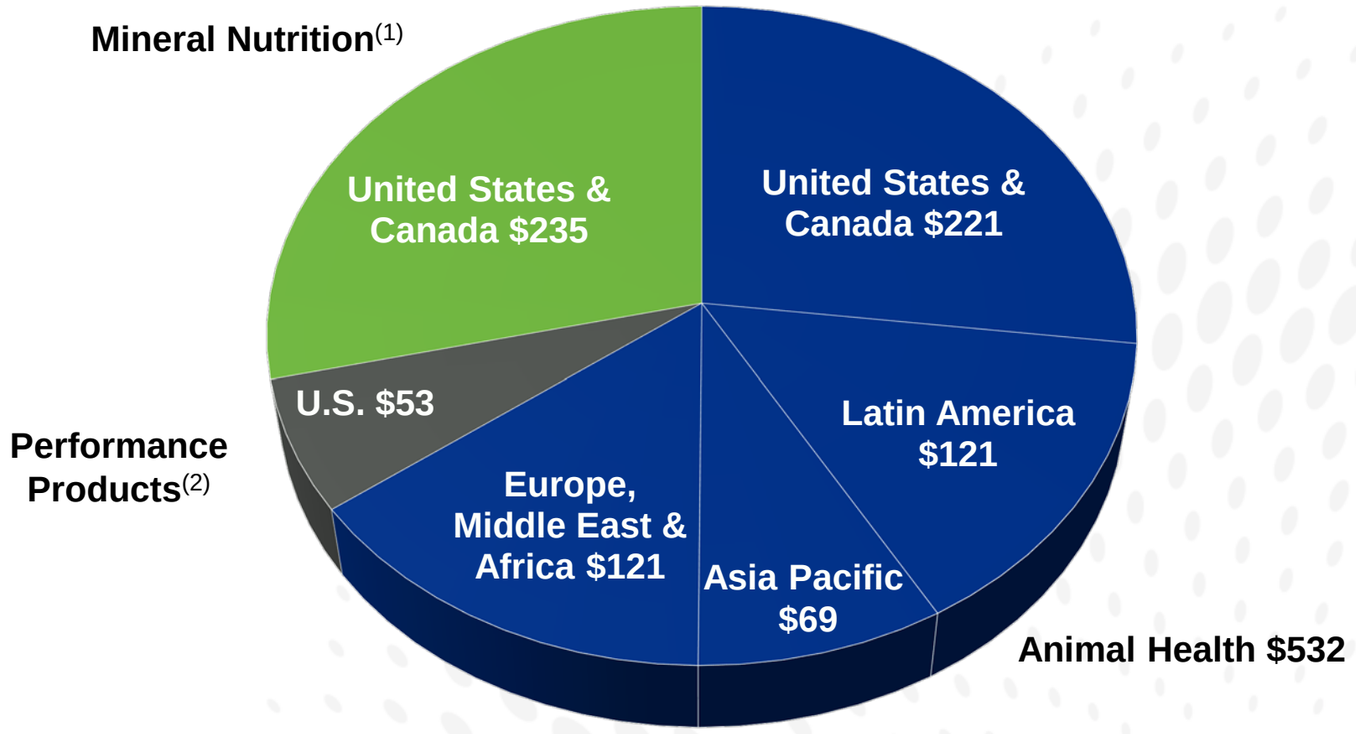
Net Sales

$820 million

Species



Regions



$ in millions
Net Sales reflect fiscal year ended June 30, 2018

Net sales by region are based on country of destination.
(1)Mineral Nutrition includes $5 for Latin America.
(2)Performance Products includes $2 Europe, Middle East & Africa and $1 for Asia Pacific.

Animal Health

Business Segment



Animal Health

Highlights

Products drive value creation for customers

Record of strong revenue growth and margin expansion

Highly diversified customer base

59% of animal health sales are international

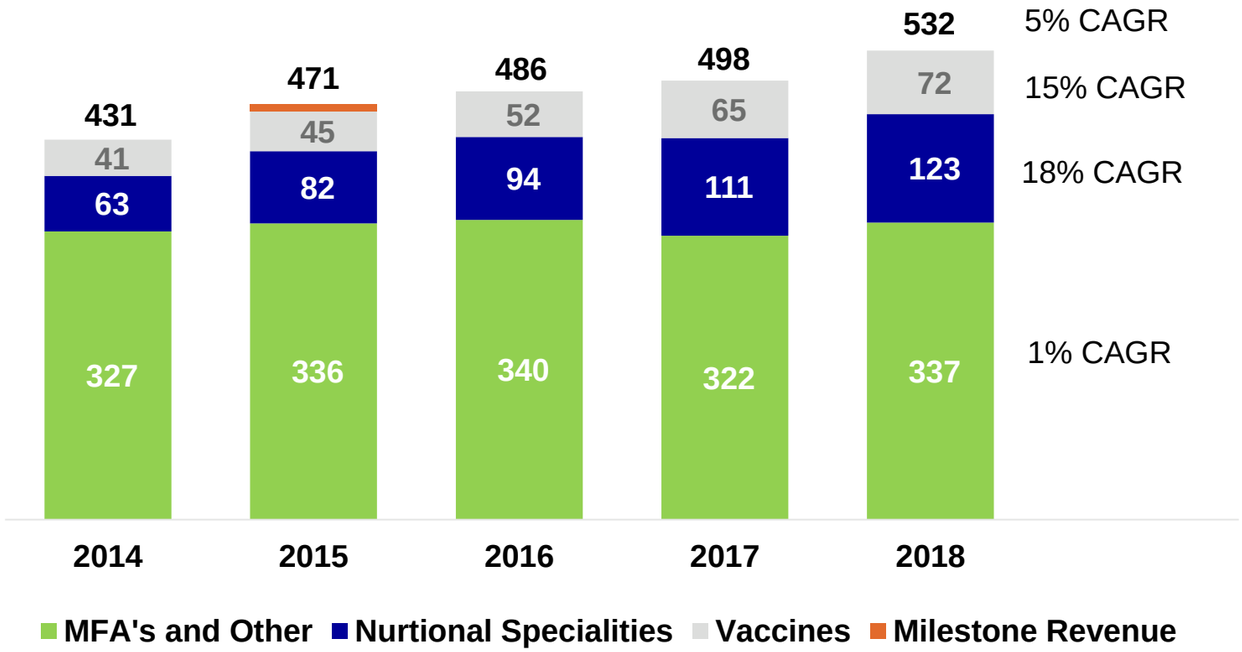
Deploying additional field force to drive growth

International expansion

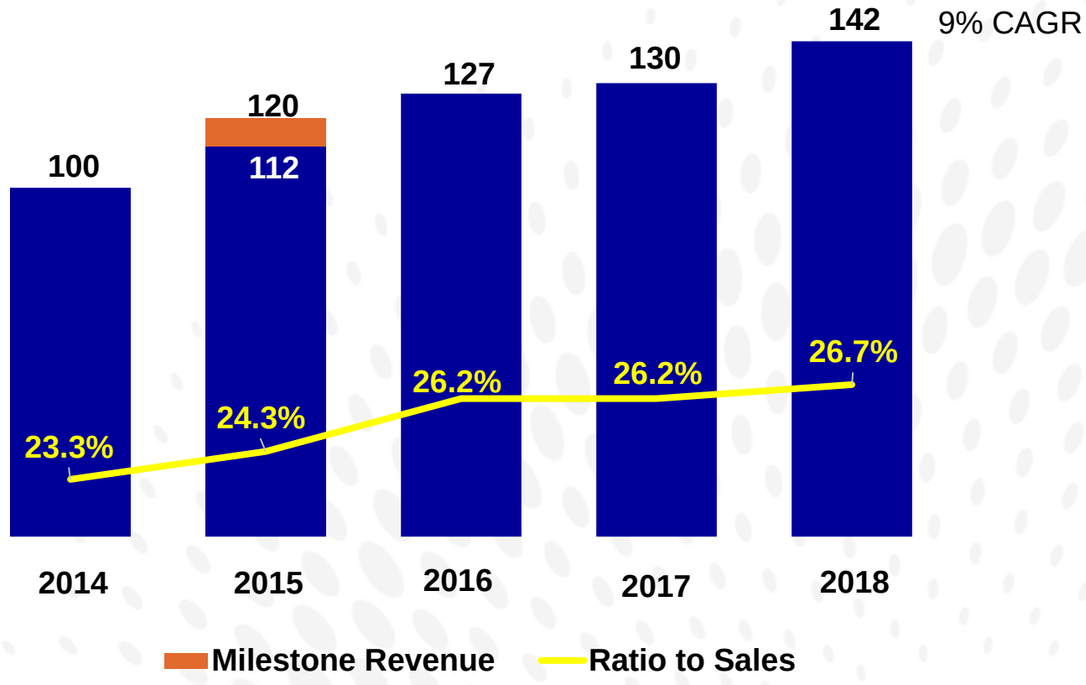
- **Southeast Asia**
- **South America**
- **EU27**

Animal Health Segment

Net Sales



Adjusted EBITDA



$ in millions
Net sales and Adjusted EBITDA reflect fiscal year ended June 30
Ratio to net sales excludes milestone revenue

Nutritional Specialties

Key Products

- Solutions for changing customer needs
- Products help improve health and performance
- Focus on dairy and poultry

Advanced Formula OmniGen-AF®

Magni-Phi®

Animate®

AB20®

cellerate® YEAST SOLUTIONS™

OmniGen-AF®

Description	▪ Propriety formula of all natural ingredients ▪ Immune enhancer for dairy cows ▪ Fed to >20% of U.S. and Canada dairy cows(1)
Benefits	Supports normal immune function in dairy cows which may result in ▪ Increased and better quality milk ▪ Reduced need for antibiotics ▪ Reduced metabolic disorders ▪ Reduced mortality
Product Strengths	▪ Proprietary product with extensive IP ▪ Investments in sales force / manufacturing infrastructure to drive growth

(1)Phibro management estimate

Vaccines

Key Products

Poultry, swine and bovine vaccines

Phibro VACCINES™

TAbic

MB-1 IBD™

pHi-Tech™ VACCINATION MANAGEMENT

CUSTOMIZED PRRSv PROTECTION MJPRRS® Technology

Phivax® ChickPak

Tailor-Made®

TAbic®

Description	▪ Technology for formulation / delivery of vaccines ▪ Effervescent tablets in sterile blister packs ▪ Replaces glass bottles
Benefits	▪ Provides superior convenience and logistical benefits over conventional glass bottles
Product Strengths	▪ Proven, patented technology ▪ Co-exclusively licensed to global animal health company

Medicated Feed Additives (MFAs)

Key Products
Antimicrobials
V-Max® Stafac® Mecadox®
Terramycin® Neo-Terramycin®
Anticoccidials
Aviax® Nicarb® Aviax Plus®
Coxistac® The Original AMPROLIUM® A Quality Product of Phibro Animal Health
Anthelmintics and Rumen Function
Banminth® Rumatel® Safe. Effective. Convenient. Bloat Guard®

Virginiamycin	
Description	▪ Remedy for range of bacterial infections and enteric diseases ▪ Effective in multiple species, including poultry, swine and cattle
Benefits	▪ Allows producers to maintain healthy animals ▪ Humane management of animals
Product Strengths	▪ Not absorbed from gastrointestinal tract ▪ Approved in over 25 countries; over 85 product registrations

Mineral Nutrition Segment

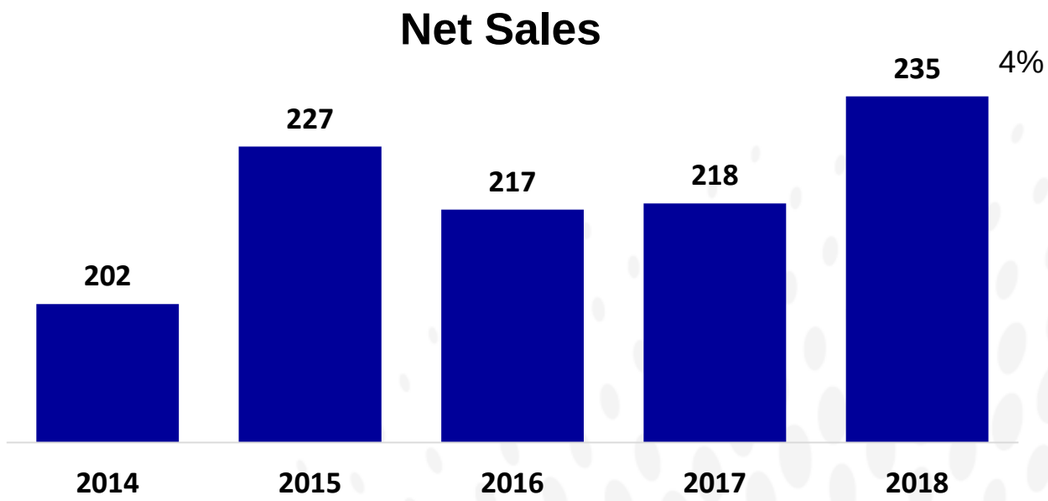
Mineral Nutrition Segment

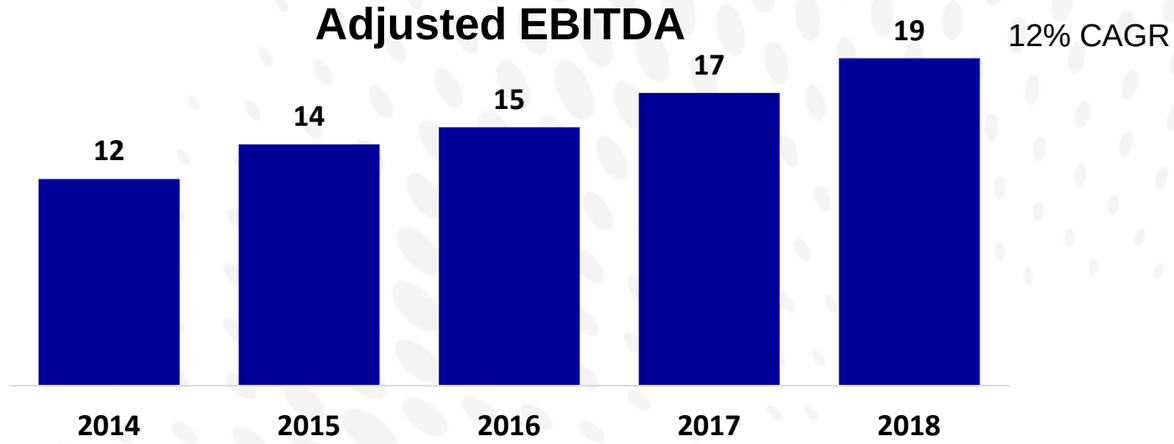
Key Products

- Trace and macro mineral products including copper, zinc, cobalt, iron, selenium, manganese, magnesium, iodine, others
- Organic trace minerals

Gem Stone®

- Fortifies and maintains an optimal balance of minerals in the diet
- Volume growth driven by livestock production numbers, with pricing based on costs of the underlying minerals
- North America focused
- Cross-sell with animal health portfolio





$ in millions
Net sales and Adjusted EBITDA reflect fiscal year ended June 30

Guidance for the June 2019 Year

Guidance for the June 2019 Year

Compared with the June 2018 year

For the year ending June 30	2019	2018	Change from 2018
	(in millions, except per share amounts and percentages)		
Net sales - Animal Health segment	**$ 550 - $ 565**	$ 532	$ 18 - $ 33	*3% - 6%*
Net sales	**$ 850 - $ 875**	$ 820	$ 30 - $ 55	*4% - 7%*
Adjusted EBITDA	**$ 129 - $ 131**	$ 129	$ 0 - $ 2	*0% - 2%*
Adjusted net income per share - diluted	**$ 1.72 - $ 1.77**	$ 1.74	$ (0.02) - $ 0.03	*(1)% - 2%*

Guidance for the June 2019 Year

Compared with the June 2018 year

- We expect the Animal Health segment to grow by up to 6%
  - Nutritional specialties to grow at double-digit rates
  - Vaccines to grow at a high single-digit rate; international sales will contribute most of the growth, partially offset by the loss of a domestic distribution arrangement
  - MFAs and other will increase at a low to mid-single-digit rate, with continued international growth and stabilized domestic conditions.
- Mineral Nutrition revenues are expected to grow at a high single-digit rate, primarily due to volume and new product growth. Performance Products revenues are expected to increase slightly.
- We expect adjusted gross profit to increase by up to 9%, faster than sales growth, due to favorable mix.
  - The gross profit ratio is expected to improve by 50-60 basis points

Guidance for the June 2019 Year

Compared with the June 2018 year

- We expect SG&A to increase by up to 14%, as we make strategic investments to develop future growth, including
  - New development, additional registrations and increased volumes of existing nutritional specialties and vaccines technologies, including expansion into new geographic markets
  - Increasing and further strengthening our nutritional specialties portfolio with new technologies from outside Phibro
  - Developing additional vaccine production capacity at our Ireland facility to enable regional expansion
  - In-licensing of novel technologies in the companion animal space, where we see unmet needs
  - Expect it will be approximately 18-24 months before we see the commercial benefits of the investments
  - We believe these internal investments are more prudent than acquiring existing businesses
- Because these investments require significant P&L expense dollars, Adjusted EBITDA is expected to be approximately even with the prior year. We expect the increased SG&A strategic investments to approximately offset the benefit of the sales growth and gross profit improvements.

Guidance for the June 2019 Year

Compared with the June 2018 year

- We expect the adjusted effective income tax rate will be approximately 26.0% - 27.0% for fiscal year 2019, a decrease compared to the 27.4% adjusted effective income tax rate for fiscal year 2018. Our federal statutory income tax rate will be 21% for fiscal 2019, compared with a blended 28.1% federal statutory rate in fiscal 2018.

- We expect adjusted diluted EPS of $1.72 - $1.77 per share, similar to the $1.74 per share for fiscal 2018.

- We expect to generate positive cash flows, after satisfying needs for working capital, capital expenditures, dividends and scheduled debt repayments.
  - We expect capital expenditures will be approximately $42 million, compared to $19 million in fiscal 2018. We anticipate capital spending to increase capacity, to in-source production of certain products previously made by third parties, to improve efficiencies and for environmental compliance projects.

Phibro's Strengths

Summary

Products aligned with need for increased protein production

Products economically important to our customers' success

Global presence and leading positions in high growth markets

Promote animal health and welfare

Diversified and complementary product portfolio; strong brand loyalty

Experienced sales and technical staff and management team

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Phibro; Phibro logo design; Healthy Animals. Healthy Food. Healthy World.; AB20; Animate; Aviax; Cellerate Yeast Solutions; Gemstone; Lactrol; Magni-Phi; Mecadox; MJPRRS; Neo-Terra; Neo-Terramycin; Neo-TM; Nicarb; OmniGen-AF; PAQ-Gro; Stafac; TAbic; Terramycin; and other product names referred to herein are trademarks owned by or licensed to Phibro Animal Health Corporation or its affiliates.