

Phibro Animal Health (PAHC : US\$28.70)

Phibro Animal Health soars 78% in 2014

Phibro Animal Health Corporation, NASDAQ's 40th largest consumer product/services company by market cap, has now soared US\$12.55 (or 77.7%) year to date in 2014 to close at US\$28.70. The volume YTD has been 0.7 times average trading of 128,822 shares. Compared with the NASDAQ-100 Index which has risen 20.2% YTD, this represents a relative price increase of 57.5%. In 2014 the market cap has jumped US\$233.3 million.

Introduction

We are currently bullish on this stock, both in the short-term based on technical indicators, as well as in the long-term based on fundamental metrics.

What makes us most bullish on the stock is the following:

- Its Moving Average Convergence Divergence indicators are rising, with its 12-day EMA higher than its 26-day EMA.
- "Current ratio of two or more"; current assets are 2.7 times current liabilities.
- The stock is oversold according to the Williams % R indicator of -84.8.
- The price to 200-day MAP ratio is 1.12, a bullish indicator.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 1.1. Compared with the rest of the market the stock is undervalued.

However, there are some reasons why some in the market are more bearish on the stock:

- Return on Capital Employed of 10.1% versus sector average of 10.2% and market average of 9.0%.

Stock Summary

Sector	Consumer product/services
Market Cap	US\$500.6 million
Shares Outstanding	17,442,953
ISIN	US71742Q1067
Relative Strength (3 mo)	91

Dividend History

Date Paid	Value (c)	Type
23 Dec 2014	10	Quarterly
24 Sep 2014	10	Quarterly

Analysis

Bullish Signals

- The price is at a discount of 6.4% to the 1-month volume weighted average price of US\$30.64, which may appeal as a value proposition.
- Rises to Falls: In the last three months the number of rises outnumbered falls 34:29 or 1.2:1.
- In the NASDAQ market of 2,352 stocks traded today, the stock has a 6-month relative strength of 89 which means it is beating 89% of the market.
- A price rise combined with a high relative strength is a bullish signal.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 29.66 minus the 26-day EMA of 29.6 is positive suggesting a bullish signal.
- The Price/MAP of 1.12 for PAHC is higher than the Price/MAP for the NASDAQ-100 Index of 0.6.
- The price to 200-day MAP ratio is 1.12, a bullish indicator. In the past 200 days this ratio has exceeded 1.12, 63 times suggesting further upside. The stock is trading above both its MAPs and the 50-day MAP of US\$28.23 is higher than the 200-day MAP of US\$25.64, a bullish indicator. The 200-day MAP has increased to US\$25.64. An increase is another bullish indicator.
- The Stochastic indicator of 14.1 has broken through the oversold line of 20; the stock is also oversold according to the Williams % R indicator of -84.8.

Undervaluation:

- Price/Sales of 0.66 versus sector average of 1.4 and market average of 2.4.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 1.1. Compared with the rest of the market the stock is undervalued.

Other Bullish Signals:

- Net Profit margin has shown signs of recovery in recent quarters.

Quarterly Trend:

[Quarter ended, all figures in %]:

Qtr	Revenue Growth	Net Profit Margin
Sep 14	-	10.9
Jun 14	6	-9.6

Also, the following criteria set by Benjamin Graham:

- "Current ratio of two or more"; current assets are 2.7 times current liabilities.

Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
Relative Strength (6M)	89	In Top Quartile
Price Change %	1.8	In Top Quartile
Price to Sales	0.7	In Top Quartile
Annual Revenue	US\$757.5 million	In Top Quartile

Note

Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
MCap	US\$500.6 million	In 2nd Quartile
Turnover in Quarter	US\$229.2 million	In 3rd Quartile

Bearish Signals:

- In the last 9 trading sessions there has been a net decline of 5.69%; the stock has retreated eleven times and the biggest one day decline was 4.1% on Dec 15.
- The current short volume is 1.2 times its own historical average of 0.2%. It soared 11.0% from the previous day, a bearish indicator.

Other Bearish Signals:

- Return on Capital Employed of 10.1% versus sector average of 10.2% and market average of 9.0%.
- Net Profit margin has shown signs of deterioration in recent years.

Annual Trend:

[Year ended, all figures in %]:

Year	Net Profit Margin	EBIT Margin
Jun 14	-0.4	4.8
Jun 13	3.5	6.9

Analysis (continued)

% Growth Y.O.Y, Revenue & Net Profit



The stock has a score of merely 2 out of 9 set by Joseph Piotroski [pass mark ≥ 5]:
Improvement in current ratio from 2.6 to 2.7; improvement in gross margin [from 25.1% to 27.4%].

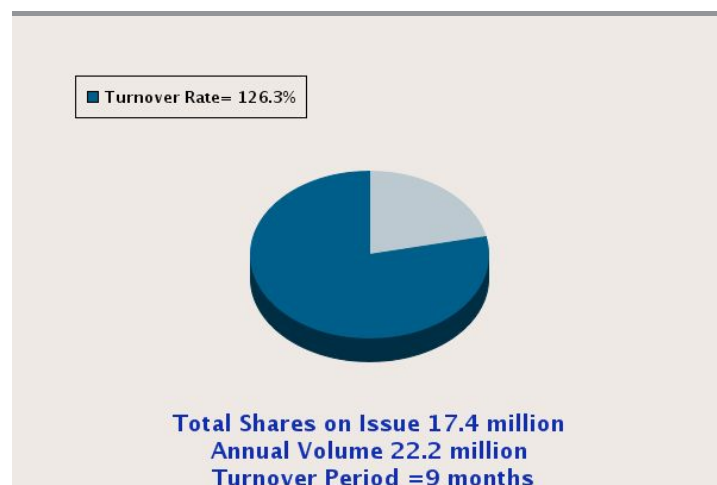
Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Volatility %	7.1	In Bottom Quartile
Dividend Yield %	0.7%	In Bottom 9%

Insider Trades



Turnover Rate & Turnover Period



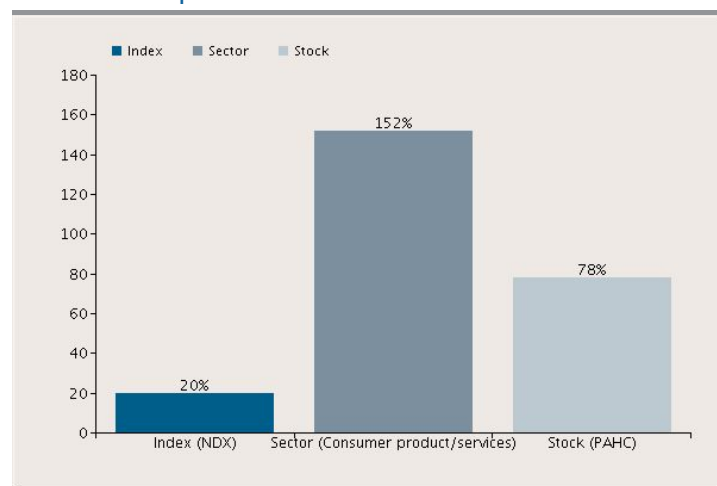
Trailing 3 months

Turnover	US\$229.2 million
Volume	8,061,208
Volume Index (1 is avg)	1.0

MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	28.7	500.6 million

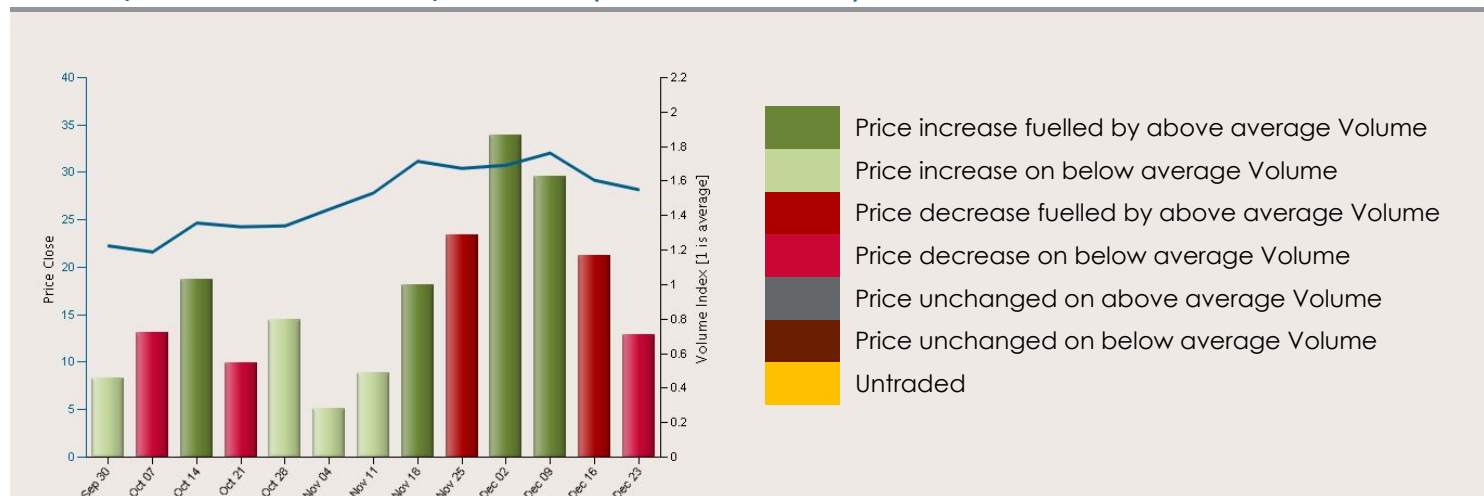
YTD Comparison Stock Sector Index



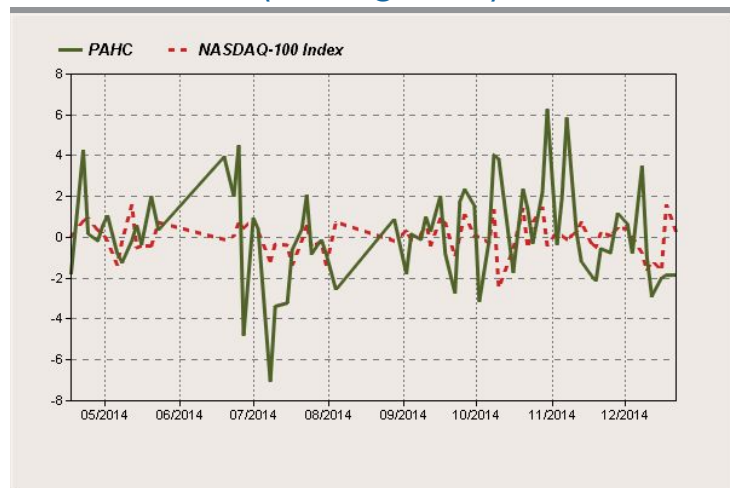
Price Volume Trend: Trailing Quarter



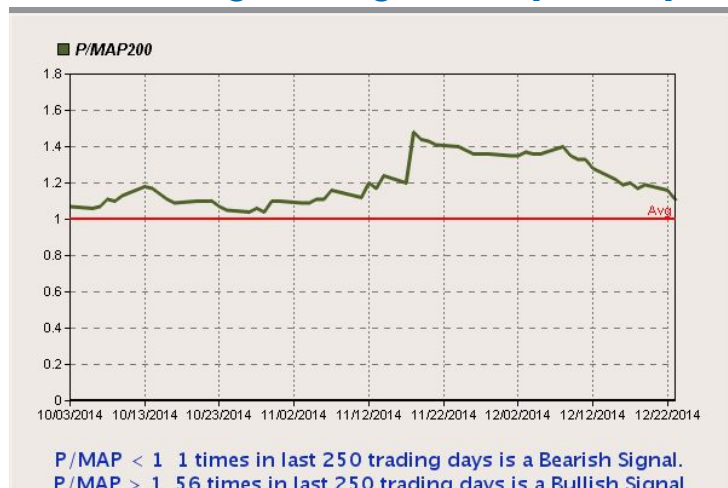
Weekly Price Volume Dynamics (Last 12 Weeks)



Stock v Index (Trailing Year)



Price/Moving Average Price [P/MAP]



Peer Group Analysis

[Sector sorting](#)

Name	Last Price \$	Relative strength (6-months)	MCap (\$)	PV \$1000 (1 yr)	Revenue (\$)	Net Profit (\$)	Total Assets (\$)
FTD Companies	34.6	73	654.5M	0	628.3M	12.5M	655.3M
eLong	18.0	61	634M	926	173.5M	(27M)	422.7M
Del Frisco's Restaurant Group	23.1	28	546.3M	1,017	271.8M	12.2M	288.7M
Phibro Animal Health	28.7	89	500.6M	0	757.5M	(3.1M)	472.3M
Liberty Tax	36.7	75	465.1M	1,516	159.9M	14.8M	198.8M
Central Garden & Pet	8.7	38	441.9M	1,322	1.7B	(1.9M)	1.2B

Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
28-Nov-2014	Zacks	Downgrade	Outperform	Neutral	-	33.6
14-Nov-2014	Cantor Fitzgerald	Reiterated Rating	-	Buy	27	36
12-Nov-2014	Guggenheim	Boost Price Target	-	-	-	35
24-Oct-2014	Zacks	Upgrade	Neutral	Outperform	-	26.5

Company Overview

Activities

Phibro Animal Health Corporation manufactures and distributes agricultural chemicals and animal health products. The Company offers vaccines, anti-infectives, disinfectants, mineral premixes, medicated feed additives, antimicrobials, performance chemicals, and cosmetics. Phibro Animal Health markets its products globally

Regulatory Announcements

November 13: Phibro Animal Health Corporation to Participate in Bank of America Merrill Lynch 2014 Animal & Dental Health Summit

[News Story] TEANECK, N.J., Nov. 13, 2014 Phibro Animal Health Corporation (Nasdaq:PAHC) Chairman, President and Chief Executive Officer Jack Bendheim and Chief Financial Officer Richard Johnson will address financial analysts and investors at the Bank of America Merrill Lynch 2014 Animal & Dental Health Summit.

[For more details click here.](#)

Financial Results

November 11: Phibro Animal Health Corporation Reports First Quarter

[News Story]

<http://www.nasdaq.com/aspx/stockmarketnewsstoryprint.aspx?storyid=phibro-animal-health-corporation-reports-first-quarter-20141111-01040>

Source: Nasdaq Stock Exchange

[For more details click here.](#)

Dividend

November 10: Phibro Animal Health announces dividend

Phibro Animal Health today announced a quarterly dividend of 10.0c per share. The record date is December 03, 2014 and it is payable on December 23, 2014.

[For more details click here.](#)

Conferences/Exhibitions

October 11: Phibro Animal Health Corporation to Host Webcast and Conference Call on September 2014 Quarterly Financial Results

TEANECK, N.J., Oct. 10, 2014 -- Phibro Animal Health Corporation (Nasdaq:PAHC) will host a webcast and conference call to review first quarter financial results. A news release containing quarterly results is expected to be issued after the market closes on November 11, 2014.

Details for the webcast and conference call:

Date: November 12, 2014 Time: 9:00 AM EDT Location: <http://investors.pahc.com> U.S.

Financial Results

September 16: Phibro Animal Health Corporation Reports Fourth Quarter and Annual Results

TEANECK, N.J., Sept. 16, 2014 Phibro Animal Health Corporation (Nasdaq:PAHC) today announced its financial results for its fourth quarter and fiscal year ended June 30, 2014. It also provided guidance for its fiscal year ending June 30, 2015.

Highlights for the June 2014 quarter (compared to the June 2013 quarter) Net sales of \$184 million, an increase of 12% Adjusted EBITDA of \$24 million, an increase of 23% Pro forma adjusted diluted EPS of \$0.22 Highlights for the June 2014 fiscal year (compared to the June 2013 fiscal year) Net sales of \$692 million, an increase of 6% Adjusted EBITDA of \$91 million, an increase of 20% Animal Health segment net sales increased 12% and segment adjusted EBITDA increased 21% Pro forma adjusted diluted EPS of \$1.22 Guidance for the June 2015 fiscal year (compared to the June 2014 fiscal year) Net sales of \$735 - \$755 million, representing growth of 6% - 9% Adjusted EBITDA of \$99 - \$103 million, representing growth of 9% - 14% Adjusted diluted EPS of \$1.46 - \$1.51

COMMENTARY

Commenting on the quarter, Jack Bendheim, Phibro's Chairman, President and Chief Executive Officer, said, "Our Animal Health-focused growth initiatives continued to deliver strong sales and profit growth.

Dividend

August 29: Phibro Animal Health announces dividend

Phibro Animal Health today announced a quarterly dividend of 10.0c per share. The ex dividend date is August 29, 2014 and it is payable on September 24, 2014.

Conferences/Exhibitions

August 13: Phibro Animal Health Corporation to Participate in Morgan Stanley's 2014 Global Healthcare Unplugged Conference

TEANECK, N.J., Aug. 13, 2014 Phibro Animal Health Corporation (Nasdaq:PAHC) Chairman, President and Chief Executive Officer Jack Bendheim and Chief Financial Officer Richard Johnson will address financial analysts and investors at the Morgan Stanley 2014 Global Healthcare Unplugged Conference. When: Wednesday, September 10, 2014 Time: 1:30 PM EDT Location: Grand Hyatt Hotel, New York, NY Live webcast and replay: Visit <http://investors.pahc.com> A replay of the webcast will be available 24 hours after the conclusion of the live presentation.

Source: Company Website

Company Overview (continued)

8-K people news

November 12: Phibro Animal Health Elects 2 Directors

Phibro Animal Health (PAHC) held its Annual General Meeting on November 10, 2014. According to an SEC filing under Section 8-K Item 5.07 the following directors were elected:

Daniel M. Bendheim
Sam Gejdenson

October 08: Ken Hanau - Phibro Animal Health director resigns 09 October 2014

Ken Hanau has resigned from Phibro Animal Health as Director. The resignation takes effect from Oct 08, 2014.

8-K other news

November 10: Phibro Animal Health: Other Events

[News Story]

http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1069899_000157104914006074_0001571049-14-006074.txt

Source: 8-K United States Securities and Exchange Commission

September 16: Phibro Animal Health: Results of Operations and Financial Condition

[News Story]

http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1069899_000157104914004637_0001571049-14-004637.txt

Source: 8-K United States Securities and Exchange Commission

July 28: Phibro Animal Health: Other Events

[News Story]

http://www.buysellsignals.net/hbn/8kviewer.jsp?doc=_Archives_edgar_data_1069899_000157104914003299_0001571049-14-003299.txt

Source: 8-K United States Securities and Exchange Commission

Issued Capital

Based on 17,442,953 issued equity shares the market capitalisation is US\$500.6 million. It is NASDAQ's 39th largest Consumer product/services company by assets.



Board and Management

Jack Bendheim
CEO & President &
Chairman

Richard Johnson
CFO

George Moffett
Managing Director

Daniel Bendheim
Director

Gerald Carlson
Director & Chief Operating
Officer

Thomas Dagger
Corporate Secretary

Daniel Welch
Senior Vice President-
Human Resources

Financial Results (Annual)

30 June, 2014

Annual Report for the year ended June 30, 2014

year-on-year comparisons with previous corresponding period

Total liabilities to Total assets of 1.0.

Favourable Changes

- Total revenue up 6.2% to \$US757.5m
- Current ratio up 3.5% to 2.7
- Working capital to total assets up 3.6% to 39.6%
- Total revenue to total assets up 6.6% to 1.6.

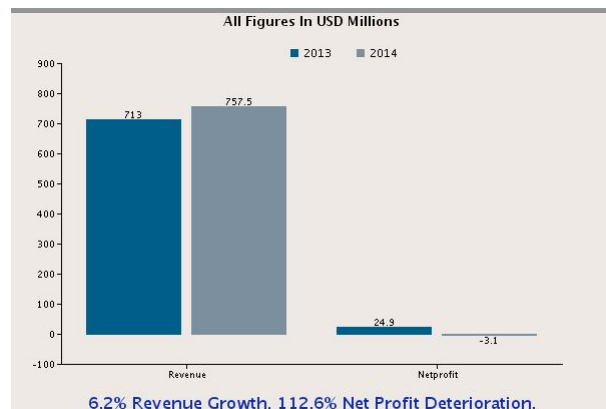
Unfavourable Changes

- Interest cover down 22.9% to 1.2
- EBIT Margin down 30.7% to 5.2%
- Operating cash flow is negative
- EBIT to total assets down 26.2% to 7.7%.

Major Common Size Ratios

- Total current assets to total assets up from 62.5% to 63.4%
- Current inventory to total assets up from 29.5% to 30.3%
- Current debtors to total assets up from 20.9% to 24.1%
- Fixed assets to total assets up from 22.0% to 23.1%
- Other non-current assets to total assets down from 8.1% to 7.2%
- Cost of goods sold to sales down from 66.5% to 63.9%
- Sales and marketing expenses to sales up from 17.1% to 19.0%
- Interest revenue to sales up from 8.0% to 8.4%
- EBIT to Sales down from 6.9% to 4.8%
- Interest expenses to sales down from 4.4% to 3.9%.

Year on Year Revenue & Net Profit (In USD millions)



Financial Results (Annual) (continued)

30 June, 2014

INCOME STATEMENT

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
Net sales	691,914	653,151	Up 5.9
Cost of goods sold	484,139	474,187	Up 2.1
Gross profit	207,775	178,964	Up 16.1
Selling, general and administrative expenses	143,981	122,233	Up 17.8
Operating income	63,794	56,731	Up 12.4
Interest expense	29,889	31,383	Down 4.8
Interest expense, stockholders	3,192	4,388	Down 27.3
Interest (income)	-119	-142	Reduced 16.2
Foreign currency (gains) losses, net	1,753	3,103	Down 43.5
Loss on extinguishment of debt	22,771		
Other (income) expense, net		151	
Income before income taxes	6,308	17,848	Down 64.7
Provision (benefit) for income taxes	9,435	-7,043	Recovery
Net income (loss)	-3,127	24,891	Deterioration
Net income (loss) per share-basic and diluted	-10.0c	82.0c	Deterioration
Weighted average common shares outstanding-basic and diluted	32,193,000	30,458,000	Up 5.7

BALANCE SHEET

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
ASSETS			
Cash and cash equivalents	11,821	27,369	Down 56.8
Accounts receivable, net	113,858	99,137	Up 14.8
Inventories, net	143,184	140,032	Up 2.3
Prepaid expenses and other current assets	30,426	29,848	Up 1.9
Total current assets	299,289	296,386	Up 1.0
Property, plant and equipment, net	109,159	104,422	Up 4.5
Intangibles, net	29,803	35,155	Down 15.2
Other assets	34,072	38,179	Down 10.8
Total assets	472,323	474,142	Down 0.4
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current portion of long-term debt	2,969	64	Up 4,539.1
Accounts payable	59,608	57,902	Up 2.9
Accrued expenses and other current liabilities	49,861	57,438	Down 13.2
Total current liabilities	112,438	115,404	Down 2.6
Revolving credit facility		34,000	
Long-term debt	286,422	297,666	Down 3.8
Long-term debt, stockholders		33,874	
Other liabilities	58,314	62,136	Down 6.2
Total liabilities	457,174	543,080	Down 15.8
Commitments and contingencies			

Financial Results (Annual) (continued)

30 June, 2014

Common stock, par value 0.0001; 300,000,000 Class A shares authorized,

17,442,953 shares issued and outstanding; 30,000,000 Class B shares 4 7 Down 42.9
authorized, 21,348,600 shares issued and outstanding

Preferred stock, par value 0.0001; 16,000,000 shares authorized, no shares issued and outstanding

Paid-in capital	132,453	42,948	Up 208.4
Accumulated deficit	-97,248	-94,121	Deterioration 3.3
Accumulated other comprehensive income (loss)	-20,060	-17,772	Deterioration 12.9
Total stockholders' equity (deficit)	15,149	-68,938	Recovery
Total liabilities and stockholders' equity (deficit)	472,323	474,142	Down 0.4

CASH FLOW

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
OPERATING ACTIVITIES			
Net income (loss) Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	-3,127	24,891	Deterioration
Depreciation and amortization	21,453	19,023	Up 12.8
Amortization of deferred financing costs	1,021	1,366	Down 25.3
Amortization of imputed interest and debt discount	427	560	Down 23.8
Deferred income taxes	1,289	-12,035	Recovery
Foreign currency (gains) losses, net	1,429	2,887	Down 50.5
Other	-538	-1,438	Reduced 62.6
Loss on extinguishment of debt	22,771		
Payment of premiums and costs on extinguished debt	-17,205		
Changes in operating assets and liabilities:			
Accounts receivable, net	-14,683	-729	Deterioration 1,914.1
Inventories, net	-3,186	-25,106	Reduced 87.3
Prepaid expenses and other current assets	-31	-6,526	Reduced 99.5
Other assets	5,103	-363	Recovery
Accounts payable	1,682	-6,601	Recovery
Accrued interest	-13,813	33	Deterioration
Accrued expenses and other liabilities	-3,304	5,475	Deterioration
Net cash provided (used) by operating activities	-712	1,437	Deterioration
INVESTING ACTIVITIES			
Capital expenditures	-19,846	-19,947	Reduced 0.5
Business acquisitions		-18,692	
Other	434	281	Up 54.4
Net cash provided (used) by investing activities	-19,412	-38,358	Reduced 49.4

Financial Results (Annual) (continued)

30 June, 2014

FINANCING ACTIVITIES

Borrowings under the domestic senior and revolving credit facility	175,500	75,000	Up 134.0
Repayments of the domestic senior and revolving credit facility	-209,500	-55,000	Deterioration 280.9
Proceeds from long-term debt	289,275		
Payments of long-term debt, capital leases and other	-335,374	-5,201	Deterioration 6,348.3
Debt issuance costs	-4,551	-924	Deterioration 392.5
Proceeds from common stock issued	114,429		
Dividends paid	-25,000	-3,000	Deterioration 733.3
Net cash provided (used) by financing activities	4,779	10,875	Down 56.1
Effect of exchange rate changes on cash	-203	-485	Reduced 58.1
Net increase (decrease) in cash and cash equivalents	-15,548	-26,531	Reduced 41.4
Cash and cash equivalents at beginning of period	27,369	53,900	Down 49.2
Cash and cash equivalents at end of period	11,821	27,369	Down 56.8

EBITDA AND MARGINS

	2014-06-30	2013-06-30
Gross Profit Margin %	27.43	25.1
Earnings from Cont. Ops. Margin %	4.78	6.9
Net Income Margin %	-0.41	3.49

PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Assets (%)	-0.66	5.25	Deterioration
Total debt to net tangible assets (%)		-32.6	
Total Liabilities to Operating Cash Flow	-642.1	377.93	Deterioration
Total Liabilities/Total Assets	0.97	1.15	Down 15.5
Interest Cover	1.21	1.57	Down 22.8
Current Ratio	2.66	2.57	Up 3.6

Financial Results (Annual) (continued)

30 June, 2014

PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
Revenue from operating activities	US\$21.49	US\$21.44	Up 0.2
EBIT	US\$1.12	US\$1.62	Down 30.4
Cash	36.72c	89.86c	Down 59.1
Working Capital	US\$5.80	US\$5.94	Down 2.3
Shareholders' Funds	47.06c	-226.34c	Recovery
Total Liabilities	US\$14.20	US\$17.83	Down 20.4
Total Assets	US\$14.67	US\$15.57	Down 5.8
Current Debt	9.22c	0.21c	
Non Current Debt		US\$1.11	
Total Debt		US\$1.11	
Net Tangible Assets	-45.52c	-341.76c	Reduced 86.7
EPS Final	-10.0c	82.0c	Deterioration

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