Phibro
ANIMAL HEALTH CORPORATION ™

Fourth Quarter and Fiscal Year June 2016 Webcast and Conference Call

August 30, 2016

Participant Dial In Numbers

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Conference ID	52883527

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 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 Information

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 Annual Report on Form 10-K.

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.

Participants

Jack Bendheim

Chairman, President, Chief Executive Officer

Richard Johnson

Chief Financial Officer

Animal Health Update

- Some U.S. producers are reducing antibacterial usage
  - In advance of FDA regulatory changes to remove growth promotion claims for medically important antibacterials, effective January 2017
  - Growing consumer preferences to reduce/eliminate antibacterials in protein production
  - Balanced with the ongoing need for therapeutic use in treatment and control of diseases
    - Animal welfare
    - Food safety
    - Affordable food
  - Phibro's current annual U.S. sales of medically important antibacterials for use in animal health are approximately $37 million
    - Some portion of these sales continue to be at risk
- We have seen continued international volume growth of MFAs
- Nutritional Specialty products and vaccines
  - Double-digit growth
  - Producers looking for alternatives to maintain the health of their animals

Q4 Results – June 2016

- Consolidated sales +2%
  - Animal Health volume growth
  - Mineral Nutrition commodity pricing
- Gross profit +2%, ex-acquisition related
  - Volumes
  - Vaccine manufacturing costs
  - Improved operating efficiencies
- SG&A +1%, ex-acquisition related
  - Performance Products accruals and Corporate costs
- Adjusted EBITDA +4%
- Adjusted diluted EPS (9)%
  - Growth in adjusted EBITDA
  - Increased depreciation, interest and income taxes

Consolidated

For the three months ended June 30	2016	2015	Change	
	(in millions, except per share)			
Animal Health	$ 126.2	$ 117.4	$ 8.7	*7%*
Mineral Nutrition	50.3	55.6	(5.3)	*(9)%*
Performance Products	12.7	11.9	0.8	*6%*
Net sales	$ 189.2	$ 185.0	$ 4.2	*2%*
Gross profit	59.6	60.0	(0.4)	*(1)%*
% of net sales	*31.5%*	*32.4%*		
SG&A	39.5	39.0	0.5	*1%*
% of net sales	*20.9%*	*21.1%*		
Adjusted EBITDA	$ 28.3	$ 27.0	$ 1.2	*4%*
% of net sales	*14.9%*	*14.6%*		*+030bps*
Adjusted diluted EPS	$ 0.40	$ 0.44	$ (0.04)	*(9)%*

Adjustments exclude acquisition-related cost of goods sold, acquisition-related intangible amortization expense, acquisition-related accrued compensation, acquisition-related transaction costs, foreign currency gains or losses and acquisition-related accrued interest. Adjusted diluted EPS reflects cash income taxes paid.

Animal Health

- Sales +7%
  - Volume growth
  - MFAs and other: international growth offset by domestic reductions
  - Nutritional specialties: U.S. dairy and poultry products
  - Vaccines: volume growth plus MVP acquisition
- Adjusted EBITDA +5%
  - EBITDA margin -050bps
  - Gross profit growth
  - Flat operating expense

Animal Health

For the three months ended June 30	2016	2015	Change	
		(in millions)		
MFAs and other	$ 86.4	$ 84.2	$ 2.2	*3%*
Nutritional specialties	24.7	21.6	3.1	*14%*
Vaccines	15.1	11.7	3.4	*29%*
Net sales	$126.2	$ 117.4	$ 8.7	*7%*
Adjusted EBITDA	$ 31.5	$ 29.9	$ 1.6	*5%*
% of segment net sales	*24.9%*	*25.4%*		*-050bps*

Other Segments

- Mineral Nutrition
  - Lower commodity pricing and slightly reduced volumes
  - Operating margin up on favorable SG&A comparison
- Performance Products
  - Operating margin decline on environmental accruals
- Corporate

For the three months ended June 30	2016	2015	Change	
		(in millions)		
Mineral Nutrition				
Net sales	**$ 50.3**	$ 55.6	$ (5.3)	*(9)%*
Adjusted EBITDA	**$ 3.6**	$ 3.4	$ 0.2	*5%*
% of segment net sales	*7.2%*	*6.2%*		*+100bps*
Performance Products				
Net sales	**$ 12.7**	$ 11.9	$ 0.8	*6%*
Adjusted EBITDA	**$ 0.4**	$ 0.5	$ (0.1)	*(11)%*
% of segment net sales	*3.2%*	*3.8%*		*-060bps*
Corporate				
Adjusted EBITDA	**$ (7.2)**	$ (6.7)	$ (0.5)	*

** Calculation not meaningful*

Fiscal Year – June 2016

- Consolidated sales +1%
  - Animal Health volume growth
  - Mineral Nutrition volume growth offset by lower commodity pricing
- Gross profit +8%, ex-acquisition related
  - Volumes and mix
  - Improved operating efficiencies
  - Favorable cost of goods from volumes and currencies
- SG&A +4%, ex-acquisition related
  - Animal Health selling, marketing, development
  - Corporate costs
- Adjusted EBITDA +12%
- Adjusted diluted EPS +6%
  - Growth in adjusted EBITDA
  - Increased depreciation, interest and income taxes

	Consolidated			
For the twelve months ended June 30	2016	2015 ex-licensing	Change ex-licensing	
	(in millions, except per share)			
Animal Health	$ 486.1	$ 462.8	$ 23.3	5%
Mineral Nutrition	216.7	227.1	(10.4)	(5)%
Performance Products	48.7	50.7	(2.0)	(4)%
Net sales	$ 751.5	$ 740.6	$ 10.9	1%
Gross profit	239.0	225.3	13.8	6%
% of net sales	*31.8%*	*30.4%*		
SG&A	153.3	145.6	7.7	5%
% of net sales	*20.4%*	*19.7%*		
Adjusted EBITDA	$ 114.1	$ 102.0	12.0	12%
% of net sales	*15.2%*	*13.8%*		*+140bps*
Adjusted EPS	$ 1.61	$ 1.52	0.09	6%

Comparisons exclude $8.0 million of 2015 milestone payments for licensing of vaccine delivery technology. Adjustments exclude acquisition-related cost of goods sold, acquisition-related intangible amortization expense, acquisition-related accrued compensation, acquisition-related transaction costs, foreign currency gains or losses and acquisition-related accrued interest. Adjusted diluted EPS reflects cash income taxes paid.

Capitalization and Capital Allocation
June 30, 2016

- 3.1x leverage ratio at June 30, 2016
  - $353 million total debt
  - $114 million LTM adjusted EBITDA
- $34 million cash on hand at June 30, 2016
- Net cash flow before financing was a $19 million source of cash in the June 2016 quarter
- Quarterly dividend of $0.10 per common share
  - $3.9 million paid June 2016
  - $3.9 million to be paid September 2016

Guidance

Consolidated

For the years ended June 30

(in millions, except per share)	2017 Guidance	2016	Growth
Net sales - Animal Health segment	$ 495 - $ 510	$ 486	*2% - 5%*
Net sales	**$ 750 - $ 770**	$ 752	*(0)% - 2%*
Adjusted EBITDA	**$ 116 - $ 120**	$ 114	*2% - 5%*
ratio	*15.5%* *15.6%*	*15.2%*	*+30bps*
Adjusted EPS	**$ 1.38 - $ 1.45**	$ 1.43	*(3)% - 1%*

- Within the Animal Health segment we expect nutritional specialties and vaccines will continue to grow at double-digit rates; we expect MFAs and other will be stable to a single-digit decline. Mineral Nutrition revenues are expected to decline slightly, with volume growth offset by reduced pricing related to commodity prices. Performance Products revenues are expected to be stable or decline slightly.
- We expect an improved gross profit ratio, due to a combination of favorable business and product mix, will be the primary contributor to the operating margin expansion.
- Adjusted EBITDA will exclude the cost of a partial settlement of the pension plan, expected to be up to $3 million, in addition to recurring adjustments to exclude acquisition-related items and foreign exchange gains and losses.

Guidance

- We expect the adjusted effective rate for income taxes will be approximately 29.5% for 2017, similar to the revised adjusted effective rate for 2016. We have revised our reporting methodology to present the GAAP provision for income taxes, adjusted for the tax effect of pre-tax income adjustments and to remove non-recurring or discrete items, such as the benefit from the release of the valuation allowance in 2016. We revised our methodology in part to reflect recent SEC guidance on presentation of non-GAAP measures, which proscribes use of cash income taxes as a profitability measure.
- Growth in adjusted EBITDA is largely offset by increased depreciation expense and interest expense in the calculation of adjusted net income.
- We expect our quarterly results will grow at similar rates as our full-year expectations, with lower growth rates earlier in the year and increased growth rates later in the year.
- We expect to generate positive cash flows, after satisfying needs for working capital, capital expenditures, dividends and scheduled debt repayments. Capital expenditures are expected to be approximately $30 million. We remain interested in acquisitions and any positive cash flow could support potential acquisition activity.

QUESTIONS AND ANSWERS