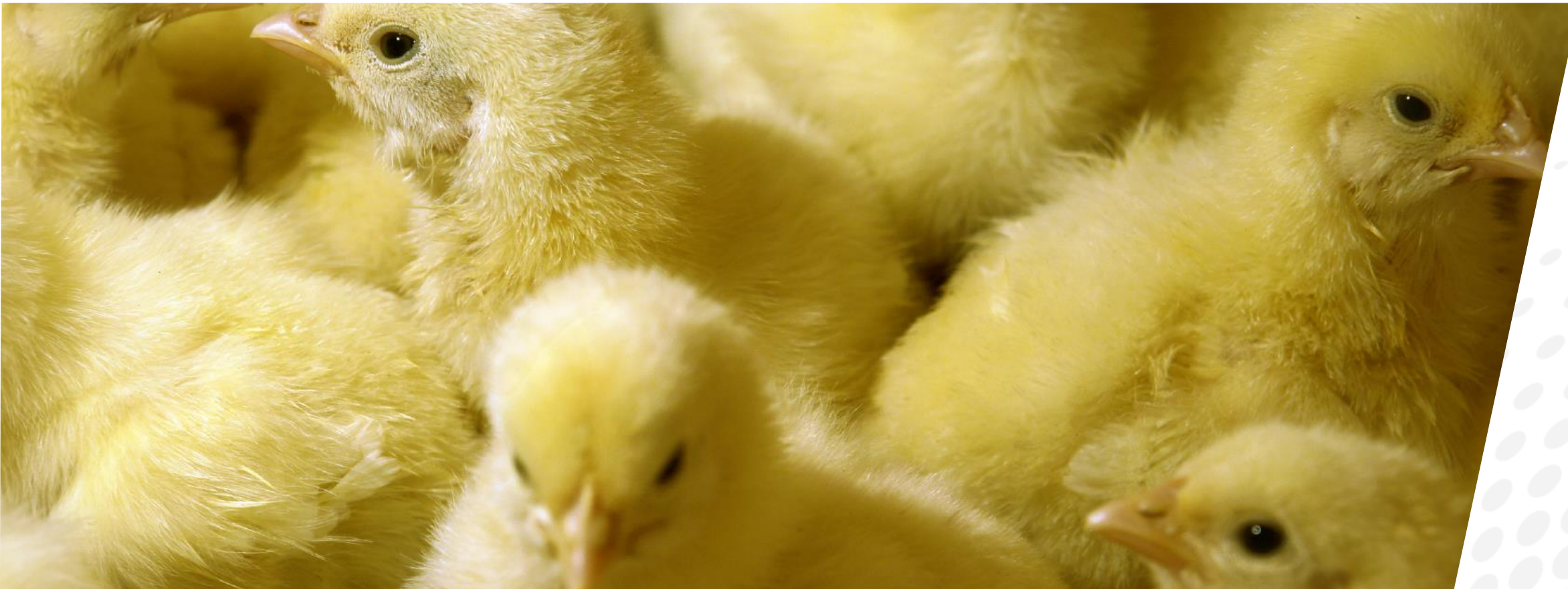


# Phibro Animal Health Corporation



First Quarter - September 2017  
Webcast and Conference Call  
November 7, 2017

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Conference ID: 93299558

HEALTHY ANIMALS. HEALTHY FOOD. HEALTHY WORLD.®

**Phibro**  
ANIMAL HEALTH CORPORATION

# Cautionary Statements

## 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 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 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 Quarterly Report on Form 10-Q and 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](http://www.pahc.com). We encourage investors and potential investors to consult our website regularly for important information about us.

# Opening Remarks and Financial Review

- Jack Bendheim

*Chairman, President, Chief Executive Officer*

- Richard Johnson

*Chief Financial Officer*

# GAAP and Non-GAAP Financial Information

- *Reported* results are presented in accordance with GAAP
- *Adjusted* results are GAAP results adjusted to exclude:
  - Acquisition-related items, including intangible amortization, cost of goods sold, accrued compensation costs, transaction costs and accrued interest
  - Unusual, non-operational or non-recurring items, including pension settlement cost, gain on insurance settlement and loss on extinguishment of debt
  - Other (income) expense as separately reported in the consolidated statements of operations, including foreign currency (gains) losses, net
  - Income tax effects related to pre-tax adjustments and unusual or non-recurring income tax items

# Highlights

Q1 - September 2017

For the three months ended  
September 30

	<b>2017</b>	2016	Change	
	<i>(in millions, except per share amounts and percentages)</i>			
Net sales	\$ <b>193.4</b>	\$ 188.0	\$ 5.4	3%
Net income	<b>15.9</b>	12.2	3.7	31%
Diluted EPS	\$ <b>0.39</b>	\$ 0.31	\$ 0.08	26%
Adjusted EBITDA	\$ <b>30.1</b>	\$ 29.8	\$ 0.3	1%
Adjusted net income	<b>15.3</b>	14.6	0.8	5%
Adjusted diluted EPS	\$ <b>0.38</b>	\$ 0.36	\$ 0.02	6%

- **Net income and diluted EPS improved due to:**

- Reduced acquisition-related transaction costs
- Lower interest expense, net from refinancing
- Lower effective income tax rate from favorable mix of international income and from the benefit of employee stock option exercises

- **Adjusted net income and adjusted diluted EPS improved due to:**

- Lower interest expense, net
- Lower effective income tax rate from favorable mix of international income

# Selected Line Items

Q1 - September 2017

For the three months ended September 30

	<b>2017</b>	2016	Change	
	<i>(in millions, except per share amounts and percentages)</i>			
Net sales	<b>\$ 193.4</b>	\$ 188.0	\$ 5.4	3%
Adjusted gross profit	<b>64.9</b>	62.3	2.6	4%
Adjusted SG&A	<b>40.0</b>	37.2	2.7	7%
Adjusted interest expense, net	<b>2.9</b>	3.5	(0.6)	(18)%
Adjusted income before income taxes	<b>22.1</b>	21.5	0.5	2%
Adjusted provision for income taxes	<b>6.8</b>	7.0	(0.2)	(3)%
Adjusted net income	<b>\$ 15.3</b>	\$ 14.6	\$ 0.8	5%
Adjusted diluted EPS	<b>\$ 0.38</b>	\$ 0.36	\$ 0.02	6%

- Adjusted SG&A increased due to Animal Health sales force expansion and product development costs to position ourselves for future growth
- Adjusted interest expense, net favorable on improved borrowing rates from recent refinancing
- Adjusted effective income tax rate was favorable on mix of international income.

# Animal Health

Q1 - September 2017

For the three months ended  
September 30

	<b>2017</b>	2016	Change		
		<i>(in millions, except percentages)</i>			
MFAs and other	\$ <b>79.6</b>	\$ 83.4	\$ (3.8)	(5)%	
Nutritional specialties	<b>30.8</b>	26.3	4.5	17%	
Vaccines	<b>18.5</b>	14.8	3.7	25%	
Net sales	\$ <b>128.8</b>	\$ 124.5	\$ 4.3	3%	
Adjusted EBITDA	\$ <b>33.7</b>	\$ 32.6	\$ 1.1	3%	
% of segment net sales	<b>26.2%</b>	26.2%			+0bps

## ■ Sales

- Nutritional specialties: Volume growth in U.S. poultry and dairy industries
- Vaccines: volume growth in the poultry and swine industries
- MFAs and other
  - U.S. sales declined \$10.5 million due to a \$4.2 million sales reduction of medically important antimicrobials and due to unfavorable timing of certain customer orders
  - International sales increased due to growth across most regions, including the benefit of improved economic conditions in Brazil

## ■ Adjusted EBITDA

- Gross profit increased \$3.7 million on volume growth, favorable product mix and operating efficiencies
- SG&A increased \$2.5 million from sales force expansion and product development costs

# Other Segments

Q1 - September 2017

For the three months ended  
September 30

	<b>2017</b>	2016	Change	
	<i>(in millions, except percentages)</i>			
<b>Mineral Nutrition</b>				
Net sales	\$ <b>52.1</b>	\$ 51.6	\$ 0.5	1%
Adjusted EBITDA	\$ <b>3.7</b>	\$ 4.0	\$ (0.3)	(7)%
<i>% of segment net sales</i>	<i>7.1%</i>	7.7%		-060bps
<b>Performance Products</b>				
Net sales	\$ <b>12.5</b>	\$ 11.9	\$ 0.6	5%
Adjusted EBITDA	\$ <b>0.2</b>	\$ 0.7	\$ (0.5)	(67)%
<i>% of segment net sales</i>	<i>2.0%</i>	6.2%		-420bps
<b>Corporate</b>				
Adjusted EBITDA	\$ <b>(7.6)</b>	\$ (7.5)	\$ (0.1)	*

\* Calculation not meaningful

## ■ Mineral Nutrition

- Sales growth on increased commodity pricing, partially offset by lower volumes
- Adjusted EBITDA declined due to higher raw material costs

## ■ Performance Products

- Higher average selling prices of copper products. Decline in EBITDA due to higher product costs

## ■ Corporate

- Reduced pension costs



# Capitalization and Capital Allocation

September 30, 2017

- **2.8x leverage ratio at September 30, 2017**
  - \$334 million total debt
  - \$120 million LTM adjusted EBITDA
- **\$62 million cash on hand at September 30, 2017**
- **Net cash flow before business acquisitions and financing was approximately break-even in the September 2017 quarter**
- **Quarterly dividend of \$0.10 per common share**
  - \$4.0 million paid September 2017
  - \$4.0 million to be paid December 2017

# Guidance

For the year ending June 30

	<b>2018</b>		<b>2017</b>	<b>Change</b>					
	<i>(in millions, except per share amounts and percentages)</i>								
Net sales - Animal Health segment	<b>\$ 500.0</b>	-	<b>\$ 515.0</b>	\$ 497.7	\$ 2.3	- \$ 17.3	0%	-	3%
Net sales	<b>765.0</b>	-	<b>790.0</b>	764.3	0.7	- 25.7	0%	-	3%
Net income per share - diluted	<b>\$ 1.43</b>	-	<b>\$ 1.56</b>	\$ 1.61	\$ (0.18)	- \$ (0.05)	(11)%	-	(3)%
Adjusted EBITDA	<b>\$ 123.1</b>	-	<b>\$ 126.1</b>	\$ 120.1	\$ 3.0	- \$ 6.0	3%	-	5%
Adjusted net income per share - diluted	<b>\$ 1.55</b>	-	<b>\$ 1.61</b>	\$ 1.51	\$ 0.04	- \$ 0.10	3%	-	7%

- We reaffirm our annual guidance

# Q&A Session



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November 7, 2017

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