

# Phibro Animal Health Corporation



## Financial Results

Fiscal Year 2023

First Quarter Ended September 30, 2022

Webcast and Conference Call  
November 10, 2022

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International toll +1.365.977.0051  
Conference ID: **[3927884]**

# 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 presentation 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](http://www.sec.gov), [www.pahc.com](http://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 presentation 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 presentation 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 d) 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](http://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 September 30, 2022.**

# Key Themes

First Quarter

## Continued strong demand for our product portfolio

*Year-over-year net sales growth in total and for our larger segments and regions, as follows:*

*Consolidated; 8%*

*Animal Health, 10%,  
Mineral Nutrition, 10%  
Performance Products, (6%)*

*United States, 8%  
LatAm & Canada, 22%  
EU, ME & Africa, (5%),  
Asia Pacific, 1%*

## Macro-economic and operational challenges persist

*Supply chain disruptions are less common but still happen, and sustained inflation is driving higher inventory replacement costs.*

*To mitigate the risks these challenges pose, we will continue raising prices subject to normal competitive conditions, manage discretionary spending, and carry the inventory required to support sales growth and mitigate risk of supply chain disruptions.*

## Anticipating further benefits from strategic investments

*Vaccines:  
expanding our manufacturing capacity and expecting new registrations*

*Nutritional Specialties:  
leveraging other Phibro locations to expand production capabilities*

*Companion Animals:  
licensed a pain product in development for canines, while other projects continue to progress as planned*

## Adjusting projections to reflect higher interest expense & taxes

*We are reiterating our guidance for Net sales and Adjusted EBITDA of \$960 million - \$1 billion, and \$113 million - \$118 million, respectively.*

*However, due to rising interest rates and changes in tax regulations, we are revising guidance for Net income, Diluted EPS, Adjusted net income, Adjusted diluted EPS, and Adjusted effective tax rate.*



# Financial Performance - Consolidated

First Quarter, Year-on-Year comparison



\$ in millions, except per share data

	Q1	YOY %Δ
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## Consolidated

<b>Net Sales</b>	<b>\$ 232.5</b>	<b>8%</b>
<b>Net Income</b>	<b>\$ 3.9</b>	<b>(41%)</b>
<b>Diluted EPS</b>	<b>\$ 0.10</b>	<b>(41%)</b>
<b>Adjusted EBITDA</b>	<b>\$ 22.1</b>	<b>(1%)</b>
<b>Adjusted Net Income</b>	<b>\$ 8.3</b>	<b>(18%)</b>
<b>Adjusted Diluted EPS</b>	<b>\$ 0.21</b>	<b>(18%)</b>

- **Net Sales** – increased \$17.9 million, or 8%, increase driven by improvement in both the Animal Health and Mineral Nutrition segments, offset by a slight decline in our Performance Products segment
- **Net Income & Diluted EPS** – decreased \$2.7 million and \$0.07, respectively, or 41%, driven by higher SG&A expenses, interest expense and foreign exchange losses, offset by favorable gross profit and lower income tax expense
- **Adjusted EBITDA** – comparable to the prior year’s quarter, driven by higher adjusted EBITDA in both the Mineral Nutrition and Performance Product segments, offset by lower Animal Health adjusted EBITDA and an increase in Corporate expenses
- **Adjusted Net Income and Adjusted Diluted EPS** – After adjusting GAAP results for one-offs, acquisition-related items and foreign currency movements, Adjusted net income and Adjusted diluted EPS decreased 18%, driven by higher SG&A expenses and taxes, offset by higher gross profit.

▪ 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

First Quarter, Year-on-Year comparison



\$ in millions

	Q1	YOY %Δ
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## Animal Health

<b>Net Sales</b>	<b>\$ 154.9</b>	<b>10%</b>
MFAs & other	92.8	11%
Nutritional specialties	39.1	8%
Vaccines	23.0	8%
<b>Adj. EBITDA</b>	<b>\$ 27.0</b>	<b>(2%)</b>
<b>Adj. EBITDA Margin</b>	<b>17.4%</b>	<b>-220 bps</b>

- **Net Sales – increased \$13.9 million, or 10%**
  - MFAs and other
    - Increased \$9.0 million, or 11%, primarily driven by increased sales of processing aids used in the ethanol fermentation industry
  - Nutritional specialties
    - Increased \$3.1 million, or 8%, driven by higher demand for dairy products
  - Vaccines
    - Increased \$1.8 million, or 8%, driven by increased domestic demand
- **Adjusted EBITDA**
  - Decreased \$0.7 million, or 2%, due to higher SG&A expenses, partially offset by an increase in gross profit

- 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

First Quarter, Year-on-Year comparison



\$ in millions

	Q1	YOY %Δ
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## Mineral Nutrition

<b>Net Sales</b>	<b>\$ 59.6</b>	<b>10%</b>
<b>Adj. EBITDA</b>	<b>\$ 5.3</b>	<b>17%</b>
<b>Adj. EBITDA Margin</b>	<b>8.9%</b>	<b>+60 bps</b>

## Performance Products

<b>Net Sales</b>	<b>\$ 18.0</b>	<b>(6%)</b>
<b>Adj. EBITDA</b>	<b>\$ 2.4</b>	<b>11%</b>
<b>Adj. EBITDA Margin</b>	<b>13.1%</b>	<b>+200 bps</b>

## Corporate

<b>Adj. EBITDA</b>	<b>\$ (12.5)</b>	<b>(5%)</b>
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### Mineral Nutrition

- Net sales increased \$5.2 million, or 10%, primarily driven by higher average selling prices of trace minerals correlated with the movement of the underlying raw material costs
- Adjusted EBITDA increased \$0.8 million, or 17%, driven by increased gross profit

### Performance Products

- Net sales decreased \$1.2 million, or 6%, as a result of lower demand for copper-based products, partially offset by higher volumes of ingredients for personal care products and increases in the average selling prices of copper-based products
- Adjusted EBITDA increased \$0.2 million, or 11%

### Corporate

- Adjusted EBITDA decreased \$0.6 million, or 5%, driven by net changes in costs related to, but not limited to, employees, professional fees, technology and strategic investments

▪ 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.

# Key Capitalization Metrics

First Quarter Highlights



## Free Cash Flow

**-\$21 million of trailing 12-month free cash flow;** operating cash flow of \$17 million less capital expenditures of \$38 million<sup>1</sup>

## Leverage

**4.2x gross leverage ratio;** \$468 million total debt / \$111 million trailing 12-month adjusted EBITDA

## Liquidity

**\$163 million;** \$86 million of cash and short-term investments + \$77 million of available revolving credit<sup>2</sup>

## Dividend

**Quarterly dividend of \$0.12 per share;** \$4.9 million dividend paid

## Interest Rate Swap

**\$300 million of total debt at 0.62% LIBOR + margin**

- **Our goal is to end our fiscal year with less debt and improved gross and net leverage ratios in comparison to what we reported at the end of our first quarter.**

<sup>1</sup> Free cash flow equals cash flow from operating activities less capital expenditures for the trailing 12-months ended September 30, 2022, excluding a \$15 million purchase of property financed in part by a secured term loan during the quarter ended September 30, 2022, included within capital expenditures in the Consolidated Statements of Cash Flows, included in Item 1 of our most recent Quarterly Report on Form 10-Q.

<sup>2</sup> Subject to leverage ratio limitations and exclusive of the \$60 million increase executed after September 30, 2022

# Financial Guidance

Fiscal Year 2023



\$ in millions, except earnings per share (EPS) data

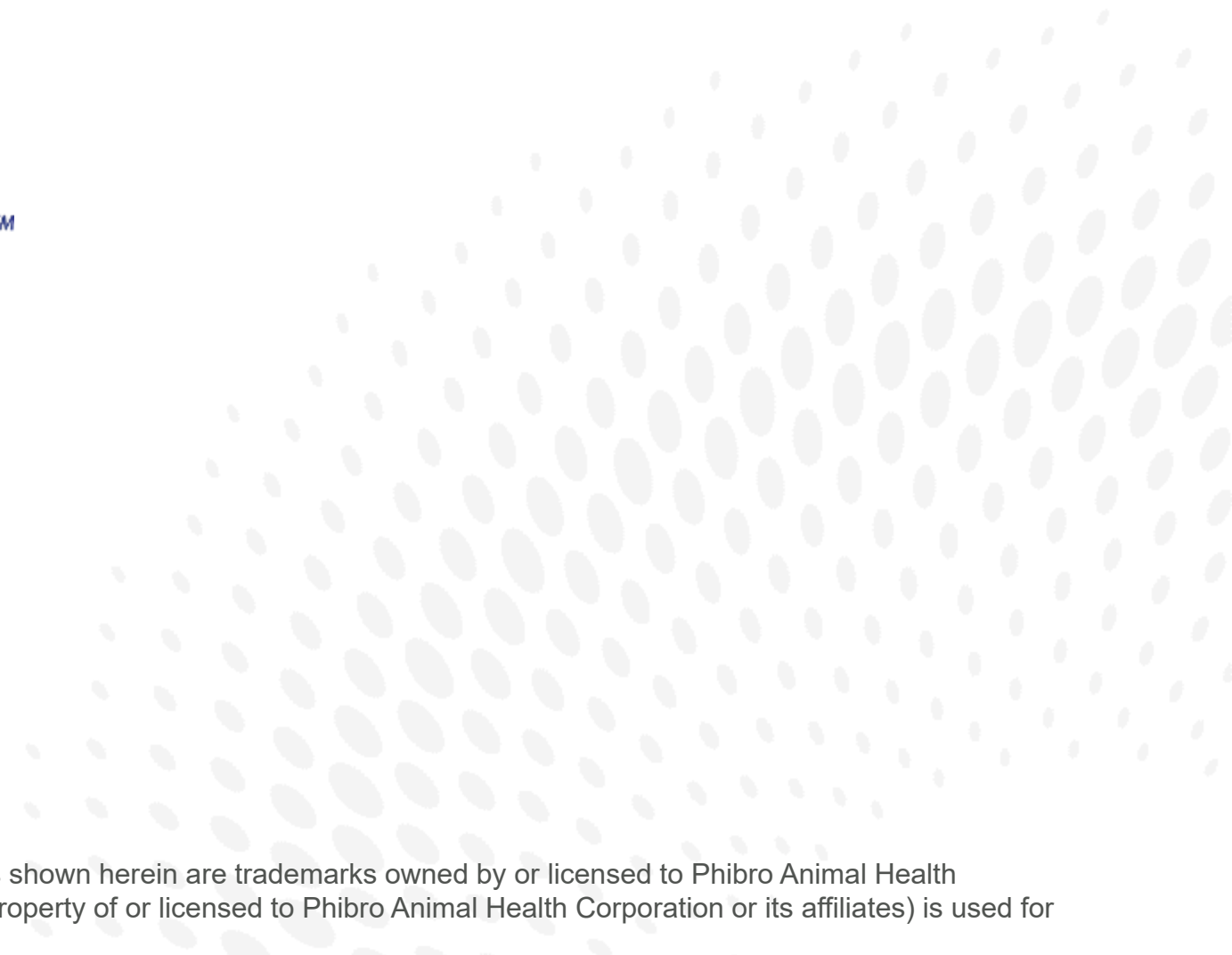
FY 2023 Full Year Guidance			
Previous		Updated	
Low	High	Low	High

## Consolidated

Net Sales	\$ 960	\$ 1,000	\$ 960	\$ 1,000
Net Income	\$ 45	\$ 49	\$ 39	\$ 43
Diluted EPS	\$ 1.11	\$ 1.21	\$ 0.96	\$ 1.06
Adj. EBITDA	\$ 113	\$ 118	\$ 113	\$ 118
Adj. Net Income	\$ 52	\$ 56	\$ 49	\$ 53
Adj. Diluted EPS	\$ 1.28	\$ 1.38	\$ 1.21	\$ 1.31
Adj. Effective Tax Rate	30.0%		33.0%	

- The Company reiterated guidance for Net sales and Adjusted EBITDA.
- Given the unfavorable impact of higher interest rates and debt outstanding, and the projected impact of recently released final tax regulations that eliminate U.S. creditability of the Brazil income tax beginning with our current fiscal year, we are adjusting guidance for Net income, Diluted EPS, Adjusted net income, Adjusted diluted EPS, and Adjusted effective tax rate.
- Guidance for GAAP financial measures assumes actual foreign exchange losses for the quarter ending September 30, 2022, and the Company's projected foreign exchange rates for the nine months ending June 30, 2023.





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