Phibro Animal Health Corporation



Financial Results

Third Quarter - ended March 31, 2021
Fiscal Year 2021

Webcast and Conference Call
May 7, 2021

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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 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 March 31, 2021.

Key Themes

Third Quarter

Solid financial performance	COVID-19 recovery varies by country	Formalized our ESG Efforts	Refinancing Completed (Subsequent Event)
Another strong quarter of financial performance above guidance despite bottom-line decline vs. prior year and we project a strong Q4 to close out ahead of last year	*Economic recovery varies by country; we continue to closely monitor the situation*	*We established the Phibro Environmental, Social & Governance (ESG) Council to formally centralize our existing and ongoing ESG-related efforts*	*We extended and upsized our existing credit facility from $500 to $550 million with terms, conditions and pricing consistent with our previous credit facility*

Amended & Restated Credit Agreement

Subsequent event, executed on April 22, 2021

The amended and restated credit agreement:

- has an aggregate principal amount of $550 million,
- was used to refinance the Company's June 29, 2017 Credit Agreement which consisted of an aggregate principal amount of $250 million Term A loans and a $250 million revolving credit facility,
- carries substantially the same terms and conditions as the 2017 Credit Agreement,
- includes a $300 million Term A Loan, which replaces the Company's existing $250 million Term A loan, reflecting a $50 million upsizing of the previous Term A loan facility,
- includes a $250 million Revolver, which replaces the Company's existing $250 million revolving credit facility,
- extends the maturity of the Company's credit facilities from June 2022 to April 2026,
- carries an interest rate that is consistent with the Company's current credit facilities.

Financial Performance - Consolidated

Third Quarter, Year-on-Year comparison

$ in millions, except per share data

	Q3	YOY %Δ
Consolidated		
Net Sales	$ 211.7	0%
Net Income	$ 12.2	(10%)
Diluted EPS	$ 0.30	(9%)
Adjusted EBITDA	$ 28.1	(7%)
Adjusted Net Income	$ 13.9	(11%)
Adjusted diluted EPS	$ 0.34	(11%)

- **Net Sales** – $1.0 million or <1% increase driven by increases in Mineral Nutrition and Performance Products, partially offset by a decline in Animal Health
- **Net Income & Diluted EPS** – Decreases driven by a lower gross profit related to unfavorable changes in product mix, increases in SG&A costs and provision for income taxes, offset partially by less interest expense
- **Adjusted EBITDA, Net Income and diluted EPS** – After adjusting GAAP results for one-offs, acquisition-related items and foreign currency movements, third quarter adjusted EBITDA, adjusted Net Income and adjusted diluted EPS declined due to unfavorable product mix, increases in certain corporate costs and incremental investments in our future

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

Third Quarter, Year-on-Year comparison

$ in millions

	Q3	YOY %Δ
Animal Health		
Net Sales	**$ 134.4**	**(3%)**
MFAs & other	78.5	(5%)
Nutritional Specialties	37.0	7%
Vaccines	18.9	(13%)
Adj. EBITDA	**$ 31.0**	**(11%)**
Adj. EBITDA Margin	**23.0%**	**(8%)**

- **Net Sales**
  - MFAs and other
    - Timing of domestic ordering patterns coupled with lower international demand due primarily to poultry products in South America
  - Nutritional Specialties
    - Strong international growth in dairy products
  - Vaccines
    - Growth in APAC and North America, more than offset by challenging economic conditions in the MACIE Region
- **Adjusted EBITDA**
  - Lower sales and gross profit coupled with an increase in 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.

HEALTHY ANIMALS. HEALTHY FOOD. HEALTHY WORLD.®

Phibro ANIMAL HEALTH CORPORATION™

Financial Performance – Other Segments

Third Quarter, Year-on-Year comparison

$ in millions

	Q3	YOY %Δ
Mineral Nutrition		
Net Sales	$ 58.2	3%
Adj. EBITDA	$ 5.2	29%
Adj. EBITDA Margin	9.0%	25%
Performance Products		
Net Sales	$ 19.2	23%
Adj. EBITDA	$ 2.9	94%
Adj. EBITDA Margin	15.3%	58%
Corporate		
Adj. EBITDA	$ (11.1)	(10%)

- **Mineral Nutrition**
  - Sales increases driven by favorable product pricing correlated with the movement of the underlying raw material costs
  - Adjusted EBITDA driven by increased gross profit on favorable product mix
- **Performance Products**
  - Sales increases driven by strong demand for copper-based products and favorable product pricing correlated with the movement of the underlying raw material costs
  - Adjusted EBITDA driven by increased gross profit on higher volumes and favorable product mix
- **Corporate**
  - Savings in SG&A costs, more than offset by incremental investments in our future and an increase in expected employee performance-based incentives

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 - Consolidated

YTD Third Quarter, Year-on-Year comparison

$ in millions, except per share data

	YTD Q3	YOY %Δ
Consolidated		
Net Sales	$ 613.1	0%
Net Income	$ 37.3	34%
Diluted EPS	$ 0.92	33%
Adjusted EBITDA	$ 80.9	3%
Adjusted Net Income	$ 38.6	4%
Adjusted diluted EPS	$ 0.95	4%

- **Net Sales** – $1.4 million or <1% decrease driven by an increase in Performance Products, more than offset by decreases in Animal Health and Mineral Nutrition
- **Net Income & Diluted EPS** – 34% and 33% increases, respectively, driven by higher gross profit, lower interest expense and increased foreign currency gains, offset partially by an increase in SG&A and provision for income taxes
- **Adjusted EBITDA, Net Income and diluted EPS** – After adjusting GAAP results for one-offs, acquisition-related items and foreign currency movements, third quarter adjusted EBITDA, adjusted Net Income and adjusted diluted EPS increased due to higher gross profit offset partially by increase in certain corporate and information technology expenses, and incremental investments in our future partially offset by lower travel expenses due to COVID-19 limitations

Year-to-date financial performance is shown vs. the same year-to-date period 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

YTD Third Quarter, Year-on-Year comparison

$ in millions

	YTD Q3	YOY %Δ
Animal Health		
Net Sales	**$ 399.0**	**(1%)**
MFAs & other	238.8	(4%)
Nutritional Specialties	106.0	8%
Vaccines	54.2	(4%)
Adj. EBITDA	**$ 94.4**	**1%**
Adj. EBITDA Margin	**23.7%**	**2%**

- **Net Sales**
  - MFAs and other
    - Domestic growth in swine, more than offset by lower international demand primarily in APAC and South America
  - Nutritional Specialties
    - Domestic and international growth in dairy products, offset partially by lower demand in domestic poultry products
  - Vaccines
    - Growth in APAC and North America, more than offset by challenging economic conditions in the MACIE region
- **Adjusted EBITDA**
  - Increase driven by higher gross profit coupled with lower SG&A costs

Year-to-date financial performance is shown vs. the same year-to-date period 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 – Other Segments

YTD Third Quarter, Year-on-Year comparison

$ in millions

	YTD Q3	YOY %Δ
Mineral Nutrition		
Net Sales	$ 163.8	0%
Adj. EBITDA	$ 12.5	11%
Adj. EBITDA Margin	7.6%	12%
Performance Products		
Net Sales	$ 50.3	11%
Adj. EBITDA	$ 7.2	88%
Adj. EBITDA Margin	14.2%	70%
Corporate		
Adj. EBITDA	$ (33.2)	(10%)

- **Mineral Nutrition**
  - Increased unit volumes offset by unfavorable product pricing correlated with the movement of the underlying raw material costs
  - Increase in Adjusted EBITDA driven by increased gross profit on favorable product mix
- **Performance Products**
  - Sales increases driven by strong demand for copper-based products translating to increased unit volumes
  - Adjusted EBITDA driven by increased gross profit on higher volumes
- **Corporate**
  - Lower travel costs due to COVID-19 limitations, more than offset by incremental investments in our future, expected increase in employee performance-based incentives, professional fees and information technology expenses

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

Key Capitalization Metrics

Third Quarter Highlights

Cash Flow	**$26 million of cash provided before financing**
Leverage	**3.6x gross leverage ratio; $381 million total debt / $105 million trailing 12-month Adjusted EBITDA**
Liquidity	**$164 million; $93 million of cash and short-term investments + $71 million of available revolving credit***
Dividend	**Quarterly Dividend of $0.12 per share; $4.9 million dividend paid**

** Available revolving credit is subject to leverage ratio limitations; upon closing the new Credit Agreement on April 22, 2021 (see Form 8-K and Company press release), there was $156 million of available revolving credit.*

Financial Guidance

Fourth Quarter and Fiscal Year 2021

$ in millions, except per share data

	Q4 Guidance		YTD Q3	Fiscal Year 2021 Guidance	
	Low	High	Actual	Low	High
Consolidated					
Net Sales	$213.0	$217.0	$613.1	$826.1	$830.1
Net Income	$ 11.1	$ 12.1	$ 37.3	$ 48.4	$ 49.4
Diluted EPS	$ 0.28	$ 0.30	$ 0.92	$ 1.20	$ 1.22
Adj. EBITDA	$ 27.0	$ 29.0	$ 80.9	$107.9	$109.9
Adj. Net Income	$ 12.1	$ 13.1	$ 38.6	$ 50.7	$ 51.7
Adj. Diluted EPS	$ 0.30	$ 0.32	$ 0.95	$ 1.25	$ 1.27

Q&A

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