

Morgan Stanley appreciates your support in the Institutional Investor 2014 All-America Equity Research Team Survey.

[Request your ballot.](#)

May 15, 2014

Stock Rating
Equal-weight

Industry View
In-Line

Phibro Animal Health Corp

F3Q operating results in-line; model updated for guidance

We updated our model in the wake of F3Q earnings. Changes mainly reflect adjustments for IPO/refinancing and taxes.

F3Q sales and EBITDA were as expected; EPS was above due to IPO/refinancing pro forma adjustments and taxes. Revenues were \$173M, in-line with our \$173M. EPS was \$0.36 (included pro forma adjustments for the IPO and refinancing, p. 3), 58% above our \$0.23 (did not include IPO and refinancing effects). Excluding these adjustments, we calculate the EPS would have been \$0.28, 25% above our \$0.23, mainly due to the recognition of certain previously unrecognized tax benefits of \$1,593.

\$0.06 EPS upside (using \$0.28) vs. our model included: Revenues 0.00, COGS -0.01, SG&A +0.02, Other 0.00, Taxes +0.05. F3Q I/S YOY growth in a nutshell: revs +7%, gross profit +15%, oper inc +18%, pretax +44%, net inc +59%, EPS +62%.

F3Q revenues vs. our model: Animal Health sales were \$108M, vs. our \$107M, Mineral Nutritional sales were \$50M, vs. our \$51M, Performance Products sales were \$16M, vs. our \$17M.

We lowered F4QE (June) EPS but raised FY14, reflecting tax adjustments and pro forma adjustments for IPO/refinancing. We left F4QE revenues unch at \$175 (in line with guidance of \$174M-\$177M). We lowered F4QE EPS from \$0.32 to \$0.20 (in line with F4Q EPS guidance of \$0.19-\$0.21). We raised FY14E EPS from \$1.04 to \$1.20; guidance is \$1.19-1.22. We bumped FY15E EPS from \$1.46 to \$1.48 and also took out years up by a few pennies. Please see full model which follows.

Morgan Stanley & Co. LLC

David Risinger

David.Risinger@morganstanley.com
+1 212 761 6494

Thomas Chiu, M.D.

Thomas.Chiu@morganstanley.com
+1 212 761 3688

Christopher Caponetti, CFA

Christopher.Caponetti@morganstanley.com
+1 212 761 6235

Key Ratios and Statistics

Reuters: PAHC.O Bloomberg: PAHC US

Specialty Pharmaceuticals / United States of America

| | |
|---------------------------------|----------------|
| Price target | \$19.00 |
| Shr price, close (May 14, 2014) | \$17.91 |
| Mkt cap, curr (mm) | \$706 |
| 52-Week Range | \$18.50-15.10 |

| Fiscal Year ending | 06/13 | 06/14e | 06/15e | 06/16e |
|---------------------------------|-------------|-------------|-------------|-------------|
| ModelWare EPS (\$) | 0.59 | 1.20 | 1.48 | 1.65 |
| Prior ModelWare EPS (\$) | - | 1.04 | 1.46 | 1.63 |
| P/E | - | 14.9 | 12.1 | 10.9 |
| Consensus EPS (\$) | - | - | - | - |
| Div yld (%) | - | 4.3 | 2.3 | 2.4 |

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

\$ = Consensus data is provided by Thomson Reuters Estimates.

e = Morgan Stanley Research estimates

Quarterly ModelWare EPS

| Quarter | 2013 | 2014e | 2014e | 2015e | 2015e |
|---------|------|-------|---------|-------|---------|
| | | Prior | Current | Prior | Current |
| Q1 | 0.07 | 0.21a | 0.30a | 0.39 | 0.39 |
| Q2 | 0.14 | 0.26a | 0.35a | 0.37 | 0.37 |
| Q3 | 0.18 | - | 0.36a | 0.35 | 0.37 |
| Q4 | 0.20 | 0.32 | 0.20 | 0.35 | 0.35 |

e = Morgan Stanley Research estimates, a = Actual company reported data

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

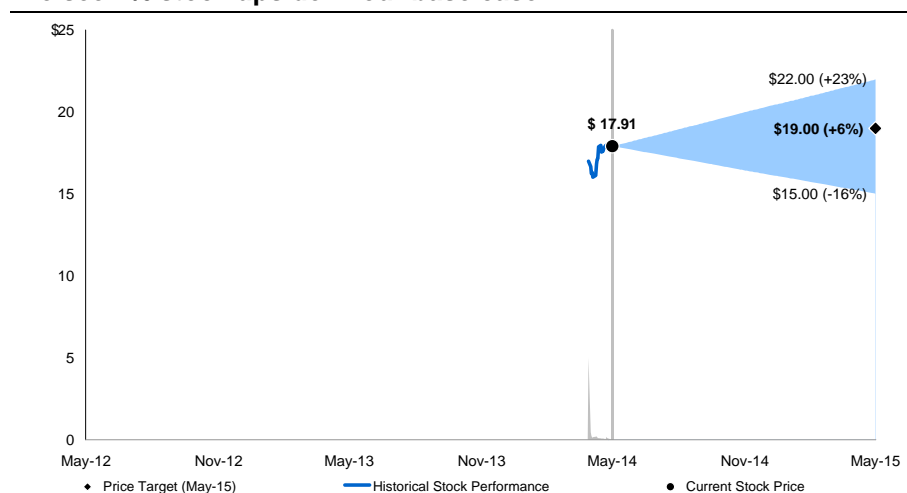
For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

May 15, 2014

Phibro Animal Health Corp

Risk-Reward Snapshot: Phibro (PAHC), Equal-weight, PT \$19

We see 7% stock upside in our base case



Source: Thomson Reuters, Morgan Stanley Research estimates

| Price Target \$19 | | DCF: 8.0% WACC, 1% terminal growth beyond F2021E |
|-----------------------|---|---|
| Bull Case \$22 | DCF flexed to assume LT rev growth of 5% rather than 4% and 100 bp higher OM. | Financial results are above expectations, multiple expands, and Phibro exits Performance Products. US and/or ex-US market demand is greater than we project and Phibro delivers revenue and earnings upside. Stock multiple expands as investors gain greater confidence in Phibro's ability to deliver as a public company. Phibro divests its Performance Products segment which is currently a modest drag on growth and is operating just above breakeven (contribution to F14E rev 9% and EBITDA 4%). |
| Base Case \$19 | DCF assumes 8% discount rate and 1% terminal growth; \$19 is 10x '15E EV/EBITDA | Phibro delivers accelerating revenue growth in F15 as expected. We project F14E (June) revenue growth of 5%, accelerating to 7% in F15E. We forecast F14E EBITDA growth of 18% and F15E of 13% (moderation due to less assumed gross margin expansion next FY). Management executes well and delivers strong Animal Health segment growth plus improvements in both Mineral Nutrition and Performance Products segment margins. |
| Bear Case \$15 | DCF flexed to assume LT rev growth of 3% rather than 4% and 100 bp lower OM. | Certain business segments disappoint, causing downside to financial outlook and stock multiple. Animal Health, Mineral Nutrition, and/or Performance Products experience revenue and earnings shortfalls due to weaker-than-expected demand. Regulators take negative action against key products. Stock multiple contracts. See risks to right. |

Investment Thesis

- Phibro offers an investment opportunity in growing global demand for animal protein consumption.
- Our \$19 PT represents 9.4x C15E EBITDA of \$107M; our DCF (on p. 7) reflects 8% discount rate and 1% terminal growth.
- We project 4% rev and 11% EPS CAGR from F14-21E.

Events to Watch

- Mar quarter results and initial investor call on May 14th
- June quarter results and F15 guidance in Aug
- Potential small acquisitions (mgmt targets spending approx \$10M annually, but we exclude future deals from our model)

Upside Risks to our Rating and PT

Greater-than-anticipated livestock market growth; financial results upside; investor concerns about antibiotic use in livestock animals fades, driving stock multiple expansion; encouraging acquisitions and/or divestitures.

Downside Risks to our Rating and PT

Disappointing financial results; quarterly earnings volatility; regulatory/legal challenges; disease or weather disruptions to certain animal species demand; worse-than-expected impact of planned FDA removal of growth promotion claims for antibiotics over the next three years; manuf problems; potential insider stock sales after 180-day lockup expires around Oct 11.

May 15, 2014

Phibro Animal Health Corp

Exhibit 1

PAHC F3Q:14A Income Statement Variation (YOY)

| (\$M) | Actual | | MS Estimate | | Variation vs. MS Est. | | | CONS. est. | Variation vs. CONS. | | Actual |
|-------------------------------------|---------|------------|-------------|------------|-----------------------|------|------------|------------|---------------------|-----|---------|
| | F3Q:14A | YOY % Chg. | F3Q:14E | YOY % Chg. | Absolute | Pct | EPS Impact | F3Q:14E | Absolute | Pct | F3Q:13A |
| Net Sales | 173 | 7% | 173 | 7% | (0) | 0% | -0.00 | | | | 163 |
| COGS (ex-amortization) | 119 | 3% | 119 | 3% | 0 | 0% | -0.01 | | | | 116 |
| Gross profit | 54 | 15% | 54 | 16% | (0) | 0% | -0.01 | | | | 47 |
| SG&A (incl. R&D) | 36 | 14% | 36 | 16% | (1) | -2% | +0.02 | | | | 31 |
| Operating income (EBITA) | 19 | 18% | 18 | 15% | 0 | 2% | +0.01 | | | | 16 |
| Add: Depreciation | 4 | 4% | 4 | 6% | (0) | -2% | +0.00 | | | | 4 |
| Deduct: Stock comp expenses | 0 | -47% | 0 | 268% | (0) | -86% | +0.00 | | | | 0 |
| Adj. EBITDA | 22 | 16% | 22 | 13% | 0 | 2% | +0.01 | | | | 19 |
| Other (income)/deductions | 9 | -1% | 9 | -3% | 0 | 1% | -0.00 | | | | 9 |
| Interest Expense | 9 | -2% | 9 | -3% | 0 | 1% | -0.00 | | | | 9 |
| Interest (Income) | - | -100% | - | -100% | - | * | +0.00 | | | | (0) |
| Other (income)/expense | - | * | - | * | - | * | +0.00 | | | | - |
| Pretax income | 10 | 44% | 9 | 39% | 0 | 4% | +0.01 | | | | 7 |
| Cash taxes | 1 | -19% | 3 | 88% | (1) | -57% | +0.05 | | | | 1 |
| Cash tax rate | 11.1% | -8.5% | 26.6% | 7.0% | -15% | -58% | - | | | | 19.6% |
| Non-GAAP Taxes (excl cash tax adj.) | 1 | 149% | 3 | 476% | (1) | -57% | +0.05 | | | | 0 |
| Non-GAAP tax rate | 11.1% | 4.7% | 26.6% | 20.2% | -15% | -58% | - | | | | 6.4% |
| Adjusted Net income | 9 | 59% | 7 | 27% | 2 | 25% | +0.06 | | | | 5 |
| Non-GAAP Net income | 9 | 37% | 7 | 9% | 2 | 25% | +0.06 | | | | 6 |
| Cash tax EPS | \$0.28 | 62% | \$0.23 | 30% | \$0.06 | 25% | | | | | \$0.18 |
| Non-GAAP tax EPS | \$0.28 | 39% | \$0.23 | 12% | \$0.06 | 25% | | | | | \$0.20 |
| Diluted shares outstanding | 31 | -2% | 30 | -2% | 0 | 1% | | | | | 31 |

*\$0.01 per share equates to approximately \$0.3M pretax

| Margin analysis | Actual | | MS Estimate | | Variation (b.p.) | | CONS. | | Actual |
|------------------------|---------|--|-------------|--|------------------|-------------|---------|------------------|---------|
| | F3Q:14A | | F3Q:14E | | vs. MS est. | vs. F3Q:13A | F3Q:14E | Variation (b.p.) | F3Q:13A |
| COGS (ex-amortization) | 68.8% | | 68.7% | | 11 | (234) | | | 71.1% |
| Gross margin | 31.2% | | 31.3% | | (11) | 234 | | | 28.9% |
| SG&A (incl. R&D) | 20.5% | | 20.9% | | (36) | 127 | | | 19.2% |
| Operating margin | 10.7% | | 10.4% | | 26 | 107 | | | 9.6% |
| Adj. EBITDA margin | 13.0% | | 12.7% | | 27 | 102 | | | 11.9% |
| Pretax margin | 5.7% | | 5.5% | | 20 | 148 | | | 4.2% |
| Adj. net margin | 5.0% | | 4.0% | | 102 | 167 | | | 3.4% |
| Non-GAAP net margin | 5.0% | | 4.0% | | 102 | 112 | | | 3.9% |

Source: Company Data, Morgan Stanley Research

Pro forma adjustments: "The pro forma adjustments assume the refinancing occurred at the beginning of the periods presented, resulting in a reduction in annual interest expense of over \$21 million compared with historical levels. The pro forma numbers also assume the additional common shares were outstanding for the entire period."

Source: Company press release

May 15, 2014

Phibro Animal Health Corp

Exhibit 2

PAHC F3Q:14A Revenue Variation (YOY)

| (\$M) | Actual | | MS Estimate | | Variation vs. MS Est. | | CONS. est. | Variation vs. Cons. | | Actual |
|-------------------------|---------|------------|-------------|------------|-----------------------|-----|------------|---------------------|-----|---------|
| | F3Q:14A | YOY % Chg. | F3Q:14E | YOY % Chg. | Absolute | Pct | F3Q:14E | Absolute | Pct | F3Q:13A |
| Animal health | 108 | 15% | 107 | 14% | 1 | 1% | | | | 94 |
| MFAs and other | 81 | 12% | 81 | 11% | 1 | 1% | | | | 73 |
| Nutritional specialties | 16 | 14% | 17 | 20% | (1) | -5% | | | | 14 |
| Vaccines | 10 | 46% | 9 | 31% | 1 | 12% | | | | 7 |
| Mineral Nutritional | 50 | -4% | 51 | -2% | (1) | -2% | | | | 52 |
| Performance products | 16 | -9% | 16 | -8% | (0) | -1% | | | | 17 |
| Net Sales | 173 | 7% | 173 | 7% | (0) | 0% | | | | 163 |

Source: Company Data, Morgan Stanley Research

Exhibit 3

PAHC F3Q:14A Income Statement Variation (Sequential)

| (\$M) | Reported | Sequential Growth | | Actual |
|-------------------------------------|---------------|-------------------|------------|---------------|
| | F3Q:14A | Dollar | % Chg. | F2Q:14A |
| Net Sales | 173 | 1 | 0% | 173 |
| COGS (ex-amortization) | 119 | (1) | -1% | 120 |
| Gross profit | 54 | 2 | 3% | 52 |
| SG&A (incl. R&D) | 36 | 1 | 4% | 34 |
| Operating income (EBITA) | 19 | 0 | 2% | 18 |
| <i>Add: Depreciation</i> | 4 | (0) | -5% | 4 |
| <i>Deduct: Stock comp expenses</i> | 0 | (0) | -33% | 0 |
| Adj. EBITDA | 22 | 0 | 1% | 22 |
| Other (income)/deductions | 9 | 0 | 0% | 9 |
| Interest Expense | 9 | (0) | 0% | 9 |
| Interest (Income) | - | 0 | -100% | (0) |
| Other (income)/expense | - | - | * | - |
| Pretax income | 10 | 0 | 3% | 10 |
| Cash taxes | 1 | (0) | -13% | 1 |
| Cash tax rate | 11.1% | (0) | -16% | 13.2% |
| Non-GAAP Taxes (excl cash tax adj.) | 1 | (2) | -62% | 3 |
| Non-GAAP tax rate | 11.1% | (0) | -63% | 29.8% |
| Cash tax EPS | \$0.28 | \$0.02 | 7% | \$0.26 |
| Non-GAAP tax EPS | \$0.28 | \$0.07 | 33% | \$0.21 |

Diluted shares outstanding

*\$0.01 per share equates to approximately \$0.3M pretax

| Margin analysis | Reported | Variation | Actual |
|------------------------|----------|-----------------|---------|
| | F3Q:14A | b.p. difference | F2Q:14A |
| COGS (ex-amortization) | 68.8% | -89 | 69.7% |
| Gross margin | 31.2% | 89 | 30.3% |
| SG&A (incl. R&D) | 20.5% | 74 | 19.7% |
| Operating margin | 10.7% | 15 | 10.6% |
| Adj. EBITDA margin | 13.0% | 4 | 12.9% |
| Pretax margin | 5.7% | 15 | 5.5% |
| Adj. net margin | 5.0% | 25 | 4.8% |
| Non-GAAP net margin | 5.0% | 116 | 3.9% |

Source: Company Data, Morgan Stanley Research

Exhibit 4

PAHC F3Q:14A Revenue Variation (Sequential)

| (\$M) | Reported | Sequential Growth | | Actual |
|-------------------------|----------|-------------------|--------|---------|
| | F3Q:14A | Dollar | % Chg. | F2Q:14A |
| Animal health | 108 | (0) | 0% | 108 |
| MFAs and other | 81 | 1 | 2% | 80 |
| Nutritional specialties | 16 | (0) | -2% | 16 |
| Vaccines | 10 | (1) | -11% | 11 |
| Mineral Nutritional | 50 | (1) | -1% | 51 |
| Performance products | 16 | 1 | 10% | 14 |
| Net Sales | 173 | 1 | 0% | 173 |

Source: Company Data, Morgan Stanley Research

Valuation Methodology

Our DCF yields a \$19 price target.

Our DCF is based upon \$452M in cumulative free cash flow in F2014E-F2021E, 7.5% WACC and 1.5% terminal growth beyond F2021E. See upside/downside risks on p. 2.

Exhibit 5

Discounted Cash Flow Valuation

| (\$M) | F2013A | F2014E | F2015E | F2016E | F2017E | F2018E | F2019E | F2020E | F2021E |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| GAAP Net Income | | 15 | 58 | 53 | 52 | 67 | 73 | 79 | 84 |
| +After-tax interest expense | | 11 | 11 | 10 | 9 | 9 | 8 | 6 | 4 |
| +Depreciation and amortization | | 21 | 22 | 22 | 22 | 22 | 22 | 21 | 21 |
| -Capital expenditure | | (21) | (20) | (20) | (20) | (20) | (20) | (20) | (20) |
| Change in working capital | | (10) | (12) | (14) | (15) | (18) | (16) | (18) | (19) |
| FCF | | 17 | 60 | 50 | 48 | 59 | 65 | 68 | 70 |
| Dividends | | 30 | 16 | 17 | 17 | 18 | 19 | 20 | 21 |
| FCF net of dividends | | (13) | 44 | 33 | 30 | 41 | 46 | 48 | 49 |

| | | | | | | | | | |
|-----------------------|-------|------------------------|------|------|------|------|------|------|------|
| WACC | 7.5% | Equity value per share | | | | | | | |
| Perpetuity | 1.5% | <i>Perpetuity</i> | | | | | | | |
| | | | 0.0% | 0.5% | 1.0% | 1.5% | 2.0% | 2.5% | 3.0% |
| CF value | 313 | 5.5% | \$24 | \$26 | \$29 | \$32 | \$37 | \$43 | \$52 |
| TV | 715 | 6.0% | \$21 | \$23 | \$25 | \$28 | \$31 | \$36 | \$42 |
| Firm Value | 1,027 | 6.5% | \$19 | \$20 | \$22 | \$24 | \$27 | \$30 | \$35 |
| TV as % of firm value | 70% | 7.0% | \$17 | \$18 | \$20 | \$21 | \$24 | \$26 | \$30 |
| Debt | 290 | WACC 7.5% | \$15 | \$16 | \$18 | \$19 | \$21 | \$23 | \$25 |
| Cash | 11 | 8.0% | \$14 | \$15 | \$16 | \$17 | \$18 | \$20 | \$22 |
| Equity Value | 748 | 8.5% | \$12 | \$13 | \$14 | \$15 | \$16 | \$18 | \$19 |
| Shares | 39 | 9.0% | \$11 | \$12 | \$13 | \$14 | \$15 | \$16 | \$17 |
| CF value/share | \$8 | 9.5% | \$10 | \$11 | \$12 | \$12 | \$13 | \$14 | \$15 |
| TV/share | \$18 | | | | | | | | |
| Net cash/share | (\$7) | | | | | | | | |
| Price/share | \$19 | | | | | | | | |

Source: Company Data, Morgan Stanley Research estimates

Company Model

Exhibit 6

Annual Income Statement (1 of 2)

| (\$M) | F2011A | F2012A | F2013A | F2014E | F2015E | F2016E | F2017E | F2018E | F2019E | F2020E | F2021E |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 618 | 654 | 653 | 684 | 731 | 772 | 811 | 848 | 882 | 910 | 930 |
| COGS (ex-amortization) | 468 | 487 | 470 | 469 | 494 | 515 | 538 | 559 | 578 | 593 | 604 |
| Gross profit | 150 | 167 | 183 | 214 | 238 | 257 | 273 | 289 | 304 | 317 | 325 |
| SG&A/R&D (excl. sh. comp exp.) | 105 | 115 | 122 | 140 | 153 | 163 | 173 | 182 | 189 | 195 | 199 |
| Operating income (EBITA excl. sh comp) | 45 | 53 | 61 | 74 | 85 | 94 | 100 | 107 | 115 | 121 | 126 |
| + Depreciation | 13 | 14 | 15 | 16 | 18 | 18 | 19 | 19 | 19 | 19 | 19 |
| - Stock comp expenses | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Adj. EBITDA (incl. sh comp exp) | 58 | 67 | 76 | 90 | 102 | 111 | 118 | 125 | 133 | 139 | 144 |
| Other (income)/deductions | 34 | 35 | 36 | 14 | 13 | 13 | 13 | 12 | 11 | 9 | 6 |
| Interest Expense | 35 | 36 | 36 | 14 | 13 | 13 | 13 | 12 | 11 | 9 | 6 |
| Interest (Income) | (0) | (0) | (0) | (0) | - | - | - | - | - | - | - |
| Other (income)/expense | - | - | - | - | - | - | - | - | - | - | - |
| Pretax income | 11 | 17 | 25 | 60 | 72 | 81 | 87 | 95 | 104 | 113 | 120 |
| Taxes | 4 | 7 | 7 | 13 | 14 | 16 | 26 | 29 | 31 | 34 | 36 |
| Tax rate | 34.1% | 42.1% | 27.8% | 21.2% | 19.0% | 19.5% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% |
| Net income | 7 | 10 | 18 | 47 | 58 | 65 | 61 | 67 | 73 | 79 | 84 |
| Diluted EPS | \$0.24 | \$0.32 | \$0.59 | \$1.20 | \$1.48 | \$1.65 | \$1.55 | \$1.69 | \$1.85 | \$2.00 | \$2.14 |
| Diluted shares outstanding | 31 | 31 | 31 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 |
| Average basic shares outstanding | 31 | 31 | 31 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 |
| Period-end basic shares outstanding | 31 | 31 | 31 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 |

Source: Company Data, Morgan Stanley Research estimates

May 15, 2014

Phibro Animal Health Corp

Exhibit 7

Annual Income Statement (2 of 2)

| Margin Analysis | F2011A | F2012A | F2013A | F2014E | F2015E | F2016E | F2017E | F2018E | F2019E | F2020E | F2021E |
|--|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| COGS (ex-amortization) | 75.7% | 74.4% | 72.0% | 68.7% | 67.5% | 66.7% | 66.3% | 65.9% | 65.5% | 65.2% | 65.0% |
| Gross margin | 24.3% | 25.6% | 28.0% | 31.3% | 32.5% | 33.3% | 33.7% | 34.1% | 34.5% | 34.8% | 35.0% |
| SG&A/R&D (excl. sh. comp exp.) | 17.0% | 17.5% | 18.7% | 20.5% | 20.9% | 21.2% | 21.4% | 21.4% | 21.5% | 21.5% | 21.4% |
| Operating margin | 7.3% | 8.0% | 9.3% | 10.8% | 11.6% | 12.1% | 12.3% | 12.7% | 13.0% | 13.3% | 13.6% |
| <i>Adj. EBITDA margin</i> | <i>9.4%</i> | <i>10.2%</i> | <i>11.6%</i> | <i>13.1%</i> | <i>14.0%</i> | <i>14.3%</i> | <i>14.6%</i> | <i>14.8%</i> | <i>15.1%</i> | <i>15.3%</i> | <i>15.5%</i> |
| Pretax margin | 1.8% | 2.6% | 3.9% | 8.8% | 9.8% | 10.4% | 10.8% | 11.2% | 11.8% | 12.4% | 12.9% |
| Adj. net margin | 1.2% | 1.5% | 2.8% | 6.9% | 8.0% | 8.4% | 7.6% | 7.9% | 8.3% | 8.7% | 9.0% |
| YOY % Change | F2011A | F2012A | F2013A | F2014E | F2015E | F2016E | F2017E | F2018E | F2019E | F2020E | F2021E |
| Net Sales | | 6% | 0% | 5% | 7% | 6% | 5% | 5% | 4% | 3% | 2% |
| COGS (ex-amortization) | | 4% | -3% | 0% | 5% | 4% | 4% | 4% | 3% | 3% | 2% |
| Gross profit | | 11% | 10% | 17% | 11% | 8% | 6% | 6% | 5% | 4% | 3% |
| SG&A/R&D (excl. sh. comp exp.) | | 9% | 6% | 15% | 9% | 7% | 6% | 5% | 4% | 3% | 2% |
| Operating income (EBITA excl. sh comp) | | 16% | 16% | 21% | 15% | 10% | 7% | 7% | 7% | 6% | 4% |
| <i>Adj. EBITDA (incl. sh comp exp)</i> | | <i>15%</i> | <i>13%</i> | <i>19%</i> | <i>14%</i> | <i>8%</i> | <i>7%</i> | <i>6%</i> | <i>6%</i> | <i>5%</i> | <i>4%</i> |
| Pretax income | | 54% | 48% | 137% | 19% | 12% | 9% | 9% | 10% | 8% | 7% |
| Net income | | 35% | 85% | 158% | 23% | 12% | -6% | 9% | 10% | 8% | 7% |
| Diluted EPS | | 35% | 85% | 105% | 23% | 12% | -6% | 9% | 10% | 8% | 7% |
| Diluted shares outstanding | | 0% | 0% | 26% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |

Source: Company Data, Morgan Stanley Research estimates

May 15, 2014

Phibro Animal Health Corp

Exhibit 8

Quarterly Income Statement

| (\$M) | F1Q:14A | F2Q:14A | F3Q:14A | F4Q:14E | F2014E | F1Q:15E | F2Q:15E | F3Q:15E | F4Q:15E | F2015E |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 162 | 173 | 173 | 175 | 684 | 178 | 184 | 185 | 185 | 731 |
| COGS (ex-amortization) | 111 | 120 | 119 | 118 | 469 | 120 | 126 | 125 | 123 | 494 |
| Gross profit | 51 | 52 | 54 | 57 | 214 | 58 | 58 | 60 | 61 | 238 |
| SG&A/R&D (excl. sh. comp exp.) | 33 | 34 | 36 | 37 | 140 | 36 | 37 | 39 | 41 | 153 |
| Operating income (EBITA excl. sh. comp exp.) | 18 | 18 | 19 | 20 | 74 | 22 | 21 | 21 | 20 | 85 |
| + Depreciation | 4 | 4 | 4 | 4 | 16 | 5 | 5 | 5 | 5 | 18 |
| - Stock comp expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Adj. EBITDA (incl. sh. comp exp.) | 22 | 22 | 22 | 23 | 90 | 27 | 25 | 25 | 25 | 102 |
| Other (income)/deductions | 3 | 3 | 3 | 4 | 14 | 3 | 3 | 3 | 3 | 13 |
| Interest Expense | 3 | 3 | 3 | 4 | 14 | 3 | 3 | 3 | 3 | 13 |
| Interest (Income) | (0) | (0) | - | - | (0) | - | - | - | - | - |
| Other (income)/expense | - | - | - | - | - | - | - | - | - | - |
| Pretax income | 14 | 15 | 15 | 16 | 60 | 19 | 18 | 18 | 17 | 72 |
| Taxes | 3 | 1 | 1 | 8 | 13 | 4 | 3 | 3 | 3 | 14 |
| Tax rate | 17.9% | 8.4% | 7.2% | 50.0% | 21.2% | 19.0% | 19.0% | 19.0% | 19.0% | 19.0% |
| Net income | 12 | 14 | 14 | 8 | 47 | 15 | 14 | 14 | 14 | 58 |
| Diluted EPS | \$0.30 | \$0.35 | \$0.36 | \$0.20 | \$1.20 | \$0.39 | \$0.37 | \$0.37 | \$0.35 | \$1.48 |
| Diluted shares outstanding | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 |

| Margin Analysis | F1Q:14A | F2Q:14A | F3Q:14A | F4Q:14E | F2014E | F1Q:15E | F2Q:15E | F3Q:15E | F4Q:15E | F2015E |
|--|---------|---------|---------|---------|--------|---------|---------|---------|---------|--------|
| COGS (ex-amortization) | 68.6% | 69.7% | 68.8% | 67.5% | 68.7% | 67.3% | 68.3% | 67.6% | 66.8% | 67.5% |
| Gross margin | 31.4% | 30.3% | 31.2% | 32.5% | 31.3% | 32.7% | 31.7% | 32.4% | 33.2% | 32.5% |
| SG&A/R&D (excl. sh. comp exp.) | 20.4% | 19.7% | 20.5% | 21.3% | 20.5% | 20.2% | 20.2% | 21.0% | 22.1% | 20.9% |
| Operating margin | 11.0% | 10.6% | 10.7% | 11.2% | 10.8% | 12.5% | 11.5% | 11.4% | 11.1% | 11.6% |
| Adj. EBITDA margin | 13.3% | 12.9% | 13.0% | 13.4% | 13.1% | 14.9% | 13.8% | 13.8% | 13.4% | 14.0% |
| Pretax margin | 8.9% | 8.7% | 8.7% | 8.9% | 8.8% | 10.6% | 9.7% | 9.7% | 9.3% | 9.8% |
| Adj. net margin | 7.3% | 7.9% | 8.1% | 4.5% | 6.9% | 8.6% | 7.9% | 7.8% | 7.5% | 8.0% |
| YOY % Change | F1Q:14A | F2Q:14A | F3Q:14A | F4Q:14E | F2014E | F1Q:15E | F2Q:15E | F3Q:15E | F4Q:15E | F2015E |
| Net Sales | 0% | 5% | 7% | 7% | 5% | 10% | 6% | 7% | 5% | 7% |
| COGS (ex-amortization) | -7% | 0% | 3% | 3% | 0% | 8% | 4% | 5% | 4% | 5% |
| Gross profit | 19% | 19% | 15% | 16% | 17% | 15% | 11% | 11% | 7% | 11% |
| SG&A/R&D (excl. sh. comp exp.) | 16% | 18% | 14% | 13% | 15% | 9% | 9% | 9% | 9% | 9% |
| Operating income (EBITA excl. sh. comp exp.) | 26% | 20% | 18% | 21% | 21% | 25% | 16% | 14% | 4% | 15% |
| Adj. EBITDA (incl. sh. comp exp.) | 21% | 19% | 16% | 19% | 19% | 23% | 14% | 13% | 6% | 14% |
| Pretax income | 175% | 141% | 123% | 119% | 137% | 31% | 19% | 18% | 10% | 19% |
| Net income | 445% | 207% | 157% | 25% | 158% | 29% | 6% | 3% | 78% | 23% |
| Diluted EPS | 332% | 143% | 104% | -1% | 105% | 29% | 6% | 3% | 78% | 23% |
| Diluted shares outstanding | 26% | 26% | 26% | 26% | 26% | 0% | 0% | 0% | 0% | 0% |

Source: Company Data, Morgan Stanley Research estimates

Exhibit 9

Annual Revenues

| (\$M) | F2011A | F2012A | F2013A | F2014E | F2015E | F2016E | F2017E | F2018E | F2019E | F2020E | F2021E |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Animal health | 345 | 375 | 385 | 428 | 473 | 510 | 546 | 580 | 611 | 636 | 654 |
| MFAs and other | 273 | 291 | 304 | 323 | 345 | 362 | 380 | 397 | 414 | 426 | 435 |
| Nutritional specialties | 43 | 48 | 52 | 64 | 77 | 89 | 99 | 109 | 117 | 123 | 126 |
| Vaccines | 29 | 37 | 29 | 41 | 51 | 59 | 66 | 73 | 81 | 87 | 92 |
| Mineral Nutritional | 209 | 210 | 203 | 196 | 196 | 198 | 200 | 202 | 204 | 206 | 208 |
| Performance products | 64 | 69 | 65 | 60 | 62 | 64 | 65 | 66 | 67 | 67 | 68 |
| Net Sales | 618 | 654 | 653 | 684 | 731 | 772 | 811 | 848 | 882 | 910 | 930 |

| YOY % CHANGE | F2011A | F2012A | F2013A | F2014E | F2015E | F2016E | F2017E | F2018E | F2019E | F2020E | F2021E |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Animal health | | 9% | 3% | 11% | 11% | 8% | 7% | 6% | 5% | 4% | 3% |
| MFAs and other | | 6% | 5% | 6% | 7% | 5% | 5% | 5% | 4% | 3% | 2% |
| Nutritional specialties | | 11% | 10% | 21% | 21% | 15% | 12% | 10% | 7% | 5% | 3% |
| Vaccines | | 28% | -22% | 42% | 25% | 15% | 12% | 11% | 10% | 8% | 6% |
| Mineral Nutritional | | 0% | -3% | -4% | 0% | 1% | 1% | 1% | 1% | 1% | 1% |
| Performance products | | 8% | -6% | -8% | 3% | 3% | 2% | 1% | 1% | 1% | 1% |
| Net Sales | | 6% | 0% | 5% | 7% | 6% | 5% | 5% | 4% | 3% | 2% |

| Revenue (%-total) | F2011A | F2012A | F2013A | F2014E | F2015E | F2016E | F2017E | F2018E | F2019E | F2020E | F2021E |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Animal health | 56% | 57% | 59% | 63% | 65% | 66% | 67% | 68% | 69% | 70% | 70% |
| MFAs and other | 44% | 44% | 47% | 47% | 47% | 47% | 47% | 47% | 47% | 47% | 47% |
| Nutritional specialties | 7% | 7% | 8% | 9% | 11% | 11% | 12% | 13% | 13% | 13% | 14% |
| Vaccines | 5% | 6% | 4% | 6% | 7% | 8% | 8% | 9% | 9% | 10% | 10% |
| Mineral Nutritional | 34% | 32% | 31% | 29% | 27% | 26% | 25% | 24% | 23% | 23% | 22% |
| Performance products | 10% | 11% | 10% | 9% | 8% | 8% | 8% | 8% | 8% | 7% | 7% |
| Net Sales | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Source: Company Data, Morgan Stanley Research estimates

Exhibit 10

Quarterly Revenues

| (\$M) | F1Q:14A | F2Q:14A | F3Q:14A | F4Q:14E | F2014E | F1Q:15E | F2Q:15E | F3Q:15E | F4Q:15E | F2015E |
|-----------------------------|---------|---------|---------|---------|--------|---------|---------|---------|---------|--------|
| Animal health | 101 | 108 | 108 | 111 | 428 | 117 | 118 | 118 | 120 | 473 |
| MFAs and other | 78 | 80 | 81 | 84 | 323 | 87 | 86 | 85 | 87 | 345 |
| Nutritional specialties | 14 | 16 | 16 | 17 | 64 | 18 | 19 | 19 | 21 | 77 |
| Vaccines | 9 | 11 | 10 | 10 | 41 | 13 | 13 | 13 | 12 | 51 |
| Mineral Nutritional | 46 | 51 | 50 | 49 | 196 | 46 | 50 | 51 | 49 | 196 |
| Performance products | 15 | 14 | 16 | 16 | 60 | 15 | 16 | 16 | 16 | 62 |
| Net Sales | 162 | 173 | 173 | 175 | 684 | 178 | 184 | 185 | 185 | 731 |
| YOY % CHANGE | F1Q:14A | F2Q:14A | F3Q:14A | F4Q:14E | F2014E | F1Q:15E | F2Q:15E | F3Q:15E | F4Q:15E | F2015E |
| Animal health | 5% | 15% | 15% | 10% | 11% | 15% | 10% | 10% | 8% | 11% |
| MFAs and other | 1% | 5% | 12% | 8% | 6% | 11% | 7% | 5% | 4% | 7% |
| Nutritional specialties | 23% | 28% | 14% | 21% | 21% | 24% | 18% | 20% | 22% | 21% |
| Vaccines | 19% | 111% | 46% | 15% | 42% | 38% | 15% | 30% | 20% | 25% |
| Mineral Nutritional | -7% | -4% | -4% | 1% | -4% | 0% | -1% | 2% | 0% | 0% |
| Performance products | -8% | -17% | -9% | 5% | -8% | 4% | 10% | 0% | 0% | 3% |
| Net Sales | 0% | 5% | 7% | 7% | 5% | 10% | 6% | 7% | 5% | 7% |
| Revenue (%-total) | F1Q:14A | F2Q:14A | F3Q:14A | F4Q:14E | F2014E | F1Q:15E | F2Q:15E | F3Q:15E | F4Q:15E | F2015E |
| Animal health | 62% | 63% | 62% | 63% | 63% | 65% | 64% | 64% | 65% | 65% |
| MFAs and other | 48% | 46% | 47% | 48% | 47% | 49% | 47% | 46% | 47% | 47% |
| Nutritional specialties | 9% | 10% | 9% | 10% | 9% | 10% | 11% | 11% | 11% | 11% |
| Vaccines | 6% | 7% | 6% | 6% | 6% | 7% | 7% | 7% | 7% | 7% |
| Mineral Nutritional | 28% | 29% | 29% | 28% | 29% | 26% | 27% | 28% | 27% | 27% |
| Performance products | 9% | 8% | 9% | 9% | 9% | 9% | 8% | 8% | 8% | 8% |
| Net Sales | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Source: Company Data, Morgan Stanley Research estimates

Exhibit 11

Cash Flow

| (\$M) | F2011A | F2012A | F2013A | F2014E | F2015E | F2016E | F2017E | F2018E | F2019E | F2020E | F2021E |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net income (Pro forma) | 7 | 10 | 18 | 47 | 58 | 62 | 61 | 67 | 73 | 79 | 84 |
| GAAP adjustments | (20) | (3) | 7 | (32) | - | (9) | (9) | - | - | - | - |
| Net income (GAAP) | (13) | 7 | 25 | 15 | 58 | 53 | 52 | 67 | 73 | 79 | 84 |
| Depreciation & amortization | 17 | 18 | 19 | 21 | 22 | 22 | 22 | 22 | 22 | 21 | 21 |
| Depreciation | 12 | 14 | 15 | 16 | 18 | 18 | 19 | 19 | 19 | 19 | 19 |
| Amortization | 5 | 3 | 4 | 5 | 4 | 4 | 3 | 3 | 3 | 2 | 2 |
| Change in operating assets and liabilities | (9) | 5 | (35) | (10) | (12) | (14) | (15) | (18) | (16) | (18) | (19) |
| Other adjustments to derive cash flows | 1 | 2 | (9) | - | - | - | - | - | - | - | - |
| Net cash from operating activities | (5) | 32 | 0 | 26 | 69 | 60 | 59 | 71 | 78 | 82 | 86 |
| Net capital expenditures | (22) | (15) | (20) | (21) | (20) | (20) | (20) | (20) | (20) | (20) | (20) |
| Acquisitions and Other | 2 | (3) | (17) | - | - | - | - | - | - | - | - |
| Acquisition of business | - | (3) | (19) | - | - | - | - | - | - | - | - |
| Sales of assets | 2 | 1 | 1 | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| Net cash from investing activities | (19) | (18) | (37) | (21) | (20) | (20) | (20) | (20) | (20) | (20) | (20) |
| Cash dividends paid | (50) | - | (3) | (30) | (16) | (17) | (17) | (18) | (19) | (20) | (21) |
| Net change in short-term debt | 18 | (4) | 20 | - | - | - | - | - | - | - | - |
| Net change in long-term debt | 51 | (5) | (5) | (76) | (25) | (30) | (30) | (35) | (40) | (40) | (40) |
| Other financing activities | (8) | - | (1) | 84 | - | - | - | - | - | - | - |
| Debt issuance costs | (8) | - | (1) | - | - | - | - | - | - | - | - |
| Issuance of common stock | - | - | - | 110 | - | - | - | - | - | - | - |
| Deferred financing fees | - | - | - | (27) | - | - | - | - | - | - | - |
| Net cash from financing activities | 10 | (8) | 11 | (22) | (41) | (47) | (47) | (53) | (59) | (60) | (61) |
| Effect of exchange rates | (0) | (1) | (0) | - | - | - | - | - | - | - | - |
| Net increase in cash | (14) | 5 | (27) | (16) | 8 | (7) | (9) | (3) | (1) | 2 | 5 |
| Cash at beginning of period | 63 | 49 | 54 | 27 | 11 | 19 | 12 | 4 | 1 | (0) | 1 |
| Cash at end of period | 49 | 54 | 27 | 11 | 19 | 12 | 4 | 1 | (0) | 1 | 6 |

Source: Company Data, Morgan Stanley Research estimates

Exhibit 12

Balance Sheet

| (\$M) | F2011A | F2012A | F2013A | F2014E | F2015E | F2016E | F2017E | F2018E | F2019E | F2020E | F2021E |
|-----------------------------------|--------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Cash and short-term investments | | 54 | 27 | 11 | 19 | 12 | 4 | 1 | (0) | 1 | 6 |
| Receivables | | 99 | 99 | 109 | 118 | 129 | 137 | 146 | 153 | 163 | 172 |
| Inventories | | 120 | 140 | 144 | 146 | 153 | 159 | 168 | 175 | 184 | 194 |
| Other current assets | | 29 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| Current assets | | 302 | 296 | 294 | 313 | 324 | 329 | 344 | 358 | 379 | 401 |
| Net property, plant and equipment | | 102 | 104 | 109 | 111 | 113 | 114 | 116 | 117 | 118 | 119 |
| Other assets | | 37 | 73 | 69 | 64 | 61 | 58 | 55 | 52 | 50 | 48 |
| Total Assets | | 441 | 474 | 472 | 488 | 498 | 501 | 515 | 527 | 547 | 569 |
| Short-term debt | | 19 | 34 | 25 | 30 | 30 | 35 | 40 | 40 | 40 | 40 |
| Accounts Payable | | 68 | 58 | 62 | 61 | 65 | 63 | 64 | 62 | 63 | 62 |
| Other current liabilities | | 53 | 57 | 57 | 57 | 57 | 57 | 57 | 57 | 57 | 57 |
| Current liabilities | | 140 | 149 | 145 | 148 | 152 | 156 | 161 | 159 | 160 | 159 |
| Long-term debt | | 331 | 332 | 265 | 235 | 205 | 170 | 130 | 90 | 50 | 10 |
| Other liabilities | | 59 | 62 | 62 | 62 | 62 | 62 | 62 | 62 | 62 | 62 |
| Total Liabilities | | 529 | 543 | 472 | 446 | 419 | 388 | 353 | 312 | 272 | 231 |
| Common Equity | | (88) | (69) | (0) | 42 | 78 | 113 | 162 | 215 | 274 | 337 |
| Noncontrolling interest | | - | - | - | - | - | - | - | - | - | - |
| Shareholders' Equity | | (88) | (69) | (0) | 42 | 78 | 113 | 162 | 215 | 274 | 337 |
| Total Liabilities and SE | | 441 | 474 | 472 | 488 | 498 | 501 | 515 | 527 | 547 | 569 |

Source: Company Data, Morgan Stanley Research estimates

May 15, 2014

Phibro Animal Health Corp

Exhibit 13

Financial Metrics

| (\$M) | F2011A | F2012A | F2013A | F2014E | F2015E | F2016E | F2017E | F2018E | F2019E | F2020E | F2021E |
|------------------------------------|----------|----------|----------|----------|--------|----------|----------|--------|--------|--------|--------|
| Operating efficiency | | | | | | | | | | | |
| Accounts receivable turnover | | 6.6x | 6.6x | 6.6x | 6.5x | 6.3x | 6.1x | 6.0x | 5.9x | 5.8x | 5.6x |
| Inventory turnover | | 4.1x | 3.6x | 3.3x | 3.4x | 3.5x | 3.5x | 3.4x | 3.4x | 3.3x | 3.2x |
| Fixed asset turnover | | 6.4x | 6.3x | 6.4x | 6.7x | 6.9x | 7.1x | 7.4x | 7.6x | 7.8x | 7.8x |
| Capex as % sales | | 2.3% | 3.1% | 3.0% | 2.7% | 2.6% | 2.5% | 2.4% | 2.3% | 2.2% | 2.2% |
| Depreciation to fixed assets ratio | | NM | 0.1x | 0.2x | 0.2x | 0.2x | 0.2x | 0.2x | 0.2x | 0.2x | 0.2x |
| Accounts payable turnover | | 7.2x | 7.5x | 7.8x | 8.0x | 8.2x | 8.4x | 8.8x | 9.2x | 9.5x | 9.7x |
| Days sales outstanding | | 55 | 55 | 56 | 57 | 58 | 60 | 61 | 62 | 63 | 66 |
| Days payables outstanding | | 51 | 49 | 47 | 46 | 45 | 43 | 41 | 40 | 38 | 38 |
| Days inventory held | | 90 | 101 | 111 | 107 | 106 | 106 | 107 | 108 | 111 | 114 |
| Cash conversion cycle (days) | | 94 | 108 | 119 | 118 | 120 | 122 | 126 | 130 | 136 | 142 |
| Liquidity | | | | | | | | | | | |
| Working capital | | 162 | 147 | 149 | 164 | 172 | 174 | 183 | 198 | 218 | 242 |
| Current ratio | | 2.2 | 2.0 | 2.0 | 2.1 | 2.1 | 2.1 | 2.1 | 2.2 | 2.4 | 2.5 |
| Quick ratio | | 1.3 | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.2 | 1.3 |
| Cash ratio | | 0.4 | 0.2 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | (0.0) | 0.0 | 0.0 |
| Profitability | | | | | | | | | | | |
| Adjusted EPS | \$0.24 | \$0.32 | \$0.59 | \$1.20 | \$1.48 | \$1.57 | \$1.55 | \$1.69 | \$1.85 | \$2.00 | \$2.14 |
| GAAP EPS | (\$0.41) | \$0.22 | \$0.80 | \$0.39 | \$1.48 | \$1.34 | \$1.33 | \$1.69 | \$1.85 | \$2.00 | \$2.14 |
| GAAP vs adjusted | (\$0.65) | (\$0.09) | \$0.21 | (\$0.81) | \$0.00 | (\$0.23) | (\$0.23) | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Adjusted EBIT* | \$41 | \$49 | \$57 | \$69 | \$81 | \$90 | \$97 | \$105 | \$112 | \$119 | \$124 |
| Adjusted EBITDA* | \$58 | \$67 | \$76 | \$90 | \$102 | \$111 | \$118 | \$125 | \$133 | \$139 | \$144 |
| Operating cash flow per share | (\$0.15) | \$1.02 | \$0.01 | \$0.67 | \$1.74 | \$1.52 | \$1.50 | \$1.79 | \$1.98 | \$2.08 | \$2.19 |
| FCF per share | | \$1.21 | \$0.12 | \$0.43 | \$1.51 | \$1.27 | \$1.21 | \$1.49 | \$1.66 | \$1.73 | \$1.78 |
| OCF | | 46 | 56 | 75 | 88 | 91 | 90 | 95 | 100 | 105 | 108 |
| FCF | | 38 | 4 | 17 | 60 | 50 | 48 | 59 | 65 | 68 | 70 |
| FCF less dividends | | 38 | 1 | (13) | 44 | 33 | 30 | 41 | 46 | 48 | 49 |
| FCF less dividends/share buybacks | | 38 | (0) | (13) | 44 | 33 | 30 | 41 | 46 | 48 | 49 |
| % FCF returned to shareholders | | 0% | 103% | 177% | 26% | 33% | 37% | 31% | 29% | 30% | 30% |
| Book value per share | | (\$2.83) | (\$2.21) | (\$0.00) | \$1.07 | \$1.99 | \$2.87 | \$4.10 | \$5.47 | \$6.96 | \$8.56 |
| Growth rates | | | | | | | | | | | |
| Adjusted EPS | | | 84.9% | 104.5% | 22.6% | 6.0% | -0.7% | 8.7% | 9.5% | 8.2% | 6.6% |
| GAAP EPS | | | 256.8% | -50.9% | 276.4% | -9.5% | -0.8% | 27.5% | 9.5% | 8.2% | 6.6% |
| FCF per share | | | -89.9% | 249.6% | 252.4% | -16.3% | -4.7% | 23.9% | 10.9% | 4.2% | 3.0% |
| Return on asset/equity | | | | | | | | | | | |
| EBT margin | | 2.6% | 3.9% | 8.8% | 9.8% | 10.4% | 10.8% | 11.2% | 11.8% | 12.4% | 12.9% |
| ROA | | 2.3% | 4.0% | 10.0% | 12.1% | 12.5% | 12.3% | 13.1% | 14.0% | 14.7% | 15.1% |
| Leverage (assets/equity) | | (5.0) | (5.8) | (13.7) | 22.8 | 8.2 | 5.2 | 3.7 | 2.8 | 2.2 | 1.8 |
| Tax effect | | 57.9% | NM | 78.8% | 81.0% | 76.5% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% |
| ROE | | -11.3% | -23.4% | -137.4% | 276.1% | 102.2% | 63.9% | 48.5% | 38.7% | 32.2% | 27.5% |

Source: Company Data, Morgan Stanley Research

Exhibit 14

Capital Structure

| \$M | F2011A | F2012A | F2013A | F2014E | F2015E | F2016E | F2017E | F2018E | F2019E | F2020E | F2021E |
|-----------------------------|--------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net debt | | 296 | 338 | 279 | 246 | 223 | 201 | 169 | 130 | 89 | 44 |
| Net debt-to-equity | | (3.4) | (4.9) | (2,065.2) | 5.8 | 2.8 | 1.8 | 1.0 | 0.6 | 0.3 | 0.1 |
| Net Debt to Capital | | 113.1% | 114.0% | 96.3% | 80.0% | 71.0% | 63.2% | 51.0% | 37.8% | 24.3% | 11.4% |
| Total Debt | | 350 | 366 | 290 | 265 | 235 | 205 | 170 | 130 | 90 | 50 |
| Total Debt to Capital | | 133.7% | 123.2% | 100.0% | 86.2% | 75.0% | 64.4% | 51.3% | 37.6% | 24.7% | 12.9% |
| Total Debt to EBITDA | | 5.2x | 4.8x | 3.2x | 2.6x | 2.1x | 1.7x | 1.4x | 1.0x | 0.6x | 0.3x |
| Net Debt to EBITDA | | 4.4x | 4.5x | 3.1x | 2.4x | 2.0x | 1.7x | 1.3x | 1.0x | 0.6x | 0.3x |
| Interest coverage ratio | | 1.4x | 1.6x | 4.9x | 6.2x | 6.9x | 7.7x | 8.6x | 10.5x | 13.7x | 20.0x |
| Interest expense | | 36 | 36 | 14 | 13 | 13 | 13 | 12 | 11 | 9 | 6 |
| Dividend payout ratio | | 0% | 12% | NM | 27% | 31% | 33% | 27% | 26% | 25% | 25% |
| Dividend per share | | \$0.00 | \$0.00 | \$0.76 | \$0.40 | \$0.42 | \$0.44 | \$0.46 | \$0.49 | \$0.51 | \$0.54 |
| Dividend growth | | NM | NM | NM | NM | 5% | 5% | 5% | 5% | 5% | 5% |

Source: Company Data, Morgan Stanley Research



Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations. For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

Disclosure Section

The information and opinions in Morgan Stanley Research were prepared by Morgan Stanley & Co. LLC, and/or Morgan Stanley C.T.V.M. S.A., and/or Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V., and/or Morgan Stanley Canada Limited. As used in this disclosure section, "Morgan Stanley" includes Morgan Stanley & Co. LLC, Morgan Stanley C.T.V.M. S.A., Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V., Morgan Stanley Canada Limited and their affiliates as necessary.

For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures, or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA.

For valuation methodology and risks associated with any price targets referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 800 303-2495; Hong Kong +852 2848-5999; Latin America +1 718 754-5444 (U.S.); London +44 (0)20-7425-8169; Singapore +65 6834-6860; Sydney +61 (0)2-9770-1505; Tokyo +81 (0)3-6836-9000. Alternatively you may contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: David Risinger.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at www.morganstanley.com/institutional/research/conflict/policies.

Important US Regulatory Disclosures on Subject Companies

As of April 30, 2014, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: Actavis Inc, Endo Health Solutions Inc, Forest Laboratories Inc., Valeant Pharmaceuticals International.

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of Endo Health Solutions Inc, Forest Laboratories Inc., Mylan Inc., Perrigo Co., **Phibro Animal Health Corp**, Valeant Pharmaceuticals International.

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Allergan Inc., Endo Health Solutions Inc, Forest Laboratories Inc., Mylan Inc., Perrigo Co., **Phibro Animal Health Corp**, Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International.

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Actavis Inc, Alkermes Plc., Allergan Inc., Endo Health Solutions Inc, Forest Laboratories Inc., Mylan Inc., Perrigo Co., **Phibro Animal Health Corp**, Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, Zoetis Inc..

Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from Actavis Inc, Alkermes Plc., Endo Health Solutions Inc, Forest Laboratories Inc., Mylan Inc., Perrigo Co., **Phibro Animal Health Corp**, Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, Zoetis Inc..

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: Actavis Inc, Alkermes Plc., Allergan Inc., Endo Health Solutions Inc, Forest Laboratories Inc., Mylan Inc., Perrigo Co., **Phibro Animal Health Corp**, Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, Zoetis Inc..

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: Actavis Inc, Alkermes Plc., Allergan Inc., Endo Health Solutions Inc, Forest Laboratories Inc., Mylan Inc., Perrigo Co., **Phibro Animal Health Corp**, Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, Zoetis Inc..

Morgan Stanley & Co. LLC makes a market in the securities of Actavis Inc, Alkermes Plc., Allergan Inc., Endo Health Solutions Inc, Forest Laboratories Inc., Mallinckrodt Plc, Mylan Inc., **Phibro Animal Health Corp**, Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, Zoetis Inc..

The equity research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

Morgan Stanley and its affiliates do business that relates to companies/instruments covered in Morgan Stanley Research, including market making, providing liquidity and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis. Morgan Stanley may have a position in the debt of the Company or instruments discussed in this report. Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Global Stock Ratings Distribution

(as of April 30, 2014)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative

weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

| Stock Rating Category | Coverage Universe | | Investment Banking Clients (IBC) | | |
|--------------------------|-------------------|------------|----------------------------------|----------------|----------------------|
| | Count | % of Total | Count | % of Total IBC | % of Rating Category |
| Overweight/Buy | 1045 | 35% | 355 | 38% | 34% |
| Equal-weight/Hold | 1301 | 43% | 455 | 48% | 35% |
| Not-Rated/Hold | 110 | 4% | 22 | 2% | 20% |
| Underweight/Sell | 543 | 18% | 109 | 12% | 20% |
| Total | 2,999 | | 941 | | |

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)

May 15, 2014

Phibro Animal Health Corp



Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Important Disclosures for Morgan Stanley Smith Barney LLC Customers

Important disclosures regarding the relationship between the companies that are the subject of Morgan Stanley Research and Morgan Stanley Smith Barney LLC or Morgan Stanley or any of their affiliates, are available on the Morgan Stanley Wealth Management disclosure website at www.morganstanley.com/online/researchdisclosures. For Morgan Stanley specific disclosures, you may refer to www.morganstanley.com/researchdisclosures.

Each Morgan Stanley Equity Research report is reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval is conducted by the same person who reviews the Equity Research report on behalf of Morgan Stanley. This could create a conflict of interest.

Other Important Disclosures

Morgan Stanley & Co. International PLC and its affiliates have a significant financial interest in the debt securities of Actavis Inc, Allergan Inc., Forest Laboratories Inc., Mylan Inc., Perrigo Co., **Phibro Animal Health Corp**, Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, Zoetis Inc..

Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Morgan Stanley produces an equity research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>.

Morgan Stanley Research is provided to our clients through our proprietary research portal on Matrix and also distributed electronically by Morgan Stanley to clients. Certain, but not all, Morgan Stanley Research products are also made available to clients through third-party vendors or redistributed to clients through alternate electronic means as a convenience. For access to all available Morgan Stanley Research, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>.

Any access and/or use of Morgan Stanley Research is subject to Morgan Stanley's Terms of Use (<http://www.morganstanley.com/terms.html>). By accessing and/or using Morgan Stanley Research, you are indicating that you have read and agree to be bound by our Terms of Use (<http://www.morganstanley.com/terms.html>). In addition you consent to Morgan Stanley processing your personal data and using cookies in accordance with our Privacy Policy and our Global Cookies Policy (http://www.morganstanley.com/privacy_pledge.html), including for the purposes of setting your preferences and to collect readership data so that we can deliver better and more personalized service and products to you. To find out more information about how Morgan Stanley processes personal data, how we use cookies and how to reject cookies see our Privacy Policy and our Global Cookies Policy (http://www.morganstanley.com/privacy_pledge.html).

If you do not agree to our Terms of Use and/or if you do not wish to provide your consent to Morgan Stanley processing your personal data or using cookies please do not access our research.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the circumstances and objectives of those who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor's circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

May 15, 2014

Phibro Animal Health Corp

The fixed income research analysts, strategists or economists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

The "Important US Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common equity securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities/instruments or derivatives of securities/instruments of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel may participate in company events such as site visits and are generally prohibited from accepting payment by the company of associated expenses unless pre-approved by authorized members of Research management.

Morgan Stanley may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

To our readers in Taiwan: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments. To our readers in Hong Kong: Information is distributed in Hong Kong by and on behalf of, and is attributable to, Morgan Stanley Asia Limited as part of its regulated activities in Hong Kong. If you have any queries concerning Morgan Stanley Research, please contact our Hong Kong sales representatives.

Morgan Stanley is not incorporated under PRC law and the research in relation to this report is conducted outside the PRC. Morgan Stanley Research does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves.

Morgan Stanley Research is disseminated in Brazil by Morgan Stanley C.T.V.M. S.A.; in Japan by Morgan Stanley MUFG Securities Co., Ltd. and, for Commodities related research reports only, Morgan Stanley Capital Group Japan Co., Ltd; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents); in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research); in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Indonesia by PT Morgan Stanley Asia Indonesia; in Canada by Morgan Stanley Canada Limited, which has approved of and takes responsibility for its contents in Canada; in Germany by Morgan Stanley Bank AG, Frankfurt am Main and Morgan Stanley Private Wealth Management Limited, Niederlassung Deutschland, regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that Morgan Stanley Research has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the US by Morgan Stanley & Co. LLC, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. Morgan Stanley Private Wealth Management Limited, authorized and regulated by the Financial Conduct Authority, also disseminates Morgan Stanley Research in the UK. Private UK investors should obtain the advice of their Morgan Stanley & Co. International plc or Morgan Stanley Private Wealth Management representative about the investments concerned. RMB Morgan Stanley (Proprietary) Limited is a member of the JSE Limited and regulated by the Financial Services Board in South Africa. RMB Morgan Stanley (Proprietary) Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at Professional Clients only, as defined by the DFSA. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria to be a Professional Client.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided in accordance with a contract of engagement on investment advisory concluded between brokerage houses, portfolio management companies, non-deposit banks and clients. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P. Morgan Stanley Research or portions of it may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

The Americas

1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1) 212 761 4000

Europe

20 Bank Street, Canary Wharf
London E14 4AD
United Kingdom
Tel: +44 (0) 20 7 425 8000

Japan

1-9-7 Otemachi, Chiyoda-ku
Tokyo 100-8104
Japan
Tel: +81 (0) 3 6836 5000

Asia/Pacific

1 Austin Road West
Kowloon
Hong Kong
Tel: +852 2848 5200

Industry Coverage: Specialty Pharmaceuticals

| Company (Ticker) | Rating (as of) | Price* (05/14/2014) |
|---|----------------|---------------------|
| Christopher Caponetti, CFA | | |
| Endo Health Solutions Inc (ENDP.O) | O (05/02/2014) | \$70.51 |
| Mallinckrodt Plc (MNK.N) | E (02/12/2014) | \$73.26 |
| David Risinger | | |
| Actavis Inc (ACT.N) | ++ | \$206.08 |
| Alkermes Plc. (ALKS.O) | E (10/01/2013) | \$45.01 |
| Allergan Inc. (AGN.N) | E (05/01/2013) | \$159.87 |
| Forest Laboratories Inc. (FRX.N) | ++ | \$92.78 |
| Mylan Inc. (MYL.O) | E (10/14/2013) | \$47.46 |
| Perrigo Co. (PRGO.N) | O (12/19/2013) | \$131.26 |
| Phibro Animal Health Corp (PAHC.O) | E (05/06/2014) | \$17.91 |
| Teva Pharmaceutical Industries Ltd. (TEVA.N) | E (03/14/2014) | \$50.53 |
| Valeant Pharmaceuticals International (VRX.N) | O (01/08/2014) | \$126.97 |
| Zoetis Inc. (ZTS.N) | U (05/07/2014) | \$30.64 |

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.