Phibro Animal Health Corporation



Financial Results

Fourth Quarter and Year Ended June 30, 2021

Webcast and Conference Call
August 26, 2021

U.S. toll-free +1-833-968-1955
International toll +1-647-689-6656
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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 and year ended June 30, 2021.

Key Themes

Fourth Quarter

Four consecutive quarters of Sales growth	Companion Animal efforts continue to progress	We are Sarbanes-Oxley compliant	COVID-19 variants remain a risk	Projecting continued growth in FY 2022
Improved top line performance across all three of our business segments drove our fourth consecutive quarter of Sales growth	*Investments in dermacare and oral care pipeline projects are progressing, while Rejensa sales growth continues*	*Successfully remediated all material weaknesses globally and are fully compliant with the Sarbanes-Oxley Act of 2002*	*Our products are sold in more than 80 countries and we have material properties across the United States, South America and Israel where the state of the virus varies considerably*	*Providing guidance of $840-870 million of Net Sales and Adjusted EBITDA of $110-114 million reflecting growth of approximately 1-4% and 2-6%, respectively*

Financial Performance - Consolidated

Fourth Quarter, Year-on-Year comparison

$ in millions, except per share data

	Q4	YOY %Δ
Consolidated		
Net Sales	$ 220.3	19%
Net Income	$ 17.1	203%
Diluted EPS	$ 0.42	200%
Adjusted EBITDA	$ 27.0	13%
Adjusted Net Income	$ 12.8	89%
Adjusted diluted EPS	$ 0.32	88%

- **Net Sales** – $34.4 million, or 19%, increase driven by improvements across all three business segments: Animal Health, Mineral Nutrition and Performance Products
- **Net Income & Diluted EPS** – Significant increases driven by higher gross profit on higher sales coupled with lower global intangible low-taxed income (GILTI) and a reduction of reserves needed to cover uncertain tax positions abroad, offset partially by increases in SG&A costs and interest expense
- **Adjusted EBITDA, Net Income and diluted EPS** – After adjusting GAAP results for one-offs, acquisition-related items and foreign currency movements, our adjusted EBITDA, adjusted Net Income and adjusted diluted EPS increased driven by higher gross profit on higher sales, offset partially by increases in SG&A costs and interest expense

NOTE: The quarter ending June 30, 2020, financial results reflected the first full quarter of COVID-19 when there were significant disruptions in the global supply chain of animal health products

- *Year-On-Year % changes are in comparison to the same period of the prior fiscal year*
- *Adjusted results adjust GAAP results for one-off items, acquisition-related items and other (income) expense, including foreign currency (gains) losses.*

Financial Performance - Consolidated

FY 2021, Year-on-Year comparison

$ in millions, except per share data

	FY 2021	YOY %Δ
Consolidated		
Net Sales	$ 833.4	4%
Net Income	$ 54.4	62%
Diluted EPS	$ 1.34	61%
Adjusted EBITDA	$ 107.9	6%
Adjusted Net Income	$ 51.3	17%
Adjusted diluted EPS	$ 1.27	18%

- **Net Sales** – $33.0 million, or 4%, increase driven by improvements across all three business segments: Animal Health, Mineral Nutrition and Performance Products
- **Net Income & Diluted EPS** – Increase driven by higher gross profit on higher sales, coupled with lower GILTI and a reduction of reserves needed to cover uncertain tax positions abroad, offset partially by increases in SG&A costs and interest expense
- **Adjusted EBITDA, Net Income and diluted EPS** – After adjusting GAAP results for one-offs, acquisition-related items and foreign currency movements, adjusted EBITDA, adjusted Net Income and adjusted diluted EPS increased driven by higher gross profit on higher sales, offset partially by increases in SG&A costs driven on incremental strategic investments

- *Year-On-Year % changes are in comparison to the prior fiscal year*
- *Adjusted results adjust GAAP results for one-off items, acquisition-related items and other (income) expense, including foreign currency (gains) losses.*

Financial Performance – Animal Health

Fourth Quarter, Year-on-Year comparison

$ in millions

	Q4	YOY %Δ
Animal Health		
Net Sales	**$ 146.7**	**20%**
MFAs & other	91.2	26%
Nutritional Specialties	36.8	18%
Vaccines	18.7	1%
Adj. EBITDA	**$ 29.5**	**0%**
Adj. EBITDA Margin	**20.1%**	**-410 bps**

- **Net Sales**
  - MFAs and other
    - Stronger demand across geographies and species
  - Nutritional specialties
    - Strong domestic and international growth in dairy products
  - Vaccines
    - Growth in North America and Asia Pacific, offset partially by lower demand in Eastern Europe due to challenging economic conditions
- **Adjusted EBITDA**
  - Animal Health adjusted EBITDA consistent with the prior year as higher gross profit was offset by increased SG&A costs

NOTE: The quarter ending June 30, 2020, financial results reflected the first full quarter of COVID-19 when there were significant disruptions in the global supply chain of animal health products

- *Year-On-Year % changes are in comparison to the same period of the prior fiscal year*
- *Adjusted results adjust GAAP results for one-off items, acquisition-related items and other (income) expense, including foreign currency (gains) losses.*

Financial Performance – Animal Health

FY 2021, Year-on-Year comparison

$ in millions

	FY 2021	YOY %Δ
Animal Health		
Net Sales	**$ 545.7**	**4%**
MFAs & other	330.0	2%
Nutritional Specialties	142.8	10%
Vaccines	72.9	(3%)
Adj. EBITDA	**$ 124.0**	**1%**
Adj. EBITDA Margin	**22.7%**	**-70 bps**

- **Net Sales**
  - MFAs and other
    - Increased $7.7 million, or 2%, driven by domestic growth in swine coupled with increased international sales in poultry
  - Nutritional specialties
    - Increased $13.5 million, or 10%. driven by domestic and international growth in dairy products partially offset by lower demand in domestic poultry
  - Vaccines
    - Decreased $2.4 million, or 3%, as domestic volume growth and increased demand in the Asia Pacific region was more than offset by challenging economic conditions in Eastern Europe
- **Adjusted EBITDA**
  - Increased $0.8 million, or 1%, driven by increased gross profit, partially offset by higher SG&A

- *Year-On-Year % changes are in comparison to the prior fiscal year*
- *Adjusted results adjust GAAP results for one-off items, acquisition-related items and other (income) expense, including foreign currency (gains) losses.*

Financial Performance – Other Segments

Fourth Quarter, Year-on-Year comparison

$ in millions

		Q4	YOY %Δ
Mineral Nutrition			
Net Sales	$	56.8	14%
Adj. EBITDA	$	4.7	34%
Adj. EBITDA Margin		8.2%	+130 bps
Performance Products			
Net Sales	$	16.7	23%
Adj. EBITDA	$	2.3	216%
Adj. EBITDA Margin		13.6%	+830 bps
Corporate			
Adj. EBITDA	$	(9.5)	4%

- **Mineral Nutrition**
  - Net Sales increased $6.9 million, or 14%, driven by stronger demand and favorable product pricing correlated with the movement of the underlying raw material costs
  - Adjusted EBITDA driven by increased gross profit on favorable customer and product mix
- **Performance Products**
  - Net Sales increased $3.1 million, or 23%, driven by stronger 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 driven by lower professional fees, partially offset by incremental investments in our future and an increase in employee performance-based incentives

NOTE: The quarter ending June 30, 2020, financial results reflected the first full quarter of COVID-19 when there were significant disruptions in the global supply chain of animal health products

- *Year-On-Year % changes are in comparison to the same period of the prior fiscal year*
- *Adjusted results adjust GAAP results for one-off items, acquisition-related items and other (income) expense, including foreign currency (gains) losses.*

Financial Performance – Other Segments

FY 2021, Year-on-Year comparison

$ in millions

	FY 2021	YOY %Δ
Mineral Nutrition		
Net Sales	$ 220.6	3%
Adj. EBITDA	$ 17.1	17%
Adj. EBITDA Margin	7.8%	+100 bps
Performance Products		
Net Sales	$ 67.1	14%
Adj. EBITDA	$ 9.4	108%
Adj. EBITDA Margin	14.1%	+640 bps
Corporate		
Adj. EBITDA	$ (42.6)	(6%)

- **Mineral Nutrition**
  - Net Sales increased $6.1 million, or 3%, due to higher price and unit volumes as pricing is 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**
  - Net Sales increased $8.0 million, or 14%, driven by increased volume of copper-based products
  - Increase in Adjusted EBITDA driven by increased gross profit on higher volumes
- **Corporate**
  - Increased expenses of $2.4 million, or an unfavorable 6%, driven by incremental investments in our future, employee performance-based incentives, professional fees and information technology-related expenses offset partially by lower travel due to COVID-19-related restrictions

- *Year-On-Year % changes are in comparison to the prior fiscal year*
- *Adjusted results adjust GAAP results for one-off items, acquisition-related items and other (income) expense, including foreign currency (gains) losses.*

Key Capitalization Metrics

FY 2021 Highlights

Cash Flow	**$29.7 million of cash provided before financing for the fiscal year**
Leverage	**3.6x gross leverage ratio; $393 million total debt / $108 million trailing 12-month Adjusted EBITDA**
Liquidity	**$245 million; $93 million of cash and short-term investments + $152 million of available revolving credit***
Dividend	**Quarterly Dividend of $0.12 per share; $4.9 million dividend paid**

** Available revolving credit is shown net of letters of credit outstanding and subject to leverage ratio limitations; see the Credit Agreement on April 22, 2021 (see Form 8-K and Company press release)*

Financial Guidance

Fiscal Year 2022

$ in millions, except per share data

		FY 2022 Guidance			
	FY 2021	Low	High	Low	High
Consolidated					
Net Sales	$ 833.4	$ 840.0	$ 870.0	1%	4%
Net Income (1)	$ 54.4	$ 45.0	$ 47.0	-17%	-14%
Diluted EPS (1)	$ 1.34	$ 1.11	$ 1.16	-17%	-14%
Adjusted EBITDA	$ 107.9	$ 110.0	$ 114.0	2%	6%
Adjusted Net Income	$ 51.3	$ 50.7	$ 53.3	-1%	4%
Adjusted diluted EPS	$ 1.27	$ 1.25	$ 1.32	-1%	4%
GAAP Effective Tax Rate (1)	18.2%	29.0%	31.0%		
Adjusted Effective Tax Rate	29.5%	29.0%	31.0%		

(1) FY 2021 Net Income, Diluted EPS and GAAP Effective Tax Rate included one-off tax benefits related to favorable changes in uncertain international tax positions and valuation allowances that are not anticipated in FY 2022.

- COVID-19 variant remains a risk
- Sales growth across all three business segments
  - Drive growth in Nutritional Specialty products
  - Expanded vaccine opportunities
  - Maintain position in MFAs
- Assumes approximately $20 million of incremental operating expenses, roughly half of which is earmarked for planned strategic investments
  - Companion animal pipeline, African Swine Fever, vaccine manufacturing capacity and ongoing product registrations
- Return to a more normalized effective tax rate, after one-off favorable adjustments recorded in fiscal year 2021

Q&A

HEALTHY ANIMALS. HEALTHY FOOD. HEALTHY WORLD.®

Phibro ANIMAL HEALTH CORPORATION™



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