

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2020

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-36410

Phibro Animal Health Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-1840497

(I.R.S. Employer
Identification No.)

**Glenpointe Centre East, 3rd Floor
300 Frank W. Burr Boulevard, Suite 21**

Teaneck, New Jersey

(Address of Principal Executive Offices)

07666-6712

(Zip Code)

(201) 329-7300

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value per share	PAHC	Nasdaq Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 28, 2020, there were 20,287,574 shares of the registrant's Class A common stock, par value \$0.0001 per share, and 20,166,034 shares of the registrant's Class B common stock, par value \$0.0001 per share, outstanding.

PHIBRO ANIMAL HEALTH CORPORATION

TABLE OF CONTENTS

	<u>Page</u>
PART I—FINANCIAL INFORMATION	
Item 1. Financial Statements (unaudited)	3
Consolidated Statements of Operations	3
Consolidated Statements of Comprehensive Income	4
Consolidated Balance Sheets	5
Consolidated Statements of Cash Flows	6
Consolidated Statements of Changes in Stockholders' Equity	7
Notes to Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3. Quantitative and Qualitative Disclosures About Market Risk	31
Item 4. Controls and Procedures	31
PART II—OTHER INFORMATION	
Item 1. Legal Proceedings	32
Item 1A. Risk Factors	32
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	32
Item 3. Defaults Upon Senior Securities	32
Item 4. Mine Safety Disclosures	32
Item 5. Other Information	32
SIGNATURES	34

PART I—FINANCIAL INFORMATION
Item 1. Financial Statements
PHIBRO ANIMAL HEALTH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

For the Periods Ended September 30	Three Months	
	2020	2019
	(unaudited)	
	(in thousands, except per share amounts)	
Net sales	\$ 195,194	\$ 189,720
Cost of goods sold	131,075	132,057
Gross profit	64,119	57,663
Selling, general and administrative expenses	48,431	47,516
Operating income	15,688	10,147
Interest expense, net	2,810	3,354
Foreign currency (gains) losses, net	(3,631)	3,221
Income before income taxes	16,509	3,572
Provision for income taxes	4,207	1,057
Net income	\$ 12,302	\$ 2,515
Net income per share		
basic	\$ 0.30	\$ 0.06
diluted	\$ 0.30	\$ 0.06
Weighted average common shares outstanding		
basic	40,454	40,454
diluted	40,504	40,504

The accompanying notes are an integral part of these consolidated financial statements

PHIBRO ANIMAL HEALTH CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the Periods Ended September 30	Three Months	
	2020	2019
	(unaudited) (in thousands)	
Net income	\$ 12,302	\$ 2,515
Change in fair value of derivative instruments	1,089	(1,084)
Foreign currency translation adjustment	(4,723)	(6,823)
Unrecognized net pension gains (losses)	135	120
(Provision) benefit for income taxes	(306)	240
Other comprehensive income (loss)	(3,805)	(7,547)
Comprehensive income (loss)	\$ 8,497	\$ (5,032)

The accompanying notes are an integral part of these consolidated financial statements

PHIBRO ANIMAL HEALTH CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of	September 30, 2020	June 30, 2020
	(unaudited)	
	(in thousands, except share and per share amounts)	
ASSETS		
Cash and cash equivalents	\$ 30,969	\$ 36,343
Short-term investments	61,000	55,000
Accounts receivable, net	125,457	126,522
Inventories, net	205,846	196,659
Other current assets	41,010	37,313
Total current assets	464,282	451,837
Property, plant and equipment, net	147,256	148,109
Intangibles, net	68,792	70,997
Goodwill	52,679	52,679
Other assets	56,545	60,478
Total assets	\$ 789,554	\$ 784,100
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current portion of long-term debt	\$ 20,312	\$ 18,750
Accounts payable	62,497	66,091
Accrued expenses and other current liabilities	78,143	72,397
Total current liabilities	160,952	157,238
Revolving credit facility	185,000	169,000
Long-term debt	193,100	199,257
Other liabilities	58,090	70,401
Total liabilities	597,142	595,896
Commitments and contingencies (Note 7)		
Common stock, par value \$0.0001 per share; 300,000,000 Class A shares authorized, 20,287,574 shares issued and outstanding at September 30, 2020 and June 30, 2020; 30,000,000 Class B shares authorized, 20,166,034 shares issued and outstanding at September 30, 2020 and June 30, 2020	4	4
Preferred stock, par value \$0.0001 per share; 16,000,000 shares authorized, no shares issued and outstanding	-	—
Paid-in capital	136,090	135,525
Retained earnings	190,508	183,060
Accumulated other comprehensive income (loss)	(134,190)	(130,385)
Total stockholders' equity	192,412	188,204
Total liabilities and stockholders' equity	\$ 789,554	\$ 784,100

The accompanying notes are an integral part of these consolidated financial statements

PHIBRO ANIMAL HEALTH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Periods Ended September 30	Three Months	
	2020	2019
	(unaudited) (in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 12,302	\$ 2,515
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	8,036	7,781
Amortization of debt issuance costs	221	221
Stock-based compensation	565	565
Acquisition-related items	—	333
Deferred income taxes	(277)	(652)
Foreign currency (gains) losses, net	(4,349)	1,660
Other	97	116
Changes in operating assets and liabilities, net of business acquisitions:		
Accounts receivable, net	1,002	14,065
Inventories, net	(9,501)	(9,086)
Other current assets	(632)	(813)
Other assets	(205)	(1,071)
Accounts payable	(1,188)	(11,834)
Accrued expenses and other liabilities	(4,373)	(7,370)
Net cash provided (used) by operating activities	1,698	(3,570)
INVESTING ACTIVITIES		
Purchases of short-term investments	(6,000)	—
Capital expenditures	(7,420)	(7,675)
Business acquisitions	—	(54,560)
Other, net	(215)	(296)
Net cash (used) by investing activities	(13,635)	(62,531)
FINANCING ACTIVITIES		
Revolving credit facility borrowings	36,000	119,000
Revolving credit facility repayments	(20,000)	(47,000)
Payments of long-term debt and other	(4,688)	(3,215)
Dividends paid	(4,854)	(4,854)
Net cash provided by financing activities	6,458	63,931
Effect of exchange rate changes on cash	105	(510)
Net increase (decrease) in cash and cash equivalents	(5,374)	(2,680)
Cash and cash equivalents at beginning of period	36,343	57,573
Cash and cash equivalents at end of period	\$ 30,969	\$ 54,893

The accompanying notes are an integral part of these consolidated financial statements

PHIBRO ANIMAL HEALTH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Shares of Common Stock	Common Stock	Preferred Stock	Paid-in Capital (unaudited)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	(in thousands, except share amounts)						
As of June 30, 2020	<u>40,453,608</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 135,525</u>	<u>\$ 183,060</u>	<u>\$ (130,385)</u>	<u>\$ 188,204</u>
Comprehensive income (loss)	—	—	—	—	12,302	(3,805)	8,497
Dividends declared (\$0.12 per share)	—	—	—	—	(4,854)	—	(4,854)
Stock-based compensation expense	—	—	—	565	—	—	565
As of September 30, 2020	<u>40,453,608</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 136,090</u>	<u>\$ 190,508</u>	<u>\$ (134,190)</u>	<u>\$ 192,412</u>

	Shares of Common Stock	Common Stock	Preferred Stock	Paid-in Capital (unaudited)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	(in thousands, except share amounts)						
As of June 30, 2019	<u>40,453,608</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 133,266</u>	<u>\$ 168,926</u>	<u>\$ (86,181)</u>	<u>\$ 216,015</u>
Comprehensive income (loss)	—	—	—	—	2,515	(7,547)	(5,032)
Dividends declared (\$0.12 per share)	—	—	—	—	(4,854)	—	(4,854)
Stock-based compensation expense	—	—	—	565	—	—	565
As of September 30, 2019	<u>40,453,608</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 133,831</u>	<u>\$ 166,587</u>	<u>\$ (93,728)</u>	<u>\$ 206,694</u>

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)
(unaudited)

1. Description of Business

Phibro Animal Health Corporation (“Phibro” or “PAHC”) and its subsidiaries (together, the “Company”) is a diversified global developer, manufacturer and marketer of a broad range of animal health and mineral nutrition products for food animals including poultry, swine, dairy and beef cattle, and aquaculture. The Company is also a manufacturer and marketer of performance products for use in the personal care, industrial chemical and chemical catalyst industries. Unless otherwise indicated or the context requires otherwise, references in this report to “we,” “our,” “us,” and similar expressions refer to Phibro and its subsidiaries.

The unaudited consolidated financial information for the three months ended September 30, 2020 and 2019, is presented on the same basis as the financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2020 (the “Annual Report”), filed with the Securities and Exchange Commission on August 26, 2020 (File no. 001-36410). In the opinion of management, these financial statements include all adjustments necessary for a fair statement of the financial position, results of operations and cash flows of the Company for the interim periods, and the adjustments are of a normal and recurring nature. The financial results for any interim period are not necessarily indicative of the results for the full year. The consolidated balance sheet information as of June 30, 2020, was derived from the audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (“GAAP”). The unaudited consolidated financial information should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain. The pandemic may affect our future revenues, expenses, reserves and allowances, manufacturing operations and employee-related costs. The pandemic may have significant economic impacts on customers, suppliers and markets. New information that may emerge concerning COVID-19 and the actions required to contain or treat it may affect the duration and severity of the pandemic. Our financial statements include estimates of the effects of COVID-19 and there may be changes to those estimates in future periods.

The consolidated financial statements include the accounts of Phibro and its consolidated subsidiaries. Intercompany balances and transactions have been eliminated from the consolidated financial statements. The decision whether or not to consolidate an entity requires consideration of majority voting interests, as well as effective control over the entity.

2. Summary of Significant Accounting Policies and New Accounting Standards

Our significant accounting policies are described in the notes to the consolidated financial statements included in our Annual Report. As of September 30, 2020, there have been no material changes to any of the significant accounting policies contained therein.

Net Income per Share and Weighted Average Shares

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Diluted net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the reporting period after giving effect to potential dilutive common shares resulting from the assumed exercise of stock options and vesting of restricted stock units. All common share equivalents were included in the calculation of diluted net income per share in the periods included in the consolidated financial statements.

For the Periods Ended September 30	Three Months	
	2020	2019
Net income	\$ 12,302	\$ 2,515
Weighted average number of shares – basic	40,454	40,454
Dilutive effect of stock options and restricted stock units	50	50
Weighted average number of shares – diluted	40,504	40,504
Net income per share		
basic	\$ 0.30	\$ 0.06
diluted	\$ 0.30	\$ 0.06

New Accounting Standards

Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2020-04, *Reference Rate Reform (Topic 848)*, provides optional expedients and exceptions to GAAP guidance for contracts and hedging relationships that reference the London Interbank Offered Rate (LIBOR) and other interbank offered rates expected to be discontinued by rate reform. The purpose of this guidance is to ease the financial reporting burdens related to the expected market transition to alternative reference rates. This ASU may be applied beginning with the interim period ended March 31, 2020, and prospectively through December 31, 2022. We continue to evaluate the effect and potential timing of adoption of this guidance on our consolidated financial statements.

ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, removes certain exceptions and amends certain requirements in the existing income tax guidance to ease accounting requirements. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, and must be applied on a retrospective basis. We continue to evaluate the effect of adoption of this guidance on our consolidated financial statements.

ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Topic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, modifies existing disclosure requirements for defined benefit pension and other postretirement plans. This ASU is effective for fiscal years ending after December 15, 2020, and must be applied on a retrospective basis. We continue to evaluate the effect of adoption of this guidance on our consolidated financial statements.

ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, modifies existing disclosure requirements for fair value measurement. This ASU is effective for fiscal years beginning after December 15, 2019. The adoption did not have a material effect on our fair value measurement disclosures.

3. Statements of Operations—Additional Information

Disaggregated revenue, deferred revenue and customer payment terms

We develop, manufacture and market a broad range of products for food animals including poultry, swine, beef and dairy cattle, and aquaculture. The products help prevent, control and treat diseases, enhance nutrition to help improve health and contribute to balanced mineral nutrition. The animal health and mineral nutrition products are sold directly to integrated poultry, swine and cattle integrators and through commercial animal feed manufacturers, wholesalers and distributors. The animal health industry and demand for many of the animal health products in a particular region are affected by changing disease pressures and by weather conditions, as product usage follows varying weather patterns and seasons. Our operations are primarily focused in regions where the majority of livestock production is consolidated in large commercial farms.

We have a diversified portfolio of products that are classified within our three business segments—Animal Health, Mineral Nutrition and Performance Products. Each segment has its own dedicated management and sales team.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Animal Health

The Animal Health business develops, manufactures and markets products in three main categories:

- **MFAs and Other:** MFAs and other products primarily consist of concentrated medicated products that are administered through animal feeds, commonly referred to as Medicated Feed Additives (“MFAs”). Specific product classifications include antibacterials, which inhibit the growth of pathogenic bacteria that cause bacterial infections in animals; anticoccidials, which inhibit the growth of coccidia (parasites) that damage the intestinal tract of animals; and other related products.
- **Nutritional Specialties:** Nutritional specialty products enhance nutrition to help improve health and performance in areas such as immune system function and digestive health.
- **Vaccines:** Our vaccines are primarily focused on preventing diseases in poultry and swine. They protect animals from either viral or bacterial disease challenges. We develop, manufacture and market conventionally licensed and autogenous vaccine products and also produce and market adjuvants to vaccine manufacturers. We have developed and market an innovative and proprietary delivery platform for vaccines.

Mineral Nutrition

The Mineral Nutrition business is comprised of formulations and concentrations of trace minerals such as zinc, manganese, copper, iron and other compounds, with a focus on customers in North America. The customers use these products to fortify the daily feed requirements of their livestock’s diets and maintain an optimal balance of trace elements in each animal. We manufacture and market a broad range of mineral nutrition products for food animals including poultry, swine and beef and dairy cattle.

Performance Products

The Performance Products business manufactures and markets a number of specialty ingredients for use in the personal care, industrial chemical and chemical catalyst industries, predominantly in the United States.

The following tables present our revenues disaggregated by major product category and geographic region:

Net Sales by Product Type

For the Periods Ended September 30	Three Months	
	2020	2019
Animal Health		
MFAs and other	\$ 78,703	\$ 75,034
Nutritional specialties	32,600	30,433
Vaccines	17,066	16,383
Total Animal Health	\$ 128,369	\$ 121,850
Mineral Nutrition	51,440	52,649
Performance Products	15,385	15,221
Total	\$ 195,194	\$ 189,720

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Net Sales by Region

For the Periods Ended September 30	Three Months	
	2020	2019
United States	\$ 118,771	\$ 118,487
Latin America and Canada	37,756	36,741
Europe, Middle East and Africa	26,872	23,693
Asia Pacific	11,795	10,799
Total	<u>\$ 195,194</u>	<u>\$ 189,720</u>

Net sales by region are based on country of destination.

Deferred revenue was \$ 4,358 and \$4,570 as of September 30, 2020, and June 30, 2020, respectively. Accrued expenses and other current liabilities included \$ 1,196 and \$1,109 of the total deferred revenue as of September 30, 2020, and June 30, 2020, respectively. The deferred revenue resulted primarily from certain customer arrangements, including technology licensing fees and discounts on future product sales. The transaction price associated with our deferred revenue arrangements is generally based on the stand-alone sales prices of the individual products or services.

Our customer payment terms generally range from 30 to 120 days globally and do not include any significant financing components. Payment terms vary based on industry and business practices within the regions in which we operate. Our average worldwide collection period for accounts receivable is approximately 60 days after the revenue is recognized.

Interest Expense and Depreciation and Amortization

For the Periods Ended September 30	Three Months	
	2020	2019
Interest expense, net		
Term loan	\$ 1,875	\$ 2,048
Revolving credit facility	946	1,431
Amortization of debt issuance costs	221	221
Other	67	133
Interest expense	3,109	3,833
Interest (income)	(299)	(479)
	<u>\$ 2,810</u>	<u>\$ 3,354</u>

For the Periods Ended September 30	Three Months	
	2020	2019
Depreciation and amortization		
Depreciation of property, plant and equipment	\$ 5,831	\$ 5,731
Amortization of intangible assets	2,205	2,038
Amortization of other assets	—	12
	<u>\$ 8,036</u>	<u>\$ 7,781</u>

4. Balance Sheets—Additional Information

As of	September 30, 2020	June 30, 2020
Inventories		
Raw materials	\$ 67,499	\$ 73,837
Work-in-process	10,336	8,881
Finished goods	128,011	113,941
	<u>\$ 205,846</u>	<u>\$ 196,659</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of	September 30, 2020	June 30, 2020
Goodwill roll-forward		
Balance at beginning of period	\$ 52,679	\$ 27,348
Osprey acquisition	—	25,331
Balance at end of period	<u>\$ 52,679</u>	<u>\$ 52,679</u>
Other assets		
ROU operating lease assets	\$ 22,089	\$ 22,873
Deferred income taxes	11,368	11,430
Deposits	5,042	5,158
Insurance investments	5,891	5,801
Equity method investments	4,367	4,219
Indemnification asset	—	3,000
Debt issuance costs	893	1,021
Other	6,895	6,976
	<u>\$ 56,545</u>	<u>\$ 60,478</u>

We evaluate our investments in equity method investees for impairment if circumstances indicate that the fair value of the investment may be impaired. The assets underlying a \$2,988 equity investment are currently idled; we have concluded that the investment is not currently impaired, based on expected future operating cash flows and/or disposal value.

As of	September 30, 2020	June 30, 2020
Accrued expenses and other current liabilities		
Employee related	\$ 24,789	\$ 25,825
Current operating lease liabilities	6,471	6,439
Commissions and rebates	4,259	5,782
Professional fees	5,822	5,766
Income and other taxes	5,245	3,821
Derivatives	5,930	5,757
Contingent consideration	4,840	—
Restructuring costs	2,029	2,314
Insurance-related	1,267	1,272
Other	17,491	15,421
	<u>\$ 78,143</u>	<u>\$ 72,397</u>

In connection with productivity and cost-saving initiatives in the Animal Health segment, we incurred business restructuring costs related to the termination of a contract manufacturing agreement and employee separation charges. All actions have been executed as of September 30, 2020.

The following table summarizes the activity of the restructuring liability during the three months ended September 30, 2020:

Liability balance at June 30, 2020	\$ 2,860
Charges	—
Payments	(831)
Liability balance at September 30, 2020	<u>\$ 2,029</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of September 30, 2020, \$1,600 and \$429 of the liability balance related to contract termination and employee separation costs, respectively.

As of	September 30, 2020	June 30, 2020
Other liabilities		
Long-term operating lease liabilities	\$ 16,366	\$ 17,276
Long term and deferred income taxes	10,867	11,680
Derivatives	6,429	7,691
Supplemental retirement benefits, deferred compensation and other	8,199	8,067
Contingent consideration	—	4,840
International retirement plans	5,576	5,499
U.S. pension plan	2,918	3,563
Restructuring costs	—	546
Other long term liabilities	7,735	11,239
	<u>\$ 58,090</u>	<u>\$ 70,401</u>

As of	September 30, 2020	June 30, 2020
Accumulated other comprehensive income (loss)		
Derivative instruments	\$ (12,359)	\$ (13,448)
Foreign currency translation adjustment	(108,461)	(103,738)
Unrecognized net pension gains (losses)	(22,436)	(22,571)
(Provision) benefit for income taxes on derivative instruments	2,984	3,256
(Provision) benefit for incomes taxes on long-term intercompany investments	8,166	8,166
(Provision) benefit for income taxes on pension gains (losses)	(2,084)	(2,050)
	<u>\$ (134,190)</u>	<u>\$ (130,385)</u>

5. Debt

Term Loans and Revolving Credit Facilities

Pursuant to a credit agreement entered into in June 2017 (the “Credit Agreement”), we have a revolving credit facility (the “Revolver”), under which we can borrow up to \$250,000, subject to the terms of the agreement, and a term A loan with an aggregate initial principal amount of \$250,000 (the “Term A Loan,” and together with the Revolver, the “Credit Facilities”). The interest rate per annum applicable to the loans under the Credit Facilities is based on the fluctuating rate of interest plus an applicable rate equal to 2.00%, 1.75% or 1.50%, in the case of LIBOR and Eurodollar rate loans and 1.00%, 0.75% or 0.50%, in the case of base rate loans; the applicable rates are based on the First Lien Net Leverage Ratio, as defined in the Credit Agreement. The LIBOR rate is subject to a floor of 0.00%. The Credit Facilities mature on June 29, 2022.

The Credit Agreement requires, among other things, compliance with financial covenants that permit: (i) a maximum First Lien Net Leverage Ratio of 4.00:1.00 and (ii) a minimum interest coverage ratio of 3.00:1.00, each calculated on a trailing four-quarter basis. The Credit Agreement contains an acceleration clause should an event of default (as defined in the Credit Agreement) occur. As of September 30, 2020, we were in compliance with the financial covenants.

As of September 30, 2020, we had \$185,000 in borrowings under the Revolver and had outstanding letters of credit of \$2,709, leaving \$62,291 available for borrowings and letters of credit under the Revolver. We obtain letters of credit in connection with certain regulatory and insurance obligations, inventory purchases and other contractual obligations. The terms of these letters of credit are all less than one year.

In July 2017, we entered into an interest rate swap agreement on \$150,000 of notional principal that effectively converts the floating LIBOR portion of our interest obligation on that amount of debt to a fixed interest rate of 1.8325% plus the applicable rate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The agreement matures concurrently with the Credit Agreement. We designated the interest rate swap as a highly effective cash flow hedge. For additional details, see "- Derivatives."

In March 2020, we entered into an interest rate swap agreement on an additional \$150,000 of notional principal that effectively converts the floating LIBOR portion of our interest obligation on that amount of debt to a fixed rate of 0.620% plus the applicable rate. On the maturity of the July 2017 agreement, this agreement increases to a notional principal amount of \$300,000 through June 30, 2025, and effectively converts the floating LIBOR portion of our interest obligation on \$300,000 of debt to a fixed interest rate of 0.620% plus the applicable rate. We designated the interest rate swaps as highly effective cash flow hedges. For additional details, see "—Derivatives."

As of September 30, 2020, the interest rates for the Revolver and the Term A Loan were 2.37% and 3.47%, respectively. The weighted-average interest rates for the Revolver were 2.12% and 3.70% for the three months ended September 30, 2020 and 2019, respectively. The weighted-average interest rates for the Term A Loan were 3.19% and 3.48% for the three months ended September 30, 2020 and 2019, respectively.

Long-Term Debt

As of	September 30, 2020	June 30, 2020
Term A Loan due June 2022	\$ 214,062	\$ 218,750
Unamortized debt issuance costs	(650)	(743)
	213,412	218,007
Less: current maturities	(20,312)	(18,750)
	<u>\$ 193,100</u>	<u>\$ 199,257</u>

6. Related Party Transactions

Certain relatives of Jack C. Bendheim, our Chairman, President and Chief Executive Officer, provided services to us as employees or consultants and received aggregate compensation and benefits of approximately \$532 and \$451 during the three months ended September 30, 2020 and 2019, respectively. Mr. Bendheim has sole authority to vote shares of our stock owned by BFI Co., LLC, an investment vehicle of the Bendheim family.

7. Commitments and Contingencies

Environmental

Our operations and properties are subject to extensive federal, state, local and foreign laws and regulations, including those governing pollution; protection of the environment; the use, management, and release of hazardous materials, substances and wastes; air emissions; greenhouse gas emissions; water use, supply and discharges; the investigation and remediation of contamination; the manufacture, distribution, and sale of regulated materials, including pesticides; the importing, exporting and transportation of products; and the health and safety of our employees (collectively, "Environmental Laws"). As such, the nature of our current and former operations exposes us to the risk of claims with respect to such matters, including fines, penalties, and remediation obligations that may be imposed by regulatory authorities.

Under certain circumstances, we might be required to curtail operations until a particular problem is remedied. Known costs and expenses under Environmental Laws incidental to ongoing operations, including the cost of litigation proceedings relating to environmental matters, are included within operating results. Potential costs and expenses may also be incurred in connection with the repair or upgrade of facilities to meet existing or new requirements under Environmental Laws or to investigate or remediate potential or actual contamination, and from time to time we establish reserves for such contemplated investigation and remediation costs. In many instances, the ultimate costs under Environmental Laws and the time period during which such costs are likely to be incurred are difficult to predict.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

While we believe that our operations are currently in material compliance with Environmental Laws, we have, from time to time, received notices of violation from governmental authorities, and have been involved in civil or criminal action for such violations. Additionally, at various sites, our subsidiaries are engaged in continuing investigation, remediation and/or monitoring efforts to address contamination associated with historic operations of the sites. We devote considerable resources to complying with Environmental Laws and managing environmental liabilities. We have developed programs to identify requirements under, and maintain compliance with, Environmental Laws; however, we cannot predict with certainty the effect of increased and more stringent regulation on our operations, future capital expenditure requirements, or the cost of compliance.

The nature of our current and former operations exposes us to the risk of claims with respect to environmental matters and we cannot assure we will not incur material costs and liabilities in connection with such claims. Based upon our experience to date, we believe that the future cost of compliance with existing Environmental Laws, and liabilities for known environmental claims pursuant to such Environmental Laws, will not have a material adverse effect on our financial position, results of operations, cash flows or liquidity.

The United States Environmental Protection Agency (the "EPA") is investigating and planning for the remediation of offsite contaminated groundwater that has migrated from the Omega Chemical Corporation Superfund Site ("Omega Chemical Site"), which is upgradient of the Santa Fe Springs, California facility of our subsidiary, Phibro-Tech, Inc. ("Phibro-Tech"). The EPA has entered into a settlement agreement with a group of companies that sent chemicals to the Omega Chemical Site for processing and recycling ("OPOG") to remediate the contaminated groundwater that has migrated from the Omega site in accordance with a general remedy selected by EPA. The EPA has named Phibro-Tech and certain other subsidiaries of PAHC as potentially responsible parties ("PRPs") due to groundwater contamination from Phibro-Tech's Santa Fe Springs facility that has allegedly commingled with contaminated groundwater from the Omega Chemical Site. In September 2012, the EPA notified approximately 140 PRPs, including Phibro-Tech and the other subsidiaries, that they have been identified as potentially responsible for remedial action for the groundwater plume affected by the Omega Chemical Site and for EPA oversight and response costs. Phibro-Tech contends that any groundwater contamination at its site is localized and due to historical operations that pre-date Phibro-Tech and/or contaminated groundwater that has migrated from upgradient properties. In addition, a successor to a prior owner of the Phibro-Tech site has asserted that PAHC and Phibro-Tech are obligated to provide indemnification for its potential liability and defense costs relating to the groundwater plume affected by the Omega Chemical Site. Phibro-Tech has vigorously contested this position and has asserted that the successor to the prior owner is required to indemnify Phibro-Tech for its potential liability and defense costs. Furthermore, the members of OPOG filed a complaint under the Comprehensive Environmental Response, Compensation, and Liability Act and the Resource Conservation and Recovery Act in the United States District Court for the Central District of California against many of the PRPs allegedly associated with the groundwater plume affected by the Omega Chemical Site (including Phibro-Tech) for contribution toward past and future costs associated with the investigation and remediation of the groundwater plume affected by the Omega Chemical Site. Due to the ongoing nature of the EPA's investigation, the preliminary stage of the ongoing litigation and Phibro-Tech's dispute with the prior owner's successor, at this time we cannot predict with any degree of certainty what, if any, liability Phibro-Tech or the other subsidiaries may ultimately have for investigation, remediation and the EPA oversight and response costs associated with the affected groundwater plume.

Based upon information available, to the extent such costs can be estimated with reasonable certainty, we estimated the cost for further investigation and remediation of identified soil and groundwater problems at operating sites, closed sites and third-party sites, and closure costs for closed sites, to be approximately \$5,101 and \$5,254 at September 30, 2020, and June 30, 2020, respectively, which is included in current and long-term liabilities on the consolidated balance sheets. However, future events, such as new information, changes in existing Environmental Laws or their interpretation, and more vigorous enforcement policies of regulatory agencies, may give rise to additional expenditures or liabilities that could be material. For all purposes of the discussion under this caption and elsewhere in this report, it should be noted that we take and have taken the position that neither PAHC nor any of our subsidiaries are liable for environmental or other claims made against one or more of our other subsidiaries or for which any of such other subsidiaries may ultimately be responsible.

Claims and Litigation

PAHC and its subsidiaries are party to a number of claims and lawsuits arising out of the normal course of business including product liabilities, payment disputes and governmental regulation. Certain of these actions seek damages in various amounts. In many

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

cases, such claims are covered by insurance. We believe that none of the claims or pending lawsuits, either individually or in the aggregate, will have a material adverse effect on our financial position, results of operations, cash flows or liquidity.

8. Derivatives

We monitor our exposure to foreign currency exchange rates and interest rates and from time-to-time use derivatives to manage certain of these risks. We designate derivatives as a hedge of a forecasted transaction or of the variability of the cash flows to be received or paid in the future related to a recognized asset or liability (cash flow hedge). All changes in the fair value of a highly effective cash flow hedge are recorded in accumulated other comprehensive income (loss).

We routinely assess whether the derivatives used to hedge transactions are effective. If we determine a derivative ceases to be an effective hedge, we discontinue hedge accounting in the period of the assessment for that derivative, and immediately recognize any unrealized gains or losses related to the fair value of that derivative in the consolidated statements of operations.

We record derivatives at fair value in the consolidated balance sheets. For additional details regarding fair value, see “—Fair Value Measurements.”

In July 2017, we entered into an interest rate swap agreement on the first \$150,000 of notional principal that effectively converts the floating LIBOR portion of our interest obligation on that amount of debt to a fixed interest rate of 1.8325% plus the applicable rate. The agreement matures concurrently with the Credit Agreement. In March 2020, we entered into an interest rate swap agreement on an additional \$150,000 of notional principal that effectively converts the floating LIBOR portion of our interest obligation on that amount of debt to a fixed rate of 0.620% plus the applicable rate. On the maturity of the July 2017 agreement, this agreement increases to a notional principal amount of \$300,000 through June 30, 2025, and effectively converts the floating LIBOR portion of our interest obligation on \$300,000 of debt to a fixed interest rate of 0.620% plus the applicable rate. The forecasted transactions are probable of occurring, and the interest rate swaps have been designated as highly effective cash flow hedges.

We entered into foreign currency option contracts to hedge cash flows related to monthly inventory purchases. The individual option contracts mature monthly through April 2022. The forecasted inventory purchases are probable of occurring and the individual option contracts were designated as highly effective cash flow hedges.

The following table details the Company’s outstanding derivatives that are designated and effective as cash flow hedges as of September 30, 2020:

Instrument	Hedge	Notional Amount at September 30, 2020	Consolidated Balance Sheet	Asset (Liability) fair value as of	
				September 30, 2020	June 30, 2020
Options	Brazilian Real calls	R\$ 102,000	(1)	\$ 83	\$ 126
Options	Brazilian Real puts	R\$ 102,000	(1)	\$ (3,481)	\$ (3,900)
Swap	Interest rate swap	\$ 300,000	(2)	\$ (8,961)	\$ (9,674)

- (1) We record the net fair values of our outstanding foreign currency option contracts within the respective balance sheet line item based on the net financial position and maturity date of the individual contracts as of the balance sheet date. As of September 30, 2020 and June 30, 2020, accrued expenses and other current liabilities included net fair values of \$2,635 and \$2,477, respectively. As of September 30, 2020 and June 30, 2020, other liabilities included net fair values of \$763 and \$1,297, respectively.
- (2) We classify the current and noncurrent amounts associated with our interest rate swap based on the expected timing of the cash flows. As of September 30, 2020 and June 30, 2020, accrued expenses and other current liabilities included net fair values of \$3,295 and \$3,280, respectively. As of September 30, 2020 and June 30, 2020, other liabilities included net fair values of \$5,666 and \$6,394, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables show the effects of derivatives on the consolidated statements of operations and other comprehensive income for the three months ended September 30, 2020 and 2019.

For the Three Months Ended September 30		Gain (Loss) recorded in OCI		Gain (Loss) recognized in consolidated statements of operations			Consolidated Statement of Operations Line Item Total	
Instrument	Hedge	2020	2019	Consolidated Statement of Operations	2020	2019	2020	2019
Options	Brazilian Real calls	\$ 376	\$ (363)	Cost of goods sold	\$ 3	\$ (45)	\$ 131,075	\$ 132,057
Swap	Interest rate swap	\$ 713	\$ (721)	Interest expense, net	\$ (813)	\$ 165	\$ 2,810	\$ 3,354

We recognize gains (losses) related to foreign currency derivatives as a component of cost of goods sold at the time the hedged item is sold. Realized net losses of \$1,199 related to matured contracts were recorded as a component of inventory at September 30, 2020. We anticipate the net losses included in inventory will be recognized in cost of goods sold within the next twelve months.

9. Fair Value Measurements

Short-term investments

As of September 30, 2020, our short-term investments consist of cash deposits held at financial institutions. We consider the carrying amounts of these short-term investments to be representative of their fair value.

Current Assets and Liabilities

We consider the carrying amounts of current assets and current liabilities to be representative of their fair value because of the current nature of these items.

Contingent Consideration on Acquisitions

We determine the fair value of contingent consideration on acquisitions based on contractual terms, our current forecast of performance factors related to the acquired business and an applicable discount rate.

Debt

We record debt, including term loans and revolver balances, at amortized cost in our consolidated financial statements. We believe the carrying value of the debt is approximately equal to its fair value, due to the variable nature of the instruments and our evaluation of estimated market prices.

Derivatives

We determine the fair value of derivative instruments based upon pricing models using observable market inputs for these types of financial instruments, such as spot and forward currency translation rates.

Non-financial assets

Our non-financial assets, which primarily consist of goodwill, other intangible assets, property and equipment, and lease-related ROU assets, are not required to be measured at fair value on a recurring basis, and instead are reported at carrying value in the consolidated balance sheet. We assess the carrying values of non-financial assets for impairment on a periodic basis or whenever events or changes in circumstances indicate an asset may not be fully recoverable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Fair Value of Assets (Liabilities)

As of	September 30, 2020			June 30, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Short-term investments	\$ 61,000	\$ —	\$ —	\$ 55,000	\$ —	\$ —
Foreign currency derivatives	\$ —	\$ (3,398)	\$ —	\$ —	\$ (3,774)	\$ —
Interest rate swap	\$ —	\$ (8,961)	\$ —	\$ —	\$ (9,674)	\$ —
Contingent consideration on acquisitions	\$ —	\$ —	\$ (4,840)	\$ —	\$ —	\$ (4,840)

There were no transfers between levels during the periods presented.

The contingent consideration on acquisitions is the minimum amount payable in accordance with the acquisition agreement for Osprey.

10. Business Segments

We evaluate performance and allocate resources, based on the Animal Health, Mineral Nutrition and Performance Products segments. Certain of our costs and assets are not directly attributable to these segments and we refer to these items as Corporate. We do not allocate Corporate costs or assets to the segments because they are not used to evaluate the segments' operating results or financial position. Corporate costs include certain costs related to executive management, business technology, legal, finance, human resources and business development.

We evaluate performance of our segments based on Adjusted EBITDA. We define Adjusted EBITDA as income before income taxes plus (a) interest expense, net, (b) depreciation and amortization, (c) (income) loss from, and disposal of, discontinued operations, (d) other expense or less other income, as separately reported on our consolidated statements of operations, including foreign currency gains and losses and loss on extinguishment of debt, and (e) certain items that we consider to be unusual, non-operational or non-recurring.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The accounting policies of our segments are the same as those described in the summary of significant accounting policies included herein.

For the Periods Ended September 30	Three Months	
	2020	2019
Net sales		
Animal Health	\$ 128,369	\$ 121,850
Mineral Nutrition	51,440	52,649
Performance Products	15,385	15,221
Total segments	<u>\$ 195,194</u>	<u>\$ 189,720</u>
Depreciation and amortization		
Animal Health	\$ 6,521	\$ 6,384
Mineral Nutrition	649	613
Performance Products	445	377
Total segments	<u>\$ 7,615</u>	<u>\$ 7,374</u>
Adjusted EBITDA		
Animal Health	\$ 30,101	\$ 25,061
Mineral Nutrition	3,047	3,475
Performance Products	1,972	852
Total segments	<u>\$ 35,120</u>	<u>\$ 29,388</u>
Reconciliation of income before income taxes to Adjusted EBITDA		
Income before income taxes	\$ 16,509	\$ 3,572
Interest expense, net	2,810	3,354
Depreciation and amortization – Total segments	7,615	7,374
Depreciation and amortization – Corporate	421	407
Corporate costs	10,831	9,728
Restructuring costs	—	425
Stock-based compensation	565	565
Acquisition-related cost of goods sold	—	280
Acquisition-related transaction costs	—	462
Foreign currency (gains) losses, net	(3,631)	3,221
Adjusted EBITDA – Total segments	<u>\$ 35,120</u>	<u>\$ 29,388</u>
	September 30,	June 30,
	2020	2020
Identifiable assets		
Animal Health	\$ 556,895	\$ 560,663
Mineral Nutrition	72,295	65,686
Performance Products	33,955	31,016
Total segments	663,145	657,365
Corporate	126,409	126,735
Total	<u>\$ 789,554</u>	<u>\$ 784,100</u>

The Animal Health segment includes all goodwill of the Company. Corporate assets include cash and cash equivalents, short-term investments, debt issuance costs, income tax-related assets and certain other assets.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Our management’s discussion and analysis of financial condition and results of operations (“MD&A”) is provided to assist readers in understanding our performance, as reflected in the results of our operations, our financial condition and our cash flows. The following discussion summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and cash flows as of and for the periods presented below. This MD&A should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. Our future results could differ materially from our historical performance as a result of various factors such as those discussed in “Risk Factors” and “Forward-Looking Statements.”

Overview of our business

Phibro Animal Health Corporation is a global diversified animal health and mineral nutrition company. We develop, manufacture and market a broad range of products for food animals including poultry, swine, beef and dairy cattle, and aquaculture. Our products help prevent, control and treat diseases, enhance nutrition to help improve health and performance and contribute to balanced mineral nutrition. In addition to animal health and mineral nutrition products, we manufacture and market specific ingredients for use in the personal care, industrial chemical and chemical catalyst industries.

Effects of the COVID-19 pandemic

The global food and animal production industry has experienced demand disruption, production impacts, price declines and currency volatility in international markets due to the COVID-19 pandemic. The industry continues to adjust and has partially recovered from the disruptions, but demand has not yet returned to typical levels.

Phibro is an integral participant in the essential production of meat, milk, eggs and fish for human consumption. In the face of the pandemic, we have focused on the safety of our employees, while continuing to supply our customers. Our global production facilities have continued to operate without interruption, despite supply chain and logistical challenges. Our sales and technical service people remain in close virtual contact with our customers, as most travel and in-person meetings have been cancelled. Most of our administrative and management staff are working remotely. We are experiencing some cost increases from the safety measures implemented to protect our employees as well as from supply chain disruptions. We have maintained headcount and compensation at constant levels. We continue to monitor sales trends, cash flow and liquidity.

The effects COVID-19 will have on our consolidated results going forward and the broader economic environment are uncertain. The demand for our products will be dependent upon economic conditions and the ability of our customers and end users of our products to operate their businesses and production facilities, among other factors. Our future operational results may be impacted by government mandated response efforts, supply chain and manufacturing disruptions, increased volatility in raw material costs and decreased demand due to changes in our customer purchasing patterns and preferences. We are unable to predict with certainty the nature and timing of when any of these events may occur. We will continue to evaluate the nature and extent of the effects of COVID-19 on our business, consolidated results of operations, financial condition, and liquidity. For additional considerations and risks associated with COVID-19 on our business, please refer to “Risk Factors” in Item 1A. of our Annual Report.

Trends and uncertainties

In April 2016, the Food and Drug Administration ("FDA") began initial steps to withdraw approval of carbadox via a regulatory process known as a Notice of Opportunity for Hearing ("NOOH"), due to concerns that certain residues from the product may persist in animal tissues for longer than previously determined. The NOOH process provided Phibro with an opportunity to defend the safety of carbadox prior to the FDA taking final steps to remove carbadox from the market. Over the next four years, as part of an ongoing process of responding to the inquiries from the FDA's Center for Veterinary Medicine ("CVM"), we provided extensive and meticulous research and data that confirmed the safety of carbadox. In March 2018, the FDA indefinitely stayed the withdrawal proceedings. In July 2020, the FDA announced it does not agree with Phibro's scientific conclusions that carbadox is safe under the current conditions of use. Instead of proceeding to a hearing on the scientific concerns raised in the 2016 NOOH, consistent with the normal regulatory procedure, the FDA announced that it was withdrawing the current NOOH, and issuing a proposed order to review the regulatory method for carbadox. The approved regulatory method determines if there are residues of carcinogenic concern in animal tissue at the time of slaughter. If the order is finalized, the FDA has indicated it plans to issue a new NOOH proposing the withdrawal of carbadox from the market because of a lack of an approved regulatory method.

In September 2020, Phibro commented on the proposed order reiterating the safety of carbadox and the appropriateness of the regulatory method and further offered to work with the CVM to generate additional data to support the existing regulatory method or select a suitable alternative regulatory method. Phibro disagrees with the agency's actions and has submitted a request to the FDA Office of the Commissioner that the agency continue the NOOH process it started in 2016 and proceed with a hearing to review the substantial body of data supporting the safety of carbadox. Should we be unable to successfully defend the safety of the product, the loss of carbadox sales would have an adverse effect on our financial condition and results of operations. Sales of carbadox for the twelve months ended September 30, 2020, were \$17 million.

Analysis of the consolidated statements of operations

Summary Results of Operations

For the Periods Ended September 30	Three Months			
	2020	2019	Change	
	(in thousands, except per share amounts and percentages)			
Net sales	\$ 195,194	\$ 189,720	\$ 5,474	3 %
Gross profit	64,119	57,663	6,456	11 %
Selling, general and administrative expenses	48,431	47,516	915	2 %
Operating income	15,688	10,147	5,541	55 %
Interest expense, net	2,810	3,354	(544)	(16)%
Foreign currency (gains) losses, net	(3,631)	3,221	(6,852)	*
Income before income taxes	16,509	3,572	12,937	*
Provision for income taxes	4,207	1,057	3,150	*
Net income	\$ 12,302	\$ 2,515	\$ 9,787	*
Net income per share				
basic	\$ 0.30	\$ 0.06	\$ 0.24	
diluted	\$ 0.30	\$ 0.06	\$ 0.24	
Weighted average number of shares outstanding				
basic	40,454	40,454		
diluted	40,504	40,504		
Ratio to net sales				
Gross profit	32.8 %	30.4 %		
Selling, general and administrative expenses	24.8 %	25.0 %		
Operating income	8.0 %	5.3 %		
Income before income taxes	8.5 %	1.9 %		
Net income	6.3 %	1.3 %		
Effective tax rate	25.5 %	29.6 %		

Certain amounts and percentages may reflect rounding adjustments.

* Calculation not meaningful

Net sales, Adjusted EBITDA and reconciliation of GAAP net income to Adjusted EBITDA

We report Net sales and Adjusted EBITDA by segment to understand the operating performance of each segment. This enables us to monitor changes in net sales, costs and other actionable operating metrics at the segment level. See “—General description of non-GAAP financial measures.”

Segment net sales and Adjusted EBITDA:

For the Periods Ended September 30	Three Months			
	2020	2019	Change	
(in thousands, except percentages)				
Net sales				
MFAs and other	\$ 78,703	\$ 75,034	\$ 3,669	5 %
Nutritional specialties	32,600	30,433	2,167	7 %
Vaccines	17,066	16,383	683	4 %
Animal Health	128,369	121,850	6,519	5 %
Mineral Nutrition	51,440	52,649	(1,209)	(2)%
Performance Products	15,385	15,221	164	1 %
Total	<u>\$ 195,194</u>	<u>\$ 189,720</u>	\$ 5,474	3 %
Adjusted EBITDA				
Animal Health	\$ 30,101	\$ 25,061	\$ 5,040	20 %
Mineral Nutrition	3,047	3,475	(428)	(12)%
Performance Products	1,972	852	1,120	131 %
Corporate	(10,831)	(9,728)	(1,103)	*
Total	<u>\$ 24,289</u>	<u>\$ 19,660</u>	\$ 4,629	24 %
Adjusted EBITDA ratio to segment net sales				
Animal Health	23.4 %	20.6 %		
Mineral Nutrition	5.9 %	6.6 %		
Performance Products	12.8 %	5.6 %		
Corporate ⁽¹⁾	(5.5)%	(5.1)%		
Total ⁽¹⁾	12.4 %	10.4 %		

(1) Reflects ratio to total net sales

The table below sets forth a reconciliation of net income, as reported under GAAP, to Adjusted EBITDA:

For the Periods Ended September 30	Three Months		
	2020	2019	Change
	(in thousands, except percentages)		
Net income	\$ 12,302	\$ 2,515	\$ 9,787
Interest expense, net	2,810	3,354	(544)
Provision for income taxes	4,207	1,057	3,150
Depreciation and amortization	8,036	7,781	255
EBITDA	27,355	14,707	12,648
Stock-based compensation	565	565	—
Restructuring costs	—	425	(425)
Acquisition-related cost of goods sold	—	280	(280)
Acquisition-related transaction costs	—	462	(462)
Foreign currency (gains) losses, net	(3,631)	3,221	(6,852)
Adjusted EBITDA	\$ 24,289	\$ 19,660	\$ 4,629

Certain amounts may reflect rounding adjustments.

Comparison of three months ended September 30, 2020 and 2019

Net sales

Net sales of \$195.2 million for the three months ended September 30, 2020, increased \$5.5 million, or 3%, as compared to the three months ended September 30, 2019. Animal Health and Performance Products increased \$6.5 million and \$0.2 million, respectively, while Mineral Nutrition declined \$1.2 million.

Animal Health

Net sales of \$128.4 million for the three months ended September 30, 2020, increased \$6.5 million, or 5%. Net sales of MFAs and other increased \$3.7 million, or 5%, driven by increased international demand, primarily for poultry products, coupled with favorable timing of certain customer orders. Net sales of nutritional specialty products grew \$2.2 million, or 7%, due to international growth in dairy products, while domestic sales were comparable to the prior year. Net sales of vaccines increased \$0.7 million, or 4%, driven by increased international demand for our poultry vaccines.

Mineral Nutrition

Net sales of \$51.4 million for the three months ended September 30, 2020, decreased \$1.2 million, or 2%, as volume growth was offset by lower average selling prices. The decline in average selling prices is correlated with the movement of the underlying raw material costs.

Performance Products

Net sales of \$15.4 million for the three months ended September 30, 2020, increased \$0.2 million, or 1%. Increased sales of personal care product ingredients were partially offset by lower sales of copper-based products.

Gross profit

Gross profit of \$64.1 million for the three months ended September 30, 2020, increased \$6.5 million, or 11%, as compared to the three months ended September 30, 2019. Gross profit increased to 32.8% of net sales for the three months ended September 30, 2020, as compared to 30.4% for the three months ended September 30, 2019. The three months ended September 30, 2019, included \$0.3 million of acquisition-related cost of goods sold.

Animal Health gross profit increased \$5.5 million due to sales growth, favorable product mix and favorable production costs, primarily related to foreign currency movements. Mineral Nutrition gross profit decreased \$0.5 million, driven primarily by unfavorable production costs. Performance Products gross profit increased \$1.1 million driven by favorable product mix and production costs.

Selling, general and administrative expenses

Selling, general and administrative expenses ("SG&A") of \$48.4 million for the three months ended September 30, 2020, increased \$0.9 million, or 2%, as compared to the three months ended September 30, 2019. SG&A for the three months ended September 30, 2019, included \$0.4 million of restructuring costs and \$0.5 million of acquisition-related transaction costs. Excluding the effects of these costs, SG&A increased \$1.8 million, or 4%.

Animal Health SG&A increased \$0.6 million, primarily due to increased professional fees to support the continued use of carbadox and costs associated with new products, partially offset by the favorable effect of foreign currency movements and timing of marketing spending. Mineral Nutrition and Performance Products SG&A were comparable to the prior year. Corporate SG&A increased \$1.1 million due to increased costs for strategic initiatives.

Interest expense, net

Interest expense, net of \$2.8 million for the three months ended September 30, 2020, decreased \$0.5 million, or 16%, as compared to the three months ended September 30, 2019. Interest expense decreased due to favorable variable interest rates, partially offset by higher levels of debt outstanding. Interest income from short-term investments was comparable to the prior year.

Foreign currency (gains) losses, net

Foreign currency (gains) losses, net for the three months ended September 30, 2020, amounted to net gains of \$3.6 million, as compared to \$3.2 million in net losses for the three months ended September 30, 2019. Foreign currency gains primarily arose from intercompany balances.

Provision for income taxes

The provision for income taxes was \$4.2 million and \$1.1 million for the three months ended September 30, 2020 and 2019, respectively. The effective income tax rate was 25.5% and 29.6% for the three months ended September 30, 2020 and 2019, respectively. The provision for income taxes during the three months ended September 30, 2020, included a \$0.6 million benefit related to final regulations issued in July 2020 for the Global Intangible Low-Taxed Income (“GILTI”) tax for the year ended June 30, 2020, and a \$0.6 million benefit for the reversal of an uncertain tax position. The effective income tax rate, without these benefits, would have been 32.5% for the three months ended September 30, 2020.

Net income

Net income of \$12.3 million for the three months ended September 30, 2020, increased \$9.8 million, as compared to net income of \$2.5 million for the three months ended September 30, 2019. The increase was primarily due to a \$5.5 million increase in operating income, decreased interest expense of \$0.5 million and favorable foreign currency comparisons of \$6.9 million, partially offset by increased income tax expense of \$3.2 million. The increase in operating income was driven by increased gross profit in the Animal Health and Performance Product segments, partially offset by a decline in Mineral Nutrition gross profit and higher SG&A costs.

Adjusted EBITDA

Adjusted EBITDA of \$24.3 million for the three months ended September 30, 2020, increased \$4.6 million, or 24%, as compared to the three months ended September 30, 2019. Animal Health Adjusted EBITDA increased \$5.0 million on higher gross profit, partially offset by increased SG&A costs. Mineral Nutrition Adjusted EBITDA decreased \$0.4 million, driven by a decline in gross profit. Performance Products Adjusted EBITDA increased \$1.1 million driven by increased gross profit. Corporate expenses increased \$1.1 million, primarily due to investments in strategic initiatives.

Analysis of financial condition, liquidity and capital resources

Net increase (decrease) in cash and cash equivalents was:

For the Periods Ended September 30	Three Months		
	2020	2019	Change
		(in thousands)	
Cash provided by/(used in):			
Operating activities	\$ 1,698	\$ (3,570)	\$ 5,268
Investing activities	(13,635)	(62,531)	48,896
Financing activities	6,458	63,931	(57,473)
Effect of exchange-rate changes on cash and cash equivalents	105	(510)	615
Net increase/(decrease) in cash and cash equivalents	<u>\$ (5,374)</u>	<u>\$ (2,680)</u>	<u>\$ (2,694)</u>

Certain amounts may reflect rounding adjustments.

[Table of Contents](#)

Net cash provided (used) by operating activities was comprised of:

For the Periods Ended September 30	Three Months		
	2020	2019 (in thousands)	Change
EBITDA	\$ 27,355	\$ 14,707	\$ 12,648
Adjustments			
Stock-based compensation	565	565	—
Restructuring costs	—	425	(425)
Acquisition-related cost of goods sold	—	280	(280)
Acquisition-related transaction costs	—	462	(462)
Foreign currency (gains) losses, net	(3,631)	3,221	(6,852)
Interest paid, net	(2,527)	(3,201)	674
Income taxes paid	(4,967)	(4,657)	(310)
Changes in operating assets and liabilities and other items	(15,097)	(15,372)	275
Net cash provided (used) by operating activities	\$ 1,698	\$ (3,570)	\$ 5,268

Certain amounts may reflect rounding adjustments.

Operating activities

Operating activities provided \$1.7 million of net cash for the three months ended September 30, 2020. Cash provided by net income and non-cash items, including depreciation and amortization, was \$16.6 million. Cash used in the ordinary course of business for changes in operating assets and liabilities and other items was \$14.9 million. Inventory used \$9.5 million of cash due to timing of sales and production. Accrued expenses and other liabilities used \$4.4 million of cash, primarily due to the timing of payments for employee incentive compensation and customer commissions and rebates. Accounts payable used \$1.2 million due to timing of payments for inventory purchases. Accounts receivable provided \$1.0 million of cash, as favorable collections in international regions were partially offset by timing of domestic sales and collections.

Investing activities

Investing activities used \$13.6 million of net cash for the three months ended September 30, 2020. Capital expenditures were \$7.4 million as we continued to invest in our existing asset base and for capacity expansion and productivity improvements. In addition, we invested \$6.0 million in short-term investments.

Financing activities

Financing activities provided \$6.5 million of net cash for the three months ended September 30, 2020. Net borrowings on our Revolver provided \$16.0 million. We paid \$4.9 million in dividends to holders of our Class A and Class B common stock. We paid \$4.7 million in scheduled debt and other requirements.

Liquidity and capital resources

We believe our cash on hand, our operating cash flows and our financing arrangements, including the availability of borrowings under the Revolver and foreign credit lines, will be sufficient to support our ongoing cash needs. We are aware of the current and potential future effects of COVID-19 on the financial markets. At this time, we expect adequate liquidity for at least the next twelve months. However, we can provide no assurance that our liquidity and capital resources will be adequate for future funding requirements. We believe we will be able to comply with the terms of the covenants under the Credit Facilities and foreign credit lines based on our operating plan. In the event of adverse operating results and/or violation of covenants under the facilities, there can be no assurance we would be able to obtain waivers or amendments. Other risks to our meeting future funding requirements include global economic conditions and macroeconomic, business and financial disruptions that could arise, including those caused by COVID-19. There can be no assurance that a challenging economic environment or an economic downturn would not affect our liquidity or our ability to obtain future financing or fund operations or investment opportunities. In addition, our debt covenants may restrict our ability to invest.

Certain relevant measures of our liquidity and capital resources follow:

As of	September 30, 2020 (in thousands, except ratios)	June 30, 2020
Cash and cash equivalents and short-term investments	\$ 91,969	\$ 91,343
Working capital	231,673	222,006
Ratio of current assets to current liabilities	2.65:1	2.60:1

We define working capital as total current assets (excluding cash and cash equivalents and short-term investments) less total current liabilities (excluding current portion of long-term debt). We calculate the ratio of current assets to current liabilities based on this definition.

At September 30, 2020, we had \$185.0 million in outstanding borrowings under the Revolver. We had outstanding letters of credit and other commitments of \$2.7 million, leaving \$62.3 million available for borrowings and letters of credit.

We currently intend to pay quarterly dividends on our Class A and Class B common stock, subject to approval from the Board of Directors. Our Board of Directors declared a cash dividend of \$0.12 per share on Class A and Class B common stock, payable on December 16, 2020. Our future ability to pay dividends will depend upon our results of operations, financial condition, capital requirements, our ability to obtain funds from our subsidiaries and other factors that our Board of Directors deems relevant. Additionally, the terms of our current and any future agreements governing our indebtedness could limit our ability to pay dividends or make other distributions.

As of September 30, 2020, our cash and cash equivalents and short-term investments included \$90.1 million held by our international subsidiaries. There are no restrictions on cash distributions to PAHC from our international subsidiaries.

Contractual obligations

As of September 30, 2020, there were no material changes in payments due under contractual obligations from those disclosed in the Annual Report.

Off-balance sheet arrangements

We do not currently use off-balance sheet arrangements for the purpose of credit enhancement, hedging transactions, investment or other financial purposes.

In the ordinary course of business, we may indemnify our counterparties against certain liabilities that may arise. These indemnifications typically pertain to environmental matters. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, we would be required to reimburse the loss. These indemnifications generally are subject to certain restrictions and limitations.

Adjusted EBITDA

Adjusted EBITDA is an alternative view of performance used by management as our primary operating measure, and we believe that investors' understanding of our performance is enhanced by disclosing this performance measure. We report Adjusted EBITDA to portray the results of our operations prior to considering certain income statement elements. We have defined EBITDA as net income (loss) plus (i) interest expense, net, (ii) provision for income taxes or less benefit for income taxes, and (iii) depreciation and amortization. We have defined Adjusted EBITDA as EBITDA plus (a) (income) loss from, and disposal of, discontinued operations, (b) other expense or less other income, as separately reported on our consolidated statements of operations, including foreign currency gains and losses, and (c) certain items that we consider to be unusual, non-operational or non-recurring. The Adjusted EBITDA measure is not, and should not be viewed as a substitute for GAAP reported net income.

The Adjusted EBITDA measure is an important internal measurement for us. We measure our overall performance on this basis in conjunction with other performance metrics. The following are examples of how our Adjusted EBITDA measure is utilized:

- senior management receives a monthly analysis of our operating results that is prepared on an Adjusted EBITDA basis;
- our annual budgets are prepared on an Adjusted EBITDA basis; and
- other goal setting and performance measurements are prepared on an Adjusted EBITDA basis.

Despite the importance of this measure to management in goal setting and performance measurement, Adjusted EBITDA is a non-GAAP financial measure that has no standardized meaning prescribed by GAAP and, therefore, has limits in its usefulness to investors. Because of its non-standardized definition, Adjusted EBITDA, unlike GAAP net income, may not be comparable to the calculation of similar measures of other companies. Adjusted EBITDA is presented to permit investors to more fully understand how management assesses performance.

We also recognize that, as an internal measure of performance, the Adjusted EBITDA measure has limitations, and we do not restrict our performance management process solely to this metric. A limitation of the Adjusted EBITDA measure is that it provides a view of our operations without including all events during a period, such as the depreciation of property, plant and equipment or amortization of purchased intangibles, and does not provide a comparable view of our performance to other companies.

Certain significant items

Adjusted EBITDA is calculated prior to considering certain items. We evaluate such items on an individual basis. Such evaluation considers both the quantitative and the qualitative aspect of their unusual or non-operational nature. Unusual, in this context, may represent items that are not part of our ongoing business and items that, either as a result of their nature or size, we would not expect to occur as part of our normal business on a regular basis.

We consider acquisition-related activities and business restructuring costs related to productivity and cost-saving initiatives, including employee separation costs, to be unusual items that we do not expect to occur as part of our normal business on a regular basis. We consider foreign currency gains and losses to be non-operational because they arise principally from intercompany transactions and are largely non-cash in nature.

New accounting standards

For discussion of new accounting standards, see "Notes to Consolidated Financial Statements—Summary of Significant Accounting Policies and New Accounting Standards."

Critical Accounting Policies

Critical accounting policies are those that require application of management's most difficult, subjective and/or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Not all accounting policies require management to make difficult, subjective or complex judgments or estimates. In presenting our consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (GAAP), we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results that differ from our estimates and assumptions could have an unfavorable effect on our financial position and results of operations. Critical accounting policies include revenue recognition, business combinations, long-lived assets, goodwill, and income taxes.

The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain. The pandemic is expected to affect our sales, expenses, reserves and allowances, manufacturing operations, research and development costs and employee-related amounts. The pandemic may have significant economic impact on local, regional, national and international customers and markets. New information that may emerge concerning COVID-19 and the actions required to contain or treat it may affect the duration and severity of the pandemic. Our financial statements include estimates of the effects of COVID-19 and there may be changes to those estimates in future periods.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical or current fact included in this report are forward-looking statements. Forward-looking statements discuss our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "outlook," "potential," "project," "projection," "plan," "intend," "seek," "believe," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected earnings, revenues, costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies, or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected. Examples of such risks and uncertainties include:

- the negative effects of a pandemic, epidemic, or outbreak of an infectious disease in humans, such as COVID-19, on our business, financial results, manufacturing facilities and supply chain, as well as our customers and protein processors;
- perceived adverse effects on human health linked to the consumption of food derived from animals that utilize our products could cause a decline in the sales of those products;
- restrictions on the use of antibacterials in food-producing animals may become more prevalent;
- a material portion of our sales and gross profits are generated by antibacterials and other related products;
- competition in each of our markets from a number of large and small companies, some of which have greater financial, research and development ("R&D"), production and other resources than we have;
- outbreaks of animal diseases could significantly reduce demand for our products;
- our business may be negatively affected by weather conditions and the availability of natural resources;
- the continuing trend toward consolidation of certain customer groups as well as the emergence of large buying groups;

[Table of Contents](#)

- our ability to control costs and expenses;
- any unforeseen material loss or casualty;
- exposure relating to rising costs and reduced customer income;
- competition deriving from advances in veterinary medical practices and animal health technologies;
- unanticipated safety or efficacy concerns;
- our dependence on suppliers having current regulatory approvals;
- our raw materials are subject to price fluctuations and their availability can be limited;
- natural and man-made disasters, including but not limited to fire, snow and ice storms, flood, hail, hurricanes and earthquakes;
- terrorist attacks, particularly attacks on or within markets in which we operate;
- our ability to successfully implement our strategic initiatives;
- our reliance on the continued operation of our manufacturing facilities and application of our intellectual property;
- adverse U.S. and international economic market conditions, including currency fluctuations;
- failure of our product approval, R&D, acquisition and licensing efforts to generate new products;
- the risks of product liability claims, legal proceedings and general litigation expenses;
- the impact of current and future laws and regulatory changes;
- modification of foreign trade policy may harm our food animal product customers
- our dependence on our Israeli and Brazilian operations;
- our substantial level of indebtedness and related debt-service obligations;
- restrictions imposed by covenants in our debt agreements;
- the risk of work stoppages; and
- other factors as described in “Risk Factors” in Item 1A. of our Annual Report.

While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences we anticipate or affect us or our operations in the way we expect. The forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of operations, we are exposed to market risks arising from adverse changes in interest rates, foreign currency exchange rates and commodity prices. As a result, future earnings, cash flows and fair values of assets and liabilities are subject to uncertainty. We use, from time to time, foreign currency contracts and interest rate swaps as a means of hedging exposure to foreign currency risks and fluctuating interest rates, respectively. We do not utilize derivative instruments for trading or speculative purposes. We do not hedge our exposure to market risks in a manner that completely eliminates the effects of changing market conditions on earnings, cash flows and fair values. We monitor the financial stability and credit standing of our major counterparties.

For financial market risks related to changes in interest rates and foreign currency exchange rates, reference is made to the “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosures about Market Risk” section in the Annual Report and to the notes to the consolidated financial statements included therein. As of the date of this report, there were no material changes in the Company’s financial market risks from the risks disclosed in the Annual Report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company’s management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”). Based upon that evaluation as of September 30, 2020, our Chief Executive Officer and Chief Financial Officer each concluded that, as of the end of such period, our disclosure controls and procedures were not effective because of material weaknesses in our internal control over financial reporting, as described in Management’s Report on Internal Control over Financial Reporting in “Item 9A. Controls and Procedures” in the Annual Report.

Material Weakness Remediation Efforts

We continue to make further progress in implementing a broad range of changes to our internal control over financial reporting to remediate the material weaknesses described in “Item 9A. Controls and Procedures” in the Annual Report. Our actions to address the material weaknesses have included the design and implementation of additional formal accounting policies and procedures to ensure transactions are properly initiated, recorded, processed, reported, appropriately authorized and approved. Also, our efforts to ensure maintenance of the appropriate level of segregation of duties includes restricting access to key financial systems and records to appropriate users. We continue to make improvements by reducing the number of segregation of duties conflicts and continue to evaluate the extent it is necessary to limit access and modify responsibilities of certain personnel, as well as designing and implementing additional user access controls and compensating controls. We have completed a gap analysis of our key controls. In completing this analysis, we identified areas where new controls were needed and enhancements to existing controls, policies and procedures need to be made. Through this analysis, we have developed a plan for remediation of our material weaknesses. We are executing our remediation plan by enhancing and supplementing the finance team through an increased number of roles, reassigning responsibilities, enhancing key financial systems and adding additional resources with an appropriate level of knowledge and experience in internal control over financial reporting commensurate with our financial reporting requirements. We will continue to build on the progress we have made in our remediation plan. We cannot determine when our remediation plan will be fully completed, and we cannot provide any assurance that these remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting during the three months ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Information required by this Item is incorporated herein by reference to “Notes to the Consolidated Financial Statements—Commitments and Contingencies” in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in the “Risk Factors” section in the Annual Report, which could materially affect our business, financial condition or future results.

There were no material changes in the Company’s risk factors from the risks disclosed in the Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Richard Johnson Employment Letter

As previously disclosed on September 17, 2020, Richard G. Johnson will retire from his position as Chief Financial Officer of the Company effective November 15, 2020. Mr. Johnson will continue with the Company for a period of time in an advisory capacity to ensure a smooth transition with his successor. On November 2, 2020, the Company entered into a continuing employment letter with Mr. Johnson (the “Employment Letter”).

Pursuant to the Employment Letter, Mr. Johnson will take on the role of Finance Advisor for the Company as of November 16, 2020, and will continue in this position through September 30, 2021. Mr. Johnson’s responsibilities will include providing support related to transition issues and undertaking special projects as requested by the Company. The position is not expected to be full-time and Mr. Johnson will be free to pursue other non-competitive ventures.

Pursuant to the Employment Letter, Mr. Johnson will receive an annual salary of \$100,000 and will continue to be provided a Company vehicle allowance. Mr. Johnson will not be eligible for a bonus in his new position. In lieu of any payment that Mr. Johnson would otherwise be eligible to receive with respect to our 2021 fiscal year under the Company’s management incentive plan (“MIP”), Mr. Johnson will be eligible to receive a bonus payment, if any, calculated in accordance with the terms of the MIP based on the performance of the Company for our 2021 fiscal year and pro-rated based on his service period as Chief Financial Officer through November 15, 2020.

[Table of Contents](#)

The Employment Letter also provides for, among other things the continuation of confidentiality, noncompete, nonsolicitation and intellectual property obligations applicable to Mr. Johnson under his existing arrangements with the Company, mutual non-disparagement obligations, and the continuation of Mr. Johnson's participation in the Company's employee benefit plans. In exchange for the compensation and benefits provided for in the Employment Letter, Mr. Johnson will sign a general release and separation agreement providing for a release of claims by Mr. Johnson in favor of the Company and its affiliates when his role as Chief Financial Officer ends on November 15, 2020, and an employment termination certificate upon the termination of his employment as Finance Advisor on or before September 30, 2021, which, among other things, provides for the extension of the release to cover the time period of his employment as Finance Advisor. The Company will have no further obligations under the Employment Letter in the event Mr. Johnson's employment is terminated for "Cause." For purposes of the Employment Letter, "Cause" is defined as (i) Mr. Johnson's continued and willful failure to materially perform his duties and responsibilities after written notice and a cure period, (ii) Mr. Johnson engaging in gross and willful misconduct, including fraud or intentional misrepresentation, (iii) Mr. Johnson's conviction of a felony, habitual drunkenness or drug abuse, (iv) any violation of Mr. Johnson's confidentiality or noncompetition obligations or (v) violation by Mr. Johnson of any Company policy including but not limited to the Code of Business Conduct and Ethics.

The foregoing description of the Employment Letter is qualified in its entirety by reference to the full text of Employment Letter, a copy of which is filed as Exhibit 10.2 and is incorporated by reference herein.

Item 6. Exhibits

Exhibit 10.1	Employment Offer Letter, dated September 14, 2020, by and between Damian L. Finio and Phibro Animal Health Corporation, including confidentiality and nondisclosure, employee invention, and noncompetition and nonsolicitation agreements.
Exhibit 10.2	Continuing Employment Letter, dated November 2, 2020, by and between Richard G. Johnson and Phibro Animal Health Corporation.
Exhibit 31.1	Chief Executive Officer—Certification pursuant to Sarbanes-Oxley Act of 2002 Section 302
Exhibit 31.2	Chief Financial Officer—Certification pursuant to Sarbanes-Oxley Act of 2002 Section 302
Exhibit 32.1	Chief Executive Officer—Certification pursuant to Sarbanes-Oxley Act of 2002 Section 906
Exhibit 32.2	Chief Financial Officer—Certification pursuant to Sarbanes-Oxley Act of 2002 Section 906
Exhibit 101 .INS*	XBRL Instance Document
Exhibit 101.SCH*	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Furnished with this Quarterly Report. Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933 and are deemed not filed for purposes of section 18 of the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Phibro Animal Health Corporation

November 4, 2020

By: /s/ Jack C. Bendheim

Jack C. Bendheim

Chairman, President and Chief Executive Officer

November 4, 2020

By: /s/ Richard G. Johnson

Richard G. Johnson

Chief Financial Officer



September 14, 2020

Damian L. Finio

Dear Damian,

I am pleased to present an offer of employment to you with Phibro Animal Health Corporation as Chief Financial Officer, Phibro Animal Health Corporation, reporting to me.

Our offer to you is as follows:

Start Date

Your anticipated start date with the Company will be October 26, 2020. This date presumes that you have satisfactorily cleared the pre-employment background check and substance abuse test referred to below. Your appointment as Chief Financial Officer of the Company will become effective November 15, 2020, after the completion of the Company's first quarter reporting cycle.

Location

You will be based out of our corporate headquarters office located in Teaneck, NJ.

Compensation

You will be compensated at the semi-monthly base salary rate of \$18,750 (equivalent to \$450,000 annually) less applicable deductions as required by law. Your compensation is subject to periodic review per Company policy.

You are eligible to participate in the Phibro Animal Health Corporation Management Incentive Plan beginning with our 2021 fiscal year commencing July 1, 2020. Your target bonus will be 50% of your base salary (the Plan provides for a maximum payout of 75% of your base salary). For fiscal year 2021, your participation will be pro-rated based on your start date. Bonuses are subject to corporate performance, contingent on satisfactory individual performance and subject to the approval of the Company's Board of Directors. In order to receive any bonus, you must be employed by the Company on the date the applicable bonus is paid.

You will be provided with a Company leased vehicle for your business and personal use pursuant to the Company's Fleet Policy.

You will receive a signing bonus in the gross amount of \$150,000, payable in two (2) payments of \$75,000. The first \$75,000 payment to be paid within 30 days of your start date; the second \$75,000 payment to be paid six months from your start date (as soon as administratively feasible after April 30, 2021), provided in each case you are still employed by the Company on the applicable payment date.

Benefit Plan

You will be eligible to participate in the Company's Benefit Plan, which includes Health, Dental, Life and Disability Insurance after a 30-day waiting period, and 401(k) Retirement and Savings Plan. Participation in these Plans is subject to the terms and conditions of the Plans, and they are subject to change at any time at the sole discretion of the Company. Please see the Summary of Insurance and Benefits for more details.

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Glenpointe Centre East / 3rd Floor / 300 Frank W. Burr Blvd., Ste. 21 / Teaneck, NJ 07666-6712
Direct: 201-329-7300 / Fax: 201-329-7399

Vacation

You are eligible for 20 vacation days per year and will begin to accrue that time on a monthly basis with your start date. Your first year entitlement will be prorated according to your start date.

Holidays

Currently the Company provides employees with 8 holidays and 3 floating holidays each year, for which you are eligible as of your start date.

Contingencies:

This offer is contingent upon:

- A satisfactory result on a pre-employment background check and substance abuse test.
- Your signed acceptance of, and agreement to be bound by, the Company's standard forms of Confidentiality and Nondisclosure, Noncompetition and Nonsolicitation, and Employee Invention agreements.
- Your signed agreement to abide by the Company's Code of Business Conduct and Ethics.
- The appointment of the Chief Financial Officer must be approved by the Company's Board of Directors, and the compensation of the Chief Financial Officer must be reviewed and approved by the Compensation Committee of the Board of Directors. With your written acceptance of this offer, resolutions of the Board of Directors and the Compensation Committee will be drafted to confirm the details. With the approval of the Board of Directors and the Compensation Committee, your appointment and the terms will become final.

Prior Employment Agreements

You agree that you have fully disclosed to the Company any post-termination obligations you may have with your current and prior employers, that your employment with the Company will not violate any such obligations, and that as a condition of your employment you will strictly comply with any such obligations, including any obligation to maintain the confidentiality of your current and prior employers' confidential information.

Employment-At-Will

Your employment status with the Company will be that of an at-will employee. Nothing in this offer of employment at-will shall be deemed to create a contract of employment. This offer of employment is not for a fixed duration and may be terminated at any time by either you or the Company with or without cause.

This offer expires September 16, 2020.

Damian, I am excited about your future at the Company and the potential of your leadership, and I look forward to working with you. If you agree with the above terms, please sign and date and return to me at your earliest convenience a copy of this letter; the Confidentiality and Nondisclosure, Noncompetition and Nonsolicitation, and Employee Invention agreements; and your agreement to abide by the Company's Code of Business Conduct and Ethics.

If you have any questions regarding your employment with Phibro, please feel free to call me at ***.

Sincerely,

/s/ Jack C. Bendheim

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September 14, 2020
Page 3

Jack C. Bendheim
Chief Executive Officer

Offer Accepted:

/s/ Damian L. Finio

Damian L. Finio

September 14, 2020

Date

CC: Lisa Escudero

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PHIBRO ANIMAL HEALTH CORPORATION

CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT

For good and valuable consideration, including but not limited to my initial or continued at-will employment by PHIBRO ANIMAL HEALTH CORPORATION, or any of its subsidiaries or affiliates (collectively "PAHC"), I hereby acknowledge and agree:

1. In the course of my employment with PAHC, certain trade secrets or confidential or proprietary information ("Protected Matters") of PAHC may be disclosed to or otherwise become known by me, including, but not limited to:
 - a. Product and Technical Information: Product formulations, new and innovative product ideas, research and development projects, investigations, experiments, clinical trials, new business development, sketches, plans, drawings, prototypes, methods, processes, formulae, compositions, raw materials, inventions, machines, computer programs, research projects and other non-public technical information, data, and techniques having value to PAHC.
 - b. Financial and Business Information: Customer lists, mailing lists, specific customer needs and requirements, leads and referrals to prospective customers, pricing data, sources of supply, marketing, production or merchandising systems and plans, cost information, commissions, fees, profits, sales, sales margins, capital structure, operating results, borrowing arrangements, strategies and plans for future business, pending projects and proposals, potential acquisitions or divestitures, and other non-public business information, data and techniques having value to PAHC.
 - c. Personnel information: the identity and number of PAHC's other employees, their salaries, bonuses, benefits, skills, qualifications, and abilities.

The foregoing types of information belonging to third parties in the possession of PAHC.

2. Other than in carrying out my duties as an employee of PAHC in an authorized and approved manner, I will not at any time during my employment, or after the separation of my employment with PAHC (regardless of the reason for separation), use for myself or others, or disclose or disseminate to others, any Protected Matters. Nothing in this Agreement is intended to prohibit my discussing with other employees, or with third parties who are not my future employers or PAHC's competitors, my wages, hours or other terms and conditions of employment.
 3. I agree that I will not disclose to PAHC, use for PAHC's benefit, or induce PAHC to use any trade secrets or confidential information I may possess or any intellectual property belonging to any former employer or other third party.
 4. Upon separation of my employment with PAHC:
-

- a. I shall return to PAHC all documents relating to PAHC or to Protected Matters, or obtained by me during the course of my employment with PAHC, and shall not retain any copies of such documents. For the purpose of this Agreement, "document" means, without limitation, any paper or other writing, any electronically or digitally stored data or collection of data, and any item of audio, video or graphic material, however recorded or reproduced. For any equipment or devices owned by me or in my possession on which documents relating to PAHC or to Protected Matters is stored or accessible, I shall, upon request by PAHC, deliver such equipment or devices to PAHC so that any documents relating to PAHC or to Protected Matters may be deleted or removed. I expressly authorize PAHC's designated representatives to access such equipment or devices for this limited purpose and shall provide any passwords or access codes necessary to accomplish this task.
 - b. This Agreement shall not apply to any information or materials that (i) is or becomes available in the public domain through no fault of, or act, or failure to act on my part, or (ii) is obtained by me on a non-confidential basis from any third party that is lawfully in possession of such information or materials, provided, that such third party is not in violation of a confidentiality obligation to PAHC with respect to such information or materials.
 5. I shall notify any future or prospective employer of mine of the existence of this Agreement. I further agree that PAHC may inform any future or prospective employer of mine of the existence of this Agreement
 6. Note: 18 U.S.C. § 1833(b)(1) states: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Further 18 U.S.C. § 1833(b)(2) states: "An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual—(A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order." Notwithstanding anything in this Agreement to the contrary, disclosures in compliance with 18 U.S.C. § 1833(b) are expressly permitted by this Agreement.
 7. Nothing in this Agreement prohibits me from reporting possible violations of United States federal law or regulation to any governmental agency or entity, including but not limited to, the United States Department of Justice, the United States Securities and Exchange Commission, the United States Congress, and any Inspector General of any United States federal agency, or making other disclosures that are protected under the whistleblower provisions of United States federal, state or local law or regulation; provided, that I will use my reasonable best efforts to (i) disclose only information that is reasonably related to such possible violations or that is requested by such agency or entity, and (ii) request that such agency or entity treat such information as confidential. I understand that I do not need the prior authorization from PAHC to make any such reports or disclosures and I am not required to notify PAHC that I have made such reports or disclosures. This Agreement does not limit my right to receive an award for information provided to any governmental agency or entity.
 8. The unenforceability of any provision or portion of this Agreement shall not impair or affect the enforceability of any other provision or portion of this Agreement. If any provision or portion of this
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Agreement is declared illegal or unenforceable by any court of competent jurisdiction, that provision or portion shall be deemed modified so as to render it enforceable.

9. THIS AGREEMENT WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW JERSEY WITHOUT REGARD FOR CONFLICTS OF LAWS PRINCIPLES. ANY ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT AND MY EMPLOYMENT SHALL BE BROUGHT EXCLUSIVELY IN THE STATE OR FEDERAL COURTS OF NEW JERSEY. I EXPRESSLY CONSENT TO VENUE IN, AND THE PERSONAL JURISDICTION OF, THE STATE AND FEDERAL COURTS LOCATED IN NEW JERSEY FOR ANY LAWSUIT ARISING FROM OR RELATING TO THIS AGREEMENT.
10. This Agreement does not alter the status of my employment as an at-will employee of PAHC.
11. I understand PAHC is engaged in a highly competitive business and that its competitive position depends upon its ability to maintain the confidentiality of the Protected Matters, which were developed, compiled and acquired by PAHC at its great effort and expense. I further acknowledge and agree that compliance with the provisions of this Agreement is necessary to protect the Protected Matters, business and goodwill of PAHC, and that any breach of this Agreement will result in irreparable and continuing harm to PAHC, for which money damages may not provide adequate relief. In the event of breach or threatened breach of this Agreement, PAHC shall have full rights to injunctive relief, in addition to any other existing rights and remedies, without requirement of posting bond.
12. The terms of this Agreement shall survive the separation of my employment with PAHC.
13. This Agreement shall be binding upon me and my personal representatives and successors in interest, and shall inure to the benefit of PAHC, its successors and assigns.
14. This Agreement constitutes the entire agreement between PAHC and me with respect to the subject matter of this Agreement, and supersedes all prior agreements between us relating to the same subject matter. Any waiver of a breach of any provision of this Agreement by PAHC shall not be construed as a waiver of any other breach of this Agreement, and no failure or delay by PAHC in exercising any right under this Agreement shall operate as a waiver of any breach by me. This Agreement cannot be changed except by written agreement of PAHC and me.

I have read, understand and consent to the above Agreement.

By: /s/ Damian Finio

Employee Signature

Damian Finio

Employee Name (please print)

September 18, 2020

Date



PHIBRO ANIMAL HEALTH CORPORATION

EMPLOYEE INVENTION AGREEMENT

For good and valuable consideration, including but not limited to my initial or continued at-will employment by PHIBRO ANIMAL HEALTH CORPORATION, or any of its subsidiaries or affiliates (collectively "PAHC"), I hereby acknowledge and agree:

1. During my employment with PAHC, and for a period of one year after my separation of employment regardless of reason, I shall promptly disclose in writing to PAHC all Inventions that:
 - a. result from any work performed on behalf of PAHC, or pursuant to a suggested research project by PAHC, or
 - b. relate in any manner to the existing or stated contemplated business of PAHC, or
 - c. result from the use of PAHC's time, material, employment or facilities.

For purposes of this Agreement, "Inventions" shall mean all works of authorship, inventions, discoveries, improvements, developments, and innovations, whether patentable, copyrightable, trademarkable, or not, conceived in whole or in part by the undersigned or through the assistance of the undersigned, and whether conceived or developed during working hours or not and whether conceived individually or jointly.

2. I agree to assign, and do hereby assign, to PAHC, its successors and assigns, all right, title and interest to each and every Invention, whether or not such Invention is a "work for hire" as that term is defined in the United States Copyright Act. I understand and agree that the decision whether or not to commercialize or market any Invention developed by me solely or jointly with others is within PAHC's sole discretion and for PAHC's sole benefit and that no royalty will be due to me as a result of PAHC's efforts to commercialize or market any such Invention.
 3. I agree to assist PAHC, or its designee, at PAHC's expense, in every proper way to secure PAHC's rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including, but not limited to, the disclosure to PAHC of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which PAHC shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to PAHC, its successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. I further agree that my obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers shall continue after the termination of this Agreement. If PAHC is unable because of my mental or physical incapacity or for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Inventions or original works of authorship assigned to PAHC as above, then I hereby irrevocably designate and appoint PAHC and its duly authorized officers and agents as my agent and
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attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by me.

4. I understand that the provisions of this Agreement requiring assignment of Inventions to PAHC shall not apply to any Inventions that are not within the scope of Paragraph 1.a, b or c above (collectively "Outside Discoveries).

I will advise PAHC promptly in writing of any Outside Discoveries, including those listed below which I claim were conceived or reduced to practice before the date of this Agreement:

Outside Discoveries: NONE

5. I shall notify any future or prospective employer of mine of the existence of this Agreement. I further agree that PAHC may inform any future or prospective employer of mine of the existence of this Agreement.
 6. The unenforceability of any provision or portion of this Agreement shall not impair or affect any other provision or portion of this Agreement. If any provision or portion of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction, that provision or portion shall be deemed modified so as to render it enforceable.
 7. THIS AGREEMENT WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW JERSEY WITHOUT REGARD FOR CONFLICTS OF LAWS PRINCIPLES. ANY ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT AND MY EMPLOYMENT SHALL BE BROUGHT EXCLUSIVELY IN THE STATE OR FEDERAL COURTS OF NEW JERSEY. I EXPRESSLY CONSENT TO VENUE IN, AND THE PERSONAL JURISDICTION OF, THE STATE AND FEDERAL COURTS LOCATED IN NEW JERSEY FOR ANY LAWSUIT ARISING FROM OR RELATING TO THIS AGREEMENT.
 8. This Agreement does not alter the status of my employment as an at-will employee of PAHC.
 9. This Agreement does not alter my obligations to maintain the confidentiality of PAHC protected information or my obligations under the PAHC Confidentiality and Nondisclosure Agreement.
 10. I acknowledge and agree that compliance with the provisions of this Agreement is necessary to protect the business of PAHC, and that any breach of this Agreement will result in irreparable and continuing harm to PAHC, for which money damages may not provide adequate relief. In the event of breach or threatened breach of this Agreement, PAHC shall have full rights to injunctive relief, in addition to any other existing rights and remedies, without requirement of posting bond.
 11. The terms of this Agreement shall survive my separation of employment with PAHC.
 12. This Agreement shall be binding upon me and my personal representatives and successors in interest, and shall inure to the benefit of PAHC, its successors and assigns.
 13. This Agreement constitutes the entire agreement between PAHC and me with respect to the subject of this Agreement, and supersedes all prior agreements between us relating to the same subject matter. Any waiver of a breach of any provision of this Agreement by PAHC shall not be construed as a waiver of any other breach of the Agreement, and no failure or delay by PAHC in exercising any
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right under this Agreement shall operate as a waiver of any breach by me. This Agreement cannot be changed except by written agreement of PAHC and me.

I have read, understand and consent to the above Agreement.

By: /s/ Damian Finio

Employee Signature

Damian Finio

Employee Name (please print)

September 18, 2020

Date



PHIBRO ANIMAL HEALTH CORPORATION

NONCOMPETITION AND NONSOLICITATION AGREEMENT

In consideration of my initial or continued employment by PHIBRO ANIMAL HEALTH CORPORATION, or any of its subsidiaries or affiliates (collectively "PAHC"), my access to and provision with PAHC's confidential information and trade secrets under the terms and conditions of my Confidentiality and Nondisclosure Agreement with PAHC, and for other good and sufficient consideration, I hereby acknowledge and agree:

1. During my employment with PAHC and for a period of one year after my separation of employment regardless of the reason, I shall not:
 - a. Directly or indirectly (i) own, (ii) be employed by or (iii) be engaged to perform work in a capacity similar to the position(s) I held with PAHC on behalf of, any firm engaged in any business: (A) similar to, or competitive with, PAHC's business in those geographic regions or territories in which PAHC marketed its products or had sales during the twelve-month period prior to the separation of my employment at PAHC, or (B) which PAHC has plans to enter during the twelve-month period following the separation of my employment with PAHC of which I was aware during the term of my employment with PAHC.
 - b. Directly or indirectly, or in any capacity, on my own behalf or on behalf of another, undertake or assist in the servicing or solicitation of any customer or prospective customer for the purpose of selling products or services of the type for which I had (i) responsibility, (ii) knowledge of or (iii) access to confidential information and trade secrets, while employed by PAHC. This restriction shall apply only to those customers or prospective customers of PAHC with whom I came into contact during the 24-month period prior to the date of my separation of employment with PAHC. For the purposes of this section, the term "contact" means interaction between the customer and me which takes place to further the business relationship, or making sales to or performing services for the customer on behalf of PAHC. For purposes of this section, the term "contact" with respect to a "prospective" customer means interaction between a potential customer and me which takes place to obtain the business of the potential customer on behalf of PAHC.
 - c. Directly or indirectly solicit any employee of PAHC to leave the employ of PAHC or to violate the terms of his or her employment arrangement with PAHC. This restriction shall apply only to those employees of PAHC with whom I came into contact during the 24-month period prior to the date of my separation of employment with PAHC.
 2. For the purposes of this Agreement, I understand that, as of July 1, 2017, PAHC is engaged in businesses which include but are not limited to manufacturing and/or marketing of pharmaceutical and nutritional products for animals (including but not limited to medicated and non-medicated feed
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additives and vaccines), and manufacturing and/or marketing specialty chemicals including products used in ethanol-production, surface finishing and coating materials, and personal care ingredients. I further understand that, for the purposes of this Agreement, from time to time the businesses engaged in by PAHC may change from this description.

3. For a period of one year following the separation of my employment from PAHC, regardless of reason, I shall notify any future or prospective employer of mine of the existence of this Agreement, and I further agree that PAHC may inform any future or prospective employer of mine of the existence of this Agreement.
4. The unenforceability of any provision or portion of this Agreement shall not impair or affect the enforceability of any other provision or portion of this Agreement. If any provision or portion of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction, that provision or portion shall be deemed modified so as to render it enforceable.
5. THIS AGREEMENT WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW JERSEY WITHOUT REGARD FOR CONFLICTS OF LAWS PRINCIPLES. ANY ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT AND MY EMPLOYMENT SHALL BE BROUGHT EXCLUSIVELY IN THE STATE OR FEDERAL COURTS OF NEW JERSEY. I EXPRESSLY CONSENT TO VENUE IN, AND THE PERSONAL JURISDICTION OF, THE STATE AND FEDERAL COURTS LOCATED IN NEW JERSEY FOR ANY LAWSUIT ARISING FROM OR RELATING TO THIS AGREEMENT.
6. This Agreement does not alter the status of my employment as an at-will employee of PAHC.
7. I understand PAHC is engaged in a highly competitive business and that its competitive position depends upon its ability to maintain the confidentiality of its confidential information, proprietary information, and trade secrets, which were developed, compiled and acquired by PAHC at its great effort and expense. I further acknowledge and agree that compliance with the provisions of this Agreement and PAHC's Confidentiality and Nondisclosure Agreement is necessary to protect the confidential information, proprietary information, and trade secrets, business and goodwill of PAHC, and that any breach of this Agreement will result in irreparable and continuing harm to PAHC, for which money damages may not provide adequate relief. Accordingly, in the event of a breach or threatened breach of this Agreement, PAHC shall have full rights to injunctive relief, in addition to any other existing rights and remedies, without requirement of posting bond.
8. The terms of this Agreement shall survive my separation of employment with PAHC.
9. This Agreement shall inure to the benefit of PAHC, its successors and assigns.
10. This Agreement constitutes the entire agreement between PAHC and me with respect to the subject of this Agreement and supersedes all prior agreements between us relating to the same subject matter, except the Confidentiality and Nondisclosure Agreement between PAHC and me, which is incorporated herein by reference. Any waiver of a breach of any provision of this Agreement by PAHC shall not be construed as a waiver of any other breach of this Agreement, and no failure or delay by PAHC in exercising any right under this Agreement shall operate as a waiver of any breach by me. This Agreement cannot be changed except by written agreement of PAHC and me, wherein specific reference is made to this Agreement.

I have read, understand and consent to the above Agreement.

By: /s/ Damian Finio
Employee Signature

Damian Finio
Employee Name (please print)

September 18, 2020
Date



November 2, 2020

Richard G. Johnson

Dear Dick:

This letter is to confirm our recent discussions regarding your voluntary retirement from your current position as Chief Financial Officer of Phibro Animal Health Corporation (the "Company") effective November 15, 2020. As discussed, you have agreed to take on a new position with the Company, as Finance Advisor, for a period beginning November 16, 2020, and continuing through September 30, 2021 (or earlier date of termination in accordance with paragraph 1 below), at which time your employment with the Company will terminate.

This letter sets out the terms of our agreement regarding your continuing employment and the process by which we will move forward.

1. Effective November 16, 2020, you will take on the role of Finance Advisor for the Company and shall be a Company employee in this position through September 30, 2021. You will be eligible for benefits in accordance with the current Company policies, and will continue to be provided a Company vehicle allowance. The Company agrees to maintain your employment through September 30, 2021 and will only terminate your employment prior to September 30, 2021 for Cause, as defined in paragraph 6 herein, or by mutual agreement of the Company and you.

2. You will be paid an annual salary of One Hundred Thousand Dollars (\$100,000.00), less applicable taxes and deductions. This position is not bonus eligible. Any travel or business expenses that you incur will be paid in accordance with the Company's Business Travel and Entertainment Policy; provided, however, that no expenses may be incurred without the prior written approval of the Chief Executive Officer or Chief Financial Officer of the Company.

3. You will be called on as necessary to: (i) provide support related to transition issues, and (ii) to undertake special projects as requested by the Company.

4. In lieu of any payment that you could otherwise be eligible for under the Phibro Management Incentive Bonus Plan for FY 2021 ("FY2021 Bonus Plan"), the parties agree that you will be paid a pro-rata amount, if any, based on the performance of the Company pursuant to the terms and conditions of the FY2021 Bonus Plan and your service period through November 15, 2020 as Chief Financial Officer, which amount, if any, shall be paid no later than September 30, 2021.

5. It is anticipated that your work demands will not encompass one hundred percent (100%) of your time. You will be allowed to perform your duties at your current home location or in other such locations as may

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be mutually agreed upon. It is agreed by the parties hereto, that you are free to pursue other non-competitive ventures during working hours that are not encompassed by Company responsibilities. In the event of a question regarding a conflict, the parties agree to discuss the matter; however, the Company shall have the final decision regarding any conflict of interest or competitive matters.

6. In the event your employment is terminated for "Cause," the Company shall have no further obligations under this letter, including, without limitation, any obligation to pay base salary, future salary, bonus or other benefits under this letter. "Cause" shall be defined as: (i) your continued and willful failure to materially perform your duties and responsibilities under this letter after written notice and where such failure is not cured within five (5) days of your receipt of such notice, (ii) engaging in gross and willful misconduct including, but not limited to, fraud or intentional misrepresentation, (iii) conviction of a felony (other than traffic violations), habitual drunkenness or drug abuse, (iv) any violation of your confidentiality or noncompetition obligations or (v) violation of any Company policy including but not limited to the Code of Business Conduct and Ethics.

7. In exchange for the compensation and benefits noted herein, you agree that you will sign a General Release and Separation Agreement substantially in the form attached hereto as Exhibit A, (the "General Release ") upon termination of your role as Chief Financial Officer (after November 15, 2020) and the attached Employment Termination Certificate substantially in the form attached hereto as Exhibit B (the "Certificate"), upon termination of your employment as Finance Advisor (on or before September 30, 2021).

8. You agree that you signed agreements with the Company relating to confidentiality of Company information, inventions, noncompetition and nonsolicitation and acknowledgement of the Phibro Code of Business Conduct and Ethics and that your obligations under each of these agreements will continue in full force and effect in your new role as Finance Advisor and through your date of termination from the Company.

9. You agree that the terms and conditions of this letter are strictly confidential and shall not be disclosed to any other person except your immediate family, your legal counsel, taxing authorities in connection with your filing of federal or state tax returns, or as otherwise required by legal process or applicable law.

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November 2, 2020
Page 3

Dick, I look forward to continuing to work together in your new role as Finance Advisor and thank you for all of your contributions to Phibro. Please sign below to confirm your agreement and acknowledgment of this letter.

Sincerely,
PHIBRO ANIMAL HEALTH CORPORATION

/s/Jack C. Bendheim

Name: Jack C. Bendheim

Title: Chairman, President and CEO

I HAVE READ, UNDERSTAND AND
AGREE TO THE ABOVE

/s/ Richard G. Johnson

Richard G. Johnson

DATE: November 2, 2020

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EXHIBIT A-- DRAFT

CONFIDENTIAL
GENERAL RELEASE AND SEPARATION AGREEMENT

This General Release and Separation Agreement and ("Agreement") is between Richard G. Johnson ("you") and Phibro Animal Health Corporation ("PAHC" or "the Company"). It is intended to fully and finally resolve and compromise all potential issues and claims surrounding your employment with, and the termination of, your employment with the Company.

1. Definition of Parties: As used in this Agreement "Releasees" refers to and includes all: (a) PAHC subsidiaries and affiliated corporations and business entities, (b) shareholders, officers, directors, agents, managers, employees, representatives and attorneys of PAHC and PAHC subsidiaries and affiliated corporations and business entities, and (c) successors and assigns of those persons, corporations and entities. References to "you" (and "your") include you, and all of your representatives, attorneys, heirs, executor(s) of your estate, and anyone who succeeds to your rights.

2. Last Day of Employment: Your last day of employment as the Chief Financial Officer will be November 15, 2020. You will remain employed on an at-will basis in the role of Finance Advisor effective November 16, 2020 through September 30, 2021 or earlier date of termination in accordance with paragraph 1 of the letter you received on November 2, 2020, and signed on November 2, 2020 (the "Termination Date"). Effective on the Termination Date, you will receive payment for any unused, accrued vacation days. Your Company provided benefits, including health care insurance, life and AD&D insurance, disability insurance, worker's compensation coverage and contributions, if any, to PAHC's 401(k) and flexible spending plans will cease as of the Termination Date.

3. PAHC's Consideration For Agreement: In consideration for signing this Agreement and the attached Certificate and complying with all of the terms in these documents, PAHC agrees to provide you with the following consideration:

- a. Effective November 16, 2020 you will take on the role of Finance Advisor and shall be a Company employee in this position through the Termination Date. You will be eligible for benefits as per the current Company policies.

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b. You will be paid an annual salary of One Hundred Thousand Dollars (\$100,000.00). This position is not bonus eligible.

4. In lieu of any payment that you could otherwise be eligible for under the Phibro Management Incentive Bonus Plan for FY 2021 ("FY2021 Bonus Plan"), the parties agree that you will be paid a pro-rata amount, if any, based on the performance of the Company pursuant to the terms and conditions of the FY2021 Bonus Plan and your service period through November 15, 2020 as Chief Financial Officer, which amount, if any, shall be paid no later than September 30, 2021. Your Release of Claims: In consideration for, and as a condition to, the receipt of the above payments stated in paragraph 3 above, you covenant not to sue Releasees and completely release and forever discharge Releasees from all claims, rights, obligations, and causes of action of any and every kind and character, known or unknown, asserted or unasserted, which you may now have, or have ever had, arising from or in any way connected with or arising from your employment, and the termination of your employment as Chief Financial Officer.

This release includes **without limitation** all: (a) "wrongful discharge" claims; (b) claims relating to any express or implied contracts regarding your employment or its termination; (c) claims alleging violation of any federal, state, or local law, municipal statute, ordinance, regulation or constitution; (d) common law claims, including tort and contract claims, claims alleging breach of the covenant of good faith and fair dealing and claims alleging violation of public policy; (e) claims for attorneys' fees and costs; (f) claims for monetary and equitable damages, and (g) claims seeking payment of taxes, attorneys' fees or costs. This release specifically includes any and all claims or causes of action that may be legally released and waived arising under Title VII of the Civil Rights Act of 1964; the Equal Pay Act of 1963; the Civil Rights Act of 1991; the Civil Rights Act of 1866; the Age Discrimination in Employment Act of 1967 ("ADEA"); the Older Workers Benefit Protection Act ("OWBPA"); the Americans with Disabilities Act; the Employee Retirement Income Security Act; the Worker Adjustment and Retraining Notification Act of 1988; the Fair Credit Reporting Act; the Immigration Reform and Control Act; the Corporate and Criminal Fraud Accountability Act also known as the Sarbanes Oxley Act; the Family and Medical Leave Act; the Patient Protection and Affordable Care Act; the Health Care and Education Reconciliation Act of 2010; the Uniformed Services Employment and Reemployment Rights Act; the New York State Human Rights Law, the New York Equal Rights Law, the New York Labor Law, the Administrative Code of the City of New York; the New Jersey Family Leave Act; the New Jersey Conscientious Employee Protection Act; the New Jersey Law Against Discrimination; the New Jersey Equal Pay Act; any claim for unpaid wages or accrued vacation, all as amended, and any other labor law, employee relations, and/or fair employment practice

statute, rule or ordinance and all claims for wages, monetary or equitable relief, vacation, other employee fringe benefits, damages, punitive damages, taxes or attorneys' fees.

In consideration of the payments and benefits provided to you, you acknowledge and agree that this Agreement constitutes a knowing and voluntary waiver of all rights or claims you have or may have against Releasees as set forth herein, including, but not limited to, all rights or claims arising under the ADEA, if any, including, but not limited to, all claims of age discrimination and retaliation. This Agreement does not limit your right, if any, to bring an action to enforce the terms of this Agreement. Nothing in this Agreement prevents you from filing, cooperating with, or participating in any future proceeding before the EEOC or the New Jersey Division on Civil Rights. You expressly waive, however, all rights to any individual monetary award, injunctive relief, or other recovery should any federal, state or local administrative agency pursue any claims on your behalf arising out of or related to your employment with, or separation from, employment as Chief Financial Officer.

This releases all claims, including those of which you are not aware and those not mentioned in this Agreement, and applies to claims resulting from anything which has happened up to now. It specifically excludes anything which occurs after the date you sign this Agreement. By entering into this Agreement, you do not waive rights or claims that may arise after the date you sign this Agreement.

5. Confidentiality Provision: You agree that you signed agreements with PAHC relating to confidentiality of Company information, inventions and noncompetition and nonsolicitation and that your obligations under each of these agreements will continue in full force and effect after your date of termination as Chief Financial Officer. Aside from those agreements (which remain in full force and effect) and the terms and conditions included in the letter you received on November 2, 2020, and signed on November 2, 2020, this Agreement constitutes the entire agreement between PAHC and you, and supersedes and cancels all prior and contemporaneous written and oral agreements, if any, between PAHC and you. You affirm that, in entering into this Agreement, you are not relying upon any oral or written promise or statement made by anyone at any time on behalf of PAHC or the Releasees.

6. Cooperation: You agree that you will provide reasonable cooperation to the Company in connection with any existing or future litigation against, or investigation of, the Company whether administrative, civil or criminal in nature, in which and to the extent the Company deems your cooperation reasonably necessary. The Company agrees that it will endeavor to ensure that any such requests for

cooperation do not unreasonably interfere with your new employment. The Company will reimburse you for any reasonable expenses incurred in relation to your compliance with this paragraph. In addition, you agree to provide reasonable cooperation and respond to reasonable requests for information regarding matters for which you had responsibility or with which you were involved during your employment as Chief Financial Officer.

7. Non-Disparagement: You agree that you will not now or ever in the future, publicly or privately, make, verbally or in writing, any false, disparaging, derogatory or otherwise inflammatory remarks about the Company, the conduct, operations, financial condition or business practices, policies or procedures of the Company to any third party, and that you have not and will not make or solicit any comments, statements, or the like to the media or to others that may be considered to be derogatory or detrimental to the good name or business reputation of the Company. The Company agrees that it will not make, verbally or in writing, any false or disparaging remarks about you or your employment with the Company.

8. Taxes: PAHC may deduct from any compensation or benefits any applicable federal, state or local tax or employment withholdings or deductions resulting from any payments or benefits provided under this Agreement. In addition, it is PAHC's intention that all payments or benefits provided under this Agreement comply with Section 409A of the Internal Revenue Code of 1986. Notwithstanding anything to the contrary in this Agreement, the Company does not guarantee the tax treatment of any payments or benefits under the Agreement, including without limitation under the Code, federal, state, local or foreign tax laws and regulations and you remain responsible for any and all taxes you may owe.

9. Applicable Law: This Agreement shall be interpreted for all purposes consistent with the laws of the State of New Jersey. If any clause of this Agreement should ever be determined to be unenforceable, it is agreed that this will not affect the enforceability of any other clause or the remainder of this Agreement. No modification of the Agreement shall be binding except in writing signed by the parties.

10. Review Period: You understand and acknowledge that PAHC is providing you with twenty one (21) days within which to consider this Agreement and that during that period you should consult with an independent attorney and other professional persons of your choice unrelated to PAHC. You understand that you may not execute this Agreement until after the termination of your employment with PAHC. YOUR EXECUTION OF THIS AGREEMENT SHALL CONSTITUTE YOUR ACCEPTANCE OF ALL ITS TERMS.

11. Revocation: You may revoke this Agreement within seven (7) calendar days from the date you sign this Agreement, in which case this Agreement shall be null and void and of no force or effect on either PAHC

or you. Any revocation must be in writing and received by PAHC on or before the seventh day after this Agreement is executed by you. Such revocation must be sent to Thomas G. Dagger, Senior Vice President and General Counsel, Phibro Animal Health Corporation at Glenpointe Centre East, 3rd Floor, 300 Frank W. Burr Blvd., Suite 21, Teaneck, NJ 07666.

12. Additional Acknowledgements: You represent, affirm and acknowledge:

(a) You have no physical or mental impairment of any kind that has interfered with your ability to read and understand the meaning of this Agreement or its terms, and that you are not acting under the influence of any medication or mind-altering chemical of any type in entering into this Agreement.

(b) The payments stated in this Agreement constitute good and valuable consideration by PAHC in full consideration for this Agreement and you will not seek anything further including any other payment from the Releasees.

(c) You have reported all hours worked through your last day of employment as Chief Financial Officer and have been paid for all work performed, and that PAHC owes you no wages, commissions, bonuses, sick pay, personal leave pay, severance pay, vacation pay or other compensation or benefits or payments or form of remuneration of any kind or nature, other than that specifically provided for in this Agreement.

(d) You have no known workplace injuries or occupational diseases and have received all leave to which you may have been entitled (for both non-work and work-related injury or illness), and have not been discriminated against or retaliated against for any leave or request for leave under the Family and Medical Leave Act, or any other law.

(e) You have not filed any lawsuits, claims, complaints, actions, proceedings or arbitrations against Releasees, or filed or caused to be filed any charges or complaints against Releasees, with any municipal, state or federal agency charged with the enforcement of any law.

(f) You are not aware (without any inquiry or investigation) of any violation of any law nor of Company policy by the Company, any of the Company's officers, directors, or employees or by officers, directors or employees of any subsidiary of the Company.

(g) Any payments or benefits provided you under the terms of this Agreement do not constitute an admission by the Company that it (or the Releasees), has violated any law or legal obligation or that it (or the Releasees) has any liability arising from the subjects covered in this Agreement.

13. **Amendment.** This Agreement may not be modified, altered or changed except in writing and signed by both Parties wherein specific reference is made to this Agreement.

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November 2, 2020

Page 10

YOU EXPRESSLY ACKNOWLEDGE, REPRESENT, AND WARRANT THAT YOU HAVE READ THIS AGREEMENT AND GENERAL RELEASE CAREFULLY; THAT YOU FULLY UNDERSTAND THE TERMS, CONDITIONS, AND SIGNIFICANCE OF THIS AGREEMENT; THAT PAHC HAS ADVISED YOU TO CONSULT WITH AN ATTORNEY CONCERNING THIS AGREEMENT AND RELEASE; THAT YOU HAVE HAD A FULL OPPORTUNITY TO REVIEW THIS AGREEMENT AND RELEASE WITH AN ATTORNEY; THAT YOU HAVE HAD TWENTY ONE (21) DAYS TO CONSIDER AND ACCEPT THIS AGREEMENT; THAT YOU UNDERSTAND THAT THIS AGREEMENT AND RELEASE HAS BINDING LEGAL EFFECT; AND THAT YOU HAVE EXECUTED THIS AGREEMENT AND RELEASE FREELY, KNOWINGLY AND VOLUNTARILY.

Dated: _____

Richard G. Johnson

Phibro Animal Health Corporation

Dated: _____

By: _____

Lisa Escudero

Senior Vice President, Human Resources

Phibro Animal Health Corporation

HEALTHY ANIMALS. HEALTHY FOOD. HEALTHY WORLD.®

EXHIBIT B- DRAFT

Employment Termination Certificate

THIS CERTIFICATE MUST BE SIGNED ON OR AFTER EMPLOYEE'S SEPARATION DATE AND RETURNED TO THE GENERAL COUNSEL AT PHIBRO ANIMAL HEALTH CORPORATION
--

I signed an Agreement and General Release on _____, 2020. I hereby acknowledge that:

(1) A blank copy of this Employment Termination Certificate ("Certificate") was attached as Exhibit "B" to the Agreement and General Release when it was given to me for review. I have had more time to consider signing this Certificate than the ample time I was given to consider signing the Agreement and General Release. I was advised in writing to discuss the Agreement and General Release, including this Certificate, with an attorney before executing either document.

(2) I affirm that as of my Termination Date (on or before September 30, 2021), I returned all of the Company's property, documents, and any confidential information in my possession or control. I also affirm that as of my Termination Date, I was in possession of all of my property that I had at the Company's premises and that the Company is not in possession of any of my property.

(3) In exchange for the consideration described in the Agreement and General Release, I hereby agree that this Certificate will be a part of my Agreement and General Release and that my Agreement and General Release is to be construed and applied as if I signed it on the day I signed this Certificate. This extends, among other things, my general release of claims under Paragraph "4" of the Agreement and General Release to any claims that arose from the date I signed my Agreement and General Release, up to and including the date I signed this Certificate.

Date: _____

Name: _____
Richard G. Johnson

HEALTHY ANIMALS. HEALTHY FOOD. HEALTHY WORLD.®

CERTIFICATIONS

I, Jack C. Bendheim, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Phibro Animal Health Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 4, 2020

/s/ Jack C. Bendheim

Jack C. Bendheim

Chairman, President and Chief Executive Officer

CERTIFICATIONS

I, Richard G. Johnson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Phibro Animal Health Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 4, 2020

/s/ Richard G. Johnson
Richard G. Johnson
Chief Financial Officer

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Dated: November 4, 2020

/s/ Jack C. Bendheim

Jack C. Bendheim

Chairman, President and Chief Executive Officer

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Dated: November 4, 2020

/s/ Richard G. Johnson

Richard G. Johnson

Chief Financial Officer
