# Phibro Animal Health Corporation



## Financial Results

Second Quarter - ended December 31, 2020
Fiscal Year 2021

Webcast and Conference Call
February 4, 2021

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Conference ID: 3288725

# Important Information

### Cautionary Statement Regarding 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,” “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 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. 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, 2020.**

# Key Themes

*Quarter Ended December 31, 2020*

| Solid financial results | Stabilization in our industry | Projecting another strong quarter | Continued investment in the future |
|---|---|---|---|
| *Excited about our solid second quarter and year-to-date financial results* | *Encouraged by signs the industry is stabilizing despite the continuing global pandemic* | *Expecting solid financial results for our third quarter* | *Planning continued investment in our future; expanding production capacity and progressing pet business opportunities* |

# Pet Business Update

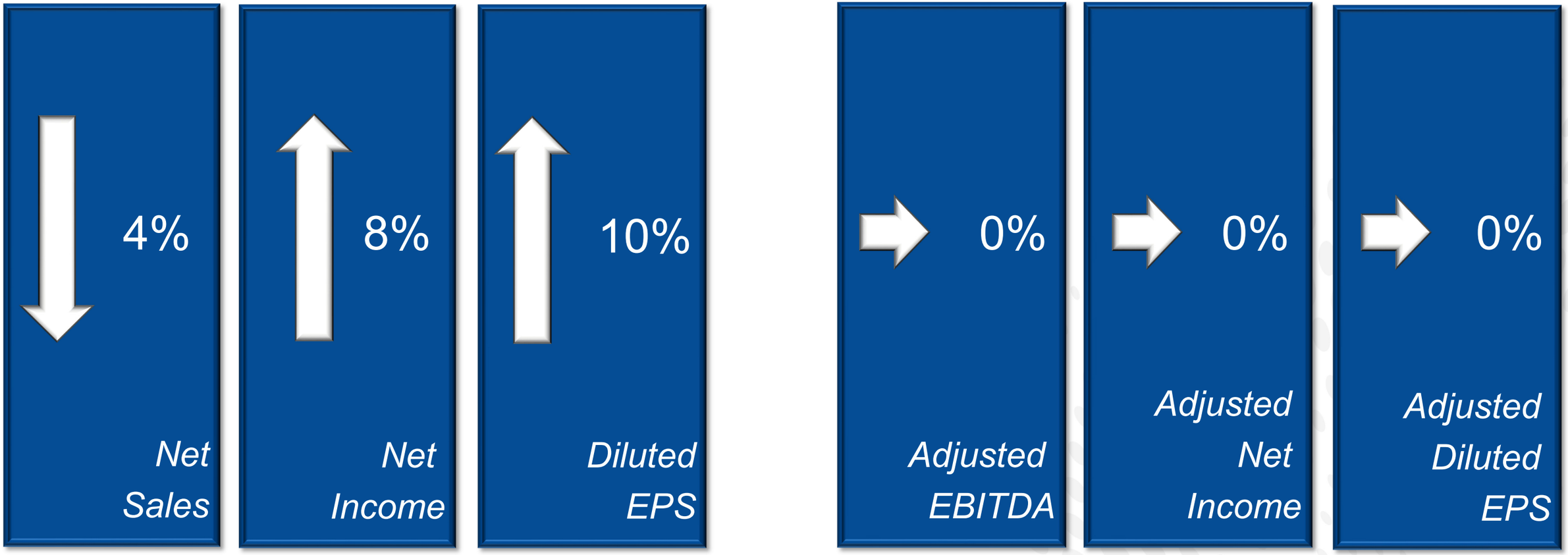
*Continuing to identify opportunities in the multi-billion dollar pet business*

| | |
|---|---|
| **In Line** | ▪ Rejensa™<br>▪ Although COVID-19 has limited access to clinics, sales doubled in the last six months versus prior six months, and we are confident we will continue to penetrate the market<br>▪ Estimated Addressable Market* for pet joint supplements in the US: $625 million |
| **In Development** | ▪ **Novel Lyme vaccine delivery system**<br>▪ Development progress slowed due to COVID-19, but work is expected to re-start in fiscal year 2022<br>▪ Estimated Addressable Market* for Lyme disease vaccines for dogs in the US: $80 million<br>▪ **Dermacare**<br>▪ Licensed a novel early-stage atopic dermatitis compound<br>▪ Approximately $1 million of licensing and development costs are included in year-to-date SG&A<br>▪ Estimated Addressable Market* for atopic dermatitis in dogs worldwide: $1 billion |
| **Under Evaluation** | ▪ **Oral Care (cats and dogs)**<br>▪ Evaluating a novel early-stage approach for oral care<br>▪ Estimated Addressable Market* for oral care in cats and dogs worldwide: $2 billion |

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

# Financial Performance Summary

*Second Quarter versus Prior Year*




*Financial performance is shown vs. the same quarter of the prior year.*
*Adjusted results adjust GAAP results for one-offs, acquisition-related items and other (income) expense, including foreign currency (gains) losses.*



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# Financial Performance

*Second Quarter versus Prior Year*

*$ in millions, except per share data*

| | Q2 | YOY %Δ |
|---|---|---|
| Net Sales | $ 206.1 | (4)% |
| Net Income | $ 12.8 | 8% |
| Diluted EPS | $ 0.32 | 10% |
| Adjusted EBITDA | $ 28.5 | --- |
| Adjusted Net Income | $ 13.9 | --- |
| Adjusted diluted EPS | $ 0.34 | --- |

- **Net Sales** – 4% decrease driven by declines in Animal Health and Mineral Nutrition, partially offset by increase in Performance Products
- **Net Income & Diluted EPS** – 8% and 10% increases, respectively, driven by lower SG&A costs and provision for income taxes, offset partially by foreign currency losses
- **Adjusted EBITDA, Net Income and diluted EPS** – After adjusting GAAP results for one-offs, acquisition-related items and foreign currency movements, second quarter adjusted results are comparable to the prior period

*Financial Performance is shown vs. the same quarter of the prior year.*
*Adjusted results adjust GAAP results for one-offs, acquisition-related items and other (income) expense, including foreign currency (gains) losses.*

# Financial Performance – Animal Health

*Second Quarter versus Prior Year*

*$ in millions*

| | Q2 | YOY %Δ |
|---|---|---|
| **Net Sales** | **$ 136.2** | **(5%)** |
| MFAs & other | 81.6 | (11%) |
| Nutritional Specialties | 36.4 | 10% |
| Vaccines | 18.3 | (2%) |
| **Adjusted EBITDA** | **$ 33.3** | **(1%)** |
| **Adjusted EBITDA Margin** | **24.5%** | **+100 bps** |

- **Net Sales**
  - MFAs and other
    - Lower international demand offset by favorable domestic customer order patterns
  - Nutritional specialties
    - Domestic and international growth in dairy products
  - Vaccines
    - Higher domestic sales more than offset by lower international volume due to timing and reduced demand
- **Adjusted EBITDA**
  - Lower sales and gross profit, partially offset by favorable SG&A costs

*Financial Performance is shown vs. the same quarter of the prior year.*
*Adjusted results adjust GAAP results for one-offs, acquisition-related items and other (income) expense, including foreign currency (gains) losses.*



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# Financial Performance – Other Segments

*Second Quarter versus Prior Year*

*$ in millions*

| | Q2 | YOY %Δ |
|---|---|---|
| **Mineral Nutrition** | | |
| Net Sales | $ 54.2 | (3%) |
| Adjusted EBITDA | $ 4.2 | 14% |
| Adjusted EBITDA Margin | 7.7% | +110 bps |
| **Performance Products** | | |
| Net Sales | $ 15.8 | 8% |
| Adjusted EBITDA | $ 2.3 | 56% |
| Adjusted EBITDA Margin | 14.4% | +440 bps |
| **Corporate** | | |
| Adjusted EBITDA | $ (11.3) | 7% |

- **Mineral Nutrition**
  - Sales decline driven by lower average selling prices correlated with the movement of the underlying raw material costs
  - Adjusted EBITDA driven by increased gross profit on favorable product mix
- **Performance Products**
  - Increased volumes of copper-based products partially offset by lower sales of personal care product ingredients
  - Adjusted EBITDA increase driven by improved gross profit
- **Corporate**
  - Increased costs for professional fees and information technology

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*Adjusted results adjust GAAP results for one-offs, acquisition-related items and other (income) expense, including foreign currency (gains) losses.*

# Key Capitalization Metrics

*Second Quarter Highlights*

| | |
|---|---|
| **Cash Flow** | **$19 million of cash provided before financing** |
| **Leverage** | **3.6x gross leverage ratio; $387 million total debt / $107 million trailing 12-month Adjusted EBITDA** |
| **Liquidity** | **$165 million; $96 million of cash and short-term investments + $69 million of available revolving credit** |
| **Dividend** | **Quarterly Dividend of $0.12 per share; $4.9 million dividend paid** |

# Financial Guidance

*Third Quarter - ending March 31, 2021*

- **We expect third quarter financial results as follows:**

| | Expected Third Quarter |
|---|---|
| Net Sales | $205 - 208 million |
| Net Income | $11 - 12 million |
| Diluted EPS | $0.27 - $0.30 |
| Adjusted EBITDA | $27 - 29 million |
| Adjusted Net Income | $12.0 - 13.5 million |
| Adjusted diluted EPS | $0.30 - $0.33 |

# Q&A

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