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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

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 ☐
Non-accelerated filer ☐
Emerging growth company ☐

Accelerated filer ☒
Smaller reporting 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 November 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 September 30	Three Months	
	2023	2022
	(unaudited)	
	(in thousands, except per share amounts)	
Net sales	\$ 231,349	\$ 232,521
Cost of goods sold	163,623	163,875
Gross profit	67,726	68,646
Selling, general and administrative expenses	68,452	54,962
Operating (loss) income	(726)	13,684
Interest expense, net	4,564	3,067
Foreign currency losses, net	6,689	5,200
(Loss) income before income taxes	(11,979)	5,417
(Benefit) provision for income taxes	(3,964)	1,561
Net (loss) income	<u>\$ (8,015)</u>	<u>\$ 3,856</u>
Net (loss) income per share		
basic	\$ (0.20)	\$ 0.10
diluted	\$ (0.20)	\$ 0.10
Weighted average common shares outstanding		
basic	40,504	40,504
diluted	40,504	40,504

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

PHIBRO ANIMAL HEALTH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

For the Periods Ended September 30	Three Months	
	2023	2022
	(unaudited) (in thousands)	
Net (loss) income	\$ (8,015)	\$ 3,856
Change in fair value of derivative instruments	(1,891)	7,105
Foreign currency translation adjustment	(3,560)	(4,143)
Pension settlement recognition	10,425	—
Unrecognized net pension gains	644	176
Provision for income taxes	(2,264)	(1,820)
Other comprehensive income	3,354	1,318
Comprehensive (loss) income	\$ (4,661)	\$ 5,174

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

PHIBRO ANIMAL HEALTH CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of	September 30, 2023	June 30, 2023
	(unaudited)	
	(in thousands, except share and per share amounts)	
ASSETS		
Cash and cash equivalents	\$ 43,153	\$ 41,281
Short-term investments	48,000	40,000
Accounts receivable, net	149,228	163,479
Inventories, net	279,154	277,570
Other current assets	64,889	63,393
Total current assets	584,424	585,723
Property, plant and equipment, net	193,359	195,568
Intangibles, net	52,184	54,987
Goodwill	53,251	53,274
Other assets	81,305	81,845
Total assets	\$ 964,523	\$ 971,397
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current portion of long-term debt	\$ 24,150	\$ 22,295
Accounts payable	77,216	73,853
Accrued expenses and other current liabilities	70,989	79,852
Total current liabilities	172,355	176,000
Revolving credit facility	154,000	141,000
Long-term debt	304,717	311,541
Other liabilities	60,382	60,347
Total liabilities	691,454	688,888
Commitments and contingencies (Note 8)		
Common stock, par value \$0.0001 per share; 300,000,000 Class A shares authorized, 20,337,574 shares issued and outstanding at September 30, 2023, and June 30, 2023; 30,000,000 Class B shares authorized, 20,166,034 shares issued and outstanding at September 30, 2023, and June 30, 2023	4	4
Preferred stock, par value \$0.0001 per share; 16,000,000 shares authorized, no shares issued and outstanding	—	—
Paid-in capital	135,884	135,803
Retained earnings	248,037	260,912
Accumulated other comprehensive loss	(110,856)	(114,210)
Total stockholders' equity	273,069	282,509
Total liabilities and stockholders' equity	\$ 964,523	\$ 971,397

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

PHIBRO ANIMAL HEALTH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Periods Ended September 30	Three Months	
	2023	2022
	(unaudited) (in thousands)	
OPERATING ACTIVITIES		
Net (loss) income	\$ (8,015)	\$ 3,856
Adjustments to reconcile net (loss) income to net cash provided (used) by operating activities:		
Depreciation and amortization	8,871	8,450
Amortization of debt issuance costs	260	147
Stock-based compensation	81	—
Deferred income taxes	(2,691)	(13)
Foreign currency losses, net	3,222	3,370
Pension settlement cost	10,425	—
Other	959	(309)
Changes in operating assets and liabilities:		
Accounts receivable, net	12,781	22,347
Inventories, net	(5,005)	(24,977)
Other current assets	(3,297)	(7,682)
Other assets	(191)	(31)
Accounts payable	4,603	(5,595)
Accrued expenses and other liabilities	(5,804)	(10,261)
Net cash provided (used) by operating activities	<u>16,199</u>	<u>(10,698)</u>
INVESTING ACTIVITIES		
Purchases of short-term investments	(17,000)	—
Maturities of short-term investments	9,000	7,000
Capital expenditures	(7,476)	(23,176)
Other, net	124	27
Net cash used by investing activities	<u>(15,352)</u>	<u>(16,149)</u>
FINANCING ACTIVITIES		
Revolving credit facility borrowings	51,000	62,000
Revolving credit facility repayments	(38,000)	(36,000)
Proceeds from long-term debt	—	12,000
Payments of long-term debt	(5,105)	(3,750)
Debt issuance costs	—	(71)
Payments of insurance premium financing	(1,739)	—
Dividends paid	(4,860)	(4,860)
Net cash provided by financing activities	<u>1,296</u>	<u>29,319</u>
Effect of exchange rate changes on cash	<u>(271)</u>	<u>(440)</u>
Net increase in cash and cash equivalents	1,872	2,032
Cash and cash equivalents at beginning of period	41,281	74,248
Cash and cash equivalents at end of period	<u>\$ 43,153</u>	<u>\$ 76,280</u>

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

PHIBRO ANIMAL HEALTH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Shares of Common Stock	Common Stock	Preferred Stock	Paid-in Capital (unaudited)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	(in thousands, except share and per share amounts)						
As of June 30, 2023	<u>40,503,608</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$135,803</u>	<u>\$260,912</u>	<u>\$ (114,210)</u>	<u>\$282,509</u>
Comprehensive (loss) income	—	—	—	—	(8,015)	3,354	(4,661)
Dividends declared (\$0.12 per share)	—	—	—	—	(4,860)	—	(4,860)
Stock-based compensation expense	—	—	—	81	—	—	81
As of September 30, 2023	<u>40,503,608</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$135,884</u>	<u>\$248,037</u>	<u>\$ (110,856)</u>	<u>\$273,069</u>

	Shares of Common Stock	Common Stock	Preferred Stock	Paid-in Capital (unaudited)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	(in thousands, except share and per share amounts)						
As of June 30, 2022	<u>40,503,608</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$135,803</u>	<u>\$247,748</u>	<u>\$ (121,113)</u>	<u>\$262,442</u>
Comprehensive income	—	—	—	—	3,856	1,318	5,174
Dividends declared (\$0.12 per share)	—	—	—	—	(4,860)	—	(4,860)
As of September 30, 2022	<u>40,503,608</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$135,803</u>	<u>\$246,744</u>	<u>\$ (119,795)</u>	<u>\$262,756</u>

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

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

1. Description of Business

Phibro Animal Health Corporation (“Phibro” or “PAHC”) and its subsidiaries (together, the “Company”) is a diversified global developer, manufacturer and marketer of a broad range of animal health and mineral nutrition products for food 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 months ended September 30, 2023 and 2022, 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, 2023 (the “Annual Report”), filed with the Securities and Exchange Commission on August 30, 2023 (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, 2023, 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 September 30, 2023, there have been no material changes to any of the significant accounting policies contained therein.

Net (Loss) Income per Share and Weighted Average Shares

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

Diluted net (loss) income per share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the reporting period after giving effect to dilutive common share equivalents, resulting from the assumed vesting of restricted stock units. The restricted stock units have been excluded from the computation of diluted earnings per share for the three months ended September 30, 2023, as the effect would have been antidilutive.

<u>For the Periods Ended September 30</u>	<u>Three Months</u>	
	<u>2023</u>	<u>2022</u>
Net (loss) income	<u>\$ (8,015)</u>	<u>\$ 3,856</u>
Weighted average number of shares – basic	40,504	40,504
Dilutive effect of restricted stock units	—	—
Weighted average number of shares - diluted	<u>40,504</u>	<u>40,504</u>
Net (loss) income per share basic	\$ (0.20)	\$ 0.10

diluted

\$ (0.20) \$ 0.10

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

New Accounting Standards

We do not expect the new accounting standards that are pending adoption by us to have a material effect on our consolidated financial statements.

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 enhance nutrition to help improve animal health and well-being. We sell animal health and mineral nutrition products directly to integrated poultry, cattle and swine customers and through commercial animal feed manufacturers, 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 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 antibacterials and other 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, swine, beef and dairy cattle and aquaculture. 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Net Sales by Product Type

For the Periods Ended September 30	Three Months	
	2023	2022
Animal Health		
MFAs and other	\$ 94,104	\$ 92,790
Nutritional specialties	40,210	39,054
Vaccines	26,216	23,015
Total Animal Health	\$ 160,530	\$ 154,859
Mineral Nutrition	56,026	59,646
Performance Products	14,793	18,016
Total	<u>\$ 231,349</u>	<u>\$ 232,521</u>

Net Sales by Region

For the Periods Ended September 30	Three Months	
	2023	2022
United States	\$ 131,287	\$ 135,804
Latin America and Canada	58,703	52,246
Europe, Middle East and Africa	26,879	29,517
Asia Pacific	14,480	14,954
Total	<u>\$ 231,349</u>	<u>\$ 232,521</u>

Net sales by region are based on country of destination.

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

Interest Expense

For the Periods Ended September 30	Three Months	
	2023	2022
Interest expense, net		
2021 Credit Facilities	\$ 5,101	\$ 3,547
2022 Term Loan	216	—
Amortization of debt issuance costs	260	147
Other	68	1
Interest expense	<u>5,645</u>	<u>3,695</u>
Interest income	<u>(1,081)</u>	<u>(628)</u>
	<u>\$ 4,564</u>	<u>\$ 3,067</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Depreciation and Amortization

For the Periods Ended September 30	Three Months	
	2023	2022
Depreciation and amortization		
Depreciation of property, plant and equipment	\$ 6,431	\$ 6,051
Amortization of intangible assets	2,440	2,399
	<u>\$ 8,871</u>	<u>\$ 8,450</u>

Pension Settlement

In July 2023, we entered into an annuity purchase agreement to irrevocably transfer a portion of our pension benefit obligation to a third-party insurance company. The annuity purchase price was \$26,381 and was approximately equal to the benefit obligation transferred. The annuity purchase was funded from pension assets. During the three months ended September 30, 2023, we recognized a partial settlement of the pension plan and recorded \$10,425, in selling, general and administrative expenses in our consolidated statement of operations, resulting from the recognition of net pension losses previously included in Accumulated other comprehensive loss.

4. Balance Sheets—Additional Information

As of	September 30, 2023	June 30, 2023
Inventories		
Raw materials	\$ 84,369	\$ 84,328
Work-in-process	25,159	22,350
Finished goods	169,626	170,892
	<u>\$ 279,154</u>	<u>\$ 277,570</u>

As of	September 30, 2023	June 30, 2023
Other assets		
ROU operating lease assets	\$ 36,320	\$ 35,759
Deferred income taxes	8,981	8,711
Deposits	6,518	6,617
Insurance investments	6,096	6,067
Equity method investments	5,814	5,027
Derivative instruments	8,500	10,225
Debt issuance costs	1,284	1,408
Other	7,792	8,031
	<u>\$ 81,305</u>	<u>\$ 81,845</u>

As of	September 30, 2023	June 30, 2023
Accrued expenses and other current liabilities		
Employee related	\$ 26,647	\$ 29,359
Current operating lease liabilities	6,452	6,053
Commissions and rebates	3,442	5,833
Professional fees	4,643	5,032
Income and other taxes	5,951	8,663
Insurance-related	1,364	1,284
Insurance premium financing	2,898	4,769
Other	19,592	18,859
	<u>\$ 70,989</u>	<u>\$ 79,852</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of	September 30, 2023	June 30, 2023
Other liabilities		
Long-term operating lease liabilities	\$ 29,022	\$ 29,077
Long-term and deferred income taxes	12,823	12,146
Supplemental retirement benefits, deferred compensation and other	6,628	6,552
U.S. pension plan	1,687	2,286
International retirement plans	4,130	4,210
Other long-term liabilities	6,092	6,076
	<u>\$ 60,382</u>	<u>\$ 60,347</u>
As of	September 30, 2023	June 30, 2023
Accumulated other comprehensive loss		
Derivative instruments	\$ 22,698	\$ 24,589
Foreign currency translation adjustment	(118,622)	(115,062)
Unrecognized net pension losses	(12,927)	(23,996)
Income tax (provision) benefit	(2,005)	259
	<u>\$ (110,856)</u>	<u>\$ (114,210)</u>

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”). 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 to adopt Secured Overnight Financing Rate (“SOFR”) as the reference for the fluctuating rate of interest on the 2021 Credit Facilities, replacing the London Interbank Offered Rate (“LIBOR”) reference rate. In June 2023, we obtained an additional incremental term loan (the “2023 Incremental Term Loan”) in the amount of \$50,000 (the 2021 Revolver, the 2021 Term A Loan and the 2023 Incremental Term Loan are collectively referred to as the “2021 Credit Facilities”).

The 2021 Term A Loan and the 2023 Incremental Term Loan are repayable in quarterly installments, with the balances payable at maturity. The 2021 Revolver contains a letter of credit facility. The interest rate per annum applicable to the 2021 Revolver and the 2021 Term A Loan is based on a fluctuating rate of interest plus an applicable rate equal to 1.50%, 1.75%, 2.00% or 2.25% in the case of adjusted SOFR rate loans and 0.50%, 0.75%, 1.00% or 1.25%, in the case of base rate loans. The interest rate per annum applicable to the 2023 Incremental Term Loan is based on a fluctuating rate of interest plus an applicable rate equal to 2.00%, 2.25%, 2.50% or 2.75% in the case of adjusted SOFR rate loans and 1.00%, 1.25%, 1.50% or 1.75% 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, as amended). The 2021 Credit Facilities mature in April 2026.

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 (or, specifically with respect to the test periods ending September 30, 2023, December 31, 2023, March 31, 2024, and June 30, 2024, a maximum of 4.25:1.00); 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 September 30, 2023, we were in compliance with the financial covenants.

As of September 30, 2023, we had \$154,000 in borrowings drawn under the 2021 Revolver and had outstanding letters of credit of \$2,479, leaving \$153,521 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Interest Rates

Interest rates as of the balance sheet dates and the weighted-average rates for the periods presented were:

	September 30, 2023		June 30, 2023		Three Months Ended September 30, 2023		2022	
2021 Revolver	6.23	%	6.09	%	6.19	%	3.92	%
2021 Term A Loan	2.36	%	2.36	%	2.36	%	2.37	%
2023 Incremental Term Loan	7.66	%	7.44	%	7.57	%	—	
2022 Term Loan	7.42	%	7.25	%	7.43	%	—	

Interest rates as of the balance sheet dates are based on rates in effect as of those dates, including SOFR fluctuating rates of interest, applicable rates and the interest rate swap agreement.

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 this 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 designated the interest rate swap as a highly effective cash flow hedge. For additional details, see “Note 9 — Derivatives.”

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 2.0%, or (ii) a base rate determined by reference to the greater of (a) the prime rate and (b) the Federal Funds Effective Rate plus 0.5%. The 2022 Term Loan is repayable in monthly installments of \$35, with the balance payable at maturity.

Maturities of Long-Term Debt

As of	September 30, 2023	June 30, 2023
2021 Term A Loan due April 2026	\$ 270,000	\$ 273,750
2023 Incremental Term Loan due April 2026	48,750	50,000
2022 Term Loan due September 2027	11,580	11,685
	<u>330,330</u>	<u>335,435</u>
Unamortized debt issuance costs	(1,463)	(1,599)
	<u>328,867</u>	<u>333,836</u>
Less: current maturities	(24,150)	(22,295)
	<u>\$ 304,717</u>	<u>\$ 311,541</u>

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 \$438 and \$780 during the three months ended September 30, 2023 and 2022, respectively. Mr. Bendheim has sole authority to vote shares of our stock owned by BFI Co., LLC, an investment vehicle of the Bendheim family.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

7. Stock Incentive Plan

Restricted Stock Units

In July 2023, our Board of Directors approved the grant of 300,000 restricted stock units (“RSUs”) to an officer of the Company, pursuant to the Company's 2008 Incentive Plan and the RSU award agreement. Each RSU represents the right to receive a share of our common stock upon vesting. The RSUs are subject to performance-based vesting. The RSUs will vest on June 30, 2027, subject to continuation of employment on such date, in increments of 10% (but no less than 20%) (with linear interpolation between increments) based upon the arithmetic average of the Company's closing stock price per share for each trading day in the 90-calendar day period ending on the vesting date (the “90-Day Average”). None of the RSUs will vest if the 90-Day Average is below \$20, and 100% of the RSUs will vest if the 90-Day Average is \$60 or above. In the event of a change in control of the Company, following which either (i) 100% of the shares of stock cease to be traded on a nationally recognized stock exchange and the Company is no longer listed on any such exchange or (ii) a Qualifying Termination occurs within 12 months, all unvested RSUs will immediately vest in full.

We used a Monte Carlo simulation model to determine the grant date fair value of the RSUs. Assumptions used by the model were based on information as of the grant date and included a risk-free rate of return, expected volatility and an expected dividend yield. The risk-free rate of return is based on U.S. treasury yields for bonds with similar maturities. Expected volatility is based on the historical volatility of the Company's common stock. The expected dividend yield considers estimated annual dividends and the closing share price of the underlying common stock.

The total grant date fair value of the RSUs was \$1,284, equivalent to \$4.28 per share. We will recognize the total grant date fair value of the RSUs as stock-based compensation expense on a straight-line basis over the vesting period. Stock-based compensation expense related to the RSUs was \$81 for the three months ended September 30, 2023. We expect stock-based compensation expense related to the RSUs will be \$321 in each of the years ending June 30, 2024, 2025, 2026 and 2027.

8. Commitments and Contingencies

Environmental

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 February 2023, the plaintiffs in the OPOG lawsuit and certain defendants in the OPOG lawsuit, including Phibro-Tech, signed a definitive settlement agreement that provides 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 August 2022 pre-litigation notice letter sent by the DOJ on behalf of the EPA. As part of the settlement, Phibro-Tech also resolved all claims for indemnification and contribution between Phibro-Tech and the successor to the prior owner of the Phibro-Tech site. The definitive settlement agreement contemplates cash payments by Phibro-Tech and one of its affiliates over a period ending in February 2024. The definitive settlement agreement is subject to formal approval by the EPA, the DOJ and the district court.

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 remaining liability for the OPOG lawsuit described in the preceding paragraph, to be approximately \$8,531 and \$8,505 at September 30, 2023 and June 30, 2023, respectively, which is included in current and long-term liabilities on the consolidated balance sheets. However, future events, such as new information, changes in existing Environmental Laws or their interpretation, and more vigorous enforcement policies of regulatory agencies, may give rise to additional expenditures or liabilities that could be material. For all purposes of the discussion under this caption and elsewhere in this report, it should be noted that we take and have taken the position that neither PAHC nor any of our subsidiaries are liable for environmental or other claims made against one or more of our other subsidiaries or for which any of such other subsidiaries may ultimately be responsible.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Claims and Litigation

PAHC and its subsidiaries are party to various claims and lawsuits arising out of the normal course of business including product liabilities, payment disputes and governmental regulation. Certain of these actions seek damages in various amounts. In many cases, such claims are covered by insurance. We believe that none of the claims or pending lawsuits, either individually or in the aggregate, will have a material adverse effect on our financial position, results of operations, cash flows or liquidity.

9. Derivatives

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

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

We record derivatives at fair value in the consolidated balance sheets. For additional details regarding fair value, see “Note 10 — Fair Value Measurements.”

In 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.

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 swaps within the respective balance sheet line items, based on the expected timing of the cash flows. The consolidated balance sheet includes assets and liabilities for the fair values of outstanding derivatives that are designated and effective as cash flow hedges as follows:

<u>As of</u>	<u>September 30, 2023</u>	<u>June 30, 2023</u>
Other current assets		
Brazil Real options, net	\$ —	\$ 333
Interest rate swap	14,198	14,031
Other assets		
Interest rate swap	8,500	10,225
Total Fair Value		
Brazil Real options, net	—	333
Interest rate swap	22,698	24,256

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

<u>As of</u>	<u>September 30, 2023</u>
Interest rate swap	\$ 300,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The consolidated statements of operations and statements of comprehensive (loss) income for the periods ended September 30, 2023 and 2022 included the effects of derivatives as follows:

For the Periods Ended September 30	Three Months	
	2023	2022
Brazil Real options, net		
(Income) expense recorded in consolidated statements of operations	\$ (181)	\$ 438
Consolidated statement of operations - total cost of goods sold	\$ 163,623	\$ 163,875
Expense recorded in comprehensive (loss) income	\$ 333	\$ 168
Interest rate swap		
Income recorded in consolidated statements of operations	\$ (3,570)	\$ (1,211)
Consolidated statement of operations - total interest expense, net	\$ 4,564	\$ 3,067
Expense (income) recorded in comprehensive (loss) income	\$ 1,558	\$ (7,273)

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 September 30, 2023, included realized net gains of \$1,182 related to matured contracts. We anticipate the net gains included in inventory will be recognized in cost of goods sold within the next twelve to eighteen months.

10. Fair Value Measurements

Short-term Investments

Our short-term investments consist of cash deposits held at financial institutions. We consider the carrying amounts of these short-term investments to be representative of their fair value.

Current Assets and Liabilities

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

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 right-of-use (“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 (Liabilities)

As of	September 30, 2023			June 30, 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Short-term investments	\$ 48,000	\$ —	\$ —	\$ 40,000	\$ —	\$ —
Foreign currency derivatives	\$ —	\$ —	\$ —	\$ —	\$ 333	\$ —
Interest rate swap	\$ —	\$ 22,698	\$ —	\$ —	\$ 24,256	\$ —

There were no transfers between levels during the periods presented.

11. Business Segments

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Periods Ended September 30	Three Months	
	2023	2022
Net sales		
Animal Health	\$ 160,530	\$ 154,859
Mineral Nutrition	56,026	59,646
Performance Products	14,793	18,016
Total segments	<u>\$ 231,349</u>	<u>\$ 232,521</u>
Depreciation and amortization		
Animal Health	\$ 7,349	\$ 6,911
Mineral Nutrition	646	655
Performance Products	426	442
Total segments	<u>\$ 8,421</u>	<u>\$ 8,008</u>
Adjusted EBITDA		
Animal Health	\$ 28,494	\$ 26,964
Mineral Nutrition	2,881	5,297
Performance Products	1,409	2,364
Total segments	<u>\$ 32,784</u>	<u>\$ 34,625</u>
Reconciliation of income before income taxes to Adjusted EBITDA		
(Loss) income before income taxes	\$ (11,979)	\$ 5,417
Interest expense, net	4,564	3,067
Depreciation and amortization – Total segments	8,421	8,008
Depreciation and amortization – Corporate	450	442
Corporate costs	14,133	12,491
Pension settlement cost	10,425	—
Stock-based compensation	81	—
Foreign currency losses, net	6,689	5,200
Adjusted EBITDA – Total segments	<u>\$ 32,784</u>	<u>\$ 34,625</u>
As of	September 30,	June 30,
	2023	2023
Identifiable assets		
Animal Health	\$ 679,935	\$698,522
Mineral Nutrition	74,060	75,814
Performance Products	49,939	49,678
Total segments	<u>803,934</u>	<u>824,014</u>
Corporate	160,589	147,383
Total	<u>\$ 964,523</u>	<u>\$971,397</u>

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

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

Introduction

Our management’s discussion and analysis of financial condition and results of operations (“MD&A”) is provided to assist readers in understanding our performance, as reflected in the results of our operations, our financial condition and our cash flows. The following discussion summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and cash flows as of and for the periods presented below. This MD&A should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. Our future results could differ materially from our historical performance as a result of various factors such as those discussed in “Risk Factors” in Item 1A of our Annual Report and “Forward-Looking Statements.”

Overview of our business

Phibro Animal Health Corporation is a leading 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 animal 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 Conflicts

Hamas and Israel

On October 7, 2023, Hamas militants crossed into Israel from Gaza in a large-scale, surprise terrorist attack. Hamas terrorists invaded Israel, first firing rockets into the country and then carrying out attacks inflicting mass casualties with hundreds more taken hostage. In order to provide immediate assistance to the victims of the attacks and their families, we and our employees provided monetary donations that will be distributed to charities that offer relief services, welfare, equipment, food and other necessities.

We have three manufacturing sites in Israel. A manufacturing plant in Neot Hovav that produces active pharmaceutical ingredients for certain of our anticoccidial and antimicrobial products, a facility in Beit Shemesh that produces vaccines and a plant in Petah Tikvah that manufactures premix products and nutritionals. In addition, we have an office location near Tel Aviv in Airport City. As of September 30, 2023, we had approximately 550 employees located in Israel. While we have had some disruption to our operations, at the current time, we have confidence in our ability to meet our supply commitment to customers and maintain sufficient inventory to continue regional support. While the situation surrounding the ongoing conflict remains fluid, our operations in Israel have navigated numerous challenging situations over the years.

The prolonged continuation or escalation of this conflict may trigger bans, economic and other sanctions, as well as broader military conflict, which could include neighboring nations. The potential impacts of the current conflict, or escalation thereof, on our business is unclear but may include, without limitation, the possible disruption of our operations, particularly at our facilities in Israel, supply chain and logistics disruptions, personnel and raw material shortages, and other consequences, including as a result of the actions of, or disruption of the operations of, certain regulatory and governmental authorities and of certain of our suppliers, collaborative partners, licensees, manufacturing sites, distributors and customers. Our Israeli manufacturing facilities and local operations account for 27% of our consolidated assets as of September 30, 2023, and 19% of our consolidated net sales, for the three months ended September 30, 2023.

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.

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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 are uncertain. 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.

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 March 2022, the FDA held a Part 15 virtual public hearing seeking data and information related to the safety of carbadox in which Phibro participated and again detailed the extensive research and data that confirm the safety of carbadox. In November 2023, the FDA, through CVM, provided notice of a Federal Register publication issuing a final order to revoke the approved method for detecting residues of carbadox. The FDA has also provided notice of a second Federal Register publication proposing to withdraw approval of all new animal drug applications (NADAs) providing for use of carbadox in medicated swine feed and announcing an opportunity for Phibro to request a hearing on this proposal. This second action is based on CVM’s determination that there is no approved regulatory method to detect carbadox residues in the edible tissues of the treated swine. Phibro intends to take appropriate action and next steps to continue to defend swine producers’ ability to use Mecadox, and 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 September 30, 2023, were approximately \$20 million. As of the date of the filing 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 Regulation – United States – Carbadox”; and “Business – Compliance with Government Regulation – Global Policy and Guidance” in Item 1 of our Annual Report.

Analysis of the consolidated statements of operations

Summary Results of Operations

For the Periods Ended September 30	Three Months			
	2023	2022	Change	
	(in thousands, except per share amounts and percentages)			
Net sales	\$ 231,349	\$ 232,521	\$ (1,172)	(1)%
Gross profit	67,726	68,646	(920)	(1)%
Selling, general and administrative expenses	68,452	54,962	13,490	25 %
Operating (loss) income	(726)	13,684	(14,410)	*
Interest expense, net	4,564	3,067	1,497	49 %
Foreign currency losses, net	6,689	5,200	1,489	*
(Loss) income before income taxes	(11,979)	5,417	(17,396)	*
(Benefit) provision for income taxes	(3,964)	1,561	(5,525)	*
Net (loss) income	\$ (8,015)	\$ 3,856	\$ (11,871)	*
Net (loss) income per share				
Basic	\$ (0.20)	\$ 0.10	\$ (0.30)	*
Diluted	\$ (0.20)	\$ 0.10	\$ (0.30)	*
Weighted average number of shares outstanding				
Basic	40,504	40,504		
Diluted	40,504	40,504		
Ratio to net sales				
Gross profit	29.3 %	29.5 %		
Selling, general and administrative expenses	29.6 %	23.6 %		
Operating (loss) income	(0.3)%	5.9 %		
(Loss) income before income taxes	(5.2)%	2.3 %		
Net (loss) income	(3.5)%	1.7 %		
Effective tax rate	33.1 %	28.8 %		

Certain amounts and percentages may reflect rounding adjustments.

* Calculation not meaningful

Net sales, Adjusted EBITDA and reconciliation of GAAP net (loss) 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.”

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Segment net sales and Adjusted EBITDA:

For the Periods Ended September 30	Three Months			
	2023	2022	Change	
Net sales	(in thousands, except percentages)			
MFAs and other	\$ 94,104	\$ 92,790	\$ 1,314	1 %
Nutritional specialties	40,210	39,054	1,156	3 %
Vaccines	26,216	23,015	3,201	14 %
Animal Health	160,530	154,859	5,671	4 %
Mineral Nutrition	56,026	59,646	(3,620)	(6)%
Performance Products	14,793	18,016	(3,223)	(18)%
Total	\$ 231,349	\$ 232,521	\$ (1,172)	(1)%
Adjusted EBITDA				
Animal Health	\$ 28,494	\$ 26,964	\$ 1,530	6 %
Mineral Nutrition	2,881	5,297	(2,416)	(46)%
Performance Products	1,409	2,364	(955)	(40)%
Corporate	(14,133)	(12,491)	(1,642)	13 %
Total	\$ 18,651	\$ 22,134	\$ (3,483)	(16)%
Adjusted EBITDA as a percentage of segment net sales				
Animal Health	17.7 %	17.4 %		
Mineral Nutrition	5.1 %	8.9 %		
Performance Products	9.5 %	13.1 %		
Corporate ⁽¹⁾	(6.1)%	(5.4)%		
Total ⁽¹⁾	8.1 %	9.5 %		

(1) Reflects ratio to total net sales

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

For the Periods Ended September 30	Three Months			
	2023	2022	Change	
	(in thousands, except percentages)			
Net (loss) income	\$ (8,015)	\$ 3,856	\$(11,871)	*
Interest expense, net	4,564	3,067	1,497	49 %
(Benefit) provision for income taxes	(3,964)	1,561	(5,525)	*
Depreciation and amortization	8,871	8,450	421	5 %
EBITDA	1,456	16,934	(15,478)	(91)%
Pension settlement cost	10,425	—	10,425	*
Stock-based compensation	81	—	81	*
Foreign currency losses, net	6,689	5,200	1,489	*
Adjusted EBITDA	\$ 18,651	\$ 22,134	\$ (3,483)	(16)%

Certain amounts may reflect rounding adjustments.

* Calculation not meaningful

Adjusted net (loss) income

We report adjusted net (loss) income to portray the results of our operations prior to considering certain income statement elements. See “—General description of non-GAAP financial measures.”

A reconciliation of net (loss) income, as reported under GAAP, to adjusted net income:

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For the Periods Ended September 30	Three Months			
	2023	2022	Change	
	(in thousands, except per share amounts and percentages)			
Net (loss) income	\$ (8,015)	\$ 3,856	\$ (11,871)	*
Acquisition-related intangible amortization ⁽¹⁾	1,673	1,657	16	1 %
Acquisition-related intangible amortization ⁽²⁾	766	739	27	4 %
Pension settlement cost ⁽²⁾	10,425	—	10,425	*
Stock-based compensation ⁽²⁾	81	—	81	*
Foreign currency losses, net ⁽³⁾	6,689	5,200	1,489	29 %
Adjustments to income taxes ⁽⁴⁾	(6,079)	(3,126)	(2,953)	*
Adjusted net income	<u>\$ 5,540</u>	<u>\$ 8,326</u>	\$ (2,786)	(33)%
Statement of Operations Line Items - adjusted				
Adjusted cost of goods sold ⁽¹⁾	\$ 161,950	\$ 162,218	\$ (268)	(0)%
Adjusted gross profit	69,399	70,303	(904)	(1)%
Adjusted selling, general and administrative ⁽²⁾	57,180	54,223	2,957	5 %
Adjusted interest expense, net	4,564	3,067	1,497	49 %
Adjusted income before income taxes	7,655	13,013	(5,358)	(41)%
Adjusted provision for income taxes ⁽⁴⁾	2,115	4,687	(2,572)	(55)%
Adjusted net income	<u>\$ 5,540</u>	<u>\$ 8,326</u>	\$ (2,786)	(33)%
Adjusted net income per share				
diluted	\$ 0.14	\$ 0.21	\$ (0.07)	(33)%
Weighted average common shares outstanding				
diluted	40,504	40,504		
Ratio to net sales				
Adjusted gross profit	30.0 %	30.2 %		
Adjusted selling, general and administrative	24.7 %	23.3 %		
Adjusted (loss) income before income taxes	3.3 %	5.6 %		
Adjusted net (loss) income	2.4 %	3.6 %		
Adjusted effective tax rate	27.6 %	36.0 %		

Certain amounts and percentages may reflect rounding adjustments.

* Calculation not meaningful

⁽¹⁾ Adjusted cost of goods sold excludes acquisition-related intangible amortization

⁽²⁾ Adjusted selling, general and administrative excludes acquisition-related intangible amortization, pension settlement cost and stock-based compensation

⁽³⁾ Foreign currency losses, net are excluded from adjusted net income

⁽⁴⁾ Adjusted provision for income taxes excludes the income tax effect of pre-tax income adjustments and certain income tax items

Comparison of three months ended September 30, 2023 and 2022

Net sales

Net sales of \$231.3 million for the three months ended September 30, 2023, decreased \$1.2 million, or 1%, as compared to the three months ended September 30, 2022. Animal Health increased \$5.7 million, while Mineral Nutrition and Performance Products decreased \$3.6 million and \$3.2 million, respectively.

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Animal Health

Net sales of \$160.5 million for the three months ended September 30, 2023, increased \$5.7 million, or 4%. Net sales of MFAs and other increased \$1.3 million, or 1%, primarily driven by increased sales of processing aids used in the ethanol fermentation industry. Net sales of nutritional specialty products increased \$1.2 million, or 3%, with increased volumes in poultry customers, primarily domestic. Net sales of vaccines increased \$3.2 million, or 14%, due to poultry product introductions in Latin America and growth in the U.S. swine sector, partially offset by timing of deliveries in other international regions.

Mineral Nutrition

Net sales of \$56.0 million for the three months ended September 30, 2023, decreased \$3.6 million, or 6%, due to declines in the average selling prices and reduced volumes due to reduced demand.

Performance Products

Net sales of \$14.8 million for the three months ended September 30, 2023, decreased \$3.2 million, or 18%, as a result of lower demand for the ingredients used in personal care products.

Gross profit

Gross profit of \$67.7 million for the three months ended September 30, 2023, decreased \$0.9 million, or 1%, as compared to the three months ended September 30, 2022. Gross margin decreased to 29.3% of net sales for the three months ended September 30, 2023, as compared to 29.5% for the three months ended September 30, 2022.

Animal Health gross profit increased \$2.4 million, primarily driven by higher sales volume. Mineral Nutrition gross profit decreased \$2.3 million, driven by lower sales and higher costs. Performance Products gross profit decreased \$1.1 million as a result of lower sales volumes of ingredients for personal care products, along with increased costs for these products.

Selling, general and administrative expenses

Selling, general and administrative expenses ("SG&A") of \$68.5 million for the three months ended September 30, 2023, increased \$13.5 million, or 25%, as compared to the three months ended September 30, 2022. SG&A for the three months ended September 30, 2023, included \$10.4 million of pension settlement cost and \$0.1 million of stock-based compensation. Excluding these items, SG&A increased \$3.0 million.

Animal Health SG&A increased \$1.3 million, primarily due to an increase in employee and employee-related costs. Mineral Nutrition increased \$0.2 million, while Performance Products decreased \$0.1 million. Corporate costs increased by \$1.6 million, due to strategic investments and employee-related costs.

Interest expense, net

Interest expense, net of \$4.6 million for the three months ended September 30, 2023, increased by \$1.5 million, as compared to the three months ended September 30, 2022, as a result of the increased debt with the issuance of 2023 Incremental Term Loan and the higher variable interest rates.

Foreign currency losses, net

Foreign currency losses, net for the three months ended September 30, 2023, were \$6.7 million, as compared to \$5.2 million of net losses for the three months ended September 30, 2022. Current period losses were driven by fluctuations in certain currencies related to the U.S. dollar, primarily in Argentina and Brazil.

(Benefit) provision for income taxes

The benefit for income taxes was \$4.0 million for the three months ended September 30, 2023, compared to the provision for income taxes of \$1.6 million for the three months ended September 30, 2022. The effective income tax rate was 33.1% and 28.8% for the three months ended September 30, 2023 and 2022, respectively. The benefit for income taxes during the three months ended September 30, 2023, included (i) a \$1.2 million benefit related to the determination of whether a foreign tax is eligible for a U.S. foreign tax credit related to our fiscal year 2023, based on IRS guidance provided subsequent to our fiscal year-end and (ii) a \$0.2 million expense from changes in uncertain tax positions related to prior years. The provision for income taxes for the three months ended September 30, 2022, included (i) a \$0.9 million benefit related to exchange rate differences on intercompany dividends and (ii) 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 24.8 % and 42.8% for the three months ended September 30, 2023 and 2022, respectively.

Net (loss) income

Net loss of \$8.0 million for the three months ended September 30, 2023, represented a decrease of \$11.9 million compared to net income of \$3.9 million for the three months ended September 30, 2022. Operating loss resulted in a decrease of \$14.4 million, driven mostly by higher SG&A, which included the \$10.4 million pension settlement cost. Interest expense, net increased \$1.5 million due to the issuance of new debt and higher variable interest rates. Foreign currency losses, net also increased by \$1.5 million. Income tax expense decreased by \$5.5 million.

Adjusted EBITDA

Adjusted EBITDA of \$18.7 million for the three months ended September 30, 2023, decreased \$3.5 million, as compared to the three months ended September 30, 2022. Animal Health Adjusted EBITDA increased \$1.5 million due to higher gross profit, partially offset by increased SG&A. Mineral Nutrition Adjusted EBITDA decreased \$2.4 million, due to lower sales. Performance Products Adjusted EBITDA decreased \$1.0 million due to lower sales and gross profit. Corporate expenses increased \$1.6 million, due to increased strategic investments and employee-related costs.

Adjusted provision for income taxes

The adjusted effective income tax rates for the three months ended September 30, 2023 and 2022, were 27.6% and 36.0%, respectively. The improvement in our adjusted effective income tax rate was driven by a favorable mix of international earnings and the benefit of recently implemented tax savings strategies.

Adjusted net income

Adjusted net income of \$5.5 million for the three months ended September 30, 2023, decreased \$2.8 million, or 33.0%, as compared to the prior year. The decrease was driven by lower gross profit, higher SG&A expenses and higher interest expense, partially offset by a lower tax provision. The lower gross profit results from lower sales. SG&A expenses increased due to strategic investments and increased employee-related costs.

Adjusted diluted earnings per share

Adjusted diluted earnings per share was \$0.14 for the quarter, a decrease of \$0.07, or 33.0% as compared to the adjusted diluted earnings per share of \$0.21 in the prior year.

Analysis of financial condition, liquidity and capital resources

Net increase in cash and cash equivalents was:

For the Periods Ended September 30	Three Months		
	2023	2022 (in thousands)	Change
Cash provided (used) by:			
Operating activities	\$ 16,199	\$ (10,698)	\$ 26,897
Investing activities	(15,352)	(16,149)	797
Financing activities	1,296	29,319	(28,023)
Effect of exchange-rate changes on cash and cash equivalents	(271)	(440)	169
Net increase in cash and cash equivalents	<u>\$ 1,872</u>	<u>\$ 2,032</u>	\$ (160)

Certain amounts may reflect rounding adjustments.

Net cash provided by operating activities was comprised of:

For the Periods Ended September 30	Three Months		
	2023	2022 (in thousands)	Change
EBITDA	\$ 1,456	\$ 16,934	\$ (15,478)
Adjustments:			
Pension settlement cost	10,425	—	10,425
Stock-based compensation	81	—	81
Foreign currency losses, net	6,689	5,200	1,489
Interest paid, net	(4,304)	(2,906)	(1,398)
Income taxes paid	(4,658)	(3,802)	(856)
Changes in operating assets and liabilities and other items	6,510	(26,124)	32,634
Net cash provided (used) by operating activities	<u>\$ 16,199</u>	<u>\$ (10,698)</u>	\$ 26,897

Certain amounts may reflect rounding adjustments.

Operating activities

Operating activities provided \$16.2 million of net cash for the three months ended September 30, 2023. Cash provided by net (loss) income and non-cash items, including depreciation and amortization, was \$13.1 million. Cash provided in the ordinary course of business for changes in operating assets and liabilities and other items was \$3.1 million. Cash provided by receivables was \$12.8 million as a result of quarterly variations in sales levels. Cash used for inventory was \$5.0 million due to increased cost for raw material and production costs, forecasted future demand and internal production schedules. Other current assets used \$3.3 million of cash, primarily due to prepayment of taxes. Accounts payable provided \$4.6 million of cash due to timing of purchases and payments. Accrued expenses and other liabilities used cash of \$5.8 million primarily due to employee-related liabilities and payments of commissions and rebates.

Investing activities

Investing activities used \$15.4 million of net cash for the three months ended September 30, 2023. Capital expenditures totaled \$7.5 million as we continue to invest in expanding production capacity and productivity improvements. Net purchases and maturities of our short-term investments used \$8.0 million in cash.

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Financing activities

Financing activities provided \$1.3 million of net cash for the three months ended September 30, 2023. Net borrowings on our 2021 Revolver provided \$13.0 million in cash. We paid \$6.8 million in scheduled debt maturities and insurance premium financing. We also paid \$4.9 million in dividends to holders of our Class A common stock 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. 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	September 30, 2023 (in thousands, except ratios)	June 30, 2023
Cash and cash equivalents and short-term investments	\$ 91,153	\$ 81,281
Working capital	345,066	350,737
Ratio of current assets to current liabilities	3.33:1	3.28:1

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 September 30, 2023, we had \$154.0 million in outstanding borrowings under the 2021 Revolver and had outstanding letters of credit and other commitments of \$2.5 million, leaving \$153.5 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 common stock 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 common stock and Class B common stock, payable on December 20, 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 September 30, 2023, our cash and cash equivalents and short-term investments included \$89.6 million held by our international subsidiaries. There are no restrictions on cash distributions to PAHC from our international subsidiaries. Distributions may be subject to taxation by U.S. or non-U.S. taxing authorities.

Contractual obligations

As of September 30, 2023, there were no material changes in payments due under contractual obligations from those disclosed in the Annual Report.

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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 (loss) income plus (i) interest expense, net, (ii) provision for income taxes or less benefit for income taxes, and (iii) depreciation and amortization. We calculate 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) losses, net 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(loss) 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 (loss) 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.

Adjusted net income and adjusted diluted earnings per share

Adjusted net income and adjusted diluted earnings per share represent alternative views of performance and we believe investors' understanding of our performance is enhanced by disclosing these performance measures. We report adjusted net (loss) income and adjusted diluted earnings per share to portray the results of our operations prior to considering certain income statement elements. We have defined adjusted net income as net (loss) income plus (i) other expense or less other income, as separately reported on our consolidated statements of operations, including foreign currency gains and losses and loss on extinguishment of debt, (ii) amortization of acquired intangibles and other acquisition-related costs, such as accrued compensation and accrued interest, (iii) stock-based compensation, (iv)

certain items that we consider to be unusual or non-recurring and (v) the income tax effect of pre-tax (loss) income adjustments and certain income tax items. Adjusted diluted earnings per share is calculated using the adjusted net income

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divided by the diluted weighted average number of shares. The adjusted net income and adjusted diluted earnings per share measures are not, and should not be viewed as, a substitute for GAAP reported net (loss) income.

Adjusted net income and adjusted diluted earnings per share are non-GAAP financial measure that have no standardized meaning prescribed by GAAP and, therefore, have limits in their usefulness to investors. Because of its non-standardized definition, adjusted net income and adjusted diluted earnings per share, unlike GAAP net (loss) income, may not be comparable to the calculation of similar measures of other companies. Adjusted net (loss) income and adjusted diluted earnings per share are presented to permit investors to more fully understand how management assesses performance.

Certain significant items

Adjusted EBITDA, adjusted net income and adjusted diluted earnings per share are 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

Our significant accounting policies, which include management’s best estimates and judgments, are included in Note 2 to the consolidated financial statements for the year ended June 30, 2023 included in our Annual Report on Form 10-K filed with the Securities Exchange Commission on August 30, 2023. There have been no significant changes in our critical accounting estimates since June 30, 2023.

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:

- outbreaks of animal diseases could significantly reduce demand for our products or availability of raw materials;

- 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;

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- 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;
- our business may be negatively affected by weather conditions and the availability of natural resources;
- 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;
- 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 ongoing armed conflicts between Russia and Ukraine and Israel and Hamas;
- terrorist attacks, particularly attacks on or within markets in which we operate, including the recent terrorist attack on Israel by Hamas militants and the ongoing related conflict;
- 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;

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- 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, as amended). Based upon that evaluation as of September 30, 2023, 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 September 30, 2023.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Information required by this Item is incorporated herein by reference to “Notes to 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 “Risk Factors” in Item 1A of our 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.

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Item 5. Other Information

None.

Item 6. Exhibits

Exhibit 10.1	Executive Long-Term Incentive Agreement dated July 5, 2023 by and between Phibro Animal Health Corporation and Larry L. Miller (incorporated by reference to Exhibit 10.18 to Phibro Animal Health Corporation's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on August 30, 2023 (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
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

November 8, 2023

By: /s/ Jack C. Bendheim

Jack C. Bendheim

Chairman, President and Chief Executive Officer

November 8, 2023

By: /s/ Richard G. Johnson

Richard G. Johnson

Chief Financial Officer