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 December 31, 2022

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 February 3, 2023, 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 December 31	Three Months 2022	Three Months 2021	Six Months 2022	Six Months 2021
	(unaudited) (in thousands, except per share amounts)			
Net sales	$ 244,646	$ 232,712	$ 477,167	$ 447,377
Cost of goods sold	167,261	162,040	331,136	312,027
Gross profit	77,385	70,672	146,031	135,350
Selling, general and administrative expenses	61,541	48,378	116,503	98,444
Operating income	15,844	22,294	29,528	36,906
Interest expense, net	3,884	2,953	6,951	5,842
Foreign currency (gains) losses, net	(149)	(4,189)	5,051	(2,061)
Income before income taxes	12,109	23,530	17,526	33,125
Provision for income taxes	4,899	6,065	6,460	9,126
Net income	$ 7,210	$ 17,465	$ 11,066	$ 23,999
Net income per share				
basic and diluted	$ 0.18	$ 0.43	$ 0.27	$ 0.59
Weighted average common shares outstanding				
basic and 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 December 31	Three Months 2022	Three Months 2021	Six Months 2022	Six Months 2021
	(unaudited) (in thousands)			
Net income	$ 7,210	$ 17,465	$ 11,066	$ 23,999
Change in fair value of derivative instruments	(1,536)	4,810	5,569	4,781
Foreign currency translation adjustment	4,271	(10,311)	128	(17,275)
Unrecognized net pension gains	192	117	368	234
(Provision) benefit for income taxes	337	(1,231)	(1,483)	(1,253)
Other comprehensive income (loss)	3,264	(6,615)	4,582	(13,513)
Comprehensive income	$ 10,474	$ 10,850	$ 15,648	$ 10,486

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

PHIBRO ANIMAL HEALTH CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of	December 31, 2022	June 30, 2022
	(unaudited)	
	(in thousands, except share and per share amounts)	
ASSETS		
Cash and cash equivalents	$ 68,422	$ 74,248
Short-term investments	10,000	17,000
Accounts receivable, net	151,830	166,537
Inventories, net	288,984	259,158
Other current assets	62,453	49,289
Total current assets	581,689	566,232
Property, plant and equipment, net	186,122	165,490
Intangibles, net	59,064	63,861
Goodwill	53,228	53,226
Other assets	81,730	82,890
Total assets	$ 961,833	$ 931,699
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current portion of long-term debt	$ 15,420	$ 15,000
Accounts payable	80,487	95,596
Accrued expenses and other current liabilities	71,662	80,236
Total current liabilities	167,569	190,832
Revolving credit facility	184,000	145,000
Long-term debt	276,806	272,925
Other liabilities	65,088	60,500
Total liabilities	693,463	669,257
Commitments and contingencies (Note 7)		
Common stock, par value $0.0001 per share; 300,000,000 Class A shares authorized, 20,337,574 shares issued and outstanding at December 31, 2022, and June 30, 2022; 30,000,000 Class B shares authorized, 20,166,034 shares issued and outstanding at December 31, 2022, and June 30, 2022	4	4
Preferred stock, par value $0.0001 per share; 16,000,000 shares authorized, no shares issued and outstanding	—	—
Paid-in capital	135,803	135,803
Retained earnings	249,094	247,748
Accumulated other comprehensive loss	(116,531)	(121,113)
Total stockholders' equity	268,370	262,442
Total liabilities and stockholders' equity	$ 961,833	$ 931,699

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 December 31	Six Months 2022	Six Months 2021
	(unaudited) (in thousands)	
OPERATING ACTIVITIES		
Net income	$ 11,066	$ 23,999
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Depreciation and amortization	16,949	15,855
Amortization of debt issuance costs	326	295
Deferred income taxes	(121)	(537)
Foreign currency gains, net	(875)	(2,890)
Gain on sale of investment	—	(1,203)
Other	(702)	259
Changes in operating assets and liabilities:		
Accounts receivable, net	14,839	1,427
Inventories, net	(29,082)	(21,975)
Other current assets	(7,744)	(561)
Other assets	1,035	(2,578)
Accounts payable	(14,614)	13,859
Accrued expenses and other liabilities	(4,264)	(2,007)
Net cash (used) provided by operating activities	(13,187)	23,943
INVESTING ACTIVITIES		
Purchases of short-term investments	(10,000)	(32,100)
Maturities of short-term investments	17,000	43,000
Capital expenditures	(32,995)	(15,139)
Cash proceeds from the sale of investment	—	1,353
Other, net	36	(212)
Net cash used by investing activities	(25,959)	(3,098)
FINANCING ACTIVITIES		
Revolving credit facility borrowings	197,000	163,000
Revolving credit facility repayments	(158,000)	(151,000)
Proceeds from long-term debt	12,000	—
Payments of long-term debt	(7,605)	(3,750)
Debt issuance costs	(640)	—
Dividends paid	(9,720)	(9,721)
Payment of contingent consideration	—	(4,840)
Net cash (used) provided by financing activities	33,035	(6,311)
Effect of exchange rate changes on cash	285	(1,361)
Net (decrease) increase in cash and cash equivalents	(5,826)	13,173
Cash and cash equivalents at beginning of period	74,248	50,212
Cash and cash equivalents at end of period	$ 68,422	$ 63,385

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 and per 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, 2022	40,503,608	$ 4	$ —	$ 135,803	$ 247,748	$ (121,113)	$ 262,442
Comprehensive income	—	—	—	—	3,856	1,318	5,174
Dividends declared ($0.12 per share)	—	—	—	—	(4,860)	—	(4,860)
As of September 30, 2022	40,503,608	$ 4	$ —	$ 135,803	$ 246,744	$ (119,795)	$ 262,756
Comprehensive income	—	—	—	—	7,210	3,264	10,474
Dividends declared ($0.12 per share)	—	—	—	—	(4,860)	—	(4,860)
As of December 31, 2022	40,503,608	$ 4	$ —	$ 135,803	$ 249,094	$ (116,531)	$ 268,370

(unaudited)
(in thousands, except share and per 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, 2021	40,503,608	$ 4	$ —	$ 135,803	$ 218,015	$ (115,293)	$ 238,529
Comprehensive income (loss)	—	—	—	—	6,534	(6,898)	(364)
Dividends declared ($0.12 per share)	—	—	—	—	(4,860)	—	(4,860)
As of September 30, 2021	40,503,608	$ 4	$ —	$ 135,803	$ 219,689	$ (122,191)	$ 233,305
Comprehensive income (loss)	—	—	—	—	17,465	(6,615)	10,850
Dividends declared ($0.12 per share)	—	—	—	—	(4,861)	—	(4,861)
As of December 31, 2021	40,503,608	$ 4	$ —	$ 135,803	$ 232,293	$ (128,806)	$ 239,294

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 and companion animals including poultry, swine, beef and dairy cattle, aquaculture and dogs. 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 six months ended December 31, 2022 and 2021, 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, 2022 (the "Annual Report"), filed with the Securities and Exchange Commission on August 24, 2022 (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, 2022 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 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 December 31, 2022, 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.

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 dilutive common share equivalents. There were no common share equivalents in the periods included in the consolidated financial statements.

For the Periods Ended December 31	Three Months 2022	Three Months 2021	Six Months 2022	Six Months 2021
Net income	$ 7,210	$ 17,465	$ 11,066	$ 23,999
Weighted average number of shares – basic and diluted	40,504	40,504	40,504	40,504
Net income per share - basic and diluted	$ 0.18	$ 0.43	$ 0.27	$ 0.59

New Accounting Standards

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2021-10, *Government Assistance (Topic 832), Disclosures by Business Entities about Government Assistance* has established annual disclosure requirements over transactions with a government that are accounted for by applying a grant accounting model. The disclosures include the nature of the transactions and the related accounting policy used to account for the transactions, the line items and amounts included in the consolidated balance sheet and consolidated statement of operations, and the significant terms and conditions of the transactions, including commitments and contingencies. The disclosures are required for the annual periods beginning after December 15, 2021. We intend to include these disclosures for the year ending June 30, 2023.

ASU 2020-04, 2021-01 and 2022-06, *Reference Rate Reform (Topic 848)*, provide optional expedients to GAAP guidance if certain criteria are met for contracts, hedging relationships and derivative instruments that reference the London Interbank Offered Rate ("LIBOR") planned to be discontinued by rate reform. In November 2022, we amended our 2021 Credit Agreement and our 2020 interest rate swap agreement to replace LIBOR as the interest rate benchmark with the Secured Overnight Financing Rate ("SOFR"), as provided for under ASU 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the SOFR Overnight Index Swap (OIS) Rate as a Benchmark for Hedge Accounting Purposes.* We applied the optional expedients to treat the amendments as a continuation of existing contracts at the time the amendments were executed.

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 and companion animals including poultry, swine, beef and dairy cattle, aquaculture, and dogs. The products help prevent, control and treat diseases and support nutrition to help improve animal health and well-being. The animal health and mineral nutrition products are sold directly to integrated poultry, cattle, and swine integrators and through commercial animal feed manufacturers, wholesalers, distributors and veterinarians. 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 on regions where the majority of livestock production is consolidated in large commercial farms.

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

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. The MFAs and other category also includes other antibacterial products and processing aids used in the ethanol fermentation industry.

- Nutritional specialties: Nutritional specialty products enhance nutrition to help improve health and performance in areas such as immune system function and digestive health. We are also a developer, manufacturer and marketer of microbial products and bioproducts for a variety of applications serving animal health and nutrition, environmental, industrial and agricultural customers.

- Vaccines: Vaccine products 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, as well as adjuvants, for animal vaccine manufacturers. We have also 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.

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

Net Sales by Product Type

	Three Months		Six Months	
For the Periods Ended December 31	**2022**	**2021**	**2022**	**2021**
Animal Health				
MFAs and other	$ 97,179	$ 91,724	$ 189,969	$ 175,482
Nutritional specialties	43,856	37,330	82,910	73,327
Vaccines	22,768	21,873	45,783	43,122
Total Animal Health	$ 163,803	$ 150,927	$ 318,662	$ 291,931
Mineral Nutrition	61,644	66,655	121,290	121,087
Performance Products	19,199	15,130	37,215	34,359
Total	$ 244,646	$ 232,712	$ 477,167	$ 447,377

Net Sales by Region

	Three Months		Six Months	
For the Periods Ended December 31	**2022**	**2021**	**2022**	**2021**
United States	$ 149,386	$ 139,145	$ 285,190	$ 265,464
Latin America and Canada	53,820	48,013	106,066	90,674
Europe, Middle East and Africa	27,827	30,029	57,344	60,961
Asia Pacific	13,613	15,525	28,567	30,278
Total	$ 244,646	$ 232,712	$ 477,167	$ 447,377

Net sales by region are based on country of destination.

Deferred revenue was $1,505 and $2,051 as of December 31, 2022, and June 30, 2022, respectively. Accrued expenses and other current liabilities included $448 and $822 of the total deferred revenue as of December 31, 2022, and June 30, 2022, 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 exclude 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

For the Periods Ended December 31	Three Months 2022	Three Months 2021	Six Months 2022	Six Months 2021
Interest expense, net				
2021 Term A loan	$ 2,604	$ 2,264	$ 3,386	$ 4,537
Revolving credit facility	1,648	647	4,413	1,246
2022 Term loan	188	—	188	—
Amortization of debt issuance costs	179	147	326	295
Other	9	44	10	89
Interest expense	4,628	3,102	8,323	6,167
Interest income	(744)	(149)	(1,372)	(325)
	$ 3,884	$ 2,953	$ 6,951	$ 5,842

Depreciation and Amortization

For the Periods Ended December 31	Three Months 2022	Three Months 2021	Six Months 2022	Six Months 2021
Depreciation and amortization				
Depreciation of property, plant and equipment	$ 6,059	$ 5,864	$ 12,110	$ 11,578
Amortization of intangible assets	2,440	2,137	4,839	4,277
	$ 8,499	$ 8,001	$ 16,949	$ 15,855

4. Balance Sheets—Additional Information

As of	December 31, 2022	June 30, 2022
Inventories		
Raw materials	$ 96,552	$ 87,030
Work-in-process	20,009	15,468
Finished goods	172,423	156,660
	$ 288,984	$ 259,158

As of	December 31, 2022	June 30, 2022
Other assets		
ROU operating lease assets	$ 35,759	$ 37,680
Deferred income taxes	6,311	5,849
Deposits	5,932	5,905
Insurance investments	6,073	5,984
Equity method investments	5,056	4,362
Derivative instruments	13,367	12,976
Debt issuance costs	1,656	1,436
Other	7,576	8,698
	$ 81,730	$ 82,890

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of	December 31, 2022	June 30, 2022
Accrued expenses and other current liabilities		
Employee related	$ 27,338	$ 34,278
Current operating lease liabilities	5,748	6,051
Commissions and rebates	5,375	7,125
Professional fees	6,318	5,493
Income and other taxes	7,187	7,211
Insurance-related	1,180	1,174
Other	18,516	18,904
	$ 71,662	$ 80,236

As of	December 31, 2022	June 30, 2022
Other liabilities		
Long-term operating lease liabilities	$ 29,768	$ 31,508
Long-term and deferred income taxes	12,386	9,264
Supplemental retirement benefits, deferred compensation and other	7,543	7,368
U.S. pension plan	1,781	1,793
International retirement plans	4,436	4,620
Other long-term liabilities	9,174	5,947
	$ 65,088	$ 60,500

As of	December 31, 2022	June 30, 2022
Accumulated other comprehensive loss		
Derivative instruments	$ 26,460	$ 20,891
Foreign currency translation adjustment	(118,906)	(119,034)
Unrecognized net pension losses	(23,840)	(24,208)
Provision for income taxes on derivative instruments	(6,672)	(5,281)
Benefit for income taxes on long-term intercompany investments	8,166	8,166
Provision for income taxes on net pension losses	(1,739)	(1,647)
	$ (116,531)	$ (121,113)

5. Debt

Term Loans and Revolving Credit Facilities

In April 2021, we entered into an amended and restated credit agreement (the "2021 Credit Agreement") under which we had 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 could borrow up to an aggregate amount of $250,000, subject to the terms of the 2021 Credit Agreement (the "2021 Revolver" and together with the 2021 Term A Loan, the "2021 Credit Facilities"). In November 2022, we amended the 2021 Credit Facilities to increase the revolving commitments under the 2021 Revolver to an aggregate amount of $310,000 and adopt SOFR as the reference for the fluctuating rate of interest on the 2021 Credit Facilities, replacing the LIBOR reference rate. All other terms and conditions of the 2021 Credit Agreement were unchanged.

The 2021 Term A Loan is repayable in quarterly installments, with the balance payable at maturity. The 2021 Revolver contains a letter of credit facility. The interest rate per annum applicable to the loans under the 2021 Credit Facilities is based on a fluctuating rate of interest plus an applicable rate equal to 2.00%, 1.75% or 1.50% in the case of adjusted SOFR rate loans and 1.00%, 0.75% or 0.50% in the case of base rate loans. The applicable rates are based on the First Lien Net Leverage Ratio (as defined in the 2021 Credit Agreement). The 2021 Credit Facilities mature in April 2026.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The 2021 Credit Agreement requires, among other things, compliance with financial covenants that permit: (i) a maximum First Lien Net Leverage Ratio of 4.00:1.00 and (ii) a minimum interest coverage ratio of 3.00:1.00, each calculated on a trailing four-quarter basis. The 2021 Credit Agreement contains an acceleration clause should an event of default (as defined in the 2021 Credit Agreement) occur. As of December 31, 2022, we were in compliance with the financial covenants.

As of December 31, 2022, we had $184,000 in borrowings drawn under the 2021 Revolver and had outstanding letters of credit of $2,479, leaving $123,521 available for further borrowings and letters of credit under the 2021 Revolver, subject to restrictions in our 2021 Credit Facilities. 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 converted the floating LIBOR portion of our interest obligation on that amount of debt to a fixed interest rate of 1.83%. The agreement matured in June 2022. We designated the interest rate swap as a highly effective cash flow hedge. For additional details, see “Note 8 — Derivatives.”

In March 2020, we entered into an interest rate swap agreement on $150,000 of notional principal that effectively converted the floating LIBOR portion of our interest obligation on that amount of debt to a fixed rate of 0.62%. In July 2022, this agreement increased to a notional principal amount of $300,000. In November 2022, we amended the March 2020 interest rate swap agreement to convert the floating portion of our interest obligation to SOFR. The agreement effectively converts the floating portion of our interest obligation on $300,000 of debt to a fixed interest rate of 0.61% through June 2025. We have designated the interest rate swap as a highly effective cash flow hedge. For additional details, see “Note 8 — Derivatives.”

As of December 31, 2022, the interest rates for the 2021 Revolver and the 2021 Term A Loan were 5.76% and 2.36%, respectively. The weighted-average interest rates for the 2021 Revolver were 4.57% and 1.83% for the six months ended December 31, 2022 and 2021, respectively. The weighted-average interest rates for the 2021 Term A Loan were 2.37% and 2.98% for six months ended December 31, 2022 and 2021, respectively.

Other Long-Term Debt

In September 2022, we entered into a credit agreement (the “2022 Term Loan”) in the amount of $12,000, collateralized by certain facilities. The 2022 Term Loan matures in September 2027. The interest rate per annum applicable to the 2022 Term Loan is based on a fluctuating rate of interest, at the Company’s election from time to time, equal to either (i) one-month Adjusted SOFR plus 1.00%, or (ii) a base rate determined by reference to the greater of (a) the prime rate and (b) the Federal Funds Effective Rate plus 0.50%. The 2022 Term Loan is repayable in monthly installments of $35, with the balance payable at maturity. The weighted-average interest rate was 5.74% for the period during which the 2022 Term Loan was outstanding during the six months ended December 31, 2022.

Maturities of Long-Term Debt

As of	December 31, 2022	June 30, 2022
2021 Term A Loan due April 2026	$ 281,250	$ 288,750
2022 Term Loan due September 2027	11,895	-
	293,145	288,750
Unamortized debt issuance costs	(919)	(825)
	292,226	287,925
Less: current maturities	(15,420)	(15,000)
	$ 276,806	$ 272,925

6. Related Party Transactions

Certain relatives of Jack C. Bendheim, our Chairman, President and Chief Executive Officer, provided services to the Company as employees or consultants and received aggregate compensation and benefits of approximately $397 and $471 during the three months ended December 31, 2022 and 2021, and $1,177 and $1,300 during the six months ended December 31, 2022 and 2021, respectively. Mr. Bendheim has sole authority to vote shares of our stock owned by BFI Co., LLC, an investment vehicle of the Bendheim family.

7. Commitments and Contingencies

Environmental

Our operations and properties are subject to extensive federal, state, local and foreign laws and regulations, including those governing pollution; protection of the environment; the use, management, and release of hazardous materials, substances and wastes; air emissions; greenhouse gas emissions; water use, supply and discharges; the investigation and remediation of contamination; the manufacture, distribution, and sale of regulated materials, including pesticides; the importing, exporting and transportation of products; and the health and safety of our employees (collectively, “Environmental Laws”). As such, the nature of our current and former operations exposes us to the risk of claims with respect to such matters, including fines, penalties, and remediation obligations that may be imposed by regulatory authorities. Under certain circumstances, we might be required to curtail operations until a particular problem is remedied. Known costs and expenses under Environmental Laws incidental to ongoing operations, including the cost of litigation proceedings relating to environmental matters, are included within operating results. Potential costs and expenses may also be incurred in connection with the repair or upgrade of facilities to meet existing or new requirements under Environmental Laws or to investigate or remediate potential or actual contamination, and from time to time we establish reserves for such contemplated investigation and remediation costs. In many instances, the ultimate costs under Environmental Laws and the period during which such costs are likely to be incurred are difficult to predict.

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 the 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. PAHC and Phibro-Tech have vigorously contested this position and have asserted that the successor to the prior owner is required to indemnify Phibro-Tech for its potential liability and defense costs. In 2014, several members of OPOG filed a complaint under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") 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. In August 2022, the United States Department of Justice (the "DOJ"), on behalf of the EPA, sent Phibro-Tech and certain other PRPs a pre-litigation notice letter regarding potential CERCLA Sec. 107 cost recovery claims seeking unrecovered past costs related to the groundwater plume affected by the Omega Chemical Site, along with a declaration allocating liability for future costs.

In January 2023, the plaintiffs in the OPOG lawsuit, the EPA and certain defendants in the OPOG lawsuit, including Phibro-Tech, reached a tentative settlement that would provide for a "cash-out" settlement, with contribution protection, for Phibro-Tech and its affiliates (as well as certain other defendants) releasing Phibro-Tech and its affiliates from liability for contamination of the groundwater plume affected by the Omega Chemical Site (with certain exceptions), including past and future EPA response costs that were the subject of the letter sent by the DOJ on behalf of the EPA in August 2022. As part of the tentative settlement, Phibro-Tech would also resolve all claims for indemnification and contribution between Phibro-Tech and the successor to the prior owner of the Phibro-Tech site. The terms of the tentative settlement, which is subject to negotiation and court approval of a definitive settlement agreement, contemplate cash payments by Phibro-Tech and one of its affiliates, with the option for payments to be made in installments over several years with interest. In the three months ended December 31, 2022, we have recognized a reserve for the OPOG lawsuit representing the cash payments contemplated under the tentative settlement and other related costs, which is included in our consolidated statement of operations as selling, general and administrative expenses.

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, including the reserve for the OPOG lawsuit referred to in the preceding paragraph, to be approximately $10,480 and $4,287 at December 31, 2022, and June 30, 2022, respectively, which is included in current and long-term liabilities on the consolidated balance sheets. However, future events, such as new information, changes in existing Environmental Laws or their interpretation, and more vigorous enforcement policies of regulatory agencies, may give rise to additional expenditures or liabilities that could be material. For all purposes of the discussion under this caption and elsewhere in this report, it should be noted that we take and have taken the position that neither PAHC nor any of our subsidiaries are liable for environmental or other claims made against one or more of our other subsidiaries or for which any of such other subsidiaries may ultimately be responsible.

Claims and Litigation

PAHC and its subsidiaries are party to 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.

Development Agreements

We have entered into various licensing agreements for the development, manufacture and commercialization of certain companion animal products. Under the agreements, we may be liable for future payments upon the achievement of certain development milestones and as a percentage of net sales.

8. Derivatives

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We routinely assess whether the derivatives used to hedge transactions are effective. If we determine a derivative no longer is 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 9 — Fair Value Measurements."

In July 2017, we entered into an interest rate swap agreement on the first $150,000 of notional principal that effectively converted the floating LIBOR portion of our interest obligation on that amount of debt to a fixed interest rate of 1.83%. The agreement matured in June 2022. In March 2020, we entered into an interest rate swap agreement on an additional $150,000 of notional principal that effectively converted the floating LIBOR portion of our interest obligation on that amount of debt to a fixed rate of 0.62%. In July 2022, this agreement increased to a notional principal amount of $300,000. In November 2022, we amended the March 2020 interest rate swap agreement to convert the floating portion of our interest obligation to SOFR. The agreement effectively converts the floating portion of our interest obligation on $300,000 of debt to a fixed interest rate of 0.61% through June 2025. We have designated the interest rate swap as a highly effective cash flow hedge.

We have entered into foreign currency option contracts to hedge cash flows related to monthly inventory purchases. The individual option contracts mature monthly through August 2023. The forecasted inventory purchases are probable of occurring and the individual option contracts were designated as highly effective cash flow hedges.

The consolidated balance sheet includes the net fair values of our outstanding foreign currency option contracts within the respective line items, based on the net financial position and maturity date of the individual contracts. The consolidated balance sheet includes the net fair values of our outstanding interest rate swap within the respective balance sheet line items, based on the expected timing of the cash flows. The consolidated balance sheet includes assets for the fair values of outstanding derivatives that are designated and effective as cash flow hedges as follows:

As of	December 31, 2022	June 30, 2022
Other current assets		
Brazil Real options, net	$ 453	$ 498
Interest rate swap	12,640	7,417
Other assets		
Brazil Real options, net	—	104
Interest rate swap	13,367	12,871
Total Fair Value		
Brazil Real options, net	453	602
Interest rate swap	26,007	20,288

Notional amounts of the derivatives as of the balance sheet date were:

As of	December 31, 2022
Brazil Real call options	R$ 40,000
Brazil Real put options	R$ (40,000)
Interest rate swap	$ 300,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The consolidated statements of operations and statements of other comprehensive income (“OCI”) for the periods ended December 31, 2022 and 2021 included the effects of derivatives as follows:

For the Periods Ended December 31	Three Months 2022	Three Months 2021	Six Months 2022	Six Months 2021
Brazil Real options, net				
Expense recorded in consolidated statements of operations	$ 355	$ 99	$ 792	$ 527
Consolidated statement of operations - total cost of goods sold	$ 167,261	$ 162,040	$ 331,136	$ 312,027
Expense (income) recorded in OCI	$ (18)	$ (360)	$ 150	$ 407
Interest rate swap				
Expense (income) recorded in consolidated statements of operations	$ (2,298)	$ 874	$ (3,508)	$ 1,742
Consolidated statement of operations - total interest expense, net	$ 3,884	$ 2,953	$ 6,951	$ 5,842
Expense (income) recorded in OCI	$ 1,554	$ (4,450)	$ (5,719)	$ (5,188)

We recognize gains and losses related to foreign currency derivatives as a component of cost of goods sold at the time the hedged item is sold. Inventory as of December 31, 2022, included realized net losses of $101 related to matured contracts. We anticipate the net losses included in inventory will be recognized in cost of goods sold within the next eighteen months.

9. 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.

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. Assets and liabilities may be required to be measured at fair value on a non-recurring basis, either upon initial recognition or for subsequent accounting or reporting, including the initial recognition of net assets acquired in a business combination. These fair value measurements involve unobservable inputs that reflect estimates and assumptions that represent Level 3 inputs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Fair Value of Assets

As of	December 31, 2022			June 30, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Short-term investments	$ 10,000	$ —	$ —	$ 17,000	$ —	$ —
Foreign currency derivatives	$ —	$ 453	$ —	$ —	$ 602	$ —
Interest rate swap	$ —	$ 26,007	$ —	$ —	$ 20,288	$ —

There were no transfers between levels during the periods presented.

10. Business Segments

We evaluate performance and allocate resources, based on the Animal Health, Mineral Nutrition and Performance Products segments. Certain of our costs and assets are not directly attributable to these segments and we refer to these items as Corporate. We do not allocate Corporate costs or assets to the segments because they are not used to evaluate the segments' operating results or financial position. Corporate includes 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, and (d) other expense or less other income, as separately reported on our consolidated statements of operations, including foreign currency (gains) losses, net and certain items that we consider to be unusual, non-operational or non-recurring.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Periods Ended December 31	Three Months 2022	Three Months 2021	Six Months 2022	Six Months 2021
Net sales				
Animal Health	$ 163,803	$ 150,927	$ 318,662	$ 291,931
Mineral Nutrition	61,644	66,655	121,290	121,087
Performance Products	19,199	15,130	37,215	34,359
Total segments	$ 244,646	$ 232,712	$ 477,167	$ 447,377
Depreciation and amortization				
Animal Health	$ 6,934	$ 6,517	$ 13,845	$ 12,937
Mineral Nutrition	659	660	1,314	1,299
Performance Products	453	437	895	856
Total segments	$ 8,046	$ 7,614	$ 16,054	$ 15,092
Adjusted EBITDA				
Animal Health	$ 37,059	$ 33,696	$ 64,023	$ 61,333
Mineral Nutrition	4,399	5,525	9,696	10,058
Performance Products	2,292	1,324	4,656	3,462
Total segments	$ 43,750	$ 40,545	$ 78,375	$ 74,853
Reconciliation of income before income taxes to Adjusted EBITDA				
Income before income taxes	$ 12,109	$ 23,530	$ 17,526	$ 33,125
Interest expense, net	3,884	2,953	6,951	5,842
Depreciation and amortization – Total segments	8,046	7,614	16,054	15,092
Depreciation and amortization – Corporate	453	387	895	763
Corporate costs	12,838	11,453	25,329	23,295
Environmental remediation costs	6,569	—	6,569	—
Gain on sale of investment	—	(1,203)	—	(1,203)
Foreign currency (gains) losses, net	(149)	(4,189)	5,051	(2,061)
Adjusted EBITDA – Total segments	$ 43,750	$ 40,545	$ 78,375	$ 74,853

As of	December 31, 2022	June 30, 2022
Identifiable assets		
Animal Health	$ 670,336	$ 654,862
Mineral Nutrition	95,190	87,379
Performance Products	51,097	39,490
Total segments	816,623	781,731
Corporate	145,210	149,968
Total	$ 961,833	$ 931,699

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

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

Introduction

Our management's discussion and analysis of financial condition and results of operations ("MD&A") is provided to assist readers in understanding our performance, as reflected in the results of our operations, our financial condition and our cash flows. The following discussion summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and cash flows as of and for the periods presented below. This MD&A should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. Our future results could differ materially from our historical performance as a result of various factors such as those discussed in "Risk Factors" in Item 1A of our Annual Report 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 and companion animals including poultry, swine, beef and dairy cattle, aquaculture, and dogs. Our products help prevent, control and treat diseases, and support nutrition to help improve health and well-being. 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.

Armed Conflict between Russia and Ukraine

In response to the armed conflict between Russia and Ukraine that began in February 2022, we and our employees have provided support to Ukraine in the form of monetary donations, free products and humanitarian services. Our limited intent for the Russian market is to continue to provide medicines and vaccines, and related regulatory and technical support, to help existing customers combat disease challenges in the production of food animals on their farms. We have no production or direct distribution operations and no planned investments in Russia.

Since the conflict began, the United States and other North Atlantic Treaty Organization ("NATO") member states, as well as non-member states, announced targeted economic sanctions on Russia, including certain Russian citizens and enterprises. The continuation or escalation of the conflict may trigger additional economic and other sanctions, as well as broader military conflict. The potential impacts of any resulting bans, sanctions, boycotts or broader military conflicts on our business is uncertain at the current time due to the fluid nature of the conflict. The potential impacts could include supply chain and logistics disruptions, macroeconomic impacts resulting from the exclusion of Russian financial institutions from the global banking system, volatility in foreign exchange rates and interest rates, inflationary pressures on raw materials and energy as well as heightened cybersecurity threats. Our annual sales to Russia and Ukraine represent approximately 1% of consolidated net sales.

We cannot know if the conflict could escalate and result in broader economic and security concerns that could adversely affect our business, financial condition, or results of operations.

Effects of the COVID-19 pandemic

The global food and animal production industry has experienced demand disruption, production impacts, price volatility and currency volatility in international markets due to the COVID-19 pandemic. The situation surrounding the COVID-19 pandemic remains fluid. We are unable to predict the future impact of COVID-19 on the economies where we manufacture and/or sell our products. We 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, see "Risk Factors" in Item 1A of our Annual Report.

Regulatory Developments

In April 2016, the Food and Drug Administration ("FDA") began initial steps to withdraw approval of carbadox (the active ingredient in our Mecadox product) 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. In the years following, Phibro has continued an ongoing process of responding collaboratively and transparently to the FDA's Center for Veterinary Medicine ("CVM") inquiries and has provided extensive and meticulous research and data that confirmed the safety of carbadox. In July 2020, the FDA announced it would not proceed to a hearing on the scientific concerns raised in the 2016 NOOH, consistent with the normal regulatory procedure, but instead announced that it was withdrawing the 2016 NOOH and issuing a proposed order to review the regulatory method for carbadox. Phibro reiterated the safety of carbadox and the appropriateness of the regulatory method and offered to work with the CVM to generate additional data to support the existing regulatory method or select a suitable alternative regulatory method.

In the event the FDA continues to assert that carbadox should be removed from the market, we will argue that we are entitled to and expect to have a full evidentiary hearing on the merits before an administrative law judge. Should we be unable to successfully defend the safety of the product, the loss of carbadox sales will have an adverse effect on our financial condition and results of operations. Sales of Mecadox (carbadox) for the twelve months ended December 31, 2022, were $20.0 million. As of the date of this Quarterly Report on Form 10-Q, Mecadox continues to be available for use by swine producers. For additional information, see also "Business - Compliance with Government Regulations - United States - Carbadox"; and "Business - Compliance with Government Regulations - Global policy and guidance" in Item 1 of our Annual Report.

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Analysis of the consolidated statements of operations

Summary Results of Operations

For the Periods Ended December 31	Three Months 2022	Three Months 2021	Three Months Change		Six Months 2022	Six Months 2021	Six Months Change	
	(in thousands, except per share amounts and percentages)							
Net sales	$ 244,646	$ 232,712	$ 11,934	*5 %*	$ 477,167	$ 447,377	$ 29,790	*7 %*
Gross profit	77,385	70,672	6,713	*9 %*	146,031	135,350	10,681	*8 %*
Selling, general and administrative expenses	61,541	48,378	13,163	*27 %*	116,503	98,444	18,059	*18 %*
Operating income	15,844	22,294	(6,450)	*(29)%*	29,528	36,906	(7,378)	*(20)%*
Interest expense, net	3,884	2,953	931	*32 %*	6,951	5,842	1,109	*19 %*
Foreign currency (gains) losses, net	(149)	(4,189)	4,040	*	5,051	(2,061)	7,112	*
Income before income taxes	12,109	23,530	(11,421)	*(49)%*	17,526	33,125	(15,599)	*(47)%*
Provision for income taxes	4,899	6,065	(1,166)	*(19)%*	6,460	9,126	(2,666)	*(29)%*
Net income	$ 7,210	$ 17,465	$ (10,255)	*(59)%*	$ 11,066	$ 23,999	$ (12,933)	*(54)%*
Net income per share basic and diluted	$ 0.18	$ 0.43	$ (0.25)	(59)%	$ 0.27	$ 0.59	$ (0.32)	(54)%
Weighted average number of shares outstanding basic and diluted	40,504	40,504			40,504	40,504		
Ratio to net sales								
Gross profit	*31.6 %*	*30.4 %*			*30.6 %*	*30.3 %*		
Selling, general and administrative expenses	*25.2 %*	*20.8 %*			*24.4 %*	*22.0 %*		
Operating income	*6.5 %*	*9.6 %*			*6.2 %*	*8.2 %*		
Income before income taxes	*4.9 %*	*10.1 %*			*3.7 %*	*7.4 %*		
Net income	*2.9 %*	*7.5 %*			*2.3 %*	*5.4 %*		
Effective tax rate	*40.5 %*	*25.8 %*			*36.9 %*	*27.6 %*		

Certain amounts and percentages may reflect rounding adjustments.

* Calculation not meaningful

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

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

Segment net sales and Adjusted EBITDA:

For the Periods Ended December 31	Three Months 2022	Three Months 2021	Three Months Change		Six Months 2022	Six Months 2021	Six Months Change	
	(in thousands, except percentages)							
Net sales								
MFAs and other	$ 97,179	$ 91,724	$ 5,455	6 %	$ 189,969	$ 175,482	$ 14,487	8 %
Nutritional specialties	43,856	37,330	6,526	17 %	82,910	73,327	9,583	13 %
Vaccines	22,768	21,873	895	4 %	45,783	43,122	2,661	6 %
Animal Health	163,803	150,927	12,876	9 %	318,662	291,931	26,731	9 %
Mineral Nutrition	61,644	66,655	(5,011)	(8)%	121,290	121,087	203	0 %
Performance Products	19,199	15,130	4,069	27 %	37,215	34,359	2,856	8 %
Total	$ 244,646	$ 232,712	$ 11,934	5 %	$ 477,167	$ 447,377	$ 29,790	7 %
Adjusted EBITDA								
Animal Health	$ 37,059	$ 33,696	$ 3,363	10 %	$ 64,023	$ 61,333	$ 2,690	4 %
Mineral Nutrition	4,399	5,525	(1,126)	(20)%	9,696	10,058	(362)	(4)%
Performance Products	2,292	1,324	968	73 %	4,656	3,462	1,194	34 %
Corporate	(12,838)	(11,453)	(1,385)	12 %	(25,329)	(23,295)	(2,034)	9 %
Total	$ 30,912	$ 29,092	$ 1,820	6 %	$ 53,046	$ 51,558	$ 1,488	3 %
Adjusted EBITDA ratio to segment net sales								
Animal Health	22.6 %	22.3 %			20.1 %	21.0 %		
Mineral Nutrition	7.1 %	8.3 %			8.0 %	8.3 %		
Performance Products	11.9 %	8.8 %			12.5 %	10.1 %		
Corporate[1]	(5.2)%	(4.9)%			(5.3)%	(5.2)%		
Total[1]	12.6 %	12.5 %			11.1 %	11.5 %		

(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 December 31	Three Months 2022	Three Months 2021	Three Months Change		Six Months 2022	Six Months 2021	Six Months Change	
	(in thousands, except percentages)							
Net income	$ 7,210	$ 17,465	$ (10,255)	(59)%	$ 11,066	$ 23,999	$ (12,933)	(54)%
Interest expense, net	3,884	2,953	931	32 %	6,951	5,842	1,109	19 %
Provision for income taxes	4,899	6,065	(1,166)	(19)%	6,460	9,126	(2,666)	(29)%
Depreciation and amortization	8,499	8,001	498	6 %	16,949	15,855	1,094	7 %
EBITDA	24,492	34,484	(9,992)	(29)%	41,426	54,822	(13,396)	(24)%
Environmental remediation costs	6,569	—	6,569	*	6,569	—	6,569	*
Gain on sale of investment	—	(1,203)	1,203	*	—	(1,203)	1,203	*
Foreign currency (gains) losses, net	(149)	(4,189)	4,040	*	5,051	(2,061)	7,112	*
Adjusted EBITDA	$ 30,912	$ 29,092	$ 1,820	6 %	$ 53,046	$ 51,558	$ 1,488	3 %

Certain amounts may reflect rounding adjustments.

* Calculation not meaningful

<u>Comparison of three months ended December 31, 2022 and 2021</u>

Net sales

Net sales of $244.6 million for the three months ended December 31, 2022, increased $11.9 million, or 5%, as compared to the three months ended December 31, 2021. Animal Health and Performance Products increased $12.9 million and $4.1 million, respectively. Mineral Nutrition decreased $5.0 million.

Animal Health

Net sales of $163.8 million for the three months ended December 31, 2022, increased $12.9 million, or 9%. Net sales of MFAs and other increased $5.5 million, or 6%, due to increased demand for our MFAs in Latin America and for processing aids used in the ethanol fermentation industry. Net sales of nutritional specialty products increased $6.5 million, or 17%, due mostly to higher domestic demand and higher average selling prices for dairy products, along with growth in the companion animal product. Net sales of vaccines increased $0.9 million, or 4%, due to increased demand.

Mineral Nutrition

Net sales of $61.6 million for the three months ended December 31, 2022, decreased $5.0 million, or 8%, driven by a decrease in demand for trace minerals, partially offset by higher average selling prices. The increase in average selling prices is correlated to the movement of the underlying raw material costs.

Performance Products

Net sales of $19.2 million for the three months ended December 31, 2022, increased $4.1 million, or 27%, primarily as a result of increased demand for copper-based products and higher average selling prices for copper-based products and ingredients for personal care products.

Gross profit

Gross profit of $77.4 million for the three months ended December 31, 2022, increased $6.7 million, or 9%, as compared to the three months ended December 31, 2021. Gross margin increased 120 basis points to 31.6% of net sales for the three months ended December 31, 2022, as compared to 30.4% for the three months ended December 31, 2021, due to favorable product and geographical mix and lower production costs.

Animal Health gross profit increased $6.3 million, primarily driven by higher sales volumes and favorable production costs. Mineral Nutrition gross profit decreased $1.1 million, driven primarily by lower sales volume and an increase in raw material costs. Performance Products gross profit increased $1.5 million as a result of increased demand and higher average selling prices for copper-based products.

Selling, general and administrative expenses

Selling, general and administrative expenses (“SG&A”) of $61.5 million for the three months ended December 31, 2022, increased $13.2 million, or 27%, as compared to the three months ended December 31, 2021. SG&A for the three months ended December 31, 2022, included $6.6 million of environmental remediation costs. The majority of these environmental remediation costs relate to a tentative settlement we have reached in a lawsuit concerning alleged historical environmental contamination from a facility in California we acquired years ago within our Performance Products segment. SG&A for the three months ended December 31, 2021, included a $1.2 million gain on sale of investment. Excluding the environmental remediation costs and the gain on sale of investment, SG&A increased $5.4 million, or 11%.

Animal Health SG&A increased $3.4 million, primarily due to an increase in employee-related and other miscellaneous costs. Mineral Nutrition SG&A was comparable to prior year. Performance Products SG&A increased $0.5 million. Corporate costs increased by $1.4 million, driven by net changes in costs related to employees and strategic investments.

Interest expense, net

Interest expense, net of $3.9 million for the three months ended December 31, 2022, increased by $0.9 million, as compared to the three months ended December 31, 2021, due to increased debt outstanding, partially offset by an increase in interest income and lower average fixed rates in our interest rate swap agreement.

Foreign currency gains, net

Foreign currency gains, net for the three months ended December 31, 2022, were $0.1 million, as compared to $4.2 million of net gains for the three months ended December 31, 2021. Prior period gains were driven by the weakening of certain currencies relative to the U.S. dollar.

Provision for income taxes

The provision for income taxes was $4.9 million and $6.1 million for the three months ended December 31, 2022 and 2021, respectively. The effective income tax rate was 40.5% and 25.8% for the three months ended December 31, 2022 and 2021, respectively. The current provision for income taxes was impacted by the final foreign tax credit regulations that were in effect during the three months ended December 31, 2022, in addition to losses generated in international jurisdictions where no tax benefit is being recognized.

Net income

Net income of $7.2 million for the three months ended December 31, 2022, decreased $10.3 million, as compared to net income of $17.5 million for the three months ended December 31, 2021. Operating income decreased $6.5 million, driven by higher SG&A, partially offset by favorable gross profit. Excluding the $6.6 million environmental remediation costs, operating income would have increased $0.1 million. The increase in gross profit was due to higher product demand and higher selling prices. Interest expense, net increased $0.9 million and foreign currency gains, net decreased $4.0 million. Income tax expense decreased by $1.2 million.

Adjusted EBITDA

Adjusted EBITDA of $30.9 million for the three months ended December 31, 2022, increased $1.8 million, as compared to the three months ended December 31, 2021. Animal Health Adjusted EBITDA increased $3.4 million due to higher gross profit margin, partially offset by higher SG&A. Performance Products Adjusted EBITDA increased $1.0 million due to higher gross profit, also partially offset by higher SG&A. Mineral Nutrition Adjusted EBITDA decreased $1.1 million, driven by lower gross profit. Corporate expenses increased $1.4 million, driven by increased costs related to employees and strategic investments.

<u>Comparison of six months ended December 31, 2022 and 2021</u>

Net sales

Net sales of $477.2 million for the six months ended December 31, 2022, increased $29.8 million, or 7%, as compared to the six months ended December 31, 2021. Animal Health, Mineral Nutrition and Performance Products sales increased $26.7 million, $0.2 million, and $2.9 million, respectively.

Animal Health

Net sales of $318.7 million for the six months ended December 31, 2022, increased $26.7 million, or 9%. Net sales of MFAs and other increased $14.5 million, or 8%, due to higher demand for MFAs primarily in Latin America and for processing aids used in the ethanol fermentation industry. Net sales of nutritional specialty products grew $9.6 million, or 13%, driven by strong demand in dairy products and increased sales of our companion animal product. Net sales of vaccines increased $2.7 million, or 6%, due to increased domestic and international volumes.

Mineral Nutrition

Net sales of $121.3 million for the six months ended December 31, 2022, increased $0.2 million, driven by higher average selling prices for trace minerals, mostly offset by a decrease in demand. The increase in average selling prices is correlated to the movement of the underlying raw material costs.

Performance Products

Net sales of $37.2 million for the six months ended December 31, 2022, increased $2.9 million, or 8%, driven by higher average selling prices of personal care product ingredients and copper-related products.

Gross profit

Gross profit of $146.0 million for the six months ended December 31, 2022, increased $10.7 million, or 8%, as compared to the six months ended December 31, 2021. Gross margin increased 30 basis points to 30.6% of net sales for the six months ended December 31, 2022, as compared to 30.3% for the six months ended December 31, 2021.

Animal Health gross profit increased $8.9 million as a result of average selling prices, partially offset by higher raw material and logistics costs. Mineral Nutrition gross profit decreased $0.2 million. Performance Products gross profit increased $2.0 million due to higher sales, partially offset higher raw material costs.

Selling, general and administrative expenses

SG&A of $116.5 million for the six months ended December 31, 2022, increased $18.1 million, or 18%, as compared to the six months ended December 31, 2021. SG&A for the six months ended December 31, 2022, included $6.6 million of environmental remediation costs. SG&A for the six months ended December 31, 2021, included a $1.2 million gain on sale of investment. Excluding these items, SG&A increased $10.3 million, or 10%.

Animal Health SG&A increased $7.1 million primarily due to an increase in employee-related and other miscellaneous costs. Mineral Nutrition SG&A was comparable to the prior year. Performance Products SG&A increased $0.8 million, mainly due to an increase in employee costs. Corporate expenses increased $2.1 million due to an increase in employee and employee-related costs.

Interest expense, net

Interest expense, net of $7.0 million for the six months ended December 31, 2022, increased $1.1 million, or 19%, as compared to the six months ended December 31, 2021. Interest expense increased as a result of increased debt outstanding, partially offset by an increase in interest income and lower average fixed rates in our interest rate swap agreement.

Foreign currency (gains) losses, net

Foreign currency (gains) losses, net for the six months ended December 31, 2022, amounted to net losses of $5.1 million, as compared to net (gains) of $(2.1) million for the six months ended December 31, 2021. Current period losses were driven by the weakening of the certain currencies relative to the U.S. dollar.

Provision for income taxes

The provision for income taxes was $6.5 million and $9.1 million for the six months ended December 31, 2022 and 2021, respectively. The effective income tax rate was 36.9% and 27.6% for the six months ended December 31, 2022 and 2021, respectively. The provision for income taxes for the six months ended December 31, 2022, included a $0.9 million benefit related to exchange rate differences on intercompany dividends and a $0.2 million expense from changes in uncertain tax positions related to prior years. The effective income tax rate, without these items, would have been 41.0% for the six months ended December 31, 2022.

Net income

Net income of $11.1 million for the six months ended December 31, 2022, decreased $12.9 million, as compared to net income of $24.0 million for the six months ended December 31, 2021. Operating income decreased $7.4 million driven by higher gross profit offset by higher SG&A. The increase in gross profit was driven by higher average selling prices in Animal Health and Performance Products, partially offset by higher raw material cost and production costs. SG&A expenses increased due to environmental remediation costs, higher employee-related costs and strategic investments. The change in foreign currency (gains) losses resulted in a $7.1 million reduction in income before income taxes. Income tax expense decreased $2.7 million.

Adjusted EBITDA

Adjusted EBITDA of $53.0 million for the six months ended December 31, 2022, increased $1.5 million, or 3%, as compared to the six months ended December 31, 2021. Animal Health Adjusted EBITDA increased $2.7 million, resulting from higher sales and increased gross profit, partially offset by higher SG&A. Performance Products Adjusted EBITDA increased $1.2 million, driven by higher sales and gross profit, partially offset by an increase in SG&A. Mineral Nutrition Adjusted EBITDA decreased $0.4 million. Corporate expenses increased $2.0 million due to increased employee and employee-related costs.

Analysis of financial condition, liquidity and capital resources

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

For the Periods Ended December 31	Six Months 2022	Six Months 2021	Change
	(in thousands)		
Cash (used) provided by:			
Operating activities	$ (13,187)	$ 23,943	$ (37,130)
Investing activities	(25,959)	(3,098)	(22,861)
Financing activities	33,035	(6,311)	39,346
Effect of exchange-rate changes on cash and cash equivalents	285	(1,361)	1,646
Net (decrease) increase in cash and cash equivalents	$ (5,826)	$ 13,173	$ (18,999)

Certain amounts may reflect rounding adjustments.

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

For the Periods Ended December 31	Six Months 2022	Six Months 2021	Change
	(in thousands)		
EBITDA	$ 41,426	$ 54,822	$ (13,396)
Adjustments:			
Environmental remediation costs	6,569	—	6,569
Gain on sale of investment	—	(1,203)	1,203
Foreign currency (gains) losses, net	5,051	(2,061)	7,112
Interest paid, net	(6,606)	(5,471)	(1,135)
Income taxes paid	(9,319)	(6,048)	(3,271)
Changes in operating assets and liabilities and other items	(50,308)	(16,096)	(34,212)
Net cash (used) provided by operating activities	$ (13,187)	$ 23,943	$ (37,130)

Certain amounts may reflect rounding adjustments.

Operating activities

Operating activities used $13.2 million of net cash for the six months ended December 31, 2022. Cash provided by net income and non-cash items, including depreciation and amortization, was $26.8 million. Cash used in the ordinary course of business for changes in operating assets and liabilities and other items was $50.3 million. Cash provided by receivables was $14.8 million as a result of changes in sales levels from seasonality and a favorable reduction in days sales outstanding. Cash used for inventory was $29.1 million due to increased raw material and production costs, product mix, and a projected increase in demand. Other current assets used $7.7 million of cash, primarily due to prepayment of taxes, including value-added tax. Accounts payable used $14.6 million of cash due to timing of purchases and payments. Accrued expenses and other liabilities used cash of $4.3 million, primarily due to changes in employee-related liabilities and lease payments.

Investing activities

Investing activities used $26.0 million of net cash for the six months ended December 31, 2022. Capital expenditures totaled $33.0 million, which included $15.0 million for the purchase of additional land and building at an operating facility, primarily for continued investments in expanded production capacity and productivity improvements. Maturities of our short-term investments provided $7.0 million.

Financing activities

Financing activities provided $33.0 million of net cash for the six months ended December 31, 2022. Net borrowings on our 2021 Revolver provided $39.0 million. Proceeds from the 2022 Term Loan provided $12.0 million. We paid $7.6 million in scheduled debt maturities. We paid $9.7 million in dividends to holders of our Class A and Class B common stock.

Liquidity and capital resources

We believe our cash on hand, operating cash flows 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 the macroeconomic market conditions in the financial markets. At this time, we expect adequate liquidity for at least the next twelve months. However, we can provide no assurance that our liquidity and capital resources will be adequate for future funding requirements. We believe we will 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 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	**December 31, 2022**	**June 30, 2022**
	(in thousands, except ratios)	
Cash and cash equivalents and short-term investments	$ 78,422	$ 91,248
Working capital	351,118	299,152
Ratio of current assets to current liabilities	3.31:1	2.70:1

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 December 31, 2022, we had $184.0 million in outstanding borrowings under the 2021 Revolver and outstanding letters of credit and other commitments of $2.5 million, leaving $123.5 million available for further borrowings and letters of credit, subject to restrictions in our 2021 Credit Facilities.

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 March 22, 2023. 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 December 31, 2022, our cash and cash equivalents and short-term investments included $75.3 million held by our international subsidiaries. There are no restrictions on cash distributions to PAHC from our international subsidiaries.

Contractual obligations

As of December 31, 2022, there were no material changes in payments due under contractual obligations from those disclosed in the Annual Report.

Off-balance sheet arrangements

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

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

General description of non-GAAP financial measures

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 reflect 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 acquired 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; 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.

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,” “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, protein processors and markets;

- 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;

- the potential FDA withdrawal of approval of our Mecadox (carbadox) product;
- 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;
- climate change could have a material adverse impact on our operations and our customers’ businesses;
- actions of regulatory bodies, including obtaining approvals related to the testing, manufacturing and marketing of certain of our products;
- 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;
- misuse or extra-label use of our products;
- exposure relating to rising costs and reduced customer income;
- heightened competition, including those from generics and those 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;
- business interruption from political and social instability, including crime, civil disturbance, terrorist activities, outbreaks of disease and pandemics and armed conflicts, such as the current armed conflict between Russia and Ukraine;
- terrorist attacks, particularly attacks on or within markets in which we operate;
- risks related to changes in tax rates and exposure;
- 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, including risks related to the protection of our customers' privacy and risks related to environmental, health and safety laws and regulations;
- modification of foreign trade policy may harm our food animal product customers;
- our dependence on our Israeli and Brazilian operations;
- impact of increased or decreased inventory levels at our direct customers or channel distributors;
- 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 December 31, 2022, our Chief Executive Officer and Chief Financial Officer each concluded that, as of the end of such period, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

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 December 31, 2022.

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.

Item 6. Exhibits

Exhibit 10.1	First Amendment to Amended and Restated Credit Agreement, among Phibro Animal Health Corporation, Bank of America, N.A., and each lender party thereto, dated as of November 8, 2022 (incorporated by reference to Exhibit 10.1 to Phibro Animal Health Corporation's Quarterly Report on Form 10-Q filed on November 9, 2022 (File No. 001-36410)).
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	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the XBRL document
Exhibit 101.SCH	Inline XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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
February 8, 2023	By: /s/ Jack C. Bendheim
	Jack C. Bendheim
	Chairman, President and Chief Executive Officer
February 8, 2023	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: February 8, 2023

/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: February 8, 2023

/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: February 8, 2023

/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: February 8, 2023	/s/ Damian Finio
	Damian Finio
	Chief Financial Officer