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**Phibro Animal Health Corporation (PAHC)**

Q4 March 2015 Earnings Call



## CORPORATE PARTICIPANTS

**Richard Johnson** *Phibro Animal Health Corporation - CFO*

**Jack Bendheim** *Phibro Animal Health Corporation - CEO*

## CONFERENCE CALL PARTICIPANTS

**Brandon Folkes** *Guggenheim Securities - Analyst*

**David Risinger** *Morgan Stanley - Analyst*

**Erin Wilson** *BofA Merrill Lynch - Analyst*

**Matthew Brooks** *Macquarie Research Equities - Analyst*

## PRESENTATION

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### Operator

Good day, ladies and gentlemen. Welcome to the Phibro fourth-quarter and fiscal year June 2015 conference call.

(Operator Instructions)

As a reminder, I would now like to introduce your host for today's conference, CFO Richard Johnson. Please go ahead, sir.

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### Richard Johnson - *Phibro Animal Health Corporation - CFO*

Thank you operator, and good morning. Good day, everyone. Welcome to the Phibro Animal Health Corporation earnings call for our fiscal fourth quarter and fiscal year ended June 2015. On the call today, as usual, are Jack Bendheim, our Chief Executive Officer, and myself, Richard Johnson, the CFO. We will provide an overview of our quarterly and annual results. We'll also talk about our FY16 guidance. And then will open the lines for your questions.

Before we begin, let me give you the standard reminders that the earnings press release financial tables can be found on the investor section of our website at PAHC.com. We're also providing a simultaneous webcast of today's call, which can be accessed on the webcast as well. Today's presentation slides and a replay and transcript of the call will also be available on the website later today.

Our remarks today may include forward-looking statements, and actual results could differ materially from those projections. For a list and descriptions of certain factors that could cause results to differ, we refer you to the forward-looking statements sections in our earnings press release.

Our remarks today will also include references to certain financial measures which were not prepared in accordance with Generally Accepted Accounting Principles, or US GAAP. We refer you to the non-GAAP financial information section in our earnings press release for a discussion of these measures. Reconciliations of these non-GAAP financial measures to the most directly comparable US GAAP measures are included in the financial tables that accompany the earnings press release.

And with that, I'll turn it over to Jack Bendheim for some introductory remarks. And we'll take it from there. Jack? Good morning.

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### Jack Bendheim - *Phibro Animal Health Corporation - CEO*

Good morning, thank you. Thank you Dick, and thanks to all you for joining us on this call this morning. Our fourth-quarter results were solid and cap a FY15 that we are very proud of. Our fourth-quarter adjusted EBITDA grew a healthy 12%.

While we were disappointed with our overall top-line growth of 1%, we were able to drive revenue growth in our core Animal Health unit in low single digits. Nutritional Specialty products and vaccines led our growth in another double-digit growth performance. Our MFA categories experience negative quarter-over-quarter growth, due in large measure to the transitional effects of currency shocks in some of our markets.

As a reminder, we largely sell our products around the world based in US dollars and the effect of a rapidly strengthening dollar is that when our prices translate into local currencies, our customers can see their price increases dramatically, which in turn can slow their purchasing. The strength of our business model is that we're still able to grow despite turbulence in the markets, and we sell more and more of our high margin vaccines and Nutritional Specialty products in markets where our products have tremendous room to grow.



As you look to our new fiscal year, we expect another very strong year, led again by double-digit growth in nutritional specialties and vaccines. While currency volatility remains a wildcard, we expect MFAs and other to deliver mid-single-digit growth as certain markets transition away from the use of antibiotics for growth promotion. Of course, some of this transition is driving our impressive nutritional specialties revenue expansion.

We anticipate that the investments we made in this last year in growing our sales and technical teams by approximately 50 employees will continue to drive growth as we enter more markets and submarkets, and see more customers with products on a regular basis. We will continue to invest in people and operations in 2016. Our Capex will be focused on expanding our capacity in nutritional specialties and vaccines, as well as driving continued cost reductions. Entering FY16 with our net leverage ratio at our comfortable below 2.5 times EBITDA, we are well-positioned to invest in acquisitions that will meet our strategic and financial objectives.

I will now turn it back to Dick to give you some more color on our completed quarter and our guidance for the upcoming year. And I look forward to answering any questions you may have at the end. Thank you.

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**Richard Johnson - Phibro Animal Health Corporation - CFO**

Thanks, Jack. So turning first to the fourth-quarter consolidated results on page 4 of the webcast presentation. We had net sales of \$185 million in our June quarter. It's about \$1 million, or 1% growth over the same quarter last year. That growth was led by the Animal Health segment with over \$3 million growth, or 3%, Mineral Nutrition, just above last year and Performance Products with a down quarter compared to last year. Overall, it was a volume story throughout our businesses. Volume growth in Animal Health and Mineral Nutrition and volume declines in Performance Products. We did see pricing declines in Mineral Nutrition. That's the nature of that business, where our prices are very flexible and transparent to our customers. They move with the commodity markets, and as I think we all know, commodity markets have been in some steep declines lately. More on that as we get to a little more detail on that segment.

In spite of only \$1 million of sales growth, we grew gross profit to almost 33% of sales, growth of \$6.5 million (sic -- see Press Release, "\$6.6 million") or 12%. That was driven by a number of favorables. It was favorable business mix. So growth in the Animal Health segment versus the other parts of the business. It was driven by favorable product mix, even within the segments. And it was also driven by reduced manufacturing costs from beneficial currency movements. We manufacture several of our significant products either in Brazil or in Israel and the dollar has strengthened against both of those currencies. In particular the dollar has strengthened against the Brazil currency, and that makes our manufacturing costs, our local costs, lower and favorable to us.

At the SG&A line we actually reported a decline in SG&A, but when we set aside a one-off item that we had last year, and that item was also excluded from our adjusted EBITDA measure, our SG&A grew \$4 million in the quarter, or 11%. And the entire growth was in our Animal Health segment, and really driving, it reflects the manpower additions, the selling and marketing investments we're making and also development spending that we're putting behind our growth initiatives. So you put that all together, adjusted EBITDA grew 12% to \$27 million this year, close to a \$3 million increase over the prior year. Dropping that down to a per share number on an adjusted diluted earnings per share, \$0.44. That compares with \$0.22 against last year's pro forma number.

So I'll turn now to Animal Health. And here we see again the \$117 million of sales, about \$3 million of growth, or 3%. Within that, the nutritional specialties showed very strong growth, \$5 million or excess of 30%, and vaccines close to \$12 [million] of sales, up \$1 million, and a 10% growth over the prior year. So both of those driven by volumes. Vaccines also in part due to the transaction we did a few months ago where we're now selling a swine vaccine product from a company called MJB.

In the MFA and other category, about \$84 million of sales, down \$3 million, or 3%, from the prior year. Most of the decline was in foreign markets and that was the -- we saw some customers tighten up their inventories as the currency has affected their buying patterns. We also saw customers perhaps delay purchases of some of the lower value products that we have in our portfolio. We saw ongoing strong sales of our higher value and higher margin products.

At the EBITDA line, despite the only \$3 million of sales increase, we had adjusted EBITDA of just under \$30 million, a \$3.7 million, or 14% increase. And that's what I talked about in the consolidated section. Driven by the gross profit growth, favorable volumes, favorable product mix, favorable manufacturing costs offset by the selling expense investments we're making in that business to continue to drive growth.

Looking at the other segments. Mineral Nutrition sales, about the same as last year and adjusted EBITDA about the same as last year. So we're -- we had forecast this, or given guidance to this, that the business was evening out after some volume increases we'd had. So this was in line with our expectations.

Performance Products, we saw some reduced demand for several products really across many of the products in that segment. So sales of about \$12 million, down 19%.

And corporate expenses were essentially unchanged from last year.

Looking at capitalization and capital allocation, our leverage ratio is 2.6 times on a gross debt basis. \$110 million of trailing EBITDA with \$290 million of total debt. We have \$29 million of cash on the balance sheet. For the June quarter we generated \$10 million of net cash flow before financing activities, and that included funding about \$5 million, actually \$4 million of acquisition activity in the quarter. The dividend, \$3.9 million, was paid in June and we've declared a routine quarterly dividend to be paid later in September.



So turning to guidance on page 8. Looking first at the net sales line. Our guidance on sales is \$780 million to \$800 million of sales for FY16. Compared to 2015 adjusted to exclude the milestone vaccine licensing revenues, which were somewhat of a one-off item in 2015 that represents 5% to 8% growth on the top line. Adjusted EBITDA, \$113 million to \$117 million, and as a ratio to sales around 14.5%. That compares with \$102 million on that same ex-licensing basis, 11% to 15% growth, and a nice improvement in the EBITDA ratio. So when that comes down to adjusted EPS, we're forecasting, or giving guidance, of adjusted EPS of \$1.65 to \$1.75 and that compares with \$1.50 to last year, and that's I think that was an 8% (sic -- see Press Release, 9%) to 16%, or 15% or 16% growth.

Looking at it in a little more detail, on the sales line we expect the Animal Health segment to drive most of the total sales growth, most of the dollar growth. And that will mean the Animal Health segment will grow somewhere between 7% and 11%. Within Animal Health we expect nutritional specialties and vaccines to continue to grow at double-digit rates. MFAs and others we expect to grow in the mid-single-digit range. Mineral Nutrition, we expect in the low single digits. And Performance Products' expectation is for a continued slight decline.

Looking at operating margins, we expect operating margins to expand. That's an improved gross profit due to a combination of both favorable business mix, the growth all coming out of our higher margin Animal Health segment, as well as favorable product mix. We'll continue to see favorable currency benefits on manufacturing costs, and we'll see some leverage on operating expenses as we grow sales and gross profit faster than we grow selling, general and administrative operating expenses.

On a quarterly basis, we expect to grow our quarterly results at somewhat similar rates as our full-year expectations ex the vaccine licensing last year. We expect somewhat lower growth rates earlier in the year and the growth rates to increase later in the year.

Cash income taxes, which is the basis we use for forecasting or giving guidance on adjusted net income, in the \$13 million to \$14 million range. We do expect positive cash flows for our full year 2016. We're stepping up our capital expenditures. We're forecasting Capex in the \$35 million range. That's after a roughly \$20 million Capex number for the year we just finished. And obviously, any positive cash flow would be available to support potential acquisition activity.

Then finally, just to give a little more background on the vaccine licensing arrangement. We booked the final \$8 million of milestone revenues, and so it's top line and bottom line in FY15. And now beginning in FY16 and for approximately a 10-year term, the agreement converts to a royalty structure where we earned royalties at a low single-digit percentage of the licensee's product sales that use the technology. There are annual minimums on the royalties. We expect that we will earn something less than \$1 million in FY16, and it will fall primarily in the second half of our fiscal year.

So those are my prepared comments. And with that, operator, I'll turn it over to Q&A.

## QUESTION AND ANSWER

### Operator

Louise Chen with Guggenheim Securities.

### Brandon Folkes - Guggenheim Securities - Analyst

Hi. it's Brandon Folkes on for Louise. Just firstly, has avian flu impacted Phibro at all? And do you have any insight or sorts on when it may peak again and how we should think about the potential impact going forward?

### Jack Bendheim - Phibro Animal Health Corporation - CEO

That is the question that everyone in the industry thinks about all the time. So the avian flu, which affected the US poultry business last year, did not have a very big effect on our business. It hit the turkey producers in Minnesota pretty hard and it hit the egg industry, the layer industry, very hard in the Midwest. As you know, no different than with human flu, in warm weather flu subsides and in cold weather it reemerges.

So everyone sort of is waiting to see as the birds migrate again south as it gets colder and the birds, (inaudible) avian, right, the birds are carrying the flu, the influenza, how virulent and what path they will take. So I think there is expectations it will hit. No one exactly sure it knows on which corridor.

I mean, clearly the industry is buttoning up their facilities, increasing its biosecurity. But it still remains an unknown. A long answer for a short question. So far it has no effect on our business. It had a minimal effect. And remains to be seen what happens this coming year.

### Brandon Folkes - Guggenheim Securities - Analyst

Great. Thanks so much.



**Operator**

David Risinger with Morgan Stanley.

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**David Risinger - Morgan Stanley - Analyst**

Thanks very much. Good morning Jack and Dick. I have a couple questions. I guess maybe two for each of you, if that's okay.

So Jack, maybe you could just talk about the MFA business in terms of just how the market's evolving, and your share trends versus competitors and the pricing outlook? And then if you could maybe expand upon your comment that you could pursue external transactions, that would be helpful also.

And then Dick, could you just please characterize what the FX hit is that you're expecting in FY16? Or said another way, what would your organic revenue growth guidance be ex-currency? And then with respect to the tax rate outlook beyond 2016, can you just tell us what you expect to have at the end of the year in terms of NOLs and how we should think about the tax rate beyond FY16? Thanks very much.

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**Jack Bendheim - Phibro Animal Health Corporation - CEO**

David, thanks. Outlook on medicated feed additives, overall our business is still growing around the world. As you know so well, the more animals that get raised, the more exposure that you have to bacteria, the greater the movement from small farms to larger farms, and the right thing to do is to treat sick animals as opposed to them getting sick. So on balance, we see our business growing around the world.

Now there is obviously some -- there are changes because in the markets, I'd say the industry, the poultry industry which is our biggest customer, they're moving away from the use of antibiotic for growth. It was always a misnomer, but just the standard feeding of antibiotics without presence or without prediction of seeing a bacterial disease is something clearly the industry has shied away from and will move from completely within the next 1 1/2 years.

So that is lessening the business. At the same time, the effect of those products have had, again as you know so well, the protein industry is one industry that knows how to count and doesn't waste money. So doesn't for the fun of it feed antibiotics because of the calcium carbonate you get as a carrier to keep the bone strong. I mean, it's doing some affects. So what we're seeing is a shift, and we are shifting to some of our nutritional specialties to aid the farmers, the growers, in preventing and controlling the various bacteria that you're going to get.

So what we've seen here, and we look at our business, I mean, and we told you many times -- I mean, our goal is to services this industry wherever they are. Our goal is to be agnostic what protein gets consumed, as long as somewhere in the world someone's consuming our products. And that's how we view the business.

So while we've seen some people move away from some of the lesser uses of medicated feed additives, thus our sales are down a little bit, plus some of the discussion that Dick put around what we call the sticker shock of being in a currency where the value drops and the price of the drugs remain the same. So that take some correction. We see an overall growth in the use of additives, whether it's medicated feed additives or whether it's going to be nutritional specialty additives as the markets grow around the world. We're quite excited.

I really want to add to that a question you didn't ask, and I want to get ahead of next week's questions. If you think of what's happening now as they move layer chickens from cages to the ground. It's a nice idea, no one likes to see animals in cages, but they were put there for a reason.

So what's going to happen on the ground, they're going to be exposed to higher disease pressure. So what we see ex-avian influenza coming to the United States, we see overall growth in the need to protect these animals as best you can. You're not going to protect from pecking, which will cause a significant percentage of death, but you need to protect them against Coxy outbreaks, against bacterial outbreaks, et cetera, et cetera.

Overall we are -- I don't think we've been as positive about this business in a very long time. We're quite positive about all of these actors, unintended consequences, growth in population, no matter what's happening. So even look at China. We all absorb with the decline in the economy in China, but our business in China remains strong because the bottom line is that people there have gotten used to eating protein, they've gone off the farms, and they need and they will continue to consume pigs and chickens and fish, et cetera. That was our timer here.

The next thing is we, as you know, we are always on the outlook for acquisitions. There is some sticker shock these days when prices are high. Clearly, I understand why people pay a value of Phibro, but it's always hard to understand the value of other companies that we want to look to acquire.

We are looking. We're looking for opportunities. Last year we did a couple of small acquisitions that will be additive to our business. We got into the swine vaccine business. And we are looking around the world for more opportunities like that.



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**Richard Johnson - Phibro Animal Health Corporation - CFO**

(Multiple speakers) So the couple of things you asked about. So first on revenues, we expect very little difference between our revenue guidance from -- we don't expect currency to have a significant effect on our revenues for 2016, or a significant direct effect, let me put it that way. Again, we sell -- these products are priced or referenced in dollars in most markets around the world where we're selling internationally. So our dollars sales price stays more or less unchanged.

We do have the indirect effect of the sticker shock, as the phrase goes, that we may -- people may be a little more reluctant to buy a product. We're taking limited actions in very targeted specific areas, if we need to go in with some transitional discounts to help our customers sort of make that transition to the new reality of the exchange rates they're facing. Short answer, our sales growth in the guidance is really our organic growth.

Looking at the tax rates, I'd say we probably have a good two years of NOLs, so we will enjoy a low tax rate as we go through our NOLs. We probably have two more years of that. I think our tax guidance for 2016 gives an effective tax rate in the, call it 17% neighborhood. And that will climb over time. It will climb once the NOLs are exhausted. It will probably climb to the low to the mid-20%*s*, without having a lot more detail here in front of me. But that will be two or three years from now.

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**David Risinger - Morgan Stanley - Analyst**

Great. Thank you, again.

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**Operator**

Erin Wilson with Bank of America.

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**Erin Wilson - BofA Merrill Lynch - Analyst**

Just a quick follow-up on that tax rate question. You said low to mid 20%*s* longer term. I think previously you had said 30%.

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**Richard Johnson - Phibro Animal Health Corporation - CFO**

Yes. Right. So I'm mixing a little bit of apples and oranges, Erin, I apologize for that. The low to mid 20%*s* is on an adjusted net income basis. The 30% was a GAAP tax provision basis. So I still think on GAAP we'll be at call it 30%, but I think we'll be on a cash basis, we'll be below that number for several years still.

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**Erin Wilson - BofA Merrill Lynch - Analyst**

Okay, great. Where do we stand now with the regulations regarding antibiotics? I know there were some small adjustments with the VFD more recently. You had originally estimated a potential impact of \$15 million to \$20 million associated with these changes potentially. Have you started to see some of the label changes? Basically where do we stand, broadly speaking with the FDA (multiple speakers)?

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**Richard Johnson - Phibro Animal Health Corporation - CFO**

We released our 10K at 6 AM this morning, Erin. So I'm sure you've gotten to page 99, or whatever it was, where we updated the risk factor language and we updated those numbers. And the numbers now updated are \$10 million to \$15 million. So basically what that means is, we've seen -- and that's down from the \$15 million to \$20 million you quoted. So that means that we've seen a bit of a drop there in that area. Yes, the VFD regulations came out recently, and I'll let Jack talk more about that.

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**Jack Bendheim - Phibro Animal Health Corporation - CEO**

Basically what's going to happen, the industry is in negotiations with the FDA over exact language. But right now the thinking of the FDA is to do everything at one time over a 48-hour period sometime in the waning days of December 2016. So everyone will have a chance. The government will look at everyone's labels, suggest changes. It will be up, and then at a push of a button the old labels will no longer be in use, new labels.

There's a lot of issues around this, as you can imagine. Inventories in the field, people being able to use, and all this. The FDA has been very conscious of the industry, very conscious of the users. Remember, these products are safe and effective, and they have been for 30 or 40 years. So it's not a safety issue, it's just one of just getting it right to make sure that nothing gets wasted and the consumers are protected, which is obviously the reason FDA exists.

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**Erin Wilson - BofA Merrill Lynch - Analyst**

Okay, great. And the EMA recently outlined some regulations around the maximum residue limits with Virginia myosin. If I'm understanding it right, this could be a positive for your business. Can you kind of elaborate on that?



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**Jack Bendheim - Phibro Animal Health Corporation - CEO**

Yes virginiamycin, as you know so well, we've spoken about it often, is a great antibiotic, a great molecule which basically leaves no residues by of the way of applications. We've never, it's taken us years, we've applied for basically what's called a minimum residue level, MRL --

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**Richard Johnson - Phibro Animal Health Corporation - CFO**

Maximum.

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**Jack Bendheim - Phibro Animal Health Corporation - CEO**

Maximum residue level. And so I think we've applied, it took us about four or five years, and they just released it. It's good. It shows what we've been saying, the product is safe and effective. It leaves no residues. People can use it comfortably. Hard to peg growth, but it's -- we think it's going to be very positive for the business, continuing with some growth going forward.

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**Erin Wilson - BofA Merrill Lynch - Analyst**

Okay. Sorry, one last question on OmniGen in Europe and then also the efforts in China with that product?

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**Jack Bendheim - Phibro Animal Health Corporation - CEO**

Can you repeat that?

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**Erin Wilson - BofA Merrill Lynch - Analyst**

Could you speak to the traction overall that you're seeing with OmniGen in Europe, as well as your efforts in China and where that stands?

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**Jack Bendheim - Phibro Animal Health Corporation - CEO**

We are increasing our headcount in Europe. We might be the only people hiring in Europe. We are increasing our headcount in Europe to market the product. We've seen some of the effects, but also some of the side effects.

You read about the protests in Belgium of all the farmers complaining that things are not as nice and neat. What we had said, and the reason we're there, is farmers are just not getting paid more for having cows and producing milk. It's going to be a competitive market, and the most productive farmer with the most milk and the best quality milk is going to win. And that's where our products come in. We've been in that business in a long time in the United States. The trend is good. Our business in Europe continues to grow.

In China, we've begun doing some in-China tests with the product at various large dairies. So far the results look positive, but it takes a while to do all the calculations. So we remain optimistic about China. Europe is growing. Our business in the United States continues to grow, as well as in other markets in Latin and South America. We're slowly increasing our penetration of some of these specialties in the dairy industry.

Now, we're [seeing] that dairy prices are down internationally. Again, it pulls for our kinds of products because the quality, the health of the animal, all these things that we're dealing with, it really pays for the farmer to spend the money.

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**Erin Wilson - BofA Merrill Lynch - Analyst**

Great, excellent. Thanks.

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**Operator**

Matthew Brooks with Macquarie Group.

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**Matthew Brooks - Macquarie Research Equities - Analyst**

I was wondering, you've made some comments about the impact of commodity prices on sales. Can you say a little bit more about that, maybe use a specifically of commodities example of how it sort of impacts the sales line?



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**Richard Johnson - Phibro Animal Health Corporation - CFO**

Yes. So our Mineral Nutrition business, which is a \$225 million business last year, it sells -- fundamentally it sells trace minerals for animal feed. So it's all of those trace mineral elements that, just like a human, an animal needs for a healthy diet. So it's products like copper sulfate, zinc sulfate, iron oxide, manganese oxide, cobalt, iodine, selenium, et cetera, et cetera. I'm showing off. And so for example, zinc. I think zinc six months ago was, helping me out. Jack, \$1500 a ton and now it's --

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**Jack Bendheim - Phibro Animal Health Corporation - CEO**

Zinc was, call it \$1 a pound and now it's selling in the \$0.80 a pound.

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**Richard Johnson - Phibro Animal Health Corporation - CFO**

Now it's \$0.80 a pound.

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**Jack Bendheim - Phibro Animal Health Corporation - CEO**

Copper has been dropping. All the metals around the world is dropping.

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**Richard Johnson - Phibro Animal Health Corporation - CFO**

So copper used to be, a year ago was \$3, \$3.25 and now it's \$2.25, somewhere in there. And so this is a business that, our Mineral Nutrition business and the entire industry, pricing is completely transparent. So our customers know, they can -- they have the Internet, too. They can look up commodity prices and they see what copper is at, et cetera.

So these derivatives are all priced off of the base metal. And so our prices move up and down just absolutely in lock-step with the market prices. And we tend to keep our unit dollar margin on a -- so typically we sell this by the ton. So we'll keep X dollars a ton whether we're selling it at \$1 a pound or \$0.80 per pound. So that's the long answer.

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**Matthew Brooks - Macquarie Research Equities - Analyst**

Okay, that's good. And you said that Capex was going to increase. Can you tell us what's behind that, what you're going to spend the extra money on?

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**Richard Johnson - Phibro Animal Health Corporation - CFO**

Well we're -- we try never to spend money until we absolutely have to on Capex. So we had forecast Capex for our FY15 to be higher than it came in at. So some of it is deferred or delayed spending on projects that have been in the works for a while.

New projects are really around capacity expansion, I would say entirely in our Animal -- it's capacity expansion in our Animal Health segment, whether it's expanding for nutritional specialty products, or vaccines. And the other thing we're continuing to do is when we see good cost -- when we see a good return on a capital investment in manufacturing that gives us good quick cost savings, we'll spend that Capex also. So it isn't any one big thing, it's just a number of initiatives. But they add up to a bigger number.

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**Matthew Brooks - Macquarie Research Equities - Analyst**

Okay. On China and OmniGen, can you tell us, do you sell that product directly to the dairies? I know some other animal health products in China get sold to a sort of a local government body which then sells it to the farmers.

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**Jack Bendheim - Phibro Animal Health Corporation - CEO**

We have our own people who are sort of detailing the product, promoting the product, but we don't do the actual sales. And we work through a distributor. As it happens this case, a company which is probably owned by the Chinese government. So they are the importer of record and they do the actual distribution of the product. But we're out there with their salespeople promoting the product and running technical seminars, et cetera, et cetera.

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**Matthew Brooks - Macquarie Research Equities - Analyst**

What's the name of the company?

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**Jack Bendheim - Phibro Animal Health Corporation - CEO**

I don't think we've released it.



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**Matthew Brooks - Macquarie Research Equities - Analyst**

Okay. And can you say, lastly, what percent of the cost of your products come from manufacturing in Israel and Brazil?

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**Richard Johnson - Phibro Animal Health Corporation - CFO**

We, in our risk factors in the 10K, there's a -- it tells you individually that our Brazil operations account for something and Brazil accounts for something, and I'm scrambling to look it up.

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**Jack Bendheim - Phibro Animal Health Corporation - CEO**

I'll look it up for you.

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**Richard Johnson - Phibro Animal Health Corporation - CFO**

Israel, both the manufacturing and local operations, accounted for 22% -- I'm sorry, 20% of sales. Brazil, between what we make there and what we sell there, 21% of sales.

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**Matthew Brooks - Macquarie Research Equities - Analyst**

Okay.

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**Richard Johnson - Phibro Animal Health Corporation - CFO**

Okay?

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**Operator**

Thank you. I'm showing no further questions at this time. I would like to turn the call back to Richard Johnson for any further remarks.

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**Richard Johnson - Phibro Animal Health Corporation - CFO**

Well, we'll wish you all a good L'Shanah Tovah and talk to you next time. Take care, everyone.

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**Jack Bendheim - Phibro Animal Health Corporation - CEO**

Thank you.

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**Operator**

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program, and you may all disconnect. Everyone have a great day.

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