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 March 31, 2021

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 April 29, 2021, there were 20,337,574 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

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

PHIBRO ANIMAL HEALTH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Periods Ended March 31	Three Months 2021	Three Months 2020	Nine Months 2021	Nine Months 2020
	(unaudited) (in thousands, except per share amounts)			
Net sales	$ 211,729	$ 210,739	$ 613,072	$ 614,471
Cost of goods sold	142,564	141,188	411,523	418,153
Gross profit	69,165	69,551	201,549	196,318
Selling, general and administrative expenses	49,033	48,232	145,839	145,243
Operating income	20,132	21,319	55,710	51,075
Interest expense, net	2,933	3,263	8,957	10,049
Foreign currency (gains) losses, net	(583)	(608)	(3,590)	1,895
Income before income taxes	17,782	18,664	50,343	39,131
Provision for income taxes	5,621	5,163	13,079	11,221
Net income	$ 12,161	$ 13,501	$ 37,264	$ 27,910
Net income per share				
basic	$ 0.30	$ 0.33	$ 0.92	$ 0.69
diluted	$ 0.30	$ 0.33	$ 0.92	$ 0.69
Weighted average common shares outstanding				
basic	40,483	40,454	40,463	40,454
diluted	40,504	40,504	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 March 31	Three Months 2021	Three Months 2020	Nine Months 2021	Nine Months 2020
	(unaudited) (in thousands)			
Net income	$ 12,161	$ 13,501	$ 37,264	$ 27,910
Change in fair value of derivative instruments	5,749	(9,995)	10,567	(9,999)
Foreign currency translation adjustment	(9,122)	(23,873)	(4,345)	(28,493)
Unrecognized net pension gains	144	129	416	387
(Provision) benefit for income taxes	(1,473)	2,457	(2,745)	2,394
Other comprehensive income (loss)	(4,702)	(31,282)	3,893	(35,711)
Comprehensive income (loss)	$ 7,459	$ (17,781)	$ 41,157	$ (7,801)

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

PHIBRO ANIMAL HEALTH CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of	March 31, 2021	June 30, 2020
	(in thousands, except share and per share amounts)	
ASSETS		
Cash and cash equivalents	$ 49,103	$ 36,343
Short-term investments	44,000	55,000
Accounts receivable, net	135,562	126,522
Inventories, net	206,258	196,659
Other current assets	36,795	37,313
Total current assets	471,718	451,837
Property, plant and equipment, net	150,188	148,109
Intangibles, net	64,434	70,997
Goodwill	52,679	52,679
Other assets	65,998	60,478
Total assets	$ 805,017	$ 784,100
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current portion of long-term debt	$ 23,437	$ 18,750
Accounts payable	62,803	66,091
Accrued expenses and other current liabilities	82,651	72,397
Total current liabilities	168,891	157,238
Revolving credit facility	176,000	169,000
Long-term debt	180,786	199,257
Other liabilities	63,419	70,401
Total liabilities	589,096	595,896
Commitments and contingencies (Note 8)		
Common stock, par value $0.0001 per share; 300,000,000 Class A shares authorized, 20,337,574 and 20,287,574 shares issued and outstanding at March 31, 2021, and June 30, 2020, respectively. 30,000,000 Class B shares authorized, 20,166,034 shares issued and outstanding at March 31, 2021, 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	136,654	135,525
Retained earnings	205,755	183,060
Accumulated other comprehensive loss	(126,492)	(130,385)
Total stockholders' equity	215,921	188,204
Total liabilities and stockholders' equity	$ 805,017	$ 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 March 31	Nine Months 2021	Nine Months 2020
	(unaudited) (in thousands)	
OPERATING ACTIVITIES		
Net income	$ 37,264	$ 27,910
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	24,042	24,177
Amortization of debt issuance costs	662	662
Stock-based compensation	1,129	1,694
Acquisition-related items	—	480
Deferred income taxes	18	(1,279)
Foreign currency (gains) losses, net	(7,293)	676
Other	389	620
Changes in operating assets and liabilities, net of business acquisitions:		
Accounts receivable, net	(8,410)	4,009
Inventories, net	(8,091)	6,584
Other current assets	3,746	(1,841)
Other assets	(1,019)	(1,369)
Accounts payable	(751)	(4,159)
Accrued expenses and other liabilities	3,550	(2,693)
Net cash provided by operating activities	45,236	55,471
INVESTING ACTIVITIES		
Purchases of short-term investments	(50,000)	(55,000)
Maturities of short-term investments	61,000	24,000
Capital expenditures	(22,226)	(23,969)
Business acquisitions	-	(54,549)
Other, net	(164)	(1,339)
Net cash used by investing activities	(11,390)	(110,857)
FINANCING ACTIVITIES		
Revolving credit facility borrowings	135,000	194,000
Revolving credit facility repayments	(128,000)	(144,000)
Payments of long-term debt and other	(14,063)	(9,486)
Dividends paid	(14,569)	(14,563)
Net cash provided (used) by financing activities	(21,632)	25,951
Effect of exchange rate changes on cash	546	(1,390)
Net increase (decrease) in cash and cash equivalents	12,760	(30,825)
Cash and cash equivalents at beginning of period	36,343	57,573
Cash and cash equivalents at end of period	$ 49,103	$ 26,748

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

(unaudited)
(in thousands, except share amounts)

	Shares of Common Stock	Common Stock	Preferred Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
As of June 30, 2020	40,453,608	$ 4	$ —	$ 135,525	$ 183,060	$ (130,385)	$ 188,204
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	40,453,608	$ 4	$ —	$ 136,090	$ 190,508	$ (134,190)	$ 192,412
Comprehensive income	—	—	—	—	12,801	12,400	25,201
Dividends declared ($0.12 per share)	—	—	—	—	(4,855)	—	(4,855)
Stock-based compensation expense	—	—	—	564	—	—	564
As of December 31, 2020	40,453,608	$ 4	$ —	$ 136,654	$ 198,454	$ (121,790)	$ 213,322
Comprehensive income (loss)	—	—	—	—	12,161	(4,702)	7,459
Shares issued pursuant to stock incentive plan	50,000	—	—	—	—	—	—
Dividends declared ($0.12 per share)	—	—	—	—	(4,860)	—	(4,860)
Stock-based compensation expense	—	—	—	—	—	—	—
As of March 31, 2021	40,503,608	$ 4	$ —	$ 136,654	$ 205,755	$ (126,492)	$ 215,921

(unaudited)
(in thousands, except share amounts)

	Shares of Common Stock	Common Stock	Preferred Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
As of June 30, 2019	40,453,608	$ 4	$ —	$ 133,266	$ 168,926	$ (86,181)	$ 216,015
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	40,453,608	$ 4	$ —	$ 133,831	$ 166,587	$ (93,728)	$ 206,694
Comprehensive income	—	—	—	—	11,894	3,118	15,012
Dividends declared ($0.12 per share)	—	—	—	—	(4,855)	—	(4,855)
Stock-based compensation expense	—	—	—	564	—	—	564
As of December 31, 2019	40,453,608	$ 4	$ —	$ 134,395	$ 173,626	$ (90,610)	$ 217,415
Comprehensive income (loss)	—	—	—	—	13,501	(31,282)	(17,781)
Dividends declared ($0.12 per share)	—	—	—	—	(4,854)	—	(4,854)
Stock-based compensation expense	—	—	—	565	—	—	565
As of March 31, 2020	40,453,608	$ 4	$ —	$ 134,960	$ 182,273	$ (121,892)	$ 195,345

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 and nine months ended March 31, 2021 and 2020, 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 uncertain. Although vaccines are now available, distribution efforts vary widely country-by-country and state-by-state. New information may continue to emerge concerning COVID-19, and the actions required to contain or treat it may affect the duration and severity of the pandemic. The pandemic may have significant economic impacts on customers, suppliers and markets. The pandemic may affect our future revenues, expenses, reserves and allowances, manufacturing operations and employee-related costs. 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 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 March 31, 2021, 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.

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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.

	Three Months		Nine Months	
For the Periods Ended March 31	**2021**	**2020**	**2021**	**2020**
Net income	$ 12,161	$ 13,501	$ 37,264	$ 27,910
Weighted average number of shares – basic	40,483	40,454	40,463	40,454
Dilutive effect of stock options and restricted stock units	21	50	41	50
Weighted average number of shares – diluted	40,504	40,504	40,504	40,504
Net income per share				
basic	$ 0.30	$ 0.33	$ 0.92	$ 0.69
diluted	$ 0.30	$ 0.33	$ 0.92	$ 0.69

New Accounting Standards

Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2020-04 and 2021-01, *Reference Rate Reform (Topic 848)*, provide optional expedients and exceptions to GAAP guidance, if certain criteria are met, for contracts, hedging relationships and derivative instruments that reference the London Interbank Offered Rate (LIBOR) and other interbank offered rates expected to be discontinued or modified by rate reform. The overall purpose of Topic 848 is to ease the financial reporting burdens related to the expected market transition to alternative reference rates. These ASUs may be applied prospectively to contract modifications made and hedging relationships entered into on or before December 31, 2022. We continue to evaluate the effect 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. ASU 2019-12 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. ASU 2018-14 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 disclosures.

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. ASU 2018-13 was 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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.

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 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. Our 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 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

	Three Months		Nine Months	
For the Periods Ended March 31	**2021**	**2020**	**2021**	**2020**
Animal Health				
MFAs and other	$ 78,530	$ 82,670	$ 238,810	$ 249,659
Nutritional specialties	36,978	34,636	105,972	98,131
Vaccines	18,872	21,668	54,205	56,723
Total Animal Health	$ 134,380	$ 138,974	$ 398,987	$ 404,513
Mineral Nutrition	58,153	56,200	163,750	164,534
Performance Products	19,196	15,565	50,335	45,424
Total	$ 211,729	$ 210,739	$ 613,072	$ 614,471

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Net Sales by Region

	Three Months		Nine Months	
For the Periods Ended March 31	**2021**	**2020**	**2021**	**2020**
United States	$ 129,370	$ 126,826	$ 370,446	$ 368,230
Latin America and Canada	37,386	40,284	115,808	119,730
Europe, Middle East and Africa	27,802	31,958	84,959	83,311
Asia Pacific	17,171	11,670	41,859	43,200
Total	$ 211,729	$ 210,739	$ 613,072	$ 614,471

Net sales by region are based on country of destination.

Deferred revenue was $3,815 and $4,570 as of March 31, 2021, and June 30, 2020, respectively. Accrued expenses and other current liabilities included $1,325 and $1,109 of the total deferred revenue as of March 31, 2021, 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

	Three Months		Nine Months	
For the Periods Ended March 31	**2021**	**2020**	**2021**	**2020**
Interest expense, net				
Term loan	$ 1,857	$ 1,888	$ 5,796	$ 5,967
Revolving credit facility	938	1,400	3,017	4,361
Amortization of debt issuance costs	221	220	662	662
Other	65	153	191	441
Interest expense	3,081	3,661	9,666	11,431
Interest income	(148)	(398)	(709)	(1,382)
	$ 2,933	$ 3,263	$ 8,957	$ 10,049

	Three Months		Nine Months	
For the Periods Ended March 31	**2021**	**2020**	**2021**	**2020**
Depreciation and amortization				
Depreciation of property, plant and equipment	$ 5,763	$ 5,824	$ 17,479	$ 17,395
Amortization of intangible assets	2,155	2,325	6,563	6,659
Amortization of other assets	—	99	—	123
	$ 7,918	$ 8,248	$ 24,042	$ 24,177

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Balance Sheets—Additional Information

As of	March 31, 2021	June 30, 2020
Inventories		
Raw materials	$ 61,457	$ 73,837
Work-in-process	11,587	8,881
Finished goods	133,214	113,941
	$ 206,258	$ 196,659

As of	March 31, 2021	June 30, 2020
Goodwill roll-forward		
Balance at beginning of period	$ 52,679	$ 27,348
Osprey acquisition	—	25,331
Balance at end of period	$ 52,679	$ 52,679

As of	March 31, 2021	June 30, 2020
Other assets		
ROU operating lease assets	$ 31,842	$ 22,873
Deferred income taxes	8,245	11,430
Deposits	5,024	5,158
Insurance investments	5,891	5,801
Equity method investments	4,290	4,219
Fair value of derivative	2,705	—
Indemnification asset	—	3,000
Debt issuance costs	638	1,021
Other	7,363	6,976
	$ 65,998	$ 60,478

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 $2,583 equity investment are currently idle. We concluded the investment is not impaired based on expected future operating cash flows and disposal value.

As of	March 31, 2021	June 30, 2020
Accrued expenses and other current liabilities		
Employee-related	$ 30,823	$ 25,825
Current operating lease liabilities	6,354	6,439
Commissions and rebates	6,545	5,782
Professional fees	6,284	5,766
Income and other taxes	3,466	3,821
Derivatives	5,325	5,757
Contingent consideration	4,840	—
Restructuring costs	1,135	2,314
Insurance-related	1,360	1,272
Other	16,519	15,421
	$ 82,651	$ 72,397

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the activity of the restructuring liability during the nine months ended March 31, 2021:

Liability balance at June 30, 2020	$ 2,860
Charges	—
Payments	(1,725)
Liability balance at March 31, 2021	$ 1,135

As of March 31, 2021, $800 and $335 of the restructuring liability balance related to contract termination and employee separation costs, respectively.

As of	March 31, 2021	June 30, 2020
Other liabilities		
Long-term operating lease liabilities	$ 27,007	$ 17,276
Long-term and deferred income taxes	12,366	11,680
Supplemental retirement benefits, deferred compensation and other	8,463	8,067
International retirement plans	5,360	5,499
U.S. pension plan	1,349	3,563
Derivatives	261	7,691
Contingent consideration	—	4,840
Restructuring costs	—	546
Other long-term liabilities	8,613	11,239
	$ 63,419	$ 70,401

As of	March 31, 2021	June 30, 2020
Accumulated other comprehensive income (loss)		
Derivative instruments	$ (2,881)	$ (13,448)
Foreign currency translation adjustment	(108,083)	(103,738)
Unrecognized net pension losses	(22,155)	(22,571)
Benefit for income taxes on derivative instruments	615	3,256
Benefit for incomes taxes on long-term intercompany investments	8,166	8,166
Provision for income taxes on net pension losses	(2,154)	(2,050)
	$ (126,492)	$ (130,385)

5. Debt

Term Loans and Revolving Credit Facilities

2021 Credit Agreement – Subsequent Event

In April 2021, we entered into an amended and restated credit agreement (the “2021 Credit Agreement”) under which we have a term A loan in an aggregate initial principal amount of $300,000 (the “2021 Term A Loan”) and a revolving credit facility under which we can borrow up to $250,000, subject to the terms of the agreement (the “2021 Revolver” and together with the 2021 Term A Loan, the “2021 Credit Facilities”). The 2021 Credit Agreement amends and restates the credit agreement entered into in June 2017 (the “2017 Credit Agreement”). The 2021 Credit Facilities were used to refinance all of the Term A loans and revolving credit facility amounts outstanding under the 2017 Credit Agreement and to pay fees and expenses of the transaction. The 2021 Revolver contains a letter of credit facility. The 2021 Credit Facilities mature in April 2026. Refer to “Note 12 – Subsequent Event” for further information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

2017 Credit Agreement

At March 31, 2021, under the 2017 Credit Agreement, we had a term A loan with an aggregate initial principal amount of $250,000 (the “2017 Term A Loan”) and a revolving credit facility under which we could borrow up to $250,000, subject to the terms of the agreement (the “2017 Revolver” and together with the 2017 Term A Loan, the “2017 Credit Facilities”). The interest rate per annum applicable to the loans under the 2017 Credit Facilities was based on a 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 were based on the First Lien Net Leverage Ratio, as defined in the 2017 Credit Agreement. The LIBOR rate was subject to a floor of 0.00%. The 2017 Credit Facilities would have matured in June 2022.

The 2017 Credit Agreement required, among other things, compliance with financial covenants that permitted: (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 2017 Credit Agreement contained an acceleration clause should an event of default (as defined in the 2017 Credit Agreement) occur. As of March 31, 2021, we were in compliance with the financial covenants.

As of March 31, 2021, we had $176,000 in borrowings under the 2017 Revolver and had outstanding letters of credit of $2,709, leaving $71,291 available for borrowings and letters of credit under the 2017 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. The agreement matures in June 2022. We designated the interest rate swap as a highly effective cash flow hedge. For additional details, see “Note 9 — 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 0.62%, plus the applicable rate. In July 2022, this agreement increases to a notional principal amount of $300,000 through June 2025, and effectively converts the floating LIBOR portion of our interest obligation on $300,000 of debt to a fixed interest rate of 0.62%, plus the applicable rate. We designated the interest rate swaps as highly effective cash flow hedges. For additional details, see “Note 9 — Derivatives.”

The 2017 and 2020 interest rate swap agreements will continue to remain in place on our interest obligations associated with the 2021 Credit Facilities.

As of March 31, 2021, the interest rates for the 2017 Revolver and the 2017 Term A Loan were 2.14% and 3.26%, respectively. The weighted-average interest rates for the 2017 Revolver were 2.25% and 3.44% for the nine months ended March 31, 2021 and 2020, respectively. The weighted-average interest rates for the 2017 Term A Loan were 3.36% and 3.45% for the nine months ended March 31, 2021 and 2020, respectively.

Long-Term Debt

As of	March 31, 2021	June 30, 2020
2017 Term A Loan due June 2022	$ 204,687	$ 218,750
Unamortized debt issuance costs	(464)	(743)
	204,223	218,007
Less: current maturities	(23,437)	(18,750)
	$ 180,786	$ 199,257

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. Leases

Our lease portfolio consists of real estate, vehicles and equipment ROU assets, classified as operating leases. During the three months ended March 31, 2021, we amended and extended the lease agreement for our corporate office, increasing the value of our lease commitments. The remaining non-cancelable lease terms, inclusive of renewal options reasonably certain of exercise, range from one to 15 years.

The following table summarizes the ROU assets and the related lease liabilities recorded on the consolidated balance sheet:

As of	March 31, 2021	June 30, 2020	Balance Sheet Classification
Assets:			
Operating lease ROU assets	$ 31,842	$ 22,873	Other Assets
Liabilities:			
Current portion	6,354	6,439	Accrued expenses and other current liabilities
Non-current portion	27,007	17,276	Other liabilities
Total operating lease liabilities	$ 33,361	$ 23,715	

As of	March 31, 2021	June 30, 2020
Weighted average remaining lease term (in years) - ROU operating leases	8.61	6.49
Weighted average discount rate - ROU operating leases	4.07 %	4.40 %

The following table summarizes the composition of net lease expense:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Operating lease expense	$ 1,919	$ 1,885	$ 5,901	5,647
Variable lease expense	317	361	928	992
Short-term lease expense	219	196	622	613
Total lease expense	$ 2,455	$ 2,442	$ 7,451	$ 7,252

The following table includes supplemental cash flow information:

	Nine Months Ended March 31,	
	2021	2020
Operating cash flows used for ROU operating leases	$ 6,131	$ 5,529
Right of use assets obtained in exchange for new operating lease liabilities	$ 13,882	$ 8,591

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At March 31, 2021, maturities of future lease liabilities were:

For the Years Ending June 30,		
2021	$	2,047
2022		7,047
2023		5,143
2024		4,101
2025		3,320
2026 and thereafter		18,357
Total lease payments		40,015
Less: interest		6,654
Total operating lease liabilities	$	33,361

There were no significant future payment obligations related to executed lease agreements for which the related lease had not yet commenced as of March 31, 2021. Our lease agreements do not contain any material restrictive covenants or residual guarantee provisions.

7. 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 $372 and $364 during the three months ended March 31, 2021 and 2020, respectively, and $1,297 and $1,204 during the nine months ended March 31, 2021 and 2020, respectively. Mr. Bendheim has sole authority to vote shares of our stock owned by BFI Co., LLC, an investment vehicle of the Bendheim family.

8. 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 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 on our experience, 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 Chemical 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 $4,305 and $5,254 as of March 31, 2021, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Claims and Litigation

PAHC and its subsidiaries are party to various 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 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.

9. 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 "Note 10 — 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 in June 2022. 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 0.62% 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 2025, and effectively converts the floating LIBOR portion of our interest obligation on $300,000 of debt to a fixed interest rate of 0.62% 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 February 2023. 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 March 31, 2021:

Instrument	Hedge	Notional Amount at March 31, 2021	Consolidated Balance Sheet	Fair value as of March 31, 2021	Fair value as of June 30, 2020
Options	Brazilian Real calls	R$ 132,000	(1)	$ 431	$ 126
Options	Brazilian Real puts	R$ 132,000	(1)	$ (2,710)	$ (3,900)
Swap	Interest rate swaps	$ 300,000	(2)	$ (602)	$ (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 March 31, 2021, and June 30, 2020, accrued expenses and other current liabilities included net fair values of $2,018 and $2,477, respectively. As of March 31, 2021, and June 30, 2020, other liabilities included net fair values of $261 and $1,297, respectively.

(2) We classify the current and noncurrent amounts associated with our interest rate swaps based on the expected timing of the cash flows. As of March 31, 2021, and June 30, 2020, accrued expenses and other current liabilities included net fair values of $3,307 and $3,280, respectively. As of March 31, 2021, other assets included net fair values of $2,705. As of June 30, 2020, other liabilities included net fair values of $6,394.

The following tables show the effects of derivatives on the consolidated statements of operations and other comprehensive income ("OCI") for the three and nine months ended March 31, 2021 and 2020.

For the Three Months Ended March 31		**Gain (Loss) recorded in OCI**		**Gain (Loss) recognized in consolidated statements of operations**			**Consolidated Statement of Operations line item total**	
Instrument	**Hedge**	**2021**	**2020**	**Consolidated Statement of Operations**	**2021**	**2020**	**2021**	**2020**
Options	Brazilian Real puts and calls	$ (836)	$ (3,945)	Cost of goods sold	$ (384)	$ (8)	$ 142,564	$ 141,188
Swap	Interest rate swap	$ 6,585	$ (6,050)	Interest expense, net	$ (825)	$ 59	$ 2,933	$ 3,263

For the Nine Months Ended March 31		**Gain (Loss) recorded in OCI**		**Gain (Loss) recognized in consolidated statements of operations**			**Consolidated Statement of Operations line item total**	
Instrument	**Hedge**	**2021**	**2020**	**Consolidated Statement of Operations**	**2021**	**2020**	**2021**	**2020**
Options	Brazilian Real puts and calls	$ 1,495	$ (3,886)	Cost of goods sold	$ (521)	$ (116)	$ 411,523	$ 418,153
Swap	Interest rate swap	$ 9,072	$ (6,113)	Interest expense, net	$ (2,466)	$ 228	$ 8,957	$ 10,049

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 $1,826 related to matured contracts were recorded as a component of inventory as of March 31, 2021. We anticipate the net losses included in inventory will be recognized in cost of goods sold within the next twelve months.

10. Fair Value Measurements

Short-term investments

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.

Fair Value of Assets (Liabilities)

	March 31, 2021			June 30, 2020		
As of	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Short-term investments	$ 44,000	$ —	$ —	$ 55,000	$ —	$ —
Foreign currency derivatives	$ —	$ (2,279)	$ —	$ —	$ (3,774)	$ —
Interest rate swaps	$ —	$ (602)	$ —	$ —	$ (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.

11. 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.

	Three Months		Nine Months	
For the Periods Ended March 31	**2021**	**2020**	**2021**	**2020**
Net sales				
Animal Health	$ 134,380	$ 138,974	$ 398,987	$ 404,513
Mineral Nutrition	58,153	56,200	163,750	164,534
Performance Products	19,196	15,565	50,335	45,424
Total segments	$ 211,729	$ 210,739	$ 613,072	$ 614,471
Depreciation and amortization				
Animal Health	$ 6,457	$ 6,665	$ 19,476	$ 19,760
Mineral Nutrition	646	629	2,042	1,871
Performance Products	416	509	1,284	1,303
Total segments	$ 7,519	$ 7,803	$ 22,802	$ 22,934
Adjusted EBITDA				
Animal Health	$ 30,962	$ 34,635	$ 94,412	$ 93,534
Mineral Nutrition	5,232	4,055	12,464	11,214
Performance Products	2,929	1,506	7,167	3,815
Total segments	$ 39,123	$ 40,196	$ 114,043	$ 108,563
Reconciliation of income before income taxes to Adjusted EBITDA				
Income before income taxes	$ 17,782	$ 18,664	$ 50,343	$ 39,131
Interest expense, net	2,933	3,263	8,957	10,049
Depreciation and amortization – Total segments	7,519	7,803	22,802	22,934
Depreciation and amortization – Corporate	399	445	1,240	1,243
Corporate costs	11,073	10,064	33,162	30,283
Stock-based compensation	—	565	1,129	1,694
Restructuring costs	—	—	—	425
Acquisition-related cost of goods sold	—	—	—	280
Acquisition-related transaction costs	—	—	—	462
Acquisition-related other	—	—	—	167
Foreign currency (gains) losses, net	(583)	(608)	(3,590)	1,895
Adjusted EBITDA – Total segments	$ 39,123	$ 40,196	$ 114,043	$ 108,563

	March 31, 2021	June 30, 2020
Identifiable assets		
Animal Health	$ 565,958	$ 560,663
Mineral Nutrition	70,269	65,686
Performance Products	35,291	31,016
Total segments	671,518	657,365
Corporate	133,499	126,735
Total	$ 805,017	$ 784,100

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Subsequent Event

In April 2021, we entered into the 2021 Credit Agreement under which we have the 2021 Term A Loan in an aggregate initial principal amount of $300,000 and the 2021 Revolver under which we can borrow up to $250,000, subject to the terms of the agreement. The 2021 Credit Agreement amends and restates the 2017 Credit Agreement. The 2021 Credit Facilities were used to refinance the outstanding 2017 Term A Loan and 2017 Revolver balances and to pay fees and expenses of the transaction. The 2021 Revolver contains a letter of credit facility.

The 2021 Credit Facilities mature in April 2026. The 2021 Term A Loan is repayable in quarterly installments as set forth below, with the balance payable at maturity.

Payment Date	Quarterly Installment	
June 30, 2021, September 30, 2021, December 31, 2021, March 31, 2022	$	1,875
June 30, 2022, September 30, 2022, December 31, 2022, March 31, 2023	$	3,750
June 30, 2023, September 30, 2023, December 31, 2023, March 31, 2024	$	3,750
June 30, 2024, September 30, 2024, December 31, 2024, March 31, 2025	$	5,625
June 30, 2025, September 30, 2025, December 31, 2025, March 31, 2026	$	7,500

Borrowings under the 2021 Credit Facilities bear interest at rates based on the First Lien Net Leverage Ratio, as defined in the 2021 Credit Agreement. The interest rate per annum applicable to the loans under the Credit Facilities will be based on a fluctuating rate of interest equal to the sum of an applicable rate and, at the Company's election from time to time, either (1) a base rate determined by reference to the highest of (a) the "prime rate" as publicly announced from time to time (b) the federal funds effective rate plus 0.50% and (c) one-month LIBOR plus 1.00%, or (2) a Eurocurrency rate determined by reference to LIBOR with a term as selected by the Company, of one day or one, three or six months (or twelve months or any shorter amount of time if consented to by all of the lenders under the applicable loan). The Credit Facilities have applicable rates equal to (x) 1.00%, in the case of base rate loans, and 2.00%, in the case of LIBOR loans, if the First Lien Net Leverage Ratio is greater than or equal to 3.50:1.00, (y) 0.75%, in the case of base rate loans, and 1.75%, in the case of LIBOR loans, if the 2021 First Lien Net Leverage Ratio is less 3.50:1.00 but greater than or equal to 2.25:1.00, and (z) 0.50%, in the case of base rate loans, and 1.50%, in the case of LIBOR loans, if the First Lien Net Leverage Ratio is less than 2.25:1.00.

The applicable rates under the 2021 Credit Agreement compare with the 2017 Credit Agreement as follows:

First Lien Net	2021 Credit Agreement			2017 Credit Agreement	
Leverage Ratio	Applicable rates*			Applicable rates*	
	Base Rate loans	LIBOR loans		Base Rate loans	LIBOR loans
≥3.50:1.00	1.00%	2.00%	≥3.00:1.00	1.00%	2.00%
≥2.25:1.00 and <3.50:1.00	0.75%	1.75%	≥2.25:1.00 and <3.00:1.00	0.75%	1.75%
<2.25:1.00	0.50%	1.50%	<2.25:1.00	0.50%	1.50%

* Range of applicable rates, depending upon the First Lien Net Leverage ratio

The Company must pay a quarterly commitment fee based upon the product of (i) the applicable rate as described below and (ii) the actual daily amount by which the aggregate revolving commitments exceed the sum of (A) the outstanding revolving credit loans under the 2021 Revolver and (B) obligations associated with any outstanding letters of credit in the applicable quarterly period. The Company also must pay the letter of credit issuer fees based upon the amount available to be drawn under such letters of credit.

The applicable rate under the Credit Facilities with respect to the commitment fee described in the immediately preceding paragraph is equal to (x) 0.30% if the First Lien Net Leverage Ratio is greater than or equal to 3.50:1.00, (y) 0.25% if the First Lien Net Leverage Ratio is less 3.50:1.00 but greater than or equal to 2.25:1.00, and (z) 0.20% if the First Lien Net Leverage Ratio is less than 2.25:1.00.

The 2021 Credit Agreement is subject to substantially the same affirmative and negative covenants and events of default as the 2017 Credit Agreement, subject to certain exceptions and thresholds. The 2021 Credit Facilities are secured by substantially the same collateral as the collateral that secured the obligations under the 2017 Credit Agreement, subject to certain exceptions and thresholds.

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 response to the global outbreak of COVID-19 continues to evolve. Governmental authorities continue to implement measures to contain virus outbreaks, such as travel bans, quarantines, shelter-in-place orders, site closures and business shutdowns. Although vaccines are now available, distribution efforts vary widely country-by-country and state-by-state. The pandemic may have significant economic impacts on customers, suppliers and markets. New information may continue to emerge concerning COVID-19 and the actions required to contain or treat it may affect the duration and severity of the economic impact. We believe the global food and animal production industry is returning to stability, but the potential impact of COVID-19 continues to evolve and future industry outlooks remain uncertain.

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 have experienced 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 or above constant levels. We continue to monitor sales trends, cash flow and liquidity.

The uncertainties surrounding the COVID-19 pandemic remain fluid. We are unable to predict the supply, distribution or effectiveness of COVID-19 vaccines and hence the impact on the economies where we manufacture and sell our products. While we continue to adapt our operations and mitigate the risks and challenges posed by COVID-19, 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. Our business and 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 confidence the nature and timing of when any of these events may occur and the effects COVID-19 will have on our business, our consolidated results and the broader economic environment going forward. 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. There is no defined timeline for the conclusion of this matter.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 March 31, 2021, were $19 million.

Analysis of the consolidated statements of operations

Summary Results of Operations

For the Periods Ended March 31	Three Months 2021	Three Months 2020	Change		Nine Months 2021	Nine Months 2020	Change	
	(in thousands, except per share amounts and percentages)							
Net sales	$ 211,729	$ 210,739	$ 990	*0 %*	$ 613,072	$ 614,471	$ (1,399)	*(0)%*
Gross profit	69,165	69,551	(386)	*(1)%*	201,549	196,318	5,231	*3 %*
Selling, general and administrative expenses	49,033	48,232	801	*2 %*	145,839	145,243	596	*0 %*
Operating income	20,132	21,319	(1,187)	*(6)%*	55,710	51,075	4,635	*9 %*
Interest expense, net	2,933	3,263	(330)	*(10)%*	8,957	10,049	(1,092)	*(11)%*
Foreign currency (gains) losses, net	(583)	(608)	25	*	(3,590)	1,895	(5,485)	*
Income before income taxes	17,782	18,664	(882)	*(5)%*	50,343	39,131	11,212	*29 %*
Provision for income taxes	5,621	5,163	458	*9 %*	13,079	11,221	1,858	*17 %*
Net income	$ 12,161	$ 13,501	$ (1,340)	*(10)%*	$ 37,264	$ 27,910	$ 9,354	*34 %*
Net income per share								
basic	$ 0.30	$ 0.33	$ (0.03)		$ 0.92	$ 0.69	$ 0.23	
diluted	$ 0.30	$ 0.33	$ (0.03)		$ 0.92	$ 0.69	$ 0.23	
Weighted average number of shares outstanding								
basic	40,483	40,454			40,463	40,454		
diluted	40,504	40,504			40,504	40,504		
Ratio to net sales								
Gross profit	*32.7 %*	*33.0 %*			*32.9 %*	*31.9 %*		
Selling, general and administrative expenses	*23.2 %*	*22.9 %*			*23.8 %*	*23.6 %*		
Operating income	*9.5 %*	*10.1 %*			*9.1 %*	*8.3 %*		
Income before income taxes	*8.4 %*	*8.9 %*			*8.2 %*	*6.4 %*		
Net income	*5.7 %*	*6.4 %*			*6.1 %*	*4.5 %*		
Effective tax rate	*31.6 %*	*27.7 %*			*26.0 %*	*28.7 %*		

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 March 31	Three Months 2021	Three Months 2020	Three Months Change		Nine Months 2021	Nine Months 2020	Nine Months Change	
	(in thousands, except percentages)							
Net sales								
MFAs and other	$ 78,530	$ 82,670	$ (4,140)	*(5)%*	$ 238,810	$ 249,659	$ (10,849)	*(4)%*
Nutritional specialties	36,978	34,636	2,342	*7 %*	105,972	98,131	7,841	*8 %*
Vaccines	18,872	21,668	(2,796)	*(13)%*	54,205	56,723	(2,518)	*(4)%*
Animal Health	134,380	138,974	(4,594)	*(3)%*	398,987	404,513	(5,526)	*(1)%*
Mineral Nutrition	58,153	56,200	1,953	*3 %*	163,750	164,534	(784)	*(0)%*
Performance Products	19,196	15,565	3,631	*23 %*	50,335	45,424	4,911	*11 %*
Total	$ 211,729	$ 210,739	$ 990	*0 %*	$ 613,072	$ 614,471	$ (1,399)	*(0)%*
Adjusted EBITDA								
Animal Health	$ 30,962	$ 34,635	$ (3,673)	*(11)%*	$ 94,412	$ 93,534	$ 878	*1 %*
Mineral Nutrition	5,232	4,055	1,177	*29 %*	12,464	11,214	1,250	*11 %*
Performance Products	2,929	1,506	1,423	*94 %*	7,167	3,815	3,352	*88 %*
Corporate	(11,073)	(10,064)	(1,009)	*10 %*	(33,162)	(30,283)	(2,879)	*10 %*
Total	$ 28,050	$ 30,132	$ (2,082)	*(7)%*	$ 80,881	$ 78,280	$ 2,601	*3 %*
Adjusted EBITDA ratio to segment net sales								
Animal Health	*23.0 %*	*24.9 %*			*23.7 %*	*23.1 %*		
Mineral Nutrition	*9.0 %*	*7.2 %*			*7.6 %*	*6.8 %*		
Performance Products	*15.3 %*	*9.7 %*			*14.2 %*	*8.4 %*		
Corporate[(1)]	*(5.2)%*	*(4.8)%*			*(5.4)%*	*(4.9)%*		
Total[(1)]	*13.2 %*	*14.3 %*			*13.2 %*	*12.7 %*		

(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 March 31	Three Months 2021	Three Months 2020	Three Months Change		Nine Months 2021	Nine Months 2020	Nine Months Change	
	(in thousands, except percentages)							
Net income	$ 12,161	$ 13,501	$ (1,340)	*(10)%*	$ 37,264	$ 27,910	$ 9,354	*34 %*
Interest expense, net	2,933	3,263	(330)	*(10)%*	8,957	10,049	(1,092)	*(11)%*
Provision for income taxes	5,621	5,163	458	*9 %*	13,079	11,221	1,858	*17 %*
Depreciation and amortization	7,918	8,248	(330)	*(4)%*	24,042	24,177	(135)	*(1)%*
EBITDA	28,633	30,175	(1,542)	*(5)%*	83,342	73,357	9,985	*14 %*
Stock-based compensation	—	565	(565)	*	1,129	1,694	(565)	*(33)%*
Restructuring costs	—	—	—	*	—	425	(425)	*
Acquisition-related cost of goods sold	—	—	—	*	—	280	(280)	*
Acquisition-related transaction costs	—	—	—	*	—	462	(462)	*
Acquisition-related other, net	—	—	—	*	—	167	(167)	*
Foreign currency (gains) losses, net	(583)	(608)	25	*	(3,590)	1,895	(5,485)	*
Adjusted EBITDA	$ 28,050	$ 30,132	$ (2,082)	*(7)%*	$ 80,881	$ 78,280	$ 2,601	*3 %*

Certain amounts may reflect rounding adjustments.

* Calculation not meaningful

Comparison of three months ended March 31, 2021 and 2020

Net sales

Net sales of $211.7 million for the three months ended March 31, 2021, increased $1.0 million, or less than 1%, as compared to the three months ended March 31, 2020. Animal Health decreased $4.6 million, while Mineral Nutrition and Performance Products increased $2.0 million and $3.6 million, respectively.

Animal Health

Net sales of $134.4 million for the three months ended March 31, 2021, declined $4.6 million, or 3%. Net sales of MFAs and other decreased $4.1 million, or 5%, driven by lower international demand, primarily poultry products in the Latin America region, as well as timing of certain domestic customer orders. Net sales of nutritional specialty products increased $2.3 million, or 7%, principally due to international volume growth in dairy products. Net sales of vaccines declined $2.8 million, or 13%, as challenging economic conditions in Eastern Europe more than offset domestic volume growth and increased demand in the Asia Pacific region.

Mineral Nutrition

Net sales of $58.2 million for the three months ended March 31, 2021, increased $2.0 million, or 3%, driven by increased average selling prices. The increase in average selling prices is correlated with the movement of the underlying raw material costs.

Performance Products

Net sales of $19.2 million for the three months ended March 31, 2021, increased $3.6 million, or 23%. The increase was driven by strong demand for copper-based products coupled with favorable product pricing correlated with underlying raw material costs.

Gross profit

Gross profit of $69.2 million for the three months ended March 31, 2021, decreased $0.4 million, or 1%, as compared to the three months ended March 31, 2020. Gross margin decreased 30 basis points to 32.7% of net sales for the three months ended March 31, 2021, as compared to 33.0% for the three months ended March 31, 2020.

Animal Health gross profit decreased $3.2 million due to lower sales and unfavorable product mix. Mineral Nutrition gross profit increased $1.2 million, driven primarily by favorable product mix. Performance Products gross profit increased $1.6 million driven by volumes and favorable product mix.

Selling, general and administrative expenses

Selling, general and administrative expenses (“SG&A”) of $49.0 million for the three months ended March 31, 2021, increased $0.8 million, or 2%, as compared to the three months ended March 31, 2020. SG&A for the three months ended March 31, 2020, included $0.6 million of stock-based compensation. Excluding these costs, SG&A increased $1.4 million, or 3%.

Animal Health SG&A increased $0.3 million, due to investments in market expansion initiatives in certain international regions, partially offset by decreased marketing and sales team travel costs driven by COVID-19 limitations. Mineral Nutrition and Performance Products SG&A were comparable to the prior year. Corporate SG&A increased $1.0 million due to investments in strategic initiatives and incremental performance-related compensation costs, partially offset by a decline in travel costs driven by COVID-19 limitations.

Interest expense, net

Interest expense, net of $2.9 million for the three months ended March 31, 2021, decreased $0.3 million, or 10%, as compared to the three months ended March 31, 2020. Interest expense, net decreased primarily due to favorable variable borrowing rates, partially offset by reduced interest income from short-term investments.

Foreign currency gains, net

Foreign currency gains, net were $0.6 million for the three months ended March 31, 2021 and 2020.

Provision for income taxes

The provision for income taxes was $5.6 million and $5.2 million for the three months ended March 31, 2021 and 2020, respectively. The effective income tax rate was 31.6% and 27.7% for the three months ended March 31, 2021 and 2020, respectively. The provision for income taxes during the three months ended March 31, 2021, included a $0.6 million expense related to a detailed deferred tax analysis of property, plant, and equipment and intangible assets. The effective income tax rate, without this expense, would have been 27.9% for the three months ended March 31, 2021.

Net income

Net income of $12.2 million for the three months ended March 31, 2021, decreased $1.3 million, as compared to net income of $13.5 million for the three months ended March 31, 2020. Operating income declined $1.2 million, driven by lower gross profit and increased SG&A expenses. The decrease in gross profit and the overall gross margin was primarily driven by lower volume and unfavorable product mix in the Animal Health segment, partially offset by increased gross profit in the Mineral Nutrition and Performance Products segments. SG&A expenses increased due to investments in strategic initiatives and incremental performance-related compensation costs, partially offset by a decline in travel costs driven by COVID-19 limitations. Interest expense was lower by $0.3 million, while income tax expense increased $0.5 million.

Adjusted EBITDA

Adjusted EBITDA of $28.1 million for the three months ended March 31, 2021, declined $2.1 million, or 7%, as compared to the three months ended March 31, 2020. Animal Health Adjusted EBITDA decreased $3.7 million on lower sales and gross profit and increased SG&A costs. Mineral Nutrition Adjusted EBITDA increased $1.2 million, driven by increased gross profit on favorable product mix. Performance Products Adjusted EBITDA increased $1.4 million driven by increased gross profit. Corporate expenses increased $1.0 million, primarily due to investments in strategic initiatives and incremental performance-related compensation costs, partially offset by a decline in travel costs driven by COVID-19 limitations.

Comparison of nine months ended March 31, 2021 and 2020

Net sales

Net sales of $613.1 million for the nine months ended March 31, 2021, decreased $1.4 million, or less than 1%, as compared to the nine months ended March 31, 2020. Animal Health and Mineral Nutrition declined $5.5 million and $0.8 million, respectively. Performance Products increased $4.9 million.

Animal Health

Net sales of $399.0 million for the nine months ended March 31, 2021, declined $5.5 million, or 1%. Net sales of MFAs and other declined $10.8 million, or 4%, due to reduced demand in China following regulatory changes effective January 1, 2020, and lower volume in Latin America, partially offset by net sales growth in other products and regions, including domestic swine. Net sales of nutritional specialty products grew $7.8 million, or 8%, due to international and domestic volume growth in dairy products, partially offset by lower sales in domestic poultry. Net sales of vaccines declined $2.5 million, or 4%, as challenging economic conditions in Eastern Europe more than offset domestic volume growth and increased demand in the Asia Pacific region.

Mineral Nutrition

Net sales of $163.8 million for the nine months ended March 31, 2021, decreased $0.8 million, or less than 1%. Lower overall average selling prices were partially offset by increased unit volumes. The decline in average selling prices is correlated with the movement of the underlying raw material costs.

Performance Products

Net sales of $50.3 million for the nine months ended March 31, 2021, increased $4.9 million, or 11%, driven by increased volumes of copper-based products.

Gross profit

Gross profit of $201.5 million for the nine months ended March 31, 2021, increased $5.2 million, or 3%, as compared to the nine months ended March 31, 2020. Gross margin increased 100 basis points to 32.9% of net sales for the nine months ended March 31, 2021, as compared to 31.9% for the nine months ended March 31, 2020. The nine months ended March 31, 2020, included $0.3 million of acquisition-related cost of goods sold.

Animal Health gross profit increased $0.5 million, due to increased volumes of nutritional specialty products and favorable production costs, primarily related to foreign currency movements. These increases were partially offset by lower volumes of MFAs and other and vaccine products and unfavorable product mix. Mineral Nutrition gross profit increased $1.1 million, driven by favorable raw material costs and product mix, partially offset by declines in average selling prices. Performance Products gross profit increased $3.3 million, driven by higher volume coupled with decreases in raw material and production costs.

Selling, general and administrative expenses

Selling, general and administrative expenses ("SG&A") of $145.8 million for the nine months ended March 31, 2021, increased $0.6 million, or less than 1%, as compared to the nine months ended March 31, 2020. SG&A for the nine months ended March 31, 2021 included $1.1 million of stock-based compensation. SG&A for the nine months ended March 31, 2020, included $1.7 million of stock-based compensation, $0.4 million of restructuring costs, $0.5 million of acquisition-related transaction costs and $0.2 million of other acquisition-related costs. Excluding these costs, SG&A increased $2.3 million, or 2%.

Animal Health SG&A decreased $0.6 million primarily due to the favorable effects of foreign currency exchange and decreased marketing and sales team travel costs driven by COVID-19 limitations. These expense declines were partially offset by increased professional fees to support the continued use of carbadox and investments in market expansion initiatives in certain international regions. Mineral Nutrition and Performance Products SG&A were comparable to the prior year. Corporate expenses increased $2.9 million, driven by investments in strategic initiatives, as well as incremental costs for performance-related compensation, professional fees and information technology. These cost increases were partially offset by lower travel expenses driven by COVID-19 limitations. The stock-based compensation, restructuring costs, acquisition-related transaction costs and other acquisition-related costs resulted in a net $1.7 million decrease to SG&A.

Interest expense, net

Interest expense, net of $9.0 million for the nine months ended March 31, 2021, decreased $1.1 million, or 11%, as compared to the nine months ended March 31, 2020. Interest expense, net decreased primarily due to favorable variable interest rates, partially offset by higher levels of debt outstanding and lower interest income from short-term investments.

Foreign currency (gains) losses, net

Foreign currency gains, net for the nine months ended March 31, 2021, were $3.6 million, as compared to net losses of $1.9 million for the nine months ended March 31, 2020. Foreign currency gains primarily arose from intercompany balances, driven by the movement of the Mexican, South African, Turkish and Brazilian currencies relative to the U.S. dollar.

Provision for income taxes

The provision for income taxes was $13.1 million and $11.2 million for the nine months ended March 31, 2021 and 2020, respectively. The effective income tax rate was 26.0% and 28.7% for the nine months ended March 31, 2021 and 2020, respectively. The provision for income taxes during the nine months ended March 31, 2021, included (i) a $1.5 million benefit for the years ended June 30, 2020 and 2019 related to final regulations issued in July 2020 for the Global Intangible Low-Taxed Income ("GILTI") tax, (ii) an $0.8 million benefit related to exchange rate differences on intercompany dividends, (iii) a $0.6 million benefit for the reversal of an uncertain tax position and (iv) a $0.6 million expense related to a detailed deferred tax analysis of property, plant, and equipment and intangible assets. The effective income tax rate, without these items, would have been 30.3% for the nine months ended March 31, 2021.

Net income

Net income of $37.3 million for the nine months ended March 31, 2021, increased $9.4 million, as compared to net income of $27.9 million for the nine months ended March 31, 2020. The increase was primarily driven by higher operating income of $4.6 million, lower interest expense of $1.1 million and increased foreign currency gains of $5.5 million, partially offset by a $1.9 million increase to the provision for income taxes. The increase in operating income was driven by a $5.2 million increase in gross profit, partially offset by increased SG&A costs of $0.6 million.

Adjusted EBITDA

Adjusted EBITDA of $80.9 million for the nine months ended March 31, 2021, increased $2.6 million, or 3%, as compared to the nine months ended March 31, 2020. Animal Health Adjusted EBITDA increased $0.9 million, driven by increased gross profit and lower SG&A expenses. Mineral Nutrition and Performance Products Adjusted EBITDA increased $1.3 million and $3.4 million, respectively, on higher gross profit. Corporate expenses increased $2.9 million driven by investments in strategic initiatives as well as incremental costs for performance-related compensation, professional fees and information technology. These cost increases were partially offset by lower travel expenses driven by COVID-19 limitations.

Analysis of financial condition, liquidity and capital resources

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

For the Periods Ended March 31	Nine Months 2021	Nine Months 2020 (in thousands)	Change
Cash provided (used) by:			
Operating activities	$ 45,236	$ 55,471	$ (10,235)
Investing activities	(11,390)	(110,857)	99,467
Financing activities	(21,632)	25,951	(47,583)
Effect of exchange-rate changes on cash and cash equivalents	546	(1,390)	1,936
Net increase/(decrease) in cash and cash equivalents	$ 12,760	$ (30,825)	$ 43,585

Certain amounts may reflect rounding adjustments.

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

For the Periods Ended March 31	Nine Months 2021	2020	Change
		(in thousands)	
EBITDA	$ 83,342	$ 73,357	$ 9,985
Adjustments:			
Stock-based compensation	1,129	1,694	(565)
Restructuring costs	—	425	
Acquisition-related cost of goods sold	—	280	(280)
Acquisition-related transaction costs	—	462	(462)
Acquisition other, net	—	167	
Foreign currency (gains) losses, net	(3,590)	1,895	(5,485)
Interest paid, net	(8,123)	(9,171)	1,048
Income taxes paid	(14,335)	(15,045)	710
Changes in operating assets and liabilities and other items	(13,187)	1,407	(14,594)
Net cash provided by operating activities	$ 45,236	$ 55,471	$ (10,235)

Certain amounts may reflect rounding adjustments.

Operating activities

Operating activities provided $45.2 million of net cash for the nine months ended March 31, 2021. Cash provided by net income and non-cash items, including depreciation and amortization, was $56.2 million. Cash used in the ordinary course of business for changes in operating assets and liabilities and other items was $11.0 million. Accounts receivable used $8.4 million of cash due to increased domestic sales and timing of collections, partially offset by lower sales and favorable collections in international regions. Cash used for inventory was $8.1 million. Inventory increases were primarily due to forecasted future demand and internal production schedules. For certain products, we are maintaining safety stocks to mitigate potential disruptions in production. Other assets and accounts payable used $1.0 million and $0.8 million of cash, respectively. Prepaid expenses and other current assets provided $3.7 million of cash due to timing of domestic payments. Accrued expenses and other liabilities provided cash of $3.6 million due to timing of payments for employee-related liabilities, partially offset by payments made for environmental remediation procedures.

Investing activities

Investing activities used $11.4 million of net cash for the nine months ended March 31, 2021. Capital expenditures were $22.2 million as we continued to invest in expanding production capacity and productivity improvements. Net proceeds from maturities of short-term investments were $11.0 million.

Financing activities

Financing activities used $21.6 million of net cash for the nine months ended March 31, 2021. Net borrowings on our Revolver provided $7.0 million. We paid $14.6 million in dividends to holders of our Class A and Class B common stock. We paid $14.1 million in scheduled debt and other requirements.

Liquidity and capital resources

In April 2021, we entered into an amended and restated credit agreement (the “2021 Credit Agreement”) under which we have a term A loan in an aggregate initial principal amount of $300 million (the “2021 Term A Loan”) and a revolving credit facility under which we can borrow up to $250 million, subject to the terms of the agreement (the “2021 Revolver” and together with the 2021 Term A Loan, the “2021 Credit Facilities”). The 2021 Credit Agreement amends and restates the credit agreement entered into in June 2017 (the “2017 Credit Agreement”). The 2021 Credit Facilities were used to refinance all of the Term A loans and revolving credit facility amounts outstanding under the 2017 Credit Agreement and to pay fees and expenses of the transaction. The 2021

Revolver contains a letter of credit facility. The 2021 Credit Facilities mature in April 2026. Refer to “Note 12 – Subsequent Event” for further information.

We believe our cash on hand, operating cash flow and financing arrangements, including the availability of borrowings under the 2021 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. 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 2021 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	March 31, 2021	June 30, 2020
	(in thousands, except ratios)	
Cash and cash equivalents and short-term investments	$ 93,103	$ 91,343
Working capital	233,161	222,006
Ratio of current assets to current liabilities	2.60:1	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.

As of March 31, 2021, we had $176.0 million in outstanding borrowings under the 2017 Revolver and had outstanding letters of credit and other commitments of $2.7 million, leaving $71.3 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 June 23, 2021. 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 March 31, 2021, our cash and cash equivalents and short-term investments included $92.6 million held by our international subsidiaries. There are no restrictions on cash distributions to PAHC from our international subsidiaries.

Contractual obligations

During the three months ended March 31, 2021, we amended and extended the lease agreement for our corporate office, increasing the value of our lease commitments. For the nine months ended March 31, 2021, the total right of use assets obtained in exchange for new operating lease liabilities were $13.9 million. As of our March 31, 2021, our total lease commitment value was $40.0 million.

In April 2021, we entered into the 2021 Credit Agreement. Refer to “Note 12 – Subsequent Event” for further information.

There were no other 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 uncertain. The pandemic may affect our future sales, expenses, reserves and allowances, manufacturing operations and employee-related costs. The pandemic may have significant economic impacts on our customers, suppliers and markets where we compete and operate. New information may continue to 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;
- 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 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 March 31, 2021, 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 changes to our internal controls over financial reporting to remediate the material weaknesses described in "Item 9A. Controls and Procedures" in the Annual Report.

During the quarter ended September 30, 2020, we 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 needed to be made.

We continue to execute further steps in our remediation plan by enhancing and supplementing the finance team through an increased number of compliance-focused roles, reassigning responsibilities, and adding additional resources with an appropriate level of knowledge and experience commensurate with our financial reporting requirements. During the quarter ended March 31, 2021, we hired a Vice President, Global Tax and a Manager of Internal Controls in North America, as well as appointed managers to oversee Sarbanes-Oxley ("SOX") compliance in each of our key regions, reporting to our VP of Finance and Internal Controls, in order to better align our resources to our financial reporting requirements and strengthen, monitor and support our remediation efforts.

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, and appropriately authorized and approved across our key business cycles. During the quarter ended March 31, 2021, and with the oversight of our Board of Directors, we enhanced our delegation of authority and established new management authorization levels. We also initiated a global SOX awareness program, featuring the Chief Executive Officer of the Company and other key members of management to continue to emphasize the importance of SOX and the related compliance procedures for our company as part of the overall training and education element of our remediation plan.

Our efforts include ensuring access to key financial systems and records is restricted to appropriate users and the appropriate level of segregation of duties is maintained. During the quarter ended March 31, 2021, and in accordance with our remediation plan, we have finalized the design and implementation of user access controls and segregation of duties monitoring controls and made continued improvements by reducing the number of segregation of duties conflicts within our key financial systems and evaluated mitigating controls. We continue to evaluate opportunities to limit access and modify responsibilities of certain personnel.

We are committed to maintaining a strong control environment and believe that these remediation efforts represent continued improvements in our control environment. As we continue to evaluate and take actions to improve our internal control over financial reporting, we may determine it is necessary to take additional actions to address control deficiencies or modify certain of the remediation measures. While we have made progress in accordance with our remediation plan, the material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We cannot yet 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 controls over financial reporting will be effective as a result of these efforts.

Changes in Internal Control over Financial Reporting

Other than the changes discussed above in connection with the changes designed and implemented as a result of our remediation plan of the previously identified material weaknesses, there were no changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the quarter ended March 31, 2021.

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

None.

6. Exhibits

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

May 6, 2021	By: /s/ Jack C. Bendheim Jack C. Bendheim Chairman, President and Chief Executive Officer
May 6, 2021	By: /s/ Damian Finio Damian Finio Chief Financial Officer

EXHIBIT 31.1

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: May 6, 2021

/s/ Jack C. Bendheim
Jack C. Bendheim
Chairman, President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Damian Finio, 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: May 6, 2021

/s/ Damian Finio
Damian Finio
Chief Financial Officer

EXHIBIT 32.1

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: May 6, 2021

/s/ Jack C. Bendheim
Jack C. Bendheim
Chairman, President and Chief Executive Officer

EXHIBIT 32.2

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: May 6, 2021	/s/ Damian Finio
	Damian Finio
	Chief Financial Officer