

# Second Quarter December 2015 Webcast and Conference Call

February 10, 2016

*Participant Dial In Numbers*

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# Cautionary Statement



## 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, 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 Information

We use non-GAAP financial measures, such as adjusted EBITDA, adjusted net income and pro forma adjusted diluted earnings per share, 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 report pro forma adjusted diluted earnings per share to reflect the pro forma effects of the IPO and refinancing on all periods presented. 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.

## 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.

# Participants

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**Jack Bendheim**

*Chairman, President, Chief Executive Officer*

**Richard Johnson**

*Chief Financial Officer*

# Acquisition of MVP Business

- Purchased the assets of MVP Laboratories, Inc. (“MVP”)
  - Privately held developer, manufacturer and marketer of livestock vaccines, vaccine adjuvants and other products
  - MVP also manufactures the *MJPRRS*<sup>®</sup> autogenous swine vaccine, which Phibro exclusively distributes pursuant to its agreement with MJ Biologics, Inc.
  - Based in Omaha, Nebraska
- Strengthens Phibro’s core animal vaccine business
- Provides new opportunities in a fast-growing segment of the animal health industry
- Excellent strategic fit that supports our growth initiatives
  - Innovative organization and proven manufacturing capabilities
  - Expands the capabilities and species reach of Phibro vaccines
  - Adds a platform for growth and value creation consistent with our vision for the future

# Q2 Results – December 2015



	For the three months ended December 31	Consolidated			
		2015	2014	Change	
• Consolidated sales +2%					
– Animal Health volume growth					
– Mineral Nutrition volume growth offset by lower commodity pricing					
		<i>(in millions, except per share)</i>			
	Animal Health	\$ 121.5	\$ 118.8	\$ 2.7	2%
	Mineral Nutrition	58.9	58.7	0.1	0%
	Performance Products	11.4	11.2	0.3	2%
	Net sales	\$ 191.8	\$ 188.7	\$ 3.1	2%
	Gross profit	62.4	56.1	6.3	11%
	<i>% of net sales</i>	32.5%	29.7%		
• Gross profit +11%					
– Volumes and mix					
– Improved operating efficiencies					
– Favorable cost of goods from volumes and currencies					
	SG&A	39.8	36.3	3.5	10%
	<i>% of net sales</i>	20.8%	19.2%		
• SG&A +10%					
– Animal Health selling, marketing, development and acquisition related					
– Corporate expenses					
	Adjusted EBITDA	\$ 28.4	\$ 25.0	\$ 3.4	14%
	<i>% of net sales</i>	14.8%	13.3%		+150bps
• Adjusted EBITDA +14%					
• Adjusted diluted EPS +11%					
– Growth in adjusted EBITDA					
– Cash income taxes increased due to payment timing					
	Adjusted diluted EPS	\$ 0.39	\$ 0.35	\$ 0.04	11%

Adjustments exclude intangible amortization expense, acquisition related accrued compensation, foreign currency gains or losses and acquisition related accrued interest. Adjusted diluted EPS reflects cash income taxes paid.

# Animal Health



- **Sales +2%**

- Volume growth
- MFAs and other: international growth offset by domestic reductions
- Nutritional specialties: dairy focus; poultry product introduction in U.S.
- Vaccines: volume growth

For the three months ended  
December 31

## Animal Health

**2015**

2014

Change

*(in millions)*

MFAs and other	<b>\$ 85.6</b>	\$ 87.4	\$ (1.8)	<i>(2)%</i>
Nutritional specialties	<b>24.2</b>	20.8	3.4	<i>17%</i>
Vaccines	<b>11.7</b>	10.6	1.1	<i>10%</i>
Net sales	<b>\$121.5</b>	\$ 118.8	\$ 2.7	<i>2%</i>
Adjusted EBITDA	<b>\$ 32.4</b>	\$ 28.3	\$ 4.1	<i>14%</i>
<i>% of segment net sales</i>	<b>26.6%</b>	23.8%		<i>+280bps</i>

- **Adjusted EBITDA +14%**

- EBITDA margin +280bps
- Gross profit growth: volumes, product mix and favorable manufacturing costs
- Operating expense investments

# Other Segments

	For the three months ended December 31	2015	2014	Change	
		<i>(in millions)</i>			
• <b>Mineral Nutrition</b>		<b>Mineral Nutrition</b>			
– Volume growth offset by lower commodity pricing					
– Operating margin up on sales mix	Net sales	\$ 58.9	\$ 58.7	\$ 0.1	0%
• <b>Performance Products</b>	Adjusted EBITDA	\$ 4.2	\$ 3.8	\$ 0.4	12%
– Steady demand	<i>% of segment net sales</i>	7.1%	6.4%		+070bps
– Operating margin decline on sales mix		<b>Performance Products</b>			
	Net sales	\$ 11.4	\$ 11.2	\$ 0.3	2%
• <b>Corporate</b>	Adjusted EBITDA	\$ (0.0)	\$ 0.2	\$ (0.2)	*
	<i>% of segment net sales</i>	(0.1)%	1.5%		-160bps
		<b>Corporate</b>			
	Adjusted EBITDA	\$ (8.1)	\$ (7.2)	\$ (0.9)	*
		<i>* Calculation not meaningful</i>			

# Capitalization and Capital Allocation

December 31, 2015



- 2.8x leverage ratio at December 31, 2015
  - \$306 million total debt
  - \$111 million LTM adjusted EBITDA
- \$25 million cash on hand at December 31, 2015
- \$(2) million net cash flow before financing for the December 2015 quarter
  - Investment in business growth
  - Working capital and other items used \$12 million of cash
  - Capex of \$10 million
- Quarterly dividend of \$0.10 per common share
  - \$3.9 million paid December 2015
  - \$3.9 million to be paid March 2016

# QUESTIONS AND ANSWERS



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