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**Phibro Animal Health Corporation (PAHC)**

Q3 March 2015 Earnings Call



## CORPORATE PARTICIPANTS

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

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

## CONFERENCE CALL PARTICIPANTS

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

**Louise Chen** *Guggenheim Securities - Analyst*

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

**Irina Rivkind Koffler** *Cantor Fitzgerald - Analyst*

**Douglas Tsao** *Barclays Capital - Analyst*

**Matthew Brooks** *Macquarie Capital - Analyst*

## PRESENTATION

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### Operator

Ladies and gentlemen, thank you for standing by. And welcome to the Phibro Third-Quarter Financial Results conference call.

I would now like to introduce your host for today's conference, Chief Financial Officer, Mr. Richard Johnson. You may begin, sir.

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

Thank you, operator. Good morning, everyone. Welcome to Phibro Animal Health's earning call.

This is for our fiscal third quarter ending March 2015. With me today is Jack Bendheim, CEO and myself. We will provide an overview of our quarterly results. We've also provided some updated guidance for our current fiscal year ending in June, and then we will of course open the lines for your questions.

Before we begin, let me go through the boiler plate. Let me remind you, the earnings press release, including financial tables, can be found on the Investors section of our website at PAHC.com.

We are also providing a simultaneous webcast of this morning's call, which can be accessed on the website 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 will include forward-looking statements, and actual results of course could differ materially from these projections. For a list and description of certain factors that could cause results to differ, I refer you to the Forward-Looking Statements section in our earnings press release.

In addition, our remarks today will include references to certain financial measures which were not prepared in accordance with generally accepted accounting principles or US GAAP. I refer you to the non-GAAP Financial Information section in our 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 tables that accompany the earnings press release.

And now here's Jack Bendheim for some overview comments on our business. Jack?

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

Thanks, Dick.

We are pleased with the development of our Animal Health and Mineral Nutrition segments. And believe we are well positioned to take advantage of the continued global growth in animal protein and the need to maintain the health and safety of production animals.



In addition, we continue to artfully seek reasonably sized opportunities where we can extend the reach of our sales force into adjacent categories or line extensions. Similar to the MJ Biologics agreement we announced in January.

Let me comment on recent news from the US poultry industry, an important market for us. An outbreak of avian influenza has hit the industry, mostly in the Midwest and especially in turkeys and egg layers. This serves as a reminder that our business is first and foremost about keeping animals healthy, and that there are many pathogens out there, some treatable and some not.

To date, the poultry industry, and by extension the animal health industry, has been fortunate that this outbreak has been somewhat limited. That is a testament to the extensive bio security and health measures our customers take every day.

To date, our business has seen limited effect from the outbreak. Still, there is a risk if influenza becomes more widespread. Should it spread, it could have a short term effect on our US business until the industry rebuilds production. We could also see a pick-up in our business in other markets, as those markets step in to meet global demand currently served by US exports.

Also in the news recently, several US retail outlets and most recently a couple of major poultry producers announced their intentions to sell or produce poultry raised with a more limited number of antibiotics within the next few years. Our overall view of this development is favorable for a number of reasons.

Firstly, there appears to be a consensus forming among all industry players that there needs to be some role for antibiotics as opposed to a completely antibiotic-free approach. Secondly and related to this point, is a recognition that animal welfare and health is an important ethic. Consumers and the industry wants animals kept healthy and treated when they are sick. As a result, there is a role for antibiotics to play going forward, though perhaps smaller than currently, even for those antibiotics that are also used in human medicine. This is captured by a recent statement of an ASPCA spokesperson who said, and I quote, "if animal welfare is not addressed in conjunction with pulling back the drugs, this could be a very dangerous move for birds and ultimately for consumers," end quote.

Finally, in looking to minimize the use of antibiotics, the industry has acknowledged the overall cost of raising poultry and the overall spend on animal health products, including vaccines and nutritionals, will likely increase. In some cases, less cost effective products will possibly replace proven antibiotics. We believe we are well positioned to capture our fair share of that increased spend due to our historically unique model, represented by our animal health focus on nutritional specialties along with the more established MFAs and vaccine products.

With that, I would like to turn this back to Dick to go over the financials. And look forward to a discussion at the conclusion of our presentation.

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

Thanks, Jack.

Turning to our Q3 overall results, we reported \$187 million of consolidated sales, so that was growth of 8%. Animal Health and Mineral Nutrition segments each had good growth, and we'll discuss the individual segments in a moment.

In addition, in the quarter, we recorded the final licensing milestone revenue of \$2 million contributing to the net sales and EBITDA growth. At the gross profit line, the gross profit was 31.5% of sales, and improved 12% on the 8% sales growth. If we look at it without the licensing income, gross profit improved 8% on 7% sales growth, so the margin continued to expand.

Selling general and administrative expenses increased 5%. More modest than the sales increase, so driving leverage there. And essentially all of the increase was in the Animal Health segment.

Dropping that down through to adjusted EBITDA, we reported \$27.5 million of adjusted EBITDA. That was growth of 23%. And excluding the licensing income, growth was 14% and an operating margin of 13.7%, which was a 70 basis point improvement in the operating margin in the quarter.

Adjusted EPS was \$0.41, growth of 14%. The improvement was driven by the EBITDA growth, partially offset by a higher income tax rate this year. The adjusted effective tax rate was about 17% for the quarter, and about 15% year-to-date.

Turning to the Animal Health segment, net sales were \$117 million, and increased 9%, including the licensing milestone. Setting that aside, sales grew 7% fundamentally on volume growth.

MFAs and others growth was driven by the US and Latin America regions. As has been the case for some time now, our dairy focus in nutritional specialties drove the growth in that product group 23% in the quarter. And it primarily came from US volume growth.



Vaccines showed good volume growth. Even putting aside the licensing item, sales increased 19% in the quarter. Primarily from US initiatives, but also from certain international markets.

And the recent transaction we announced in late January called MJ Biologics, the MJB revenues added a small benefit in the quarter. But organic growth was the primary driver in the vaccine product group.

EBITDA for Animal Health was \$29.6 million. That was growth of 16%. Setting aside the licensing, EBITDA grew 8% and the EBITDA margin improved in the segment by 30 basis points to 24% of sales.

And that was driven by gross profit improvements from the volume growth. As well as favorable cost to goods, as we saw reduced production costs in our manufacturing plants due to favorable currency movements.

We continue to put operating expense investment behind our Animal Health growth initiatives, although at a more moderate pace. So, that again, helped with leverage.

So turning to our other segments. Mineral Nutrition continued its growth, and improved margins that we began seeing in our June quarter last year.

Net sales of \$57 million were up 15% on volume growth. And generated almost \$4 million of EBITDA, which was up 34% driven by the volume growth as well as the expanded margins that we have been seeing now for basically a year. This is the fourth quarter we have seen this driven by improved demand.

Performance Products sales were down in the quarter compared to last year. But improved product mix and favorable operating expenses resulted in slightly improved EBITDA. Corporate costs continued at a consistent run rate, and were a slight increase over the prior year.

Looking briefly at our capitalization and capital allocation. Our leverage ratio was 2.7 times at the end of March, and we ended the quarter with \$21 million of cash on hand. We generated \$6 million of net cash flows before financing for the quarter, and that included funding \$10 million for the MJB transaction.

CapEx was just over \$5 million in the quarter, and about \$13 million year-to-date. We do anticipate increased CapEx investment going forward for the remainder of our current fiscal year and into next fiscal year. We then use that cash flow generated before financing, we used it to pay the routine quarterly dividend and make scheduled debt reduction and various other items.

And speaking of the dividend, we've declared our next routine quarterly dividend - the same \$0.10 per share. And it's payable in late June.

Looking now at updated guidance, which we provided in our press release, we've updated our expectations for the fiscal year. We now expect net sales to be in the range of \$749 million to \$754 million for the year. That is an annual growth rate of 8% to 9%.

It does imply a lower growth rate for the balance of the year. Largely due to a slower growth rate in our Animal Health segment, as we are seeing some customers outside the US delay or reduce their purchases due to the effect of the strong US dollar. And also, our Mineral Nutrition segment, we are expecting net sales there to be approximately even with last year due to the overlap with a strong quarter last year.

And we expect adjusted EBITDA in the \$109 million to \$110 million range. That is a 20% to 21% increase for the year. For the balance of the year, we expect to see EBITDA margins continue to expand as we see leverage from cost of goods and operating expenses.

Adjusted EPS is expected in the \$1.65 to \$1.67 level for the year. Fundamentally driven by the EBITDA improvement.

So we have updated our guidance for our June FY15. We will provide guidance for our next fiscal year at the time we report our year-end results.

But we do want to note that our FY15 results include \$8 million of milestone revenues and profits, related to the licensing of our proprietary vaccine technology. And those are the final milestone items that we will receive under the licensing agreement. Included in that \$8 million that we've booked for our FY15, was \$4 million that we had originally expected to be triggered and received in the next fiscal year.

Looking forward, future licensing revenues will be royalty based and subject to annual minimums. The contractual annual minimums begin in January of 2016. Our preliminary estimate for FY16 is for royalty revenues of less than \$1 million, and occurring primarily in the second half of that fiscal year.

So that concludes our prepared comments. Operator, if you would please open the lines for questions. Thank you.



## QUESTION AND ANSWER

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### Operator

Our first question or comment is from the line of David Risinger with Morgan Stanley. Your line is now open.

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### David Risinger - Morgan Stanley - Analyst

Great, thank you. So, congrats on the performance. I just wanted to follow-up on a couple of questions that may be a little bit difficult to answer, but would be helpful in understanding how you are thinking about it.

You had mentioned, Dick, that the strengthening dollar did impact demand to some degree. Could you just talk about that a little further, and how we should think about the impact in the future?

And then, separately, with respect to the bird flu. If you could speak to, maybe, Jack, you can comment on that and whether there is any risk to your revenues in the near term as a result of the bird flu. Thank you.

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

Let me take that first part on foreign exchange, David. I would say we are seeing somewhat a low level of reduction in our Animal Health segment. We don't view it as a longer term issue.

There may be people who are just adjusting to some new exchange rate realities. But we do see it having an effect, probably in our June quarter. I don't know that I can say more than that.

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

David, it's Jack. I think it's reality, it's a sticker shock. We export our products around the world, pretty much dollar based, as you know.

So in some countries, Russia for example, where the currency has got so wide apart. That there needs to be an adjustment, because the competing products are also in foreign currencies, not necessarily in dollars but even in the euros against the ruble was big.

So, our products we sell because of the quality, and they are needed. So literally there is some adjustment, and we're seeing it. So we don't see it to be a great problem, but it's just a small problem.

On the avian influenza, USDA expects production down on the export side about 6% because of countries blocking US exports. So if you look at exports for poultry in the United States is around 20%, 25%. So there will be an effect across the whole industry.

On the other hand, as you know so well, David, other people could put on more poultry. It will move around.

So if this influenza is limited to the central part of the country, as we have seen now, Minnesota and moving down a little bit into Iowa and then down to Missouri, then the poultry production in the different parts of the country, which is probably US bio security will pick up. So it's hard to predict exactly.

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### David Risinger - Morgan Stanley - Analyst

Okay, thank you very much.

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

Thank you, David.

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**Operator**

Our next question or comment comes from the line of Louise Chen with Guggenheim. Your line is now open.

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**Louise Chen - Guggenheim Securities - Analyst**

Hello, thanks for taking my questions. So my first question is with respect to the, I guess, OUS issue with the customer orders. I'm just curious, which countries have been affected by this exchange rate the most and where you are seeing an impact in customer orders?

And secondly, can you remind us what percent of sales are outside the US? And then I have another question here on the US poultry. Curious what percent of your sales are US poultry, and what percentage of those are antibiotics? Thanks.

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

Well --

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

Yes. So OUS, the major markets where we are is -- and where currencies have moved dramatically, you can think of countries like Brazil. You can think of Eastern Europe and Russia. You can think of maybe some countries in Southeast Asia.

So those are the primary markets where we are seeing some sticker shock, as Jack called it. In terms of -- if you look at -- you should look at our business, let's just focus in on the Animal Health segment. Because fundamentally all of our Mineral Nutrition business, all of Performance Products, is US.

But set that aside. Of our Animal Health segment, we are about 45% in the United States and 55% OUS, something like that. And I would -- without having the numbers directly in front of me, poultry is a meaningful part of that business, both -- it's as meaningful in the US as it is OUS. So it's a significant part of our business across all of our regions.

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

But we are talking literally about sort of history of the quarter. As we are seeing and talking about our business this coming quarter and through next year, we are seeing the markets come back. In many cases, we might be adjusting our prices a little bit.

In some cases, what happens, the other entries to those markets, their inventory is used up they had there, and the new prices come in. So I would say it's temporary in terms of the currency. And as we see also the currency, the gap is shrinking not widening in these days. Sorry.

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**Louise Chen - Guggenheim Securities - Analyst**

No, go ahead.

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

On avian influenza, you were asking.

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**Louise Chen - Guggenheim Securities - Analyst**

Yes. I was curious if you could talk about -- you started to talk about the actual percentage. Do you have a percentage of sales that go to US poultry?



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

No. We don't break down our business that way. When we're talking about percentages is, the percentages of US poultry that get exported, talking about the US poultry industry. And what USDA has calculated is so far the effect on US exports because of avian influenza.

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**Louise Chen - Guggenheim Securities - Analyst**

And I just -- one other question, if I could squeeze it in. Is in the beginning of the call, you talked about expanding your product portfolio.

And just curious what you are looking at there. Are you seeing some interesting opportunities that you could act upon this year? Thanks.

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

I don't see anything that we would acting upon this year that would have any major significance. But we are looking both in the US and outside the United States at interesting opportunities to grow our business through acquisitions.

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**Louise Chen - Guggenheim Securities - Analyst**

Okay. Thank you.

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**Operator**

Our next question or comment comes from the line of Erin Wilson with Bank of America. Your line is now open.

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

Thanks for taking my questions. Hopefully you can hear me here. Can you break out geographically what was the underlying growth or demand trend you saw in the MFA segment in the US?

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

Well, I would say our MFA business grew \$2 million in the quarter. More than all of that was driven by the US and Latin America/Brazil.

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

Okay.

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

If that gives you a sense.

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

And how should we think about the MJ Biologic contribution going forward?

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

I think it will -- you can think of it as giving a nice boost to our vaccine growth. It won't do much for profitability in the early periods, as we integrate and begin to build mass. But it will give us some incremental growth in vaccines.



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

Okay.

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

Not huge, okay.

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

And then, two other things. Could you talk about Omni-Gen in China? And maybe what other countries do you expect to enter in over the near and longer term, like three to five years? And then also the opportunity in Aquaculture?

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

So we continue in China in setting up, as we've said in the last quarter, quarter 4, that we have distributor set up. Now we are working on setting up the trials. We need to do Chinese trials, to show that the Chinese cows don't react differently than the US cows.

So we are in the midst of doing that. And we continue in our European EU plan in many countries. That is what we are focusing on right now.

As we said, as of April the European Union has stopped price supports for milk production. So there is a scramble in Europe in terms of who will be the survivors, who won't be. Can you continue these small farms and consolidations.

So we need to be in these markets as this happens. And people recognize that they need higher productive animals, and this is a unique product and a product that does not employ antibiotics. So we remain excited about these products in growth areas, including the United States.

On Aqua, Aqua is an investment we made maybe a little over a year ago. We continue so far spending money. We are testing a few products, some of our own, some are outside products.

And we are -- in these preliminary budgets, we are seeing, and we will be seeing sales in the next fiscal year. But it's too early to quantify that. But there is a lot of growth in Aqua, and it's a good market to be in.

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

Would that be contributing to the vaccine segment next year?

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

It won't be next year, but I think it will be in the following years. Because we are working on vaccine development as well out of our Israeli vaccine plant, to figure out the right diseases and also the right way to vaccinate in the markets that we're going to be strong in. But it's something that we're working on.

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

So answered the other way around, Erin, we'd see the growth in the MFAs and nutritional specialty product groups in the shorter run.

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

Got it. Great.



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

That's why he's the chief.

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

Great, thanks so much.

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

Thanks, Erin.

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**Operator**

Our next question or comment comes from the line of Irina Koffler with Cantor Fitzgerald. Your line is now open.

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**Irina Koffler - Cantor Fitzgerald - Analyst**

Hello, good morning. So my question is about the timing of revenues into next year. You made some cautionary comments about 2016 without the vaccine milestones.

But just wondering if there is some cyclical to these delayed OUS payments. Where some of these players might then suddenly jump in and buy product next year, which would maybe soften some of the comps. And just how you think about that.

Because clearly, you have been operating for a long time and you've seen these types of cycles before. So just how does it play out? Thanks.

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

I think it plays out fine. As you said, we have seen these cycles before. We have a business that, and we only went public a year ago, so we weren't so focused on quarterly stuff.

But again, we have seen these cycles before. These markets come back, products move around, the customers adjust, and we adjust. So we are optimistic about next year.

And we will put out our guidance, as Dick said, when we announce our June earnings. But all the preliminary -- all the factors coming together looks quite positive for next year.

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**Irina Koffler - Cantor Fitzgerald - Analyst**

So in spite of -- to be clear, in spite of the \$8 million comps and in spite of the declared payments, you think next year you will guide to some degree of growth?

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

Yes, well, we will -- our view is we need to look at this on the comps fundamentally set aside the \$8 million. So we will guide to a nice level of growth on that base, and we should be more than able to offset the \$8 million. But I guess our cautionary was, we see some analysts out there putting the big growth rates on the total number for 2015, and they seem fairly aggressive for 2016.

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**Irina Koffler - Cantor Fitzgerald - Analyst**

Got it. Thank you.



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**Operator**

Our next question or come meant is from the line of Douglas Tsao from Barclays. Your line is now open.

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**Douglas Tsao - Barclays Capital - Analyst**

Hello, good morning. So just maybe if you could provide a little bit more context around your comments regarding the steps we have taken by some, consumers, regarding the use of antibiotics in terms of --. Maybe I think it would be helpful for people, because I am getting questions regarding how that plays out.

And is this something that you think manifests in your business in the next six months or something that you have to address in the next six months? Or is this more a two to three-year type of trend in the business?

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

That's a very good question. I think stepping back, what the industry has gone through, if you talk about it five years ago or four years ago, no one ever discussed the fact that animals get sick. That was not a way to sell a piece of chicken or anything in the supermarket.

So what has changed, is we had this outside focus on antibiotics. And this is maybe not the forum, but the antibiotics that are used in the United States in Animal Health are predominantly unimportant antibiotics, vis-a-vis the human consumption. The bulk of the antibiotics that are sold in the United States are not even licensed to be used in humans. They are formally called ionophores.

The other big products are not critically important for human health. So there is very, very little antibiotic resistance to drugs that are not used by humans.

That is the absolute definition of antibiotic resistance. But the pressure has been very, very strong. And, so McDonald's thinks this will be fine for them.

So what is happening, everyone -- again, animals are getting sick. People are recognizing that they need to treat sick animals, because no one wants to see a movie of a house with 25,000 chickens where 10,000 have dropped dead because of various diseases. So there's going to be an alignment, and there's also going to be a need if you are not using antibiotics to prevent diseases, then you're going to have to use other products.

So this shift will happen quite slowly. It's going to be a long ramp. It's something that, and as I said earlier, at the beginning of this presentation, we have a range of other products, non-drug based, that we think will help the growers deal with the conditions the animals see.

So there is no ban on these products. I think more so, there is a recognition by consumers that they want healthy animals. And on top of it, if we don't have the healthy animals, besides sick animals, you also have the potential of animals being sick to that carry over to the food chain which would be a disaster.

So the announcements are huge. The change will be quite slow, and we have been involved in these changes for a long time. And we think overall our business will be fine.

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**Douglas Tsao - Barclays Capital - Analyst**

And just as a follow-up, that was really helpful. Just when you think about capital allocation and portfolio expansion, is this something that you are thinking about in terms of strategically positioning your business in terms of what else you might want to bring into the business?

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

Well I think strategically, what we want to be is we want to have as many products available to whatever protein is going to get grown wherever it's going to get grown. So yes, we are focusing on US poultry and international poultry.

We are focusing on the swine industry, both in the United States and across the world. We are growing -- in dairy cattle as well as cattle.

And the newest thing is Aqua. And our investments, if that is the question, is continuing in these markets that have the ability to grow animal protein inexpensively. So, that's why we are expanding our efforts in Asia, we're expanding our efforts in South America and Latin America, and we continue expanding in the United States.



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**Douglas Tsao - Barclays Capital - Analyst**

Okay, great. Thank you very much.

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

Thanks, Doug.

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**Operator**

And our next question or comment comes from the line of Matthew Brooks with McGuire Capital. Your line is now open.

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**Matthew Brooks - Macquarie Capital - Analyst**

Good morning, guys. I was just wondering as a follow-up to that question about the antibiotics issue. I wonder if you can provide an update on the percent of sales that are currently impacted by this?

And also, you mentioned the reaction in the USA. Do you see the same kind of reaction against antibiotics in other markets, in particular some of the emerging markets which are your growth markets?

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

I didn't catch the first part of the question. But towards the second part, in the emerging markets, again, the people will treat sick animals. And we don't see this effect -- we call it the whole foods effect. We don't see this effect in emerging markets where I have said this before, in Indonesia, they have gone 15 years ago from a chicken a month to a market now which is one to two chickens a week.

People are rising out of poverty. That's people getting animal protein for the first time. And you can't afford to raise animals and not treat them when they get sick.

And the most effective treatment is antibiotics. And these antibiotics are, again, not important antibiotics, vis-a-vis the human health.

So in those countries, where people are rising from being poor and to being wealthy, they are not there yet. Fast forward 20 years from now, they will have the same thing as the United States. But not for the next 10 years.

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**Matthew Brooks - Macquarie Capital - Analyst**

They would just say that it's more important today that they get cheap meat, rather than having meat without antibiotics.

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

So, it's wholesome, healthy, cost effective.

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

We are on the side -- In Brazil, a kilo of breast meat of a chicken is \$5, in the US \$7, and in Europe \$14. So, it's just a question of -- obviously there is profitability involved and also a question of the demand. So yes, I think offering cheap, wholesome, healthy animal protein for the developing world.

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**Matthew Brooks - Macquarie Capital - Analyst**

And the question that maybe wasn't clear was what percentage of sales is impacted by this?



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

Largely it's US poultry, which is a relatively small part of our business. We don't talk about that level of granularity.

But a smaller part of our business. We are fairly diversified across species and across geographies.

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**Matthew Brooks - McGuire Capital - Analyst**

Thank you.

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**Operator**

And I'm showing no further questions or comments at this time. So with that, I would like to turn the call back over to Chief Financial Officer, Richard Johnson.

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

Well, thank you everyone. And from the chief, I will say good-bye and thank you for your time. And we will talk again when we release our year-end results. Have a good day, everyone.

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**Operator**

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may now disconnect.

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