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

# FORM 10-K

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

**For the fiscal year ended July 31, 2020**

**OR**

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

**For the Transition Period from _____ to _____**

**Commission File Number 001-12622**

# OIL-DRI CORPORATION OF AMERICA

(Exact name of the registrant as specified in its charter)

Delaware36-2048898
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
410 North Michigan Avenue, Suite 400 60611-4213
Chicago, Illinois (Zip Code)

Registrant's telephone number, including area code **(312) 321-1515**

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

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---|---|---|
| **Common Stock, par value $0.10 per share** | **ODC** | **New York Stock Exchange** |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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 and post 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 | ☐ | Smaller reporting company | ☒ |
| Accelerated filer | ☒ | Emerging growth company | ☐ |
| Non-accelerated filer | ☐ | | |

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of Oil-Dri's Common Stock owned by non-affiliates as of January 31, 2020 was $193,493,002.

Number of shares of each class of Oil-Dri's capital stock outstanding as of September 30, 2020:
Common Stock – 5,383,876 shares Class B Stock – 2,078,283 shares Class A Common Stock – 0 shares

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of Oil-Dri's Proxy Statement for its 2020 Annual Meeting of Stockholders ("Proxy Statement"), which will be filed with the Securities and Exchange Commission ("SEC") not later than November 28, 2020 (120 days after the end of Oil-Dri's fiscal year ended July 31, 2020), are incorporated into Part III of this Annual Report on Form 10-K, as indicated herein.

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**FORWARD-LOOKING STATEMENTS**

Certain statements in this report, including those under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and those statements elsewhere in this report and other documents we file with the SEC, contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management’s assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls and conference calls. Words such as “expect,” “outlook,” “forecast,” “would,” “could,” “should,” “project,” “intend,” “plan,” “continue,” “believe,” “seek,” “estimate,” “anticipate,” “may,” “assume,” “foresee,” and variations of such words and similar expressions are intended to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Such statements are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially, including those described in Item 1A “Risk Factors” below and other documents we file with the SEC. Should one or more of these or other risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, intended, expected, believed, estimated, projected or planned. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except to the extent required by law, we do not have any intention or obligation to update publicly any forward-looking statements after the distribution of this report, whether as a result of new information, future events, changes in assumptions or otherwise.

**TRADEMARK NOTICE**

Agsorb, Amlan, Calibrin, Cat’s Pride, ConditionAde, Flo-Fre, Fresh & Light, Jonny Cat, KatKit, MD-09, NeoPrime, Oil-Dri, Pel-Unite, Perform, Pro Mound, Pro's Choice Sports Field Products, Pure-Flo, Rapid Dry, Select, Terra-Green, Ultra-Clear, Varium and Verge are all U.S. registered trademarks of Oil-Dri Corporation of America or of its subsidiaries. Saular is a Canadian registered trademark of Oil-Dri Corporation of America. Fresh Step is a registered trademark of The Clorox Company (“Clorox”).

## PART I

## ITEM 1 – BUSINESS

### OVERVIEW OF BUSINESS

In 1969, Oil-Dri Corporation of America was incorporated in Delaware as the successor to an Illinois corporation incorporated in 1946; the Illinois corporation was the successor to a partnership that commenced business in 1941. Except as otherwise indicated herein or as the context otherwise requires, references to "Oil-Dri," the "Company," "we," "us" or "our" refer to Oil-Dri Corporation of America and its subsidiaries.

Oil-Dri is a leader in developing, manufacturing and/or marketing sorbent products. Our sorbent products are principally produced from hydrated aluminosilicate minerals, primarily consisting of calcium bentonite, attapulgite and diatomaceous shale, which we refer to collectively as our "clay" or our "minerals." We surface mine our clay on leased or owned land near our manufacturing facilities in Mississippi, Georgia, Illinois and California. We produce both absorbent and adsorbent products from our clay. Absorbents, like sponges, draw liquids up into their many pores. Examples of our absorbent clay products are Cat's Pride and Jonny Cat branded premium cat litter, as well as other private label cat litters. Additional examples are our Oil-Dri branded floor absorbents, Amlan branded animal health and nutrition solutions for livestock, and Agsorb and Verge agricultural chemical carriers. Adsorbent products attract impurities in liquids, such as metals and surfactants, and form low-level chemical bonds. Examples of our adsorbent products are Pure-Flo, Perform and Select bleaching clay products, which act as a filtration media for edible oils, fats and tallows. Also, our Ultra-Clear product serves as a purification aid for petroleum-based oils and by-products. We also sell nonclay-based products, such as our Oil-Dri synthetic sorbents used for industrial cleanup and plastic cat litter box liners. Our principal products are described in more detail below.

For additional information on recent business developments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Part II, Item 7, incorporated herein by reference.

### PRINCIPAL PRODUCTS

Agricultural and Horticultural Products

We produce a wide range of granules and powders used to enhance agricultural and horticultural products. Our mineral-based absorbent products serve as carriers for biological and chemical active ingredients, drying agents, and growing media. Our brands include: Agsorb, an agricultural and horticultural carrier and drying agent; Verge, an engineered granule used as a carrier and drying agent; and Flo-Fre, a highly absorbent microgranule used as a flowability aid.

Agsorb and Verge carriers are used in products that are alternatives to liquid sprays. These products are sold for lawn and garden and row crop applications. The clay granules absorb active ingredients and are then delivered directly into, or on top of, the ground providing a more precise application than liquid sprays. Verge carriers are spherical, uniform-sized granules with very low dust. Agsorb drying agent is blended into fertilizer-pesticide blends applied to absorb moisture and improve flowability. Flo-Fre microgranules are used by grain processors and other large handlers of bulk products to soak up excess moisture, which prevents caking. These products are sold primarily in the United States by our technical sales force.

Animal Health and Nutrition Products

We produce, or use contract processors to produce, Amlan brand name and private label products that manage the health and improve productivity of species in livestock industries. For example, our products provide a number of solutions to health challenges of swine, poultry and dairy cattle. Our Calibrin products are used in animal feed to help animals defend against a broad spectrum of biotoxins. Our Varium and Neoprime products promote intestinal health in poultry and swine, respectively. Our MD-09 moisture manager product is another feed additive for the reduction of wet droppings in poultry. In addition, our Pel-Unite and Pel-Unite Plus products are specialized animal feed pellet binders.

Our animal health and nutrition products are sold both directly and through a network of distributors to livestock producers, feed mill operators, nutritionists and veterinarians in the United States, Latin America, Africa, Mexico, the Middle East and Asia. The sales force for our subsidiary located in Shenzhen, China also sells these products, as further described in Foreign Operations below.

Bleaching Clay and Purification Aid Products

We produce an array of products for bleaching, purification and filtration applications that are used around the world by edible oil processors, as well as by refiners of jet fuel and other petroleum-based products. Bleaching clays are used by edible oil processors to adsorb soluble contaminants that create oxidation problems. Our Pure-Flo and Perform bleaching clays remove impurities, such as trace metals, chlorophyll and color bodies, in various types of edible oils. Perform products provide increased activity for hard-to-bleach oils. Our Select adsorbents are used to remove contaminants in vegetable oil processing and can also be used to prepare oil prior to the creation of biodiesel fuel. Our Ultra-Clear product is used as a purification and filtration medium for jet fuel and other petroleum-based products. These products are sold in the United States and in international markets by our team of technical sales employees, distributors and sales agents.

Cat Litter Products

We produce two types of mineral-based cat litter products, scoopable and coarse non-clumping litters, both of which have absorbent and odor controlling characteristics. Scoopable litters have the additional characteristic of clumping when exposed to moisture, allowing the consumer to selectively dispose of the used portion of the litter. Scoopable litter products are further differentiated between lightweight and heavyweight. Lightweight scoopable litters offer superior performance with the added convenience of being lighter to carry and pour.

*Branded products*. Our scoopable and non-clumping litters are sold under our Cat’s Pride and Jonny Cat brand names. Our Cat's Pride litters created the lightweight segment of the scoopable litter market. In addition, we offer our non-clumping litter in a pre-packaged, disposable tray under the Cat’s Pride KatKit and Jonny Cat brands. Moreover, we offer litter box liners under the Cat's Pride and Jonny Cat product lines. These products are sold through independent food brokers and by our sales force to major grocery, drug, dollar store, mass-merchandiser and pet outlets, as well as through e-commerce.

*Private label products.* We produce private label scoopable and non-clumping cat litters. Our lightweight scoopable litters lead our private label cat litter offerings.

*Co-packaged products.* We have a long-term supply arrangement with Clorox (which is material to our business) under which we manufacture branded non-clumping litters. Under this co-manufacturing relationship, the marketer controls all aspects of sales, marketing, and distribution, as well as the odor control formula, and we are responsible for manufacturing. Under the long-term supply agreement with Clorox we have the exclusive right to supply Clorox’s requirements for Fresh Step coarse cat litter up to certain levels.

Industrial and Automotive Products

We manufacture and/or sell products made from clay, polypropylene and recycled materials that absorb oil, acid, paint, ink, water and other liquids. These products have industrial, automotive and home applications. Our clay-based sorbent products, such as Oil-Dri branded and private label floor absorbents, are used for floor maintenance in industrial applications to provide a non-slip and non-flammable surface for workers. These floor absorbents are also used in automotive repair facilities, car dealerships and other industrial applications, as well as for home use in garages and driveways. Our Oil-Dri branded polypropylene-based and recycled products are sold in various forms, such as pads, rolls, socks, booms and spill kits.

Industrial and automotive sorbent products are sold through distribution networks that includes industrial, auto parts, safety, sanitary supply, chemical and paper distributors. These products are also sold through environmental service companies, mass-merchandisers, catalogs and through e-commerce.

Sports Products

We manufacture and sell both branded and private label sports products. Pro’s Choice Sports Field Products are used on baseball, softball, football and soccer fields. Pro’s Choice soil conditioners are used in field construction or as top dressing to improve drainage, suppress dust and improve field performance. Pro Mound packing clay is used to construct pitcher’s mounds, catcher's stations and batter’s boxes. Rapid Dry drying agent is used to wick away excess water from the infield. Sports products are used at all levels of play, including professional, college and high school and on municipal fields. These products are sold through distributors of sport turf materials as well as to sports field product users.

**BUSINESS SEGMENTS**

We have two reportable operating segments for financial reporting derived from the different characteristics of our two major customer groups: Retail and Wholesale Products Group and Business to Business Products Group. The Retail and Wholesale Products Group customers include mass merchandisers, wholesale clubs, drugstore chains, pet specialty retail outlets, dollar stores, retail grocery stores, direct customers through e-commerce, distributors of industrial cleanup and automotive products, environmental service companies and users of sports field products and sports turf materials. The Business to Business Products Group customers include processors and refiners of edible oils, petroleum-based oils and biodiesel fuel; manufacturers of animal feed and agricultural chemicals; distributors of animal health and nutrition products; and marketers of consumer products. Certain financial information on both segments is contained in Note 2 of the Notes to the Consolidated Financial Statements and is incorporated herein by reference.

**FOREIGN OPERATIONS**

Our foreign operations are located in Canada and the United Kingdom, which are included in the Retail and Wholesale Products Group, and China, Switzerland, Mexico and Indonesia, which are included in the Business to Business Products Group.

Our wholly-owned subsidiary, Oil-Dri Canada ULC, is a manufacturer, distributor and marketer of branded and private label cat litter in the Canadian marketplace. Among its leading brands are Saular, Cat's Pride and Jonny Cat. Our Canadian business also manufactures or purchases and sells industrial granule floor absorbents, synthetic polypropylene sorbent materials and agricultural chemical carriers.

Our wholly-owned subsidiary, Oil-Dri (U.K.) Limited, is a manufacturer, distributor and marketer of industrial floor absorbents, bleaching earth and cat litter. These products are marketed in the United Kingdom and Western Europe. Oil-Dri (U.K.) Limited also sells synthetic polypropylene sorbent materials and plastic containment products.

Our wholly-owned subsidiary, Amlan Trading (Shenzhen) Company, Ltd., located in Shenzhen, China, is dedicated to animal health and provides natural disease management solutions for livestock. This subsidiary sells animal health and nutrition products under our Amlan brand name and under private label arrangements.

Our wholly-owned subsidiary, Oil-Dri SARL, is a Swiss company that performs various management, customer service and administrative functions for some of the international customers of our domestic operations.

We own a 78.4% interest in a distributor in Mexico, Agromex Importaciones, S.A de C.V. This distributor sells, among other products, our animal health and nutrition products and swine feeding equipment and swine fertilization supplies.

In December 2018, a new wholly-owned subsidiary in Indonesia, PT Amlan Perdagangan Internasional, started operations to distribute our animal health and nutrition products.

Our foreign operations are subject to the normal risks of doing business in non-U.S. countries, such as currency fluctuations, restrictions on the transfer of funds and import/export duties; however, historically our operating results have not been materially impacted by these factors. Incorporated herein by reference are Item 1A. Risk Factors, which describes other risks that could impact our foreign operations, and Note 2 of the Notes to the Consolidated Financial Statements, which contains certain financial information about our foreign operations.

**CUSTOMERS**

Sales to Wal-Mart Stores, Inc. ("Walmart") and its affiliates accounted for approximately 19% and 20% of our total net sales for fiscal years 2020 and 2019, respectively. Walmart is a customer in our Retail and Wholesale Products Group. There are no customers in the Business to Business Products Group with sales equal to or greater than 10% of our total sales; however, sales to Clorox (a customer in our Business to Business Products Group) and its affiliates accounted for approximately 5% of total net sales for both fiscal years 2020 and 2019. The degree of margin contribution of our significant customers in the Business to Business Products Group varies, with certain customers having a greater effect on our operating results. The loss of any customer other than those described in this paragraph would not be expected to have a material adverse effect on our business.

**COMPETITION**

Product performance, price, brand recognition, customer service, technical support, and distribution resources are the principal methods of competition in our markets and competition historically has been very vigorous. Advertising, promotion, merchandising and packaging also have a significant impact on retail consumer purchasing decisions, which primarily affects our Retail and Wholesale Products Group. Most of the principal competitors for our Retail and Wholesale Products Group have substantially greater financial resources or market presence than we do and have established brands. These competitors may be able to spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions than us.

We have six principal competitors in our Retail and Wholesale Products Group, including one which is also our customer. The overall cat litter market has grown in recent years. The overwhelming majority of all cat litter is mineral based, including both scoopable and coarse non-clumping litters. Cat litters based on alternative strata such as paper, various agricultural waste products and silica gels have niche positions. Scoopable products have a majority of the cat litter market share followed by coarse non-clumping litters. The market share for scoopable cat litter has been growing, while the coarse non-clumping litter share has remained stable.

There is significant competition to attract cat litter consumers across multi-outlet channels, including grocery, mass-merchandiser, dollar, pet and drug stores, as well as through e-commerce. Competition for the scoopable litter market has been particularly intense with new product offerings and increased advertising and promotions by our competitors and by us. We provide our customers with product innovation, a nation-wide distribution network and strong customer service. Our exceptional sales and research and development teams give us a further advantage over smaller and regional manufacturers.

We have six principal competitors in our Business to Business Products Group. Our bleaching clay and fluid purification products are sold in a highly cost competitive global marketplace. Performance is a primary competitive factor for these products. The animal health portion of this segment also operates in a global marketplace with price and performance competition from multi-national and local competitors. Competition for our crop protection products is primarily based on price, but competitor differentiation also exists in the ability to meet customer product specifications and enhancements in engineered granule technologies.

**PATENTS**

U.S. patents are currently granted for a term of 20 years from the date the patent application is filed. We have obtained or applied for patents for certain of our processes and products sold to customers in both the Retail and Wholesale Products Group and the Business to Business Products Group. Our patents are highly important to our business and we vigorously protect them from apparent infringement, although no single patent is considered material to the business as a whole. The risks associated with our patents (and intellectual property, generally), are discussed in Item 1A, Risk Factors.

**BACKLOG; SEASONALITY**

As of July 31, 2020 and 2019, the value of our backlog of orders were approximately $15,692,000 and $11,680,000, respectively. This value was determined by the number of tons on backlog order and the net selling prices. All backlog orders are expected to be filled within the next 12 months. We consider our business, taken as a whole, to be moderately seasonal; however, business activities of certain customers (such as agricultural chemical manufacturers) are subject to such seasonal factors as crop acreage planted, product formulation cycles and weather conditions.

**EFFECTS OF INFLATION**

Inflation generally affects us by increasing the cost of employee wages and benefits, transportation, processing equipment, purchased raw materials and packaging, energy and borrowings under our credit facility. See Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion of these costs.

**RESERVES**

We mine our clay on leased or owned land near our manufacturing facilities in Mississippi, Georgia, Illinois and California; we also have reserves in Nevada, Oregon and Tennessee. We estimate that our proven mineral reserves as of July 31, 2020 were approximately 103,627,000 tons in aggregate and our probable reserves were approximately 177,074,000 tons in aggregate, for a total of 280,701,000 tons of mineral reserves. Based on our rate of consumption during fiscal year 2020, and without regard to any of our reserves in Nevada, Oregon and Tennessee, we consider our proven reserves adequate to supply our needs for over 40 years. Although we consider these reserves to be extremely valuable to our business, only a small portion of the reserves, those which were acquired in acquisitions, are reflected at cost on our balance sheet.

It is our policy to attempt to add to reserves in most years, but not necessarily in every year, an amount at least equal to the amount of reserves consumed in that year. We have a program of exploration for additional reserves and, although reserves have been acquired, we cannot assure that additional reserves will continue to become available. Our use of these reserves, and our ability to explore for additional reserves, are subject to compliance with existing and future federal and state statutes and regulations regarding mining and environmental compliance. During fiscal year 2020, we utilized these reserves to produce substantially all of the sorbent products that we sold.

Proven reserves are those reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from results of detailed sampling, and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established. Probable reserves are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation. We use geologists and mineral specialists who estimate and evaluate existing and potential reserves in terms of quality, quantity and availability.

**MINING OPERATIONS**

We have conducted mining operations in Ripley, Mississippi since 1963, in Ochlocknee, Georgia since 1968, in Blue Mountain, Mississippi since 1989, in Mounds, Illinois since 1998 and in Taft, California since 2002. Our clay is surface mined on a year-round basis, generally using large earth moving scrapers, bulldozers, or excavators and off-road trucks to remove overburden (non-usable material), and then loaded into dump trucks with backhoes or front end loaders for movement to the processing facilities. The mining and hauling of our clay is performed by us and by independent contractors. Our current operating mines range in distance from immediately adjacent to approximately 13 miles from the related processing plants. Processing facilities are generally accessed from the mining areas by private roads and in some instances by public highways. Each of our processing facilities maintains inventories of unprocessed clay of approximately one week of production requirements. See Item 2 “Properties” below for additional information regarding our mining properties and operations.

The following schedule summarizes the net book value of land and other plant and equipment for each of our manufacturing facilities as of July 31, 2020 (in thousands):

| | Land & Mineral Rights | | Plant and Equipment | |
|---|---|---|---|---|
| Ochlocknee, Georgia | $ | 8,873 | $ | 32,924 |
| Ripley, Mississippi | $ | 1,943 | $ | 13,295 |
| Mounds, Illinois | $ | 1,637 | $ | 3,213 |
| Blue Mountain, Mississippi | $ | 908 | $ | 9,089 |
| Taft, California | $ | 1,747 | $ | 7,178 |

**EMPLOYEES**

During fiscal year 2020, we had approximately 803 employees, who we refer to as our teammates, 42 of whom were employed by our foreign subsidiaries. We believe our corporate offices, research and development center and manufacturing facilities are adequately staffed and no material labor shortages are anticipated. Approximately 45 of our teammates in the U.S. and approximately 14 of our teammates in Canada are represented by labor unions, with whom we have entered into separate collective bargaining agreements. We consider our employee relations to be satisfactory.

### ENVIRONMENTAL COMPLIANCE

Our mining and manufacturing operations and facilities in Georgia, Mississippi, California and Illinois are required to comply with state surface mining and environmental protection statutes. These domestic locations and our Canadian operations are subject to various federal, state and local statutes, regulations and ordinances which govern the discharge of materials, water and waste into the environment or otherwise regulate our operations. In recent years, environmental regulation has grown increasingly stringent, a trend that we expect will continue. We endeavor to be in compliance at all times and in all material respects with all applicable environmental controls and regulations. As a result, expenditures relating to environmental compliance have increased over the years; however, these expenditures have not been material. As part of our ongoing environmental compliance activities, we incur expenses in connection with reclaiming mining sites. Historically, reclamation expenses have not had a material effect on our cost of sales.

In addition to the environmental requirements related to our mining and manufacturing operations and facilities, there has been increased federal and state regulation with respect to the content, labeling, use, and disposal after use of various products that we sell. We endeavor to be in compliance at all times and in all material respects with those regulations and to assist our customers in that compliance.

We cannot assure that, despite all commercially reasonable efforts, we will always be in compliance in all material respects with all applicable environmental regulations or with requirements regarding the content, labeling, use, and disposal after use of our products; nor can we assure that from time to time enforcement of such requirements will not have a material adverse effect on our business. See Item 1A "Risk Factors" below for a discussion of these and other risks to our business.

### ENERGY

We primarily used natural gas in the processing kilns to dry our clay products during fiscal year 2020. We monitor gas market trends and we may contract for a portion of our anticipated fuel needs using forward purchase contracts to mitigate the volatility of our kiln fuel prices. We do not have any forward purchase contracts as of the fiscal year ended July 31, 2020.

### RESEARCH AND DEVELOPMENT

We develop new products and applications and improve existing products at our research and development center in Vernon Hills, Illinois. The facility includes a pilot plant that simulates the production processes of our customers and our manufacturing plants. In fiscal year 2019 we opened a new microbiology lab within walking distance of our existing research and development center that is dedicated to the development of our animal health products. Our staff (and various consultants they engage from time to time) have experience in disciplines such as biology, microbiology, chemistry, physics, mathematics, geological and earth science, material science, geochemistry, physical catalysis, animal nutrition, animal science, oncological nutrition and transitional medicine. In the past several years, our research efforts have resulted in a number of new sorbent products and processes. The facility produces prototype samples and tests new products for customer trial and evaluation. No significant research and development was customer sponsored, and all research and development costs are expensed in the period in which incurred. See Note 1 of the Notes to the Consolidated Financial Statements for further information about research and development expenses.

### AVAILABLE INFORMATION

This Annual Report on Form 10-K, as well as our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to all of the foregoing reports, are made available free of charge on or through the "Investor Information" section of our website at www.oildri.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. Information related to corporate governance at Oil-Dri, including its Code of Ethics and Business Conduct, information concerning executive officers, directors and Board committees, and transactions in Oil-Dri securities by directors and executive officers, is available free of charge on or through the "Investor Information" section of our website at www.oildri.com. The information on our website in not included as a part of, nor incorporated by reference into, this Annual Report on Form 10-K.

## ITEM 1A – RISK FACTORS

*We seek to identify, manage and mitigate risks to our business, but risk and uncertainty cannot be eliminated or necessarily predicted. You should consider the following factors carefully, in addition to other information contained in this Annual Report on Form 10-K, before making an investment decision with respect to our securities. We face risks related to the recent novel coronavirus outbreak ("the coronavirus" or "COVID-19") and actions in response thereto, which have exacerbated or could further exacerbate conditions in our other risk factors noted below. The risks described below are not the only risks we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial in our operations.*

### Risks Related to our Business

***Our future growth and financial performance depend in large part on successful new product introductions.***

A significant portion of our net sales comes from the sale of products in mature categories, some of which have had little or no volume growth or have had volume declines in recent fiscal years. A significant part of our future growth and financial performance will require that we successfully introduce new products or extend existing product offerings to meet emerging customer needs, technological trends and product market opportunities. We cannot be certain that we will achieve these goals. The development and introduction of new products generally require substantial and effective research, development and marketing expenditures, some or all of which may be unrecoverable if the new products do not gain market acceptance. New product development itself is inherently risky, as research failures, competitive barriers arising out of the intellectual property rights of others, launch and production difficulties, customer rejection and unexpectedly short product life cycles as well as other factors and events beyond our control, such as the COVID-19 pandemic and its impact, may occur even after substantial effort and expense on our part. Even in the case of a successful launch of a new product, the ultimate benefit we realize may be uncertain if the new product "cannibalizes" sales of our existing products beyond expected levels. See "*Government regulation imposes significant costs on us, and future regulatory changes (or related customer responses to regulatory changes) could increase those costs or limit our ability to produce and sell our products*" for a discussion of additional risks associated with new product development and launches.

***We face intense competition in our markets.***

Our markets are highly competitive and we expect that both direct and indirect competition will increase in the future. Our overall competitive position depends on a number of factors including price, customer service, marketing, advertising and trade spending, technical support, product quality and delivery. Some of our competitors, particularly in the sale of cat litter (the largest product in our Retail and Wholesale Products Group), have substantially greater financial resources and market presence with established brands. The competition in the future may, in some cases, lead to price reductions, increased promotional spending, or loss of market share or product distribution, any of which could materially and adversely affect our operating results and financial condition.

***Our periodic results may be volatile.***

Our operating results have varied on a quarterly basis during our operating history and are likely to fluctuate significantly in the future. Our expense levels are based, in part, on our expectations regarding future net sales, and many of our expenses are fixed, particularly in the short term. We may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Any significant shortfall of net sales in relation to our expectations could negatively affect our quarterly operating results. Our operating results may be below the expectations of our investors as a result of a variety of factors, many of which are outside our control. Factors that may affect our quarterly operating results include:

- fluctuating demand for our products and services;
- size and timing of sales of our products and services;
- the mix of products with varying profitability sold in a given quarter;
- changes in our operating costs including raw materials, energy, transportation, packaging, overburden removal, trade spending and marketing, wages and other employee-related expenses such as health care costs, and other costs;
- our ability to anticipate and adapt to rapidly changing conditions;
- introduction of new products and services by us or our competitors;
- our ability to successfully implement price increases and surcharges, as well as other changes in our pricing policies or those of our competitors;
- variations in purchasing patterns by our customers, including due to weather conditions;

- the ability of major customers and other debtors to meet their obligations to us as they come due;
- our ability to successfully manage regulatory, intellectual property, tax and legal matters;
- litigation and regulatory judgments and charges, settlements, or other litigation and regulatory-related costs;
- the overall tax rate of our business, which may be affected by a number of factors, including the use of tax attributes, the financial results of our international subsidiaries and the timing, size and integration of acquisitions we may make from time to time;
- the occurrence of a widespread outbreak of an illness or any other communicable disease, any other public health crisis, natural disaster or other force majeure event;
- the incurrence of restructuring, impairment or other charges; and
- general economic conditions and specific economic conditions in our industry and the industries of our customers.

Additionally, the COVID-19 pandemic and its impact may exacerbate these factors and has caused greater fluctuations in our operating results from quarter-to-quarter. Accordingly, we believe that quarter-to-quarter comparisons of our operating results are not necessarily meaningful. Investors should not rely on the results of one quarter as an indication of our future performance.

***Our business could be adversely affected by a widespread threat to public health.***

In December 2019, COVID-19 was reported in China and has subsequently spread worldwide. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. In response to the COVID-19 outbreak, countries and local governments across the world implemented "Shelter in Place," "Safe at Home," quarantine or similar orders that restricted workforce and/or required closures of "non-essential" businesses along with restrictions on travel. Such restrictions and closures initially disrupted our sales office in China, limited travel by our salesforce and delayed product shipments. While our facilities otherwise have remained operational as essential businesses, there can be no assurances that we will not have to close facilities due to concerns over the health and well-being of our employees, or as a result of government directives. Further, while we have implemented policies and practices to protect our employees at each of our locations, including sanitizing and cleaning protocols, social distancing, remote work, and suspending non-essential employee travel, there can be no assurances that these efforts will be successful in preventing health concerns from impacting our operations. The spread of a widespread threat to public health such as COVID-19 has currently had limited disruption and impact to our third party business partners, suppliers, service providers, and customers.

Although the disruptions, delays and modifications to our operations caused by COVID-19 have not had a material impact on our results of operations, there continues to be significant uncertainty relating to the COVID-19 outbreak as well as the potential effects of such outbreak on our business which could negatively affect our costs, customer orders, and collection of accounts receivable, which may be material. In addition, the deterioration of worldwide economic conditions may impact the proper functioning of financial and capital markets, foreign currency exchange rates, and commodity and energy prices, as well as demand for our products. Even after the COVID-19 pandemic subsides, we may experience adverse impacts to our business and financial results due to any economic recession or depression that has occurred, and due to any major public health crises that may occur in the future. Given the uncertainties related to the outbreak, including its duration and severity, we cannot reasonably estimate the scope of its impact on our employees, operations, suppliers, or customers, or the full extent to which COVID-19 could continue to affect the global economy and our results.

***Acquisitions involve a number of risks, any of which could cause us not to realize the anticipated benefits.***

We intend from time to time to strategically explore potential opportunities to expand our operations and reserves through acquisitions. Identification of good acquisition candidates is difficult and highly competitive. If we are unable to identify attractive acquisition candidates, complete acquisitions, and successfully integrate the companies, businesses or properties that we acquire, our profitability may decline and we could experience a material adverse effect on our business, financial condition, or operating results. Acquisitions involve a number of inherent risks, including:

- uncertainties in assessing the value, strengths, and potential profitability of acquisition candidates, and in identifying the extent of all weaknesses, risks, contingent and other liabilities (including environmental, legacy product or mining safety liabilities) of those candidates;
- the potential loss of key customers, management and employees of an acquired business;
- the ability to achieve identified operating and financial synergies anticipated to result from an acquisition;
- problems that could arise from the integration of the acquired business; and
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying our rationale for pursuing the acquisition.

Any one or more of these factors could cause us not to realize the benefits we anticipate to result from an acquisition. Moreover, acquisition opportunities we pursue could materially affect our liquidity and capital resources and may require us to incur indebtedness, seek equity capital or both and there can be no assurances that we can obtain indebtedness or equity capital on terms acceptable to the Company. Increased borrowings would correspondingly increase the Company's financial leverage, and could result in lower credit ratings and increased future borrowing costs. These risks could also reduce the Company's flexibility to respond to changes in its industry or in general economic conditions. In addition, future acquisitions could result in our assuming more long-term liabilities relative to the value of the acquired assets than we have assumed in our previous acquisitions.

***We depend on a limited number of customers for a large portion of our net sales.***

A limited number of customers account for a large percentage of our net sales, as described in Item 1 “Business” above. The loss of, or a substantial decrease in the volume of, purchases by Walmart, Clorox or any of our other top customers could harm our sales and profitability. In addition, an adverse change in the terms of our dealings with, or in the financial wherewithal or viability of, one or more of our significant customers could harm our business, financial condition and results of operations.

We expect that a significant portion of our net sales will continue to be derived from a small number of customers and that the percentage of net sales represented by these customers may increase. As a result, changes in the strategies of our largest customers may reduce our net sales. These strategic changes may include a reduction in the number of brands or variety of products they carry or a shift of shelf space to private label products or increased use of global or centralized procurement initiatives. Further, the impact of COVID-19 may result in a change in demand for or availability of our products as a result of customers modifying their restocking, fulfillment, or shipping practices in response to the global pandemic. In addition, our business is based primarily upon individual sales orders placed by customers rather than contracts with a fixed duration. Accordingly, most of our customers could reduce their purchasing levels or cease buying products from us on relatively short notice. While we do have long-term contracts with certain of our customers, including Clorox, even these agreements are subject to termination in certain circumstances. In addition, the degree of profit margin contribution of our significant customers varies. If a significant customer with a more favorable profit margin was to terminate its relationship with us or shift its mix of product purchases to lower-margin products, it would have a disproportionately adverse impact on our results of operations.

***Price or trade concessions, or the failure to make them to retain customers, could adversely affect our sales and profitability.***

The products we sell are subject to significant price competition. From time to time, we may need to reduce the prices for some of our products to respond to competitive and customer pressures and to maintain market share. These pressures are often exacerbated during an economic downturn. Any reduction in prices to respond to these pressures would reduce our profit margins. In addition, if our sales volumes fail to grow sufficiently to offset any reduction in margins, our results of operations would suffer. Because of the competitive environment facing many of our customers, particularly our high-volume mass merchandiser customers, these customers have increasingly sought to obtain price reductions, specialized packaging or other concessions from product suppliers. These business demands may relate to inventory practices, logistics or other aspects of the customer-supplier relationship. To the extent we provide these concessions, our profit margins are reduced. Further, if we are unable to maintain terms that are acceptable to our customers, these customers could reduce purchases of our products and increase purchases of products from our competitors, which would harm our sales and profitability.

***Increases in energy, commodity and transportation costs would increase our operating costs, and we may be unable to pass all these increases on to our customers in the form of higher prices and surcharges.***

If our energy, commodity and transportation costs increase disproportionately to our net sales, our earnings could be significantly reduced. Increases in our operating costs may reduce our profitability if we are unable to pass all the increases on to our customers through price increases or surcharges. Sustained price increases or surcharges in turn may lead to declines in volume, and while we seek to project tradeoffs between price increases and surcharges, on the one hand, and volume, on the other, there can be no assurance that our projections will prove to be accurate. In particular, as a result of the COVID-19 pandemic and increased demand in trucking in certain areas of the United States following the reopening of state economies, we anticipate that the Company may experience increased transportation costs and delays in customer shipments. Given the varying level of state re-openings and the continued spread of the pandemic in the United States (and uncertainty regarding how states will respond to such continued spread), the duration and magnitude of the increased transportation costs cannot be predicted at this time and there can be no assurances that such costs and/or shipping disruptions will not continue to increase.

We are subject to volatility in the price and availability of natural gas, as well as other sources of energy. From time to time, we may use forward purchase contracts or financial instruments to moderate the volatility of a portion of our energy costs. The success or failure of any such transactions depends on a number of factors, including our ability to anticipate and manage

volatility in energy prices, the general demand for fuel by the manufacturing sector, seasonality and the weather patterns throughout the United States and the world.

The prices of other commodities such as paper, plastic resins, synthetic rubber and steel significantly influence the costs of packaging, replacement parts and equipment we use in the manufacture of our products and the maintenance of our facilities. Similarly, transportation prices impact our cost of packaging and raw materials we purchase, as well as our cost to deliver finished products to our customers. As a result, increases in the prices of commodities and transportation may increase our cost of sales and present the same types of risks as described above.

***Our business could be negatively affected by supply, capacity, information technology and logistics disruptions or the costs incurred to avoid these disruptions.***

Supply, capacity, information technology and logistics disruptions (which may be caused by a variety of factors, including public health crises such as the COVID-19 outbreak, weather conditions, governmental controls, tariffs, national emergencies, natural disasters or other force majeure events) could adversely affect our ability to manufacture, package or transport our products. As a result of the COVID-19 pandemic, there could be further restrictions on our ability to travel or disruptions in our supply chain or ability to manufacture our products, as well as temporary closures of our facilities or those of our suppliers or customers, any of which could impact our sales and operating results. Some of our products require raw materials that are provided by a limited number of suppliers, or are demanded by other industries or are simply not available at times. Also, some of our products are manufactured on equipment at or near its capacity thus limiting our ability to sell additional volumes of such products until more capacity is obtained. In addition, an increase in truck or ocean freight costs may reduce our profitability, and a decrease in transportation availability may affect our ability to deliver our products to our customers and consequently decrease customer satisfaction and future orders. See "*Increases in energy, commodity and transportation costs would increase our operating costs, and we may be unable to pass all these increases on to our customers in the form of higher prices and surcharges*" for additional risks related to increased transportation costs and logistics disruptions.

***Technology failures or cyber security breaches could have an adverse effect on the Company's business and operations.***

We rely on information technology systems to process, transmit, store, and protect electronic information. For example, a significant portion of the communications between the Company's personnel, customers, and suppliers depends on information technology and we rely on access to such information systems for our operations. We cannot guarantee that the security measures in place will prevent disruptions, failures, cyber-attacks or privacy breaches in the information technology or phone systems of the Company, our customers or third parties, which could adversely affect our communications and business operations. These risks may be increased as more employees work from home as part of our response to the COVID-19 pandemic. We may not have the resources or technical sophistication to anticipate, prevent or detect rapidly-evolving types of cyber-attacks. Attacks may be targeted at us, our customers and suppliers, or others who have entrusted us with information. While the Company has policies and procedures in place, including system monitoring and data back-up processes to prevent or mitigate the effects of these potential disruptions or breaches, security breaches and other disruptions to information technology systems could interfere with our operations. Any failure to maintain, or disruption to, our information technology systems, whether as a result of cybersecurity attacks or otherwise, could damage our reputation, subject the Company to legal claims and proceedings, and cause us to incur substantial additional costs. There can be no assurance that existing or emerging threats will not have an adverse impact on our systems or communications networks and, further, technological enhancements to prevent business interruptions could require increased spending. Furthermore, security breaches pose a risk to confidential data and intellectual property, which could result in damage to our competitiveness and reputation.

Our enterprise resource planning system ("ERP") is designed to accurately maintain our books and records and provide information important to the operation of our business. Any potential disruptions with the ERP system could affect our ability to process orders, ship product and send invoices. These difficulties could, in turn, negatively impact our financial results including sales, earnings and cash flow. Further development and maintenance of the ERP system will continue to require investment of human and financial resources, which may cause increased costs and other difficulties.

***Changes in inventory strategy by our customers as well as other external factors could adversely affect our sales and increase our inventory risk.***

From time to time, customers in both our Retail and Wholesale Products Group and our Business to Business Products Group have changed inventory levels as part of managing their working capital requirements. Any decrease in inventory levels by our customers would harm our operating results for the financial periods affected by the reductions. In particular, continued consolidation within the retail industry could potentially reduce inventory levels maintained by our retail customers, which could adversely affect our results of operations for the financial periods affected by the reductions.

The value of our inventory may decline as a result of surplus inventory, packaging changes driven by regulatory requirements or market refreshment, price reductions or obsolescence. We must identify the right product mix and maintain sufficient inventory on hand to meet customer orders. Failure to do so could adversely affect our revenue and operating results. If circumstances change (for example, an unexpected shift in market demand, pricing or customer defaults) there could be a material impact on the net realizable value of our inventory. We maintain an inventory valuation reserve account against diminution in the value or saleability of our inventory; however, there is no guaranty that these arrangements will be sufficient to avoid write-offs in excess of our reserves.

***Environmental, health and safety matters create potential compliance and other liability risks.***

We are subject to a variety of federal, state, local and foreign laws and regulatory requirements relating to the environment and to health and safety matters. For example, our mining operations are subject to extensive governmental regulation on matters such as permitting and licensing requirements, workplace safety, plant and wildlife protection, wetlands and other environmental protection, reclamation and restoration of mining properties after mining is completed, the discharge, storage and disposal of materials in the environment, and the effects that mining has on air or groundwater quality and water availability. We believe we have obtained all material permits and licenses required to conduct our present operations. We will, however, need additional permits and renewals of permits in the future.

The expense, liabilities and requirements associated with environmental, health and safety laws and regulations are costly and time-consuming and may delay commencement or continuation of exploration, mining or manufacturing operations. We have incurred, and will continue to incur, significant capital and operating expenditures and other costs in complying with environmental, health and safety laws and regulations. In recent years, regulation of environmental, health and safety matters has grown increasingly stringent, a trend that we expect will continue. Substantial penalties may be imposed if we violate certain of these laws and regulations even if the violation was inadvertent or unintentional. Failure to maintain or achieve compliance with these laws and regulations or with the permits required for our operations could result in substantial operating costs and capital expenditures, in addition to fines and administrative, civil or criminal sanctions, third-party claims for property damage or personal injury, cleanup and site restoration costs and liens, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits and other enforcement measures that could have the effect of limiting our operations. Under the “joint and several” liability principle of certain environmental laws, we may be held liable for all remediation costs at a particular site and the amount of that liability could be material. In addition, future environmental laws and regulations could restrict our ability to expand our facilities or extract our existing reserves or could require us to acquire costly equipment or to incur other significant expenses in connection with our business. Furthermore, our reputation could be adversely impacted by the failure (or perceived failure) to maintain high environmental, health and safety practices for operations or negative perceptions of these practices in our industry or for our operations or products. There can be no assurance that future events, including changes in any environmental requirements and the costs associated with complying with such requirements, will not have a material adverse effect on us.

***Government regulation imposes significant costs on us, and future regulatory changes (or related customer responses to regulatory changes) could increase those costs or limit our ability to produce and sell our products.***

In addition to the regulatory matters described above, our operations are subject to various federal, state, local and foreign laws and regulations relating to the mining, manufacture, packaging, labeling, content, storage, distribution and advertising of our products and the conduct of our business operations. For example, in the United States, some of our products, product claims, labeling and advertising are regulated by the Food and Drug Administration, the Consumer Product Safety Commission, the Occupational Health and Safety Administration, the Mine Safety and Health Administration, the Environmental Protection Agency and the Federal Trade Commission. Most states have agencies that regulate in parallel to these federal agencies. In addition, our international sales and operations are subject to regulation in each of the foreign jurisdictions in which we manufacture, distribute or sell our products. There is increasing federal and state regulation with respect to the content, labeling, use, and disposal after use of various products we sell. Throughout the world, but particularly in the United States and Europe, there is also increasing government scrutiny and regulation of the food chain and products entering or affecting the food chain.

If we are found to be out of compliance with applicable laws and regulations in these or other areas, we could be subject to loss of customers and to civil remedies, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on our business. Loss of or failure to obtain necessary permits and registrations could delay or prevent us from meeting product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect operating results. As a result of closures caused by government action taken in response to COVID-19, the Company has experienced some delays in obtaining such permits and registrations for its products. While the Company has taken steps to mitigate such delays, there can be no assurances that there will not be further delays as governments and agencies continue to respond to the COVID-19 outbreak. Further, if applicable laws or regulations are changed or interpreted differently in the future, it may become more difficult or expensive for us to comply. In addition, investigations or evaluations of our products by government agencies may require us to adopt additional labeling, safety measures or other precautions, or may effectively limit or eliminate our ability to market and sell these products. Accordingly, there can be no assurance that current or future governmental regulation will not have a material adverse effect on our business or that we will be able to obtain or renew required governmental permits and registrations in the future.

We are also experiencing increasing customer scrutiny of the content and manufacturing of our products, particularly our products entering or affecting the food chain, in parallel with the increasing government regulation discussed above. Our customers may impose product specifications, certifications or other requirements that are different from, and more onerous than, applicable laws and regulations. As a result, the failure of our products to meet these additional requirements may result in loss of customers and decreased sales of our products even in the absence of any actual failure to comply with applicable laws and regulations. There can be no assurance that future customer requirements concerning the content or manufacturing of our products will not have a material adverse effect on our business.

***Failure to maintain a level of corporate social responsibility could damage our reputation and could adversely affect our business, financial condition or results of operations.***

In light of evolving expectations around corporate social responsibility, our reputation or brand could be adversely impacted by a failure (or perceived failure) to maintain a level of corporate responsibility. In today’s environment, an allegation or perception regarding quality, safety, or corporate social responsibility can negatively impact our reputation. This may include, without limitation: failure to maintain certain ethical, social and environmental practices for our operations and activities, or failure to require our suppliers or other third parties to do so; our environmental impact, including our mining operations and their impact on the environment; the practices of our employees, agents, customers, suppliers, or other third parties (including others in our industry) with respect to any of the foregoing, actual or perceived; the failure to be perceived as appropriately addressing matters of social responsibility; consumer perception of statements made by us, our employees and executives, agents, customers, suppliers, or other third parties (including others in our industry); or our responses to any of the foregoing.

***We depend on our mining operations for a majority of our supply of sorbent minerals.***

Most of our principal raw materials are sorbent minerals mined by us or independent contractors on land that we own or lease. While our mining operations are conducted in surface mines, which do not present many of the risks associated with deep underground mining, our mining operations are nevertheless subject to many conditions beyond our control. Our mining operations are affected by weather and natural disasters (such as earthquakes, tornadoes, hurricanes, heavy rains and flooding), power outages, equipment failures and other unexpected maintenance problems, variations in the amount of rock and soil overlying our reserves, variations in geological conditions, fires and other accidents, fluctuations in the price or availability of supplies and other matters. Any of these risks could result in significant damage to our mining properties or processing facilities, personal injury to our employees, environmental damage, delays in mining or processing, losses or possible legal liability. We cannot predict whether or the extent to which we will suffer the impact of these and other conditions in the future.

***We may not be successful in acquiring adequate additional reserves in the future.***

We have an ongoing program of exploration for additional reserves on existing properties as well as through the potential acquisition of new owned or leased properties; however, there can be no assurance that our attempts to acquire additional reserves in the future will be successful. Our ability to acquire additional reserves in the future could be limited by competition from other companies for attractive properties, the lack of suitable properties that can be acquired on terms acceptable to us or restrictions under our existing or future debt facilities. We may not be able to negotiate new leases or obtain mining contracts for properties containing additional reserves or renew our leasehold interests in properties on which operations are not commenced during the term of the lease. Also, requirements for environmental compliance may restrict exploration or use of lands that might otherwise be utilized as a source of reserves.

***Failure to effectively utilize or successfully assert intellectual property rights, and the loss or expiration of such rights, could materially adversely affect our competitiveness. Infringement of third-party intellectual property rights could result in costly litigation and/or the modification or discontinuance of our products.***

We rely on intellectual property rights based on trademark, trade secret, patent and copyright laws to protect our brands, products and packaging for our products. We cannot be certain that these intellectual property rights will be maximized or that they can be successfully asserted. There is a risk that we will not be able to obtain and perfect our own intellectual property rights or, where appropriate, license intellectual property rights necessary to support new product introductions. We cannot be certain that these rights, if obtained, will not later be invalidated, circumvented or challenged, and we could incur significant costs in connection with legal actions to assert our intellectual property rights or to defend those rights from assertions of invalidity. In addition, even if such rights are obtained in the United States or in other countries, the laws of some of the other countries in which our products are or may be sold may not protect intellectual property rights to the same extent as the laws of the United States. If other parties infringe our intellectual property rights, they may dilute the value of our brands in the marketplace, which could diminish the value that consumers associate with our brands and harm our sales. The failure to perfect or successfully assert our intellectual property rights could make us less competitive and could have a material adverse effect on our business, operating results, and financial condition.

In addition, if our products are found to infringe intellectual property rights of others, the owners of those rights could bring legal actions against us claiming substantial damages for past infringement and seeking to enjoin manufacturing and marketing of the affected products. If these legal actions are successful, in addition to any potential liability for damages from past infringement, we could be required to obtain a license in order to continue to manufacture or market the affected products, potentially adding significant costs. We may not prevail in any action brought against us or we may be unsuccessful in securing any license for continued use and therefore have to discontinue the marketing and sale of a product. This could make us less competitive and could have a material adverse impact on our business, operating results and financial condition.

***The loss of any key member of our senior management team may impede the implementation of our business plans in a timely manner.***

The execution of our business plans depends in part upon the continued service of our senior management team, who possess unique and extensive industry knowledge and experience. The loss or other unavailability of one or more of the key members of our senior management team could adversely impact our ability to manage our operations effectively and/or pursue our business strategy. No Company-owned life insurance coverage has been obtained on current team members. Further, in the event of a loss of a key member of our senior management team, it is uncertain whether COVID-19 and its impact may result in difficulties in recruiting and hiring for such positions.

***We face risks to our domestic and international sales and business operations due to economic, political, regulatory and other conditions.***

Unstable economic, political, regulatory and other conditions could adversely affect demand for our products or disrupt our operations in the United States and in international markets. International sales and operations are subject to currency exchange fluctuations, fund transfer and trade restrictions and import/export duties. In some cases, we may have difficulty enforcing agreements and collecting accounts receivable through a foreign country's legal system. We derived approximately 22% of our consolidated net sales from sales outside of the United States in fiscal year 2020. Both international and domestic operations are also subject to regulatory requirements and issues, including with respect to environmental matters. Any of these matters could result in sudden, and potentially prolonged, changes in domestic and international demand for our products. Further, ongoing developments in the U.S. political climate have introduced greater uncertainty with respect to tax policies, trade relations, tariffs and government regulations affecting trade between the U.S. and other countries. In particular, it is uncertain what impact COVID-19 and the reactions of governmental authorities and others thereto will have on international trade and what impact any changes in international trade will have on the economy or on the businesses of the Company and those of its customers and its suppliers. These developments, as well as the risks outlined above, could have a material adverse effect on the Company's business, financial condition and results of operations.

***We may incur adverse safety events or product liability claims that may be costly, create adverse publicity and may add further governmental regulation.***

If any of the products that we sell cause, or appear to cause, harm to any of our customers or to consumers, we could be exposed to product liability lawsuits, heightened regulatory scrutiny, requirements for additional labeling, withdrawal of products from the market, indemnification obligations, imposition of fines or criminal penalties or other governmental actions. Any of these actions could result in material write-offs of inventory, material impairments of intangible assets, goodwill and fixed assets, material

restructuring charges and other adverse impacts on our business operations. We cannot predict with certainty the eventual outcome of any pending or future litigation, and we could be required to pay substantial judgments or settlements against us or change our product formulations in response to governmental action. Further, lawsuits can be expensive to defend, whether or not they have merit, and the defense of these actions may divert the attention of our management and other resources that would otherwise be engaged in managing our business and our reputation could suffer, any of which could harm our business.

***Failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, operating results and stock price.***

Section 404 of the Sarbanes-Oxley Act and related SEC rules require that we perform an annual management assessment of the design and effectiveness of our internal control over financial reporting and obtain an opinion from our independent registered public accounting firm on our internal control over financial reporting. Our assessment concluded that our internal control over financial reporting was effective as of July 31, 2020 and we obtained from our independent registered public accounting firm an unqualified opinion on our internal control over financial reporting; however, there can be no assurance that we will be able to maintain the adequacy of our internal control over financial reporting, as such standards are modified, supplemented or amended from time to time in future periods. Further, as a result of COVID-19, a portion of our workforce has been and continues to work from home, so new processes, procedures, and controls could be required due to the changes in our business environment, which could negatively impact our internal control over financial reporting. Accordingly, we cannot assure that we will be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal control is necessary for us to produce reliable financial reports and is important to help prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our Common Stock could drop significantly.

**Risks Related to Our Common Stock**

***Our principal stockholders have the ability to control matters requiring a stockholder vote and could delay, deter or prevent a change in control of our company.***

Under our Certificate of Incorporation, the holders of our Common Stock are entitled to one vote per share and the holders of our Class B Stock are entitled to ten votes per share; the two classes generally vote together without regard to class (except that any amendment to our Certificate of Incorporation changing the number of authorized shares or adversely affecting the rights of Common Stock or Class B Stock requires the separate approval of the class so affected as well as the approval of both classes voting together). As a result, the holders of our Class B Stock exert control over the Company and thus limit the ability of other stockholders to influence corporate matters. Beneficial ownership of Common Stock and Class B Stock by the Jaffee Investment Partnership, L.P. and its affiliates (including Daniel S. Jaffee, our President, Chief Executive Officer and Chairman of the Board of Directors) provides them with the ability to control the election of our Board of Directors and the outcome of most matters requiring the approval of our stockholders, including the amendment of certain provisions of our Certificate of Incorporation and By-Laws, the approval of any equity-based employee compensation plans and the approval of fundamental corporate transactions, including mergers and substantial asset sales. Through their concentration of voting power, our principal stockholders may be able to delay, deter or prevent a change in control of our company or other business combinations that might otherwise be beneficial to our other stockholders.

***We are a "controlled company" within the meaning of the New York Stock Exchange ("NYSE") rules and, as a result, qualify for, and intend to rely on, exemptions from certain corporate governance requirements.***

We are a "controlled company" under the New York Stock Exchange Corporate Governance Standards. As a controlled company, we may from time to time rely on exemptions from certain NYSE corporate governance requirements that otherwise would be applicable, including the requirements:

- that a majority of the board of directors consists of independent directors;
- that we have a nominating and governance committee comprised entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- that we have a compensation committee comprised entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

We have previously relied on these exemptions (although we are not currently relying on the first exemption listed above), and we intend to continue to rely on them in the future, as applicable. As a result, you may not have the same benefits and information available to stockholders of NYSE-listed companies that are subject to all of the NYSE corporate governance requirements.

***The market price for our Common Stock may be volatile.***

The market price of our Common Stock could fluctuate substantially in the future in response to a number of factors, including the following:

- fluctuations in our quarterly operating results or the operating results of our competitors;
- changes in general conditions in the economy, the financial markets, or the industries in which we operate;
- announcements of significant acquisitions, strategic alliances or joint ventures by us, our customers, suppliers or competitors;
- introduction of new products or services;
- increases in the price of energy sources and other raw materials; and
- other developments affecting us, our industries, customers or competitors.

In addition, the stock market may experience extreme price and volume fluctuations that have a significant effect on the market prices of securities issued by many companies for reasons unrelated to their operating performance. These broad market fluctuations may materially adversely affect our Common Stock price, regardless of our operating results. Given its relatively small public float, number of stockholders and average daily trading volume, our Common Stock may be relatively more susceptible to volatility arising from any of these factors. There can be no assurance that the price of our Common Stock will increase in the future or be maintained at its recent levels.

***Future sales of our Common Stock could depress its market price.***

Future sales of shares of our Common Stock could adversely affect its prevailing market price. If our officers, directors or significant stockholders sell a large number of shares, or if we issue a large number of shares, the market price of our Common Stock could significantly decline. Moreover, the perception in the public market that stockholders might sell shares of Common Stock could depress the market for our Common Stock. Our Common Stock's relatively small public float and average daily trading volume may make it relatively more susceptible to these risks.

Furthermore, in response to recent public focus on dual class capital structures, certain stock index providers are implementing limitations on the inclusion of dual class share structures in their indices. If these restrictions increase, they may impact who buys and holds our stock.

***Future dividends on our common stock may be restricted or eliminated.***

Dividends are declared at the discretion of our Board of Directors, and future dividends will depend on our future earnings, cash flow, financial requirements and other factors, including market and economic conditions. We are not obligated to continue a dividend for any fixed period, and the payment of dividends could be suspended or discontinued at any time at our discretion and without prior notice. Although we have maintained our dividend despite the impact of COVID-19, there can be no assurance that we will continue to do so, particularly if the situation deteriorates. The amount and timing of any future dividends may vary, and the payment of any dividend does not assure that we will pay dividends in the future.

**ITEM 1B – UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2 – PROPERTIES**

**Real Property Holdings and Mineral Reserves**

| | Land Owned | Land Leased | Land Unpatented Claims | Total | Estimated Proven Reserves | Estimated Probable Reserves | Total |
|---|---|---|---|---|---|---|---|
| | (acres) | | | | (thousands of tons) | | |
| California | 795 | — | 1,030 | 1,825 | 3,700 | 11,226 | 14,926 |
| Georgia | 3,851 | 1,593 | — | 5,444 | 33,874 | 23,123 | 56,997 |
| Illinois | 105 | 508 | — | 613 | 2,557 | 1,596 | 4,153 |
| Mississippi | 2,219 | 1,331 | — | 3,550 | 37,180 | 135,128 | 172,308 |
| Nevada | 535 | — | — | 535 | 23,316 | 2,976 | 26,292 |
| Oregon | 340 | — | — | 340 | — | 25 | 25 |
| Tennessee | 178 | — | — | 178 | 3,000 | 3,000 | 6,000 |
| | 8,023 | 3,432 | 1,030 | 12,485 | 103,627 | 177,074 | 280,701 |

The Mississippi, Georgia, Tennessee, Nevada, California and Illinois properties are primarily mineral in nature, except our research and development facility which is included in the Illinois owned land. We mine sorbent minerals primarily consisting of calcium bentonite, attapulgite and diatomaceous shale. We use geologists and mineral specialists who prepared the estimated reserves of these minerals in the table above. See also Item 1 “Business” above for further information about our reserves. The properties in Mississippi, Georgia, California and Illinois are currently in active production and collectively produced approximately 756,000 tons of finished product in both fiscal years 2020 and 2019. Parcels of such land are also sites of manufacturing facilities operated by us. We own approximately one acre of land in Laval, Quebec, Canada, which is the site of the processing, packaging and distribution facility for our Canadian subsidiary**.**

**MINING PROPERTIES**

Our mining operations are conducted on land that we own or lease. The Georgia, Illinois and Mississippi mining leases generally require that we pay a minimum monthly rent to continue the lease term. The rental payments are typically applied against a stated royalty related to the number of unprocessed, or in some cases processed, tons of minerals extracted from the leased property. Many of our mining leases have no stated expiration dates. Some of our leases, however, do have expiration dates ranging from 2026 to 2097. We would not experience a material adverse effect from the expiration or termination of any of these leases. We have a variety of access arrangements, some of which are styled as leases, for manufacturing at facilities that are not contiguous with the related mines. We would not experience a material adverse effect from the expiration or termination of any of these arrangements.

Certain of our land holdings in California are represented by unpatented mining claims we lease from the Bureau of Land Management. These leases generally give us the contractual right to conduct mining or processing activities on the land covered by the claims. The validity of title to unpatented claims, however, is dependent upon numerous factual matters. We believe the unpatented claims we lease are in compliance with all applicable federal, state and local mining laws, rules and regulations. Future amendments to existing federal mining laws, however, could have a prospective effect on mining operations on federal lands and include, among other changes, the imposition of royalty fees on the mining of unpatented claims, the elimination or restructuring of the patent system and an increase in fees for the maintenance of unpatented claims. To the extent that future proposals may result in the imposition of royalty fees on unpatented lands, the mining of our unpatented claims may become economically unfavorable. We cannot predict the form that any such amendments might take or whether or when such amendments might be adopted. In addition, the construction and operation of processing facilities on these sites would require the approval of federal, state and local regulatory authorities. See Item 1A “Risk Factors” above for a discussion of other risks to our business related to our mining properties.

## MINING AND MANUFACTURING METHODS

Mining and Hauling

We mine clay in open-pit mines in Georgia, Mississippi, Illinois and California. The mining and hauling operations are similar throughout the Oil-Dri locations, with the exception of California. The land to be mined is first stripped. The stripping process involves removing the overburden and preparing the site to allow the excavators to reach the desired clay. When stripping is completed, the excavators dig out and load the clay onto dump trucks. The trucks haul the clay directly to our processing plants where it is dumped in a clay yard and segregated by clay type if necessary. Generally, the mine sites are in close proximity to the processing plants; however, the maximum distance the clay is currently hauled to a plant is approximately 13 miles.

At our California mines the clay is excavated and hauled to a hopper. An initial crushing and screening operation is performed at the mine site before the trucks are loaded for delivery to the processing plant.

Processing

The processing of our clay varies depending on the level of moisture desired in the clay after the drying process. The moisture level is referred to as regular volatile moisture (“RVM”) or low volatile moisture (“LVM”).

RVM Clay: A front end loader is used to load the clay from the clay yard into the primary crusher. The primary crusher reduces the clay chunks to 2.0 inches in diameter or smaller. From the crusher, the clay is transported via a belt conveyor into the clay shed. A clay shed loader feeds the clay into a disintegrator which reduces the clay to particles 0.5 inches in diameter or smaller. The clay then feeds directly into the RVM kiln. The RVM kiln reduces the clay’s moisture content. From the RVM kiln, the clay moves through a series of mills and screens which further size and separate the clay into the desired particle sizes. The sized clay is then conveyed into storage tanks. The RVM processed clay can then be packaged or processed into LVM material.

LVM Clay: RVM clay is fed from storage tanks into the LVM kiln where the moisture content is further reduced. The clay then proceeds into a rotary cooler, then on to a screening circuit which separates the clay into the desired particle sizes.

In addition, certain other products may go through further processing or the application of fragrances and additives. For example, certain fluid purification and animal health products are processed into a powder form. We also use a proprietary process for our engineered granules to create spherical, uniform-sized granules.

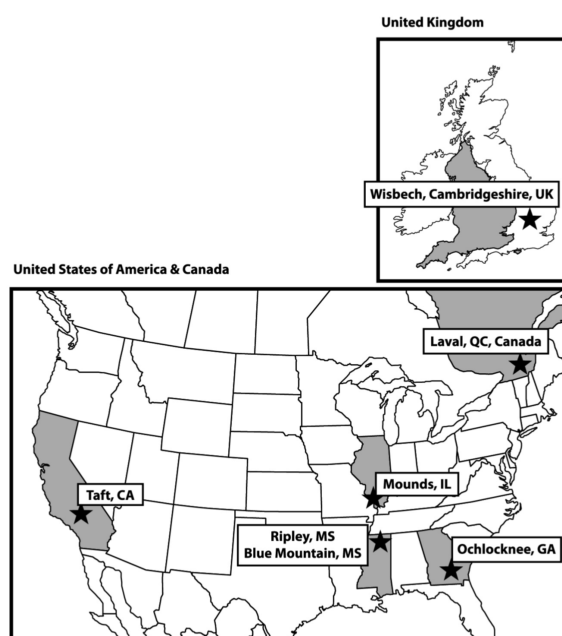
Packaging

Once the clay has been dried to the desired level it will be sized and packaged. Our products have various package sizes and types ranging from bags, boxes and jugs of cat litter to railcars of agricultural products. We also package some of our products into bulk (approximately one ton) bags or into bulk trucks. The size and delivery configuration of our finished products is determined by customer requirements.

**FACILITIES**

We operate clay manufacturing and non-clay production facilities on property owned or leased by us as shown on the map below:

**Oil-Dri Plant Site Locations**




| Location | Owned/Leased | Function |
|---|---|---|
| Alpharetta, Georgia | Leased | Non-clay manufacturing and packaging, sales, customer service |
| Blue Mountain, Mississippi | Owned | Manufacturing and packaging |
| Chicago, Illinois | Leased | Principal executive office |
| Coppet, Switzerland | Leased | Customer service office |
| Jakarta, Indonesia | Leased | Office |
| Jalisco, Mexico | Leased | Warehouse and office |
| Laval, Quebec, Canada | Owned | Non-clay manufacturing and clay and non-clay packaging, sales |
| Mounds, Illinois | Owned | Manufacturing and packaging |
| Ochlocknee, Georgia | Owned | Manufacturing and packaging |
| Ripley, Mississippi | Owned | Manufacturing and packaging |
| Shenzhen, China | Leased | Sales office, customer service |
| Taft, California | Owned | Manufacturing and packaging |
| Vernon Hills, Illinois | Owned & Leased | Research and development |
| Wisbech, United Kingdom | Leased | Non-clay manufacturing and clay and non-clay packaging, sales, customer service |

We have no mortgages on the real property we own. The leases for the locations listed above expire as follows: Jalisco, Mexico in 2020; Alpharetta, Georgia in 2021; Shenzhen, China in 2025; Vernon Hills, Illinois in 2026; Wisbech, United Kingdom

in 2032 and Chicago, Illinois in 2033. The leases for the Coppet, Switzerland and Jakarta, Indonesia offices are on a year-to-year basis. We consider that our properties are generally in good condition, well maintained and suitable and adequate to carry on our business.

## ITEM 3 – LEGAL PROCEEDINGS

We are party to various legal actions from time to time that are ordinary in nature and incidental to the operation of our business, including ongoing litigation. While it is not possible at this time to determine with certainty the ultimate outcome of these lawsuits, we believe that none of the pending proceedings will have a material adverse effect on our business, financial condition, results of operations or cash flows.

## ITEM 4 – MINE SAFETY DISCLOSURE

Our mining operations are subject to regulation by the Mine Safety and Health Administration under authority of the Federal Mine Safety and Health Act of 1977, as amended. Information concerning mine safety violations or other regulatory matters required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Annual Report on Form 10-K.

PART II

## ITEM 5 – MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock is traded on the NYSE under the symbol ODC. There is no established trading market for our Class B Stock. There are no shares of Class A Common Stock currently outstanding. See Exhibit 4.1 to this Annual Report on Form 10-K for a description of our Common Stock, Class B Stock and Class A Common Stock. The number of holders of record of Common Stock and Class B Stock on September 30, 2020 were 684 and 23, respectively, as reported by our transfer agent. In the last three years, we have not sold any securities which were not registered under the Securities Act of 1933.

### Dividends

Our Board of Directors determines the timing and amount of any dividends. Our Board of Directors may change its dividend practice at any time. The declaration and payment of future dividends, if any, will depend upon, among other things, our future earnings, capital requirements, financial condition, legal requirements, contractual restrictions and other factors that our Board of Directors deems relevant. Our Credit Agreement with BMO Harris Bank N.A. ("BMO Harris") and our Amended Note Agreement with Prudential requires that certain minimum net worth and tangible net worth levels are to be maintained. To the extent that these balances are not attained, our ability to pay dividends may be impaired. See Note 3 of the Notes to the Consolidated Financial Statements for further information about our note agreements.

### Issuer Repurchase of Equity Securities

During the three months ended July 31, 2020, we did not sell any securities which were not registered under the Securities Act of 1933. The following chart summarizes our Common Stock purchases during this period.

**ISSUER PURCHASES OF EQUITY SECURITIES [1]**

| | (a) | (b) | (c) | (d) |
|---|---|---|---|---|
| For the Three Months Ended July 31, 2020 | Total Number of Shares Purchased[2] | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that may yet be Purchased Under Plans or Programs[3] |
| May, 1 2020 to May 31, 2020 | — | $— | — | 913,601 |
| June 1, 2020 to June 30, 2020 | — | $— | — | 913,601 |
| July 1, 2020 to July 31, 2020 | 25,667 | $35.92 | 24,688 | 887,934 |

[1] The table summarizes repurchases of (and remaining authority to repurchase) shares of our Common Stock. Our Board of Directors authorized the repurchase of 300,000 shares of Class B Stock on March 21, 2018, however there have been no repurchases of Class B Stock for the three months ended July 31, 2020, and the authorized Class B Stock is not included in the table above. No shares of our Class A Common Stock are currently outstanding. Descriptions of our Common Stock, Class B Stock and Class A Common Stock are contained in Exhibit 4.1 of this Annual Report on Form 10-K for the fiscal year ended July 31, 2020.

[2] Includes 979 shares surrendered by employees to pay taxes related to restricted stock awards.

[3] Our Board of Directors authorized repurchase of 250,000 shares on June 14, 2012 and an additional 750,000 shares on March 11, 2019. These authorizations do not have a stated expiration date. The share numbers in this column indicate the number of shares of Common Stock that may yet be repurchased under these authorizations. Repurchases may be made on the open market (pursuant to Rule 10b5-1 plans or otherwise) or in negotiated transactions. The timing and number of shares repurchased will be determined by our management.

## ITEM 7 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read together with the Consolidated Financial Statements and the related notes included elsewhere herein. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a difference include those discussed under "Forward-Looking Statements" and in Item 1A "Risk Factors" in this Annual Report on Form 10-K.*

### OVERVIEW

We develop, mine, manufacture and market sorbent products principally produced from clay minerals, primarily consisting of calcium bentonite, attapulgite and diatomaceous shale. Our principal products include agricultural and horticultural chemical carriers, animal health and nutrition products, cat litter, fluid purification and filtration bleaching clays, industrial and automotive floor absorbents and sports field products. Our products are sold to two primary customer groups, including customers who resell our products as originally produced to the end consumer and other customers who use our products as part of their production process or use them as an ingredient in their final finished product. We have two reportable operating segments based on the different characteristics of our two primary customer groups: the Retail and Wholesale Products Group and the Business to Business Products Group. Each operating segment is discussed individually below. Additional detailed descriptions of the operating segments are included in Item 1 "Business" above.

### RESULTS OF OPERATIONS

### OVERVIEW

Consolidated net sales increased approximately $6,202,000 or 2% in fiscal year 2020 compared to fiscal year 2019 along with an increase in income from operations of $14,415,000 or 138%. The increase in income from operations relates to a decrease in cost of sales and a one-time receipt of $13,000,000 relating to licensing of certain of our patents as further described in Note 1 of the Notes to the Consolidated Financial Statements partially offset by higher selling, general and administrative expenses.

Consolidated net income was $18,900,000, or $2.65 per diluted common share, for the fiscal year ended July 31, 2020, a 50% increase from net income of $12,611,000, or $1.80 per diluted common share, for the fiscal year ended July 31, 2019. Higher income from operations as noted above contributed to the increase in net income in fiscal year 2020 offset in part by pension settlement expense as further described in Note 9 of the Notes to the Consolidated Financial Statements as well as by higher income tax expense.

Our Consolidated Balance Sheets as of July 31, 2020 and our Consolidated Statements of Cash Flows for fiscal year 2020 show an increase in total cash and cash equivalents from fiscal year-end 2019, even while we continue to invest in our facilities, repay debt, pay dividends and make contributions to our pension plan. The increase in cash is further described in Liquidity and Capital Resources.

In December 2019, COVID-19 was reported in China and has subsequently spread worldwide. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. While we saw changes to consumer purchasing patterns for certain products in response to the pandemic and certain increases in our costs arising out of the pandemic, COVID-19 has not, to date, had a significant impact on our business as a whole. All of our facilities, with the exception of our subsidiary in China, (which as noted below, has resumed operations), have continued to operate as essential businesses as permitted under exceptions in the applicable shelter-in-place mandates due to our inclusion in the Critical Manufacturing Sector as defined by the U.S. Department of Homeland Security and other functions defined as essential by government authorities. Our subsidiary in China returned to operations in the third quarter of fiscal year 2020. Our top priority has been, and continues to be, the safety and health of our employees, contractors, and customers. We have adhered to and continue to adhere to guidance from the U.S. Centers for Disease Control and Prevention and local health and governmental authorities with respect to social distancing and physical separation. Additionally, we have increased cleaning and sanitation programs at each of our facilities. As a result, we have not experienced any shutdowns due to workforce absences or illnesses.

As further discussed below, our sales increased in fiscal year 2020 primarily due to volume. One of the primary drivers of the increase is that in the third quarter of fiscal year 2020 consumers purchased more cat litter and related products in anticipation of potential future shortages and store closures due to COVID-19. We experienced increases in cat litter sales for both our U.S. business and our subsidiary in Canada as consumers bought more cat litter and related products in response to the shelter-in-place

orders instituted by many states and localities in response to the COVID-19 outbreak. Sales normalized by fiscal year-end 2020. Despite the increase in sales, we have not experienced any increased issues collecting amounts due from customers to date. However, other areas of our business have been negatively impacted. Sales from our industrial and sports products declined in fiscal year 2020 as businesses and sports fields shut down. In the long-term, we foresee that our sports product sales will improve back to pre-pandemic volumes with the re-opening of baseball and softball at all levels. There has been some lower demand from customers in our agricultural business as well a shift in demand from fiscal year 2020 into fiscal year 2021 for one of our customers. In addition, our fluids purification sales decreased in part due to the closures of restaurants and schools, which have not fully re-opened. To a lesser extent, our inability due to COVID-19 to participate in our customers' plant tests of our fluids purification products has also impeded our sales in recent months. Further, during the second quarter of fiscal year 2020 our operations in China temporarily closed, which disrupted our business in China. Our operations in China subsequently re-opened in the third quarter of fiscal year 2020.

Consolidated gross profit has not been significantly impacted by COVID-19. Our suppliers have either remained open or we have found new suppliers to meet the increase in consumer demand without an impact to pricing. While we have incurred some additional costs from truck loading delays due to the large volume of sales, these costs have not been significant. Further, we have been able to successfully navigate delays in overseas vessel deliveries of our products by increasing our safety stock early in the COVID-19 outbreak as well as finding other providers. We have incurred additional employee compensation costs as a result of increased production to meet increased customer demand as well as additional cleaning and sanitation costs in recent months, but these costs did not have a significant impact on our consolidated gross profit. In addition, we have experienced a decrease in travel costs as our employees have not been traveling during the outbreak.

We are closely monitoring the continued spread and effects of the outbreak of COVID-19 on all aspects of our business, including how it has and may impact our suppliers and customers. We have not experienced any significant negative impacts or interruptions and we will continue to closely monitor our inventory levels to mitigate the risk of any potential supply interruptions or changes in customer demands. The impacts of COVID-19 and related economic conditions on our future results are uncertain at this time. The scope, duration and magnitude of the direct and indirect effects of COVID-19 continue to evolve (and in many cases, rapidly) and in ways that are difficult or impossible to anticipate. In addition, because COVID-19 did not materially impact our financial results to date and it remains uncertain whether and how consumers will modify their purchasing habits in response to COVID-19 and continued or reduced government restrictions, these results may not be indicative of the impact that COVID-19 may have on our future results. See "Part I - Item 1A - Risk Factors" for additional discussion regarding the risks COVID-19 presents our business.

The impacts of COVID-19 to our specific operating segments are discussed below.

**RESULTS OF OPERATIONS**
**FISCAL YEAR 2020 COMPARED TO FISCAL YEAR 2019**

CONSOLIDATED RESULTS

Consolidated net sales in fiscal year 2020 reached an all-time high of $283,227,000, an increase of $6,202,000 from net sales of $277,025,000 in fiscal year 2019. Net sales in our Retail and Wholesale Products Group increased for our cat litter products, as well as for our subsidiaries in Canada and the United Kingdom. Net sales in our Business to Business Products Group decreased slightly. Sales fluctuations by operating segment are further discussed below.

Consolidated gross profit in fiscal year 2020 was $75,823,000, an increase of $10,163,000 from gross profit of $65,660,000 in the prior fiscal year. Our gross margin (defined as gross profit as a percentage of net sales) in fiscal year 2020 increased to 27% from 24% in fiscal year 2019. Gross profit increased primarily due to lower freight, natural gas and warehouse costs. Freight costs per manufactured ton decreased approximately 18% compared to the prior fiscal year due in part to lower transportation rates from improved truck availability. Costs were higher in the first half of the prior fiscal year due to one-time events, including a greater number of product transfers between our plants and warehouses to support customer service during the implementation of our new ERP system on August 1, 2018 and disruptions due to Hurricane Michael. Our overall freight costs also vary between periods depending on the mix of products sold and the geographic distribution of our customers. We do expect that freight costs will increase in fiscal 2021 as there is an anticipated industry freight need as imports are surging back to pre-COVID-19 levels. The cost per manufactured ton of natural gas used to operate kilns that dry our clay was approximately 29% lower in fiscal year 2020 compared to fiscal year 2019. Warehouse costs were lower in fiscal year 2020 compared to fiscal year 2019 due to better management of inventory. Our suppliers have remained open during COVID-19 and have been able to meet our increased demand. In contrast, non-fuel manufacturing costs per ton were up approximately 3% and purchased material per ton also increased 3%. In addition, we incurred additional employee compensation costs as a result of increased production to meet increased customer demand as well as cleaning and sanitation costs in recent months due to COVID-19. These costs related to COVID-19 did not

have a significant impact on our consolidated gross profit. In addition, an increase in the number of tons produced contributed to higher costs for labor and mining-related costs. Our repairs expense also increased for routine and preventative equipment maintenance. Packaging costs per ton were approximately 1.3% higher compared to the prior fiscal year due in part to the mix of products produced. Many of our contracts for packaging purchases are subject to periodic price adjustments, which trail changes in underlying commodity prices.

Total selling, general and administrative expenses were 16% higher in fiscal year 2020 compared to fiscal year 2019. The discussions of each segment's operating income below describe the changes in selling, general and administrative expenses that were allocated to that segment, particularly the higher advertising costs in the Retail and Wholesale Products Group. The remaining unallocated corporate expenses in fiscal year 2020 included a higher estimated annual incentive bonus accrual for fiscal year 2020 compared to fiscal year 2019. The incentive bonus accrual was based on actual financial results achieved for the fiscal year and discretion by our Chief Executive Officer, in accordance with the incentive plan's provisions. Also included in unallocated corporate expenses was additional expense related to the increase in employer match for our 401(k) plan. A legal contingency is also included in unallocated corporate expenses in fiscal 2020 as further discussed in Note 10 of the Notes to the Consolidated Financial Statements. These higher expenses were partially offset by lower legal and deferred compensation costs and the curtailment gain related to our Supplemental Executive Retirement Plan as further described in Note 9 of the Notes to the Consolidated Financial Statements.

Other expense of $1,387,000 in fiscal year 2020 included expense of approximately $2,000,000 of settlement expense under our pension plan as further described in Note 8 to the Notes to the Consolidated Financial Statements. In fiscal year 2019 Other income of $4,723,000 included net proceeds upon resolution of legal proceedings. The amount received under a confidential agreement resolving these legal proceedings was material to our financial results for the period. See Note 2 of the Notes to the Consolidated Financial Statements.

Tax expense for fiscal year 2020 was $4,280,000 compared to $1,933,000 in fiscal year 2019 driven by our increase in net income. See Note 5 of the Notes to the Consolidated Financial Statements for additional information about our income taxes.

BUSINESS TO BUSINESS PRODUCTS GROUP

Net sales of the Business to Business Products Group for fiscal year 2020 were $104,260,000, a decrease of $1,617,000, or 2%, from net sales of $105,877,000 in fiscal year 2019. Net sales increased for our cat litter and animal health products; however, sales declined for our agricultural and horticultural products and fluids purification products.

Net sales of our agricultural and horticultural chemical carrier products decreased approximately 10% or $2,425,000 in fiscal year 2020 compared to fiscal year 2019. Sales of traditional granules declined primarily due to the previously reported loss of a large customer, which was partially offset by increased sales to an existing customer. Lower demand from our customers in the agricultural, home and garden industries due to the impact of COVID-19 have also contributed to the decrease in net sales. Net sales of our fluids purification products in fiscal year 2020 decreased approximately 3% or $1,788,000 compared to the prior fiscal year. The lower sales are attributable to a plant closing of a biodiesel processing customer and local pricing competition in foreign markets due to unfavorable exchange rates. More recently, the closures of restaurants and schools due to the outbreak of COVID-19 have caused sales to edible oil producers to decrease. There has also been a decrease in our fluids purification sales for jet fuel processing due to reductions in travel as a result of COVID-19. In addition, our inability to participate in our customers' plant tests of our products due to COVID-19 has also impeded our sales in recent months. However, sales from our UK subsidiary increased in fiscal year 2020 compared to fiscal year 2019 due to a new customer; this increase offset a portion of the decrease in sales from our overall fluids purification products. The lower sales for our agricultural and horticultural chemical carrier products and fluids purification products were partially offset by higher sales of other products in the Business to Business Group, including an increase of approximately 6% or $764,000 compared to the prior fiscal year for sales of our co-packaged coarse cat litter primarily due to volume. Net sales of our animal health and nutrition products also increased approximately 12% or $1,832,000 compared to the prior fiscal year. Sales growth occurred for our animal feed additives primarily in Latin America, Mexico, Africa, and Asia, excluding China. See “Foreign Operations” below for a discussion of sales in China, which were negatively impacted by the spread of the African swine fever in the prior year and COVID-19 in late 2019 and in 2020. The increase in sales growth in Latin America, Mexico, Africa and Asia (excluding China) was slightly offset by a decrease in sales in North America and a delay in the product registration of one of our products as well as a delay in testing and trials of our product at our customers due to COVID-19.

The Business to Business Products Group’s selling, general and administrative expenses in fiscal year 2020 were approximately 9% or $841,000 higher compared to fiscal year 2019, but remained relatively consistent as a percentage of sales. The increase in SG&A is attributable to higher costs for product development and support, increased compensation-related

expenses, an increase in bad debt allowance for certain uninsured foreign receivables, and additional costs to establish our subsidiary in Indonesia.

The Business to Business Products Group's operating income in fiscal year 2020 was flat compared to fiscal year 2019. While net sales decreased, this decrease was offset by lower freight, natural gas, and warehouse costs in fiscal year 2020 as discussed in Consolidated Results above.

RETAIL AND WHOLESALE PRODUCTS GROUP

Net sales of the Retail and Wholesale Products Group for fiscal year 2020 were $178,967,000, an increase of $7,819,000, or 5%, from net sales of $171,148,000 in fiscal year 2019. Sales of cat litter drove the increase in sales. Total cat litter net sales were $12,014,000 or 9% higher compared to the prior fiscal year with increased sales of both private label and branded litters. Sales of private label scoopable litter increased to existing customers, some of whom had expanded their selection of our products during the prior fiscal year. Similarly, higher sales of private label coarse litter included incremental sales to customers who added these products in the prior fiscal year. Branded coarse litter and litter box liners sales were also higher in fiscal year 2020 compared to the prior fiscal year. Cat litter sales by our subsidiary in Canada further contributed to the sales increase, as discussed in "Foreign Operations" below. Contributing to higher cat litter sales in fiscal year 2020 was higher consumer demand as consumers purchased more cat litter and related products in anticipation of potential future shortages and store closures due to COVID-19. The increase in these sales due to COVID-19 leveled out to a more normalized volume towards the end of fiscal 2020. Also included in the Retail and Wholesale Products Group's results were lower sales of our industrial and sports products compared to fiscal year 2019. Sales of our industrial floor absorbents and sports products decreased 13% or $4,306,000 compared to fiscal year 2019, primarily driven by the impact of businesses and sports fields shutting down due to COVID-19.

Selling, general and administrative expenses for the Retail and Wholesale Products Group were approximately $2,535,000 or 15% higher compared to fiscal year 2019. The increase was driven by higher advertising expense due primarily to a focus on targeted programs and digital media.

The Retail and Wholesale Products Group's segment operating income for fiscal year 2020 was $15,859,000, an increase of $7,176,000, from operating income of $8,683,000 in fiscal year 2019. The higher sales plus lower freight, fuel and warehouse costs, were partially offset by an increase in advertising expenses and to some extent higher packaging and non-fuel costs, as discussed in "Consolidated Results" above.

FOREIGN SUBSIDIARIES

Foreign operations include our subsidiaries in Canada and the UK, which are included in the Retail and Wholesale Products Group, and our subsidiaries in China, Mexico and Indonesia, which are included in the Business to Business Products Group. Net sales by our foreign subsidiaries during fiscal year 2020 were $15,220,000, an increase of $1,664,000, or 12%, from net sales of $13,556,000 during fiscal year 2019. The increase relates primarily to higher sales by our Canadian subsidiary in fiscal year 2020. One of the drivers of this increase was higher consumer demand in the third quarter as customers purchased more cat litter and related products in anticipation of potential future shortages and store closures due to COVID-19. In addition, our Canadian subsidiary had higher sales in fiscal year 2020 due to new products and customers. Sales of our animal health products by our foreign operations grew to a lesser extent, as higher sales for our subsidiaries in Mexico and Indonesia were mostly offset by lower sales for our subsidiary in China. Sales of animal health products to pork producers in China have not fully recovered since the spread of African swine fever in fiscal year 2019. In addition, our Chinese subsidiary's business operations have been impacted in the second and third quarters of fiscal year 2020 by the recent outbreak of COVID-19. Chinese government restrictions to control the spread of COVID-19 disrupted our sales office, limited travel by our salesforce and delayed product shipments. In addition, our subsidiary in China had a delay in product registration for one of our products as discussed above. Net sales by our foreign subsidiaries represented 5% of our consolidated net sales for both the fiscal years 2020 and 2019.

For fiscal year 2020, our foreign subsidiaries reported a net loss of $1,308,000, compared to net income of $155,000 in fiscal year 2019. Our subsidiaries in Canada and the UK experienced an increase in sales and net income in fiscal year 2020. While our subsidiaries in Mexico and Indonesia experienced an increase in sales in fiscal year 2020 they also had net losses, primarily due to sales commissions to brokers for our Mexico subsidiary and additional costs to establish operations in Indonesia. Our Chinese subsidiary experienced a loss in fiscal year 2020 due to a decrease in sales as noted above as well as changes in product mix.

Identifiable assets of our foreign subsidiaries as of July 31, 2020 were $12,586,000 compared to $10,195,000 as of July 31, 2019. The increase was due primarily to higher cash, inventory and receivables balances.

**LIQUIDITY AND CAPITAL RESOURCES**

Our principal capital requirements include: funding working capital needs; purchasing and upgrading equipment, facilities, information systems, and real estate; supporting new product development; investing in infrastructure; repurchasing stock; paying dividends; making pension contributions; and, from time to time, business acquisitions. During fiscal year 2020, we primarily used cash generated from operations to fund these requirements. Cash and cash equivalents totaled $40,890,000 and $21,862,000 as of July 31, 2020 and 2019, respectively. Contributing to the increase in cash in fiscal year 2020 is $10,000,000 of borrowings in the fourth quarter of fiscal year 2020 as well as a one-time receipt of $13,000,000 related to licensing of certain of our patents. See Notes 1 of the Notes to the Consolidated Financial Statements for information about the one-time receipt and Note 3 for the borrowings.

To date, COVID-19 has not had a significant impact on our operations as a whole, and we anticipate cash flows from operations and our available sources of liquidity will be sufficient to meet our cash requirements. In addition, we are actively monitoring the timing and collection of our accounts receivable. Given the dynamic nature of COVID-19, we will continue to assess our liquidity needs and to actively manage our spending.

The following table sets forth certain elements of our Consolidated Statements of Cash Flows for the fiscal year (in thousands):

| | **2020** | **2019** |
|---|---|---|
| Net cash provided by operating activities | **$ 42,462** | $ 26,743 |
| Net cash used in investing activities | **(14,677)** | (7,888) |
| Net cash used in financing activities | **(8,750)** | (9,886) |
| Effect of exchange rate changes on cash and cash equivalents | **(7)** | 136 |
| Net increase in cash and cash equivalents | **$ 19,028** | $ 9,105 |

*Net cash provided by operating activities*

In addition to net income, as adjusted for depreciation and amortization and other non-cash operating activities, the primary sources and uses of operating cash flows for fiscal years 2020 and 2019 were as follows:

Non-cash stock compensation was $961,000 higher for fiscal 2020 compared to fiscal 2019 due to additional grants of restricted stock in fiscal year 2020. In addition, in fiscal year 2019, the amount of stock awarded was significantly higher than in the previous year and a full year of expense related to these awards was recorded in fiscal year 2020. See Note 7 of the Notes to the Consolidated Financial Statements for further information about stock-based compensation.

Deferred income taxes were $453,000 lower at fiscal year-end 2020 compared to fiscal year-end 2019, and were $406,000 higher at fiscal year-end 2019 compared to fiscal year-end 2018. Deferred income taxes were lower at fiscal year-end 2020 due to postretirement benefits and accrued expenses. Deferred income taxes were higher at fiscal year-end 2019 because during fiscal year 2018, an adjustment to reflect the lower U.S. federal corporate tax rate under the 2017 Tax Cuts and Jobs Act reduced deferred taxes, particularly related to depreciation, deferred compensation and postretirement benefits. See Note 5 of the Notes to the Consolidated Financial Statements for further information about income taxes.

We recognized a curtailment gain on our Supplemental Executive Retirement Plan (“SERP”) plan in fiscal year 2020 of $1,296,000, which is further discussed in Note 9 of the Notes to the Consolidated Financial Statements.

Accounts receivable, less allowance for doubtful accounts and cash discounts, were $411,000 lower at fiscal year-end 2020 compared to fiscal year-end 2019 due primarily to lower sales in the fourth quarter of fiscal 2020 and an increase in our bad debt reserve for certain uninsured foreign receivables which had been previously insured, and for two customers that are slow-paying. The same measure of accounts receivable was $1,908,000 higher at fiscal year-end 2019 compared to fiscal year-end 2018 due to higher sales in the fourth quarter of fiscal year 2019 compared to the same fiscal year end 2018. Fluctuations in

accounts receivable balances were impacted in all periods by the timing of both sales and collections, as well as the payment terms provided to various customers in the ordinary course of business.

Inventories were $213,000 lower at fiscal year-end 2020 compared to fiscal year-end 2019 due primarily to a higher obsolescence reserve and lower inventory packaging levels. The higher obsolescence reserve and lower packaging inventories are attributed to our focus on inventory management and enhanced data available from our ERP system. Inventories were $1,693,000 higher at fiscal year-end 2019 compared to fiscal year-end 2018 for the exact opposite reason than in fiscal year 2020. A larger amount of on-hand quantities of packaging and other materials purchased at higher costs as well as a lower reserve for discontinued, slow moving and unsaleable inventory contributed to the higher inventory value at fiscal year-end 2019. Furthermore, finished goods and purchased materials inventories vary from year to year due to anticipated sales requirements and the mix of products expected to be produced. See Note 1 of the Notes of the Notes to the Consolidated Financial Statements.

Other assets were $1,242,000 higher at fiscal year-end 2020 compared to fiscal year-end 2019 due to pre-production development costs at our Georgia mine. Other assets were $617,000 higher at fiscal year-end 2019 than fiscal year-end 2018 related to intangibles.

Accounts payable, including income taxes payable, were $4,238,000 higher at fiscal year-end 2020 compared to fiscal year-end 2019. Higher accrued income taxes due to higher net income and a higher effective tax rate drove the increase in fiscal year 2020 as well as higher freight payables due to the increase in sales. In addition, accounts payable were higher at fiscal year-end 2020 due to the additional capital expenditures made in the fourth quarter. Accounts payable were $590,000 higher at fiscal year-end 2019 compared to fiscal year-end 2018 due to normal fluctuations. Changes in trade accounts payable in all periods are subject to normal fluctuations in the timing of payments, the cost of goods and services we purchased, production volume levels and vendor payment terms.

Accrued expenses were $8,632,000 higher at fiscal year-end 2020 compared to fiscal year-end 2019 due primarily to a higher accrued annual discretionary bonus, 401(k) employer match, advertising costs and an accrual for a legal contingency which is further described in Note 10 of the Notes to the Consolidated Financial Statements. These increases were partially offset by lower accruals for unvouchered freight. Accrued expenses were $589,000 lower at fiscal year-end 2019 compared to fiscal year-end 2018 due primarily to a lower annual discretionary bonus, which was partially offset by higher accruals for trade promotions, advertising and freight. Changes in other accrued expenses in all periods are subject to normal fluctuations in the timing of payments.

Deferred compensation balances at fiscal year-end 2020 were $421,000 higher compared to fiscal year-end 2019 and fiscal year-end 2019 was slightly lower compared to fiscal year-end 2018. Deferred compensation has increased in fiscal 2020 because of higher deferrals by participants in our deferred compensation plan. A significant payout under the terms of the deferred compensation plan in fiscal year 2018 contributed to $86,000 lower balances at fiscal year-end 2019 compared to fiscal year-end 2018.

Pension and other postretirement liabilities, net of the adjustment recorded in stockholders' equity, were $5,684,000 lower at fiscal year-end 2020 compared to fiscal year-end 2019 due primarily to the curtailment of our pension plan and a $8,000,000 voluntary contribution to our pension plan in excess of the minimum amount required. These liabilities were $3,307,000 higher at fiscal year-end 2019 compared to fiscal year-end 2018 due primarily to continued accumulation of employee benefits and a lower discount rate applied to the actuarial liability calculation. See Note 8 of the Notes to the Consolidated Financial Statements for more information regarding our postretirement benefit plans.

Other liabilities were $1,120,000 higher at fiscal year-end 2020 compared to fiscal year-end 2019. Other liabilities were $583,000 higher at fiscal year-end 2019 compared to fiscal year-end 2018. The increase in fiscal year 2020 is due to a reclassification of the deferred lease liability to operating lease liabilities upon adoption of ASC 842, *Leases*. The increase in fiscal year 2019 was due to a new deferred lease liability.

*Net cash used in investing activities*

Cash used in investing activities was $14,677,000 in fiscal year 2020 and cash used in investing activities was $7,888,000 in fiscal year 2019. Cash used in fiscal year 2020 related primarily to the purchases of capital expenditures at levels comparable to fiscal year 2019. In fiscal year 2019, dispositions of short-term investments exceeded purchases by $7,134,000. Net dispositions of investment securities provided cash in the first nine months of fiscal year 2019; however, no short-term investments were held in fiscal year 2020 due to the low returns available on these investments.

*Net cash used in financing activities*

Cash used in financing activities was $8,750,000 in fiscal year 2020 and $9,886,000 in fiscal year 2019. The primary uses of cash in all periods were for long-term debt and dividend payments offset by borrowings as further described in Note 3 of the Notes to the Consolidated Financial Statements. In fiscal year 2020, stock purchases were another primary use of cash.

*Other*

Total cash and investment balances held by our foreign subsidiaries as of July 31, 2020 and 2019 were $3,042,000 and $2,136,000, respectively. See further discussion in the "Foreign Operations" section above.

On January 31, 2019, we signed a fifth amendment to our credit agreement with BMO Harris , which expires on January 31, 2024. The new agreement provides for a $45,000,000 unsecured revolving credit agreement, including a maximum of $10,000,000 for letters of credit. The remaining terms are substantially unchanged from our previous agreement with BMO Harris, including the provision that we may select a variable rate based on either BMO Harris' prime rate or a LIBOR-based rate, plus a margin which varies depending on our debt to earnings ratio, or a fixed rate as agreed between us and BMO Harris. As of July 31, 2020, the variable rates would have been 3.50% for the BMO Harris' prime-based rate or 1.50% for the LIBOR-based rate. The credit agreement contains restrictive covenants that, among other things and under various conditions, limit our ability to incur additional indebtedness or to dispose of assets. The agreement also requires us to maintain a minimum fixed coverage ratio and a minimum consolidated net worth. As of July 31, 2020 and 2019, we were in compliance with its covenants. As of July 31, 2020 and 2019, there were no outstanding borrowings under this credit agreement.

See Note 3 of the Notes to the Consolidated Financial Statements for information about our outstanding notes payable and a discussion of the debt instrument that we entered into on May 15, 2020 pursuant to which, among other things, we issued $10,000,000 in aggregate principal amount of our 3.95% Series B Senior Notes due May 15, 2030 and entered into an amended note agreement that provides the Company with the ability to request, from time to time until May 15, 2023 (or such earlier date as provided for in the agreement), additional senior unsecured notes of the Company in an aggregate principal amount of up to $75,000,000 minus the aggregate principal amount of the notes then outstanding and the additional notes that have been accepted for purchase. The issuance of such additional notes is at the discretion of the noteholders and purchasers and on an uncommitted basis.

As of July 31, 2020, we had remaining authority to repurchase 887,934 shares of Common Stock and 288,925 shares of Class B Stock under a repurchase plan approved by our Board of Directors (the "Board"). Repurchases may be made on the open market (pursuant to Rule 10b5-1 plans or otherwise) or in negotiated transactions. The timing and number of shares repurchased will be determined by our management pursuant to the repurchase plan approved by our Board. In fiscal 2020 we made repurchases of stock as further discussed in Item 5, Market for Registrant' Common Equity, Related Stockholders Matters and Issuer Purchases of Equity Securities.

We believe that cash flow from operations, availability under our revolving credit facility, current cash balances and our ability to obtain other financing, if necessary, will provide adequate cash funds for foreseeable working capital needs, capital expenditures at existing facilities, deferred compensation payouts, dividend payments and debt service obligations for at least the next 12 months. Our expenditures for capital were comparable to fiscal year 2019. We made $8,000,0000 of discretionary contributions to our pension plan in fiscal year 2020. See Note 8 of the Notes to the Consolidated Financial Statements for discussion of our Pension Plan.

We continually evaluate our liquidity position and anticipated cash needs, as well as the financing options available to obtain additional cash reserves. Our ability to fund operations, to make planned capital expenditures, to make scheduled debt payments, to contribute to our pension plan and to remain in compliance with all financial covenants under debt agreements, including, but not limited to, the current credit agreement, depends on our future operating performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors. The timing and size of any new business ventures or acquisitions that we complete may also impact our cash requirements.

**OFF BALANCE SHEET ARRANGEMENTS**

We do not have any unconsolidated special purpose entities. As of July 31, 2020 we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have: (i) any obligation arising under a guarantee contract,

derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

## Critical Accounting Policies and Estimates

Management's discussion and analysis of the financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with the generally accepted accounting principles of the United States ("U.S. GAAP"). We review our financial reporting and disclosure practices and accounting policies annually to ensure that our financial reporting and disclosures provide accurate and transparent information relative to the current economic and business environment. We believe that, of our significant accounting policies stated in Note 1 of the Notes to the Consolidated Financial Statements, the policies listed below involve a higher degree of judgment and/or complexity. The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates include income taxes, promotional programs, pension accounting and allowance for doubtful accounts. Actual results could differ from these estimates.

**Income Taxes.** Our effective tax rate on earnings was based on income, statutory tax rates and tax planning opportunities available to us in various jurisdictions in which we operate. Significant judgment was required in determining our effective tax rate and in evaluating our tax positions.

We determine our current and deferred taxes in accordance with Accounting Standards Codification ("ASC") 740 *Income Taxes*. The tax effect of the expected reversal of tax differences was recorded at rates currently enacted for each jurisdiction in which we operate. To the extent that temporary differences will result in future tax benefit, we must estimate the timing of their reversal and whether taxable operating income in future periods will be sufficient to fully recognize any deferred tax assets.

We maintain valuation allowances where it is likely that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the income tax provision in the period of change. In determining whether a valuation allowance is warranted, we take into account such factors as prior earnings history, expected future earnings and other factors that could affect the realization of deferred tax assets.

We recorded valuation allowances of $923,000 and $732,000 for the amount of the deferred tax benefit related to our foreign net operating loss carryforwards as of July 31, 2020 and 2019, respectively, because we believe it is unlikely we will realize the benefit of these tax attributes in the future.

In addition to valuation allowances, we may provide for uncertain tax positions when such tax positions do not meet certain recognition thresholds or measurement standards. Amounts for uncertain tax positions are adjusted when new information becomes available or when positions are effectively settled. We did not record a liability for unrecognized tax benefits at either July 31, 2020 or 2019. See Note 5 of the Notes to the Consolidated Financial Statements for further discussion.

**Trade Promotions.** We routinely commit to one-time or ongoing trade promotion programs in our Retail and Wholesale Products Group. Promotional reserves are provided for sales incentives made directly to consumers, such as coupons, and sales incentives made to customers, such as slotting, discounts based on sales volume, cooperative marketing programs and other arrangements. All such trade promotion costs are netted against sales. Promotional reserves are established based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. To estimate trade promotion reserves, we rely on our historical experience of trade spending patterns and that of the industry, current trends and forecasted data. While we believe our promotional reserves are reasonable and that appropriate judgments have been made, estimated amounts could differ from future obligations. We have accrued liabilities at the end of each period for the estimated trade spending programs. We recorded liabilities of approximately $1,843,000 and $1,449,000 for trade promotions as of July 31, 2020 and 2019, respectively.

**Pension and Postretirement Benefit Costs.** We calculate our pension and postretirement health benefit obligations and the related effects on results of operations using actuarial models. To measure the expense and obligations, we must make a variety of estimates including critical assumptions for the discount rate used to value certain liabilities and the expected return on plan assets set aside to fund these costs. We evaluate these critical assumptions at least annually. Other assumptions involving demographic factors, such as retirement age, mortality and turnover, are evaluated periodically and are updated to reflect actual experience. As these assumptions change from period to period, recorded pension and postretirement health benefit amounts and funding requirements could also change. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

The discount rate is the rate assumed to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the pension benefits when due. The discount rate is subject to change each year. We refer to an applicable index and the expected duration of the benefit payments to select a discount rate at which we believe the benefits could be effectively settled. The discount rate was the single equivalent rate that would yield the same present value as the plan's expected cash flows discounted with spot rates on a yield curve of investment-grade corporate bonds. The yield curve used in both fiscal years 2020 and 2019 was the FTSE Pension Discount Curve (formally called the Citi Pension Discount Curve). Our determination of pension expense or income is based on a market-related valuation of plan assets, which is the fair market value. Our expected rate of return on plan assets is determined based on asset allocations and historical experience. The expected long-term rate of inflation and risk premiums for the various asset categories are based on general historical returns and inflation rates. The target allocation of assets is used to develop a composite rate of return assumption. See Note 8 of the Notes to the Consolidated Financial Statements for additional information.

As further described in Note 8 of the Notes to the Consolidated Financial Statements, we amended and froze participation in our pension plan and supplemental executive retirement plan in the second quarter of fiscal year 2020. The amendment of these plans triggered a curtailment, which required a remeasurement of the plans' obligations. Both of these remeasurements were based on actuarially determined amounts. In addition, we offered terminated participants with vested benefits who have not yet begun receipt of benefits under the pension plan the opportunity to receive their pension benefits in a single payment (the "Lump Sum Option"). We made payments to those participants who elected the Lump Sum Option by the May 15, 2020 election deadline. This settlement of a portion of the pension plan was recorded as settlement expense based on actuarially determined amounts in the fourth quarter of fiscal year 2020.

**Trade Receivables.** We recognize trade receivables when the risk of loss and title pass to the customer. We record an allowance for doubtful accounts based on our historical experience and a periodic review of our accounts receivable, including a review of the overall aging of accounts, consideration of customer credit risk and analysis of facts and circumstances about specific accounts. A customer account is determined to be uncollectible when it is probable that a loss will be incurred after we have completed our internal collection procedures, including termination of shipments, direct customer contact and formal demand of payment. We believe our allowance for doubtful accounts is reasonable; however, the unanticipated default by a customer with a material trade receivable could occur. We also record an estimated allowance for cash discounts offered in our payment terms to some customers. We recorded a total allowance for doubtful accounts and cash discounts of $1,078,000 and $644,000 as of July 31, 2020 and 2019, respectively.

**Revenue Recognition.** We recognize revenue when performance obligations under the terms of the contracts with customers are satisfied. Our performance obligation generally consists of the promise to sell finished products to wholesalers, distributors and retailers or consumers and our obligations have an original duration of one year or less. Control of the finished products are transferred upon shipment to, or receipt at, customers' locations, as determined by the specific terms of the contract. We have completed our performance obligation when control is transferred and we recognize revenue accordingly. Taxes collected from customers and remitted to governmental authorities are excluded from net sales. Sales returns and allowances are not material.

**Inventories.** We value inventories at the lower of cost (first-in, first-out) or market. Inventory costs include the cost of raw materials, packaging supplies, labor and other overhead costs. We perform a detailed review of our inventory to determine if a reserve adjustment is necessary, giving consideration to obsolescence, inventory levels, product deterioration and other factors. The review also surveys all of our operating facilities and sales divisions to give consideration to historic and new market trends. The inventory reserve values as of July 31, 2020 and 2019 were $926,000 and $704,000, respectively.

**Reclamation.** During the normal course of our mining process we remove overburden and perform on-going reclamation activities. As overburden is removed from a mine site, it is hauled to a previously mined site and used to refill older sites. This process allows us to continuously reclaim older mine sites and dispose of overburden simultaneously, therefore minimizing the costs associated with the reclamation process. On an annual basis we evaluate our potential reclamation liability in accordance with ASC 410, *Asset Retirement and Environmental Obligations*. As of July 31, 2020 and 2019, we have recorded an estimated net reclamation asset of $932,000 and $975,000, respectively, and a corresponding estimated reclamation liability of $2,554,000 as of July 31, 2020 and $2,410,000 as of July 31, 2019. These values represent the discounted present value of the estimated future mining reclamation costs at the production plants. The reclamation assets are depreciated over the estimated useful lives of the various mines. The reclamation liabilities are increased based on a yearly accretion charge over the estimated useful lives of the mines.

Accounting for reclamation obligations requires that we make estimates unique to each mining operation of the future costs we will incur to complete the reclamation work required to comply with existing laws and regulations. Actual future costs incurred could significantly differ from estimated amounts. Future changes to environmental laws could increase the extent of reclamation work required. Any such increases in future costs could materially impact the amount incurred for reclamation costs.

**Impairment of goodwill, trademarks and other intangible assets.** We review carrying values of goodwill, trademarks and other indefinite-lived intangible assets periodically for possible impairment in accordance ASC 350, *Intangibles – Goodwill and Other.* Our impairment review requires significant judgment with respect to factors such as volume, revenue and expenses. Impairment occurs when the carrying value exceeds the fair value. Our impairment analysis is performed in the fourth quarter of the fiscal year and may be re-performed during the year when indicators such as unexpected adverse economic factors, unanticipated technological changes, competitive activities and acts by governments and courts indicate that an asset may become impaired. Our impairment analysis performed in the fourth quarters of both fiscal years 2020 and 2019 did not indicate any impairment. We continue to monitor events, circumstances or changes in the business that might imply a reduction in value which could lead to an impairment. In addition, although we have not identified any triggering events relating to goodwill or our intangibles, the ultimate effects of COVID-19 could change this assessment in the future, as outlined under Item 1A, Risk Factors, discussed above.

**NEW ACCOUNTING PRONOUNCEMENTS**

*Recently Adopted Accounting Pronouncements*

On August 1, 2019 we adopted ASC 842, *Leases*, using the modified retrospective transition approach and, accordingly, we did not restate prior comparative period financial statements. As of the date of adoption, we elected the package of practical expedients that allowed us to forgo assessment under the ASC 842 guidance whether existing or expired contracts contained leases, the classification of expired or existing leases and the accounting for previously incurred initial direct costs. We also elected the practical expedient to forgo assessment under ASC 842 whether existing or expired land easements not previously accounted for under legacy leasing GAAP contain leases. The adoption of ASC 842 on August 1, 2019 resulted in the recognition of additional right-of-use (ROU) assets and lease liabilities related to operating leases of $9,348,000 and $10,910,000, respectively, on our Consolidated Balance Sheet. There was no material impact to any of our other consolidated financial statements.

*Recently Issued Accounting Standards*

In March 2020, the FASB issued guidance under ASC 848, *Reference Rate Reform*. This guidance provides optional expedients and exceptions to account for debt, leases, contracts, hedging relationships and other transactions that reference LIBOR or another reference rate if certain criteria are met. The guidance is effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. We are currently evaluating the potential effects of the adoption of this guidance on our Consolidated Financial Statements.

In December 2019, the FASB issued guidance under ASC 740, *Income Taxes*, which simplifies the accounting for income taxes. The guidance removes several specific exceptions to the general principles in ASC 740 and clarifies and makes amendments to improve consistent application of and simplify existing accounting for other areas in ASC 740. This guidance is effective for our first quarter of fiscal year 2022, with early adoption permitted. We are currently evaluating the impact of the adoption of this requirement on our Consolidated Financial Statements.

In June 2016, the FASB issued guidance under ASC 326, *Financial Instruments-Credit Losses*, which requires companies to utilize an impairment model for most financial assets measured at amortized cost and certain other financial instruments, which include trade and other receivables, loans and held-to-maturity debt securities, to record an allowance for credit risk based on expected losses rather than incurred losses. In addition, this new guidance changes the recognition method for credit losses on available-for-sale debt securities, which can occur as a result of market and credit risk, as well as additional disclosures. In general, this guidance will require modified retrospective adoption for all outstanding instruments that fall under this guidance. This guidance is effective for our first quarter of fiscal year 2023. We are currently evaluating the impact of the adoption of this requirement on our Consolidated Financial Statements.

A summary of all recently adopted and issued accounting standards is contained in Note 1 of Notes to the Consolidated Financial Statements.

ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**OIL-DRI CORPORATION OF AMERICA**
**CONSOLIDATED BALANCE SHEETS**

| | July 31, | |
|---|---|---|
| | **2020** | **2019** |
| **ASSETS** | **(in thousands)** | |
| **Current Assets** | | |
| Cash and cash equivalents | **$ 40,890** | $ 21,862 |
| Accounts receivable, less allowance of $1,078 and $644 in 2020 and 2019, respectively | **34,911** | 35,459 |
| Inventories, net | **23,893** | 24,163 |
| Prepaid repairs expense | **5,662** | 4,708 |
| Prepaid expenses and other assets | **3,064** | 3,084 |
| Total Current Assets | **108,420** | 89,276 |
| **Property, Plant and Equipment** | | |
| Buildings and leasehold improvements | **39,274** | 38,852 |
| Machinery and equipment | **152,583** | 145,402 |
| Office furniture and equipment | **21,502** | 20,569 |
| Vehicles | **17,863** | 15,375 |
| Gross depreciable assets | **231,222** | 220,198 |
| Less accumulated depreciation and amortization | **(169,040)** | (159,036) |
| Net depreciable assets | **62,182** | 61,162 |
| Construction in progress | **13,717** | 12,519 |
| Land and mineral rights | **17,049** | 17,117 |
| Total Property, Plant and Equipment, Net | **92,948** | 90,798 |
| **Other Assets** | | |
| Goodwill | **9,262** | 9,262 |
| Trademarks and patents, net of accumulated amortization of $457 and $299 in 2020 and 2019, respectively | **1,566** | 1,599 |
| Customer list, net of accumulated amortization of $6,887 and $6,297 in 2020 and 2019, respectively | **898** | 1,488 |
| Deferred income taxes | **7,302** | 7,755 |
| Operating lease right-of-use assets | **9,816** | — |
| Other | **5,670** | 5,049 |
| Total Other Assets | **34,514** | 25,153 |
| **Total Assets** | **$ 235,882** | $ 205,227 |

**OIL-DRI CORPORATION OF AMERICA**
**CONSOLIDATED BALANCE SHEETS**
**(continued)**

| | July 31, | |
|---|---|---|
| | **2020** | **2019** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | **(in thousands)** | |
| **Current Liabilities** | | |
| Current maturities of notes payable | **$ 1,000** | $ 3,083 |
| Accounts payable | **12,529** | 8,092 |
| Dividends payable | **1,808** | 1,761 |
| Operating lease liabilities | **2,170** | — |
| Accrued expenses | | |
| Salaries, wages and commissions | **13,505** | 7,490 |
| Trade promotions and advertising | **2,349** | 1,588 |
| Freight | **1,313** | 2,635 |
| Real estate tax | **1,658** | 1,581 |
| Other | **9,875** | 6,376 |
| Total Current Liabilities | **46,207** | 32,606 |
| **Noncurrent Liabilities** | | |
| Notes payable, net of unamortized debt issuance costs of $150 and $31 in 2020 and 2019, respectively | **8,848** | 3,052 |
| Deferred compensation | **5,140** | 6,014 |
| Pension and postretirement benefits | **15,140** | 23,721 |
| Long-term operating lease liabilities | **9,135** | — |
| Other | **3,448** | 4,288 |
| Total Noncurrent Liabilities | **41,711** | 37,075 |
| **Total Liabilities** | **87,918** | 69,681 |
| | | |
| **Stockholders' Equity** | | |
| Common Stock, par value $.10 per share, issued 8,449,003 shares in 2020 and 8,284,199 shares in 2019 | **845** | 828 |
| Class B Stock, convertible, par value $.10 per share, issued 2,437,402 shares in 2020 and 2,576,479 shares in 2019 | **244** | 258 |
| Additional paid-in capital | **44,993** | 41,300 |
| Retained earnings | **176,579** | 164,756 |
| Noncontrolling interest | **(174)** | (14) |
| Accumulated Other Comprehensive Loss | | |
| Pension and postretirement benefits | **(11,994)** | (14,891) |
| Cumulative translation adjustment | **(260)** | (148) |
| Total Accumulated Other Comprehensive Loss | **(12,254)** | (15,039) |
| Less treasury stock, at cost (3,090,230 Common and 335,816 Class B shares in 2020 and 2,926,547 Common and 324,741 Class B shares in 2019) | **(62,269)** | (56,543) |
| **Total Stockholders' Equity** | **147,964** | 135,546 |
| | | |
| **Total Liabilities and Stockholders' Equity** | **$ 235,882** | $ 205,227 |

The accompanying notes are an integral part of the Consolidated Financial Statements.

**OIL-DRI CORPORATION OF AMERICA**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Year Ended July 31, | |
|---|---|---|
| | **2020** | **2019** |
| | (in thousands, except for per share data) | |
| **Net Sales** | **$ 283,227** | $ 277,025 |
| **Cost of Sales** | **(207,404)** | (211,365) |
| **Gross Profit** | **75,823** | 65,660 |
| **Other Operating Income (1)** | **13,000** | — |
| **Selling, General and Administrative Expenses (2)** | **(63,996)** | (55,248) |
| **Income from Operations** | **24,827** | 10,412 |
| **Other (Expense) Income** | | |
| Interest income | **259** | 250 |
| Interest expense | **(518)** | (594) |
| Foreign exchange loss | **(161)** | (243) |
| Other, net (3) | **(1,387)** | 4,723 |
| Total Other (Expense) Income, Net | **(1,807)** | 4,136 |
| **Income Before Income Taxes** | **23,020** | 14,548 |
| **Income Tax Expense** | **(4,280)** | (1,933) |
| **Net Income** | **$ 18,740** | $ 12,615 |
| **Net (Loss) Income Attributable to Noncontrolling Interest** | **(160)** | 4 |
| **Net Income Attributable to Oil-Dri** | **18,900** | 12,611 |
| | | |
| **Net Income Per Share** | | |
| Basic Common | **$ 2.70** | $ 1.82 |
| Basic Class B Common | **$ 2.02** | $ 1.36 |
| Diluted Common | **$ 2.65** | $ 1.80 |
| Diluted Class B Common | **$ 1.99** | $ 1.35 |
| | | |
| **Average Shares Outstanding** | | |
| Basic Common | **5,149** | 5,112 |
| Basic Class B Common | **2,020** | 2,068 |
| Diluted Basic Common | **5,246** | 5,165 |
| Diluted Basic Class B Common | **2,049** | 2,086 |

(1) See Note 1 of the Notes to the Consolidated Financial Statements for further information about amounts included in this line item.
(2) See Note 9 of the Notes to the Consolidated Financial Statements for further information about amounts included in this line item.
(3) See Notes 2 and 8 of the Notes to the Consolidated Financial Statements for further information about amounts included in this line item.

The accompanying notes are an integral part of the Consolidated Financial Statements.

**OIL-DRI CORPORATION OF AMERICA**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | Year Ended July 31, | |
|---|---|---|
| | **2020** | **2019** |
| | (in thousands) | |
| **Net Income Attributable to Oil-Dri** | **$ 18,900** | $ 12,611 |
| | | |
| Other Comprehensive Income (Loss): | | |
| Pension and postretirement benefits (net of tax) | **2,897** | (4,507) |
| Cumulative translation adjustment | **(112)** | 83 |
| **Other Comprehensive Income (Loss)** | **2,785** | (4,424) |
| **Comprehensive Income** | **$ 21,685** | $ 8,187 |

The accompanying notes are an integral part of the Consolidated Financial Statements.

## OIL-DRI CORPORATION OF AMERICA
## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Number of Shares | | (in thousands) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Common & Class B Stock** | **Treasury Stock** | **Common & Class B Stock** | **Additional Paid-In Capital** | **Retained Earnings** | **Treasury Stock** | **Accumulated Other Comprehensive Loss** | **Non-Controlling Interest** | **Total Stockholders' Equity** |
| **Balance, July 31, 2018** | **10,555,828** | **(3,238,833)** | **$ 1,056** | **$ 38,473** | **$ 158,935** | **$ (55,946)** | **$ (10,615)** | **$ (18)** | **$ 131,885** |
| Net income | — | — | — | — | 12,611 | — | — | 4 | 12,615 |
| Other comprehensive loss | — | — | — | — | — | — | (4,424) | — | (4,424) |
| Dividends declared | — | — | — | — | (6,790) | — | — | — | (6,790) |
| Purchases of treasury stock | — | (4,905) | — | — | — | (147) | — | — | (147) |
| Net issuance of stock under long-term incentive plans | 304,850 | (7,550) | 30 | 419 | — | (450) | — | — | (1) |
| Amortization of restricted stock | — | — | — | 2,408 | — | — | — | — | 2,408 |
| **Balance, July 31, 2019** | **10,860,678** | **(3,251,288)** | **$ 1,086** | **$ 41,300** | **$ 164,756** | **$ (56,543)** | **$ (15,039)** | **$ (14)** | **$ 135,546** |
| Net income | — | — | — | — | 18,900 | — | — | (160) | 18,740 |
| Other comprehensive income | — | — | — | — | — | — | 2,785 | — | 2,785 |
| Dividends declared | — | — | — | — | (7,077) | — | — | — | (7,077) |
| Purchases of treasury stock | — | (169,058) | — | — | — | (5,541) | — | — | (5,541) |
| Net issuance of stock under long-term incentive plans | 25,727 | (5,700) | 3 | 183 | — | (185) | — | — | 1 |
| Amortization of restricted stock | — | — | — | 3,368 | — | — | — | — | 3,368 |
| Contributions from noncontrolling interests (1) | — | — | — | 142 | — | — | — | — | $ 142 |
| **Balance, July 31, 2020** | **10,886,405** | **(3,426,046)** | **$ 1,089** | **$ 44,993** | **$ 176,579** | **$ (62,269)** | **$ (12,254)** | **$ (174)** | **$ 147,964** |

(1) On April 1, 2020 we increased our interest in one of our non-wholly owned subsidiaries from 52.0% to 78.4% for approximately $724,000 when that subsidiary issued shares through a capital call. Certain other noncontrolling interest holders also purchased shares but to a lesser extent, thereby diluting their collective ownership from 48.0% to 21.6%.

The accompanying notes are an integral part of the Consolidated Financial Statements.

**OIL-DRI CORPORATION OF AMERICA**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year-Ended July 31, | |
|---|---|---|
| | **2020** | **2019** |
| | **(in thousands)** | |
| **Cash Flows from Operating Activities** | | |
| Net income | **$ 18,740** | $ 12,615 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | **13,923** | 13,330 |
| Amortization of investment discounts | **—** | (10) |
| Non-cash stock compensation expense | **3,368** | 2,407 |
| Deferred income taxes | **453** | (406) |
| Provision for bad debts and cash discounts | **423** | (179) |
| Loss on the disposals of property, plant and equipment | **114** | 6 |
| Curtailment gain on SERP Plan | **(1,296)** | — |
| (Increase) decrease in: | | |
| Accounts receivable | **(12)** | (1,729) |
| Inventories | **213** | (1,693) |
| Prepaid expenses | **(949)** | (786) |
| Other assets | **(1,242)** | (617) |
| Increase (decrease) in: | | |
| Accounts payable | **4,238** | 590 |
| Accrued expenses | **8,632** | (589) |
| Deferred compensation | **421** | (86) |
| Pension and postretirement benefits | **(5,684)** | 3,307 |
| Other liabilities | **1,120** | 583 |
| Total Adjustments | **23,722** | 14,128 |
| Net Cash Provided by Operating Activities | **42,462** | 26,743 |
| **Cash Flows from Investing Activities** | | |
| Capital expenditures | **(14,740)** | (15,029) |
| Proceeds from sale of property, plant and equipment | **63** | 7 |
| Purchases of short-term investments | **—** | (4,678) |
| Dispositions of short-term investments | **—** | 11,812 |
| Net Cash Used in Investing Activities | **(14,677)** | (7,888) |
| **Cash Flows from Financing Activities** | | |
| Proceeds from issuance of notes payable | **10,000** | — |
| Principal payments on notes payable | **(6,321)** | (3,083) |
| Dividends paid | **(7,030)** | (6,656) |
| Purchase of treasury stock | **(5,541)** | (147) |
| Contributions from noncontrolling interests | **142** | — |
| Net Cash Used in Financing Activities | **(8,750)** | (9,886) |
| Effect of exchange rate changes on cash and cash equivalents | **(7)** | 136 |
| **Net Increase in Cash and Cash Equivalents** | **19,028** | 9,105 |
| **Cash and Cash Equivalents, Beginning of Year** | **21,862** | 12,757 |
| **Cash and Cash Equivalents, End of Year** | **$ 40,890** | $ 21,862 |

**CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED**

| | Year-Ended July 31, | |
|---|---|---|
| | **2020** | **2019** |
| | **(in thousands)** | |
| **Supplemental disclosure:** | | |
| Other cash flows: | | |
| Interest payments, net of amounts capitalized | **$ 273** | $ 305 |
| Income tax payments (refund) | **$ 2,319** | $ (713) |
| Noncash investing and financing activities: | | |
| Capital expenditures accrued, but not paid | **$ 2,990** | $ 2,263 |
| Cash dividends declared and accrued, but not paid | **$ 1,808** | $ 1,761 |

The accompanying notes are an integral part of the Consolidated Financial Statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### NATURE OF OPERATIONS

We are a leader in developing, manufacturing and/or marketing sorbent products. Our sorbent products are principally produced from clay minerals. Our absorbent clay products include cat litter, industrial floor absorbents, agricultural chemical carriers and animal feed additives. Our adsorbent products include bleaching clays, which are used for filtration of edible oils and for purification of petroleum-based oils. We also sell synthetic sorbents, which are used for industrial cleanup.

### PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements include the accounts of Oil-Dri Corporation of America and its subsidiaries. All significant intercompany balances and transactions have been eliminated from the Consolidated Financial Statements.

### RECLASSIFICATION

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These immaterial reclassifications had no effect on the previously reported net income.

### MANAGEMENT USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our estimates and assumptions are revised periodically. Actual results could differ from these estimates. For more information see Critical Accounting Policies and Estimates in Item 7 *"*Management's Discussion and Analysis of Financial Condition and Results of Operations.*"*

In March 2020, the World Health Organization declared COVID-19 a pandemic. Despite the adverse effects of COVID-19 on the overall economy, we have not experienced a significant decline in customer orders and sales in fiscal year 2020. However, the effects of COVID-19 are unprecedented, and therefore we are unable to ascertain the effects on our sales and net earnings in the future.

### CASH AND CASH EQUIVALENTS

Cash equivalents are highly liquid investments with maturities of three months or less.

### TRADE RECEIVABLES

We recognize trade receivables when the risk of loss and title pass to the customer. We record an allowance for doubtful accounts based on our historical experience and a periodic review of our accounts receivable, including a review of the overall aging of accounts, consideration of customer credit risk and analysis of facts and circumstances about specific accounts. A customer account is determined to be uncollectible when it is probable that a loss will be incurred after we have completed our internal collection procedures, including termination of shipments, direct customer contact and formal demand of payment. We retain outside collection agencies to facilitate our collection efforts. Past due status is determined based on contractual terms and customer payment history.

**INVENTORIES**

The composition of inventories was as follows as of July 31 (in thousands):

| | 2020 | 2019 |
|---|---|---|
| Finished goods | **$ 14,500** | $ 13,957 |
| Packaging | **4,587** | 5,681 |
| Other | **4,806** | 4,525 |
| Inventories | **$ 23,893** | $ 24,163 |

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value. Inventory costs include the cost of raw materials, packaging supplies, labor and other overhead costs. We performed a detailed review of our inventory items to determine if an obsolescence reserve adjustment was necessary. The review surveyed all of our operating facilities and sales groups to ensure that both historical issues and new market trends were considered. The obsolescence reserve not only considered specific items, but also took into consideration the overall value of the inventory as of the balance sheet date. We recorded inventory obsolescence reserves of approximately $926,000 and $704,000 as of July 31, 2020 and 2019, respectively. The higher obsolescence reserve and lower packaging inventories are attributed to our focus on inventory management and enhanced data available from our ERP system. Other inventories increased mainly due to higher levels of raw and purchased materials.

**TRANSLATION OF FOREIGN CURRENCIES**

Assets and liabilities of foreign subsidiaries, where the local currency is the functional currency, are translated to U.S. Dollars at the exchange rates in effect at period end. Income statement items are translated at the average exchange rate on a monthly basis. Resulting translation adjustments are recorded as a separate component of stockholders' equity.

**INTANGIBLES AND GOODWILL**

We amortize most of our intangibles on a straight-line basis over periods ranging from 4 to 20 years. Our customer list intangible asset is amortized at an accelerated amortization rate in the earlier years to reflect the expected pattern of decline in the related benefits over time. Intangible amortization was $804,000 in fiscal year 2020 and $862,000 in fiscal year 2019. Some intangible assets were determined to have indefinite lives and are not amortized, specifically one acquired trademark recorded at $376,000.

Our estimated intangible amortization expense for the next five fiscal years is as follows (in thousands):

| | |
|---|---|
| 2021 | $ 583 |
| 2022 | $ 431 |
| 2023 | $ 227 |
| 2024 | $ 91 |
| 2025 | $ 66 |

The weighted average amortization period of our intangibles subject to amortization is as follows (in years):

| | Weighted Average Amortization Period |
|---|---|
| Trademarks and patents | 14.3 |
| Customer list | 3.3 |
| Total intangible assets subject to amortization | 5.9 |

We periodically review indefinite-lived intangibles and goodwill to assess for impairment. Our review is based on cash flow considerations and other approaches that require significant judgment with respect to volume, revenue, expenses and allocations. Impairment occurs when the carrying value exceeds the fair value. Much of our goodwill cannot be specifically assigned to one of our operating segments because of the shared nature of our production facilities; however, for purposes of our most recent impairment analysis we estimated the goodwill allocation and assigned $5,489,000 to the Retail and Wholesale Products Group and $3,773,000 to the Business to Business Products Group.

We performed our annual impairment testing in the fourth quarter of fiscal years 2020 and 2019. There was no impairment required based on our analysis for fiscal years 2020 or 2019. We will continue to consider the need to re-perform impairment testing throughout the year when circumstances such as unexpected adverse economic factors, unanticipated technological changes, competitive activities and acts by governments and courts indicate that an asset may become impaired. In addition, although we have not identified any triggering events relating to goodwill or our intangibles, the ultimate effects of COVID-19 could change this assessment in the future, as outlined under Item 1A, Risk Factors, discussed above.

**OVERBURDEN REMOVAL AND MINING COSTS**

We surface mine sorbent minerals on property that we either own or lease as part of our overall operations. A significant part of our overall mining cost is incurred during the process of removing the overburden from the mine site, thus exposing the sorbent material used in a majority of our production processes. These stripping costs are treated as a variable inventory production cost and are included in cost of sales in the period they are incurred. Stripping costs included in cost of sales were approximately $1,722,000 and $2,430,000 for fiscal years 2020 and 2019, respectively. Stripping costs decreased in fiscal year 2020 due to a decrease in fuel costs and repair costs. We defer and amortize the pre-production overburden removal costs associated with opening a new mine. $316,000 of pre-production overburden removal costs were deferred in fiscal year 2020. There were no pre-production overburden removal costs deferred in fiscal year 2019.

Additionally, it is our policy to capitalize the purchase cost of land and mineral rights, including associated legal fees, survey fees and real estate fees. The costs of obtaining mineral rights, including legal fees and drilling expenses, are also capitalized. The amount of land and mineral rights included in land on the Consolidated Balance Sheets were approximately $13,570,000 and $2,165,000, respectively, as of July 31, 2020, and were $13,638,000 and $2,165,000, respectively, as of July 31, 2019. Pre-production development costs on new mines and any prepaid royalties that may be offset against future royalties due upon extraction of the mineral are also capitalized. Total pre-production costs, including the overburden removal costs deferred above, that were capitalized in fiscal year 2020 were $535,000. No material capitalized pre-production development costs were recorded in fiscal year 2019. Prepaid royalties included in current prepaid expenses and in non-current other assets on the Consolidated Balance Sheets were approximately $1,232,000 and $1,184,000 as of July 31, 2020 and 2019, respectively.

**RECLAMATION**

We perform ongoing reclamation activities during the normal course of our overburden removal. As overburden is removed from a mine site, it is hauled to previously mined sites and is used to refill older sites. This process allows us to continuously reclaim older mine sites and dispose of overburden simultaneously, therefore minimizing the costs associated with the reclamation process.

On an annual basis we evaluate our potential reclamation liability in accordance with ASC 410, *Asset Retirement and Environmental Obligations*. The reclamation assets are depreciated over the estimated useful lives of the various mines. The reclamation liabilities are increased based on a yearly accretion charge over the estimated useful lives of the mines.

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are generally depreciated using the straight-line method over their estimated useful lives which are listed below. Depreciation expense was $13,119,000 and $12,468,000 in fiscal years 2020 and 2019, respectively. Major improvements and betterments are capitalized, while maintenance and repairs that do not extend the useful life of the applicable assets are expensed as incurred. Interest expense may also be capitalized for assets that require a period of time to get them ready for their intended use. There was no capitalized interest in fiscal years 2020 and 2019.

| | Years | | |
|---|---|---|---|
| Buildings and leasehold improvements | 3 | - | 40 |
| Machinery and equipment | | | |
| Packaging | 2 | - | 20 |
| Processing | 2 | - | 30 |
| Mining and other | 2 | - | 20 |
| Office furniture and equipment | 3 | - | 15 |
| Vehicles | 2 | - | 15 |

Property, plant and equipment are carried at cost on the Consolidated Balance Sheets and are reviewed for possible impairment on an annual basis or when circumstances indicate impairment that an asset may become impaired. We take into consideration idle and underutilized equipment and review business plans for possible impairment. When impairment is indicated, an impairment charge is recorded for the difference between the carrying value of the asset and its fair market value. No impairment was recorded in either fiscal year 2020 or 2019.

**OTHER NONCURRENT LIABILITIES**

On March 27, 2020, in response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into U.S. law. The CARES Act provides for, among other things, deferral of the employer portion of social security taxes incurred through the end of calendar 2020. As permitted by the CARES Act, we deferred approximately $864,000 in payroll taxes during the fiscal year ended July 31, 2020 and expect to defer the payment of payroll taxes each quarter for the remainder of calendar year 2020 to be paid equally in the fourth quarters of calendar years 2021 and 2022 representing approximately $2,100,000 in payroll taxes.

**TRADE PROMOTIONS**

We routinely commit to one-time or ongoing trade promotion programs, primarily in our Retail and Wholesale Products Group. All such costs are netted against sales. We have accrued liabilities at the end of each period for the estimated expenses incurred but not yet paid for these programs. Promotional reserves are provided for sales incentives made directly to consumers, such as coupons, and sales incentives made to customers, such as slotting, discounts based on sales volume, cooperative marketing programs and other arrangements. We use judgment for estimates to determine our trade spending liabilities. We rely on our historical experience of trade spending patterns and that of the industry, current trends and forecast data.

**ADVERTISING**

Advertising costs for the development of printed materials, television commercials, web-based digital banners, web-based social media and sales videos are deferred and expensed upon the first use of the materials, unless such amounts are immaterial. Costs paid for communicating advertising over a period of time, such as television air time, radio commercials and print media advertising space, are deferred and expensed on a pro-rata basis. All other advertising costs, including participation in industry conventions and shows and market research, are expensed when incurred. All advertising costs are part of selling, general and administrative expenses. Advertising expenses were approximately $9,674,000 and $6,909,000 in fiscal years 2020 and 2019, respectively.

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

Non-derivative financial instruments included in the Consolidated Balance Sheets are cash and cash equivalents and notes payable. These instruments, except for notes payable, were carried at amounts approximating fair value as of July 31, 2020 and 2019. See Note 4 of the Notes to the Consolidated Financial Statements for additional information regarding the fair value of our financial instruments, including notes payable.

**REVENUE RECOGNITION**

We recognize revenue when performance obligations under the terms of the contracts with customers are satisfied. Our performance obligation generally consists of the promise to sell finished products to wholesalers, distributors and retailers or consumers and our obligations have an original duration of one year or less. Control of the finished products are transferred upon shipment to, or receipt at, customers' locations, as determined by the specific terms of the contract. We have completed our performance obligation when control is transferred and we recognize revenue accordingly. Taxes collected from customers and remitted to governmental authorities are excluded from net sales. Sales returns and allowances are not material.

We have an unconditional right to consideration under the payment terms specified in the contract upon completion of the performance obligation. We may require certain customers to provide payment in advance of product shipment. We recorded a liability for these advance payments of $247,000 and $259,000 as of July 31, 2020 and July 31, 2019, respectively. This liability is reported in Other Accrued Expenses on the Consolidated Balance Sheets. Revenue recognized during fiscal year 2020 that was included in the liability for advance payments at the beginning of the year was $232,000.

**COST OF SALES**

Cost of sales consists of all manufacturing costs, including depreciation and amortization related to assets used in the manufacturing and distribution process, inbound and outbound freight, inspection costs, purchasing costs associated with materials and packaging used in the production process and warehouse and distribution costs.

**SHIPPING AND HANDLING COSTS**

Shipping and handling costs are included in cost of sales and were approximately $39,865,000 and $47,717,000 for fiscal years 2020 and 2019, respectively. The decrease in fiscal year 2020 relates to the decrease in freight due to lower transportation rates from improved truck availability. In addition, costs were higher in the first half of the prior fiscal year due to one-time events, including a greater number of product transfers between our plants and warehouses to support customer service during the implementation of our new ERP system on August 1, 2018 and disruptions due to Hurricane Michael.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative expenses include salaries, wages and benefits associated with staff outside the manufacturing and distribution functions, all marketing related costs, any miscellaneous trade spending expenses not required to be included in net sales, research and development costs, depreciation and amortization related to assets outside the manufacturing and distribution process and all other non-manufacturing and non-distribution expenses.

**RESEARCH AND DEVELOPMENT**

Research and development costs of approximately $2,765,000 and $3,202,000 were charged to expense as incurred for fiscal years 2020 and 2019, respectively, and are recorded in selling, general and administrative expenses.

**PENSION AND POSTRETIREMENT BENEFIT COSTS**

We provide a defined benefit pension plan for eligible salaried and hourly employees and we make contributions to fund the plan. We also provide a postretirement health benefit plan to domestic salaried employees who qualify under the plan's provisions. The postretirement health benefit plan is unfunded. Our pension and postretirement health benefit plans are accounted for using actuarial valuations required by ASC 715, *Compensation – Retirement Benefits*. The funded status of our defined pension and postretirement health benefit plans are recognized on the Consolidated Balance Sheets. Changes in the funded status that arise during the period but are not recognized as components of net periodic benefit cost are recognized within other comprehensive income, net of income tax. In fiscal year 2020 we amended the defined benefit pension plan and the plan is now closed to new entrants. See Note 8 of the Notes to the Consolidated Financial Statements for additional information.

**STOCK-BASED COMPENSATION**

We account for stock options and restricted stock issued under our long term incentive plans in accordance with ASC 718, *Compensation – Stock Compensation*. The fair value of stock-based compensation is determined at the grant date. The related compensation expense is recognized over the appropriate vesting period. See Note 7 of the Notes to the Consolidated Financial Statements for additional information.

**INCOME TAXES**

Deferred income tax assets and liabilities are recorded for the impact of temporary differences between the tax basis of assets and liabilities and the amounts recognized for financial reporting purposes. Deferred tax assets are reviewed and a valuation allowance is established if management believes that it is more likely than not that some portion of our deferred tax assets will not be realized. Changes in valuation allowances from period to period are included in the tax provision in the period of change.

In addition to existing valuation allowances, we provide for uncertain tax positions, if necessary, when such tax positions do not meet the recognition thresholds or measurement standards prescribed by ASC 740, *Income Taxes*. Amounts for uncertain tax positions are adjusted when new information becomes available or when positions are effectively settled. We recognize interest and penalties accrued related to uncertain tax positions in income tax expense.

U.S. income tax expense and foreign withholding taxes are provided on remittances of foreign earnings and on unremitted foreign earnings that are not indefinitely reinvested. Where unremitted foreign earnings are indefinitely reinvested, no provision for federal or state tax expense is recorded. When circumstances change and we determine that some or all of the undistributed

earnings will be remitted in the foreseeable future, a corresponding expense is accrued in the current period. See Note 5 of the Notes to the Consolidated Financial Statements for additional information about income taxes.

**OTHER OPERATING INCOME**

Included within Other Operating Income is revenue earned from a confidential license agreement. Pursuant to this agreement, the Company granted a non-exclusive, perpetual license to develop, manufacture, use, distribute and sell products produced using formulations under certain of our patents until their expiration and agreed to certain limitations on the ability of the parties to bring forth patent infringement claims or challenges relating to certain products in exchange for a one-time payment of $13,000,000. This revenue is recognized at a point in time as it is considered functional intellectual property.

**NEW ACCOUNTING PRONOUNCEMENTS**

*Recently Adopted Accounting Pronouncements*

On August 1, 2019 we adopted ASC 842, *Leases*, using the modified retrospective transition approach and, accordingly, we did not restate prior comparative period financial statements. As of the date of adoption, we elected the package of practical expedients that allowed us to forgo assessment under the ASC 842 guidance whether existing or expired contracts contained leases, the classification of expired or existing leases and the accounting for previously incurred initial direct costs. We also elected the practical expedient to forgo assessment under ASC 842 whether existing or expired land easements not previously accounted for under legacy leasing GAAP contain leases. The adoption of ASC 842 on August 1, 2019 resulted in the recognition of additional ROU assets and lease liabilities related to operating leases of $9,348,000 and $10,910,000, respectively, on our Consolidated Balance Sheet. There was no material impact to any of our other consolidated financial statements.

*Recently Issued Accounting Standards*

In March 2020, the FASB issued guidance under ASC 848, *Reference Rate Reform*. This guidance provides optional expedients and exceptions to account for debt, leases, contracts, hedging relationships and other transactions that reference LIBOR or another reference rate if certain criteria are met. The guidance is effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. We are currently evaluating the potential effects of the adoption of this guidance on our Consolidated Financial Statements.

In December 2019, the FASB issued guidance under ASC 740, *Income Taxes*, which simplifies the accounting for income taxes. The guidance removes several specific exceptions to the general principles in ASC 740 and clarifies and makes amendments to improve consistent application of and simplify existing accounting for other areas in ASC 740. This guidance is effective for our first quarter of fiscal year 2022, with early adoption permitted. We are currently evaluating the impact of the adoption of this requirement on our Consolidated Financial Statements.

In June 2016, the FASB issued guidance under ASC 326, *Financial Instruments-Credit Losses*, which requires companies to utilize an impairment model for most financial assets measured at amortized cost and certain other financial instruments, which include trade and other receivables, loans and held-to-maturity debt securities, to record an allowance for credit risk based on expected losses rather than incurred losses. In addition, this new guidance changes the recognition method for credit losses on available-for-sale debt securities, which can occur as a result of market and credit risk, as well as additional disclosures. In general, this guidance will require modified retrospective adoption for all outstanding instruments that fall under this guidance. This guidance is effective for our first quarter of fiscal year 2023. We are currently evaluating the impact of the adoption of this requirement on our Consolidated Financial Statements.

There have been no other accounting pronouncements issued but not yet adopted by us which are expected to have a material impact on our Consolidated Financial Statements.

**NOTE 2 – OPERATING SEGMENTS**

We have two reportable operating segments: (1) Retail and Wholesale Products Group and (2) Business to Business Products Group. These operating segments are managed separately and each segment's major customers have different characteristics. The Retail and Wholesale Products Group customers include mass merchandisers, wholesale clubs, drugstore chains, pet specialty retail outlets, dollar stores, retail grocery stores, distributors of industrial cleanup and automotive products, environmental service companies and sports field product users. The Business to Business Products Group customers include:

processors and refiners of edible oils, petroleum-based oils and biodiesel fuel; manufacturers of animal feed and agricultural chemicals; distributors of animal health and nutrition products; and marketers of consumer products.

Net sales for our principal products by segment are as follows (in thousands):

| | Business to Business Products Group | | Retail and Wholesale Products Group | |
|---|---|---|---|---|
| | Year Ended July 31, | | | |
| **Product** | **2020** | **2019** | **2020** | **2019** |
| Cat Litter | **$ 14,528** | $ 13,764 | **$ 147,503** | $ 135,489 |
| Industrial and Sports | **—** | — | **29,035** | 33,341 |
| Agricultural and Horticultural | **21,886** | 24,311 | **—** | — |
| Bleaching Clay and Fluids Purification | **50,117** | 51,905 | **2,429** | 2,318 |
| Animal Health and Nutrition | **17,729** | 15,897 | **—** | — |
| Net Sales | **$ 104,260** | $ 105,877 | **$ 178,967** | $ 171,148 |

Net sales and operating income for each segment are provided below. The accounting policies of the segments are the same as those described in the Note 1 of the Notes to the Consolidated Financial Statements.

We do not rely on any operating segment asset allocations and we do not consider them meaningful because of the shared nature of our production facilities; however, we have estimated the segment asset allocations below for those assets for which we can reasonably determine. The unallocated asset category is the remainder of our total assets. The asset allocation is estimated and is not a measure used by our chief operating decision maker about allocating resources to the operating segments or in assessing their performance.

The corporate expenses line in the table below represents certain unallocated expenses, including primarily salaries, wages and benefits, purchased services, rent, utilities and depreciation and amortization associated with corporate functions such as research and development, information systems, finance, legal, human resources and customer service. Corporate expenses also include the annual incentive plan bonus accrual. Other income in fiscal year 2019 included net proceeds upon resolution of legal proceedings. The amount received under a confidential agreement resolving these legal proceedings was material to our financial results for the period. Other operating income in fiscal year 2020 relates to revenue earned from a license arrangement of our intellectual property. See Note 1 of the Notes to the Consolidated Financial Statements.

| | July 31, | | | |
|---|---|---|---|---|
| | Assets | | | |
| | 2020 | | 2019 | |
| | (in thousands) | | | |
| Business to Business Products | $ | **72,987** | $ | 65,282 |
| Retail and Wholesale Products | | **95,838** | | 94,809 |
| Unallocated assets | | **67,057** | | 45,136 |
| **Total Assets** | $ | **235,882** | $ | 205,227 |

| | Year Ended July 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Net Sales | | | | Income | | | |
| | 2020 | | 2019 | | 2020 | | 2019 | |
| | (in thousands) | | | | | | | |
| Business to Business Products | $ | **104,260** | $ | 105,877 | $ | **31,218** | $ | 31,388 |
| Retail and Wholesale Products | | **178,967** | | 171,148 | | **15,859** | | 8,683 |
| **Net Sales** | $ | **283,227** | $ | 277,025 | | | | |
| Other Operating Income | | | | | | **13,000** | | — |
| Corporate Expenses | | | | | | **(35,250)** | | (29,659) |
| **Income from Operations** | | | | | | **24,827** | | 10,412 |
| Total Other (Expense) Income, Net | | | | | | **(1,807)** | | 4,136 |
| **Income Before Income Taxes** | | | | | | **23,020** | | 14,548 |
| **Income Tax Expense** | | | | | | **(4,280)** | | (1,933) |
| **Net Income** | | | | | $ | **18,740** | $ | 12,615 |
| **Net (Loss) Income Attributable to Noncontrolling Interest** | | | | | $ | **(160)** | $ | 4 |
| **Net Income Attributable to Oil-Dri** | | | | | $ | **18,900** | $ | 12,611 |

The following is a summary by fiscal year of financial information by geographic region (in thousands):

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Sales to unaffiliated customers by: | | | | |
| Domestic operations | $ | **268,007** | $ | 263,469 |
| Foreign subsidiaries | $ | **15,220** | $ | 13,556 |
| Sales or transfers between geographic areas: | | | | |
| Domestic operations | $ | **6,566** | $ | 5,097 |
| Income before income taxes: | | | | |
| Domestic operations | $ | **24,494** | $ | 14,280 |
| Foreign subsidiaries | $ | **(1,474)** | $ | 268 |
| Net Income (Loss) attributable to Oil-Dri: | | | | |
| Domestic operations | $ | **20,208** | $ | 12,456 |
| Foreign subsidiaries | $ | **(1,308)** | $ | 155 |
| Identifiable assets: | | | | |
| Domestic operations | $ | **223,296** | $ | 195,032 |
| Foreign subsidiaries | $ | **12,586** | $ | 10,195 |

Included within identifiable assets for our foreign subsidiaries is cash held at foreign banks of $3,038,000 as of July 31, 2020.

Sales to Walmart, our largest customer, are included in our Retail and Wholesale Products Group. The percentage of consolidated net sales and net accounts receivable attributed to Walmart are shown in the table below:

| | 2020 | 2019 |
|---|---|---|
| Net sales for the years ended July 31 | **19%** | 20% |
| Net accounts receivable as of July 31 | **18%** | 26% |

There are no other customers with sales equal to or greater than 10% of our total sales.

**NOTE 3 – DEBT**

The composition of notes payable is as follows as of July 31 (in thousands):

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Senior notes payable in annual installments on August 1. Final payment made in fiscal year 2020. Interest was payable semi-annually at an annual rate of 3.96%. | **$** | **—** | $ | 6,167 |
| Amended and Restated Note Purchase and Private Shelf Agreement. Annual principal installments on May 15: $1,000 in each fiscal year 2021 through 2030. Interest is payable semi-annually at an annual rate of 3.95% | | 10,000 | | — |
| Less current maturities of notes payable | | (1,000) | | (3,083) |
| Less unamortized debt issuance costs | $ | (152) | $ | (32) |
| Noncurrent notes payable | **$** | **8,848** | $ | 3,052 |

We issued senior promissory notes in November 2010 for $18,500,000. The note agreement provided that the proceeds could be used to fund future principal payments on debt, acquisitions, stock repurchases, capital expenditures and working capital purposes. The note agreement contained restrictions against certain activities, among other things and under various conditions, as well as financial covenants, including a minimum fixed charges coverage ratio and a minimum consolidated debt ratio. As further described below, these notes were amended in May 2020 and paid in full in July 2020.

On May 15, 2020 (the "Effective Date"), we entered into an Amended and Restated Note Purchase and Private Shelf Agreement (the "Amended Note Agreement") with PGIM, Inc. ("Prudential") and certain existing noteholders and purchasers affiliated with Prudential named therein. The Amended Note Agreement amends and restates the Note Agreement between Oil-Dri, Prudential and certain existing noteholders named therein, dated as of November 12, 2010 (the "Prior Note Agreement"), under which our 3.96% Series A Senior Notes (the "Series A Notes") were previously issued in an original aggregate principal amount of $18,500,000.

Pursuant to the Amended Note Agreement, (i) the Series A Notes, in an aggregate principal amount of $3,100,000 as of immediately prior to the Effective Date, were paid in full in July 2020 and (ii) we issued $10,000,000 in aggregate principal amount of our 3.95% Series B Senior Notes due May 15, 2030 (the "Series B Notes"). In addition, the Amended Note Agreement provided us with the ability to request, from time to time until May 15, 2023 (or such earlier date as provided for in the Amended Note Agreement), that Prudential affiliate(s) purchase, at Prudential's discretion and on an uncommitted basis, additional senior unsecured notes of Oil-Dri (the "Shelf Notes," and collectively with the Series A Notes and Series B Notes, the "Notes") in an aggregate principal amount of up to $75,000,000 minus the aggregate principal amount of Notes then outstanding and Shelf Notes that have been accepted for purchase. Interest payable on any Shelf Note agreed to be purchased under the Amended Note Agreement will be at a rate determined by Prudential and will mature not more than fifteen years after the date of original issue of such Shelf Note.

Like the Prior Note Agreement, the Amended Note Agreement is guaranteed, on an unsecured basis, by certain U.S. subsidiaries of Oil-Dri, and contains customary covenants, including but not limited to, limitations on our and certain of our subsidiaries' ability to incur indebtedness, incur liens, engage in mergers, and sell or transfer assets and stock, as well as financial covenants, including a minimum fixed charges coverage ratio and consolidated debt ratio that remain the same as those contained in the Prior Note Agreement. Upon the occurrence of certain events of default, our obligations under the Amended Note Agreement may be accelerated. Such events of default include payment defaults, covenant defaults and other enumerated defaults.

We have a credit agreement with BMO Harris that expires on January 31, 2024. The agreement provides for a $45,000,000 unsecured revolving credit agreement, including a maximum of $10,000,000 for letters of credit. Under the credit agreement, we

may select a variable rate based on either BMO Harris' prime rate or a LIBOR-based rate, plus a margin which varies depending on our debt to earnings ratio, or a fixed rate as agreed between us and BMO Harris. As of July 31, 2020, the variable rates would have been 3.50% for the BMO Harris' prime-based rate or 1.50% for the LIBOR-based rate.

As of July 31, 2020 and 2019, there were no outstanding borrowings under this credit agreement. However, we had outstanding letters of credit of $1,284,000 as of July 31, 2020 under this agreement.

The credit agreement contains restrictive covenants that, among other things and under various conditions, limit our ability to incur additional indebtedness or to dispose of assets. The agreement also requires us to maintain a minimum fixed coverage ratio, a minimum consolidated net worth and a minimum consolidated debt ratio. Our debt agreements also contain provisions such that if we default on one debt agreement, the others will automatically default. If we default on any guaranteed debt with a balance greater than $1,000,000, our unsecured revolving credit agreement with BMO Harris will be considered in default. If we default on any debt with a balance greater than $5,000,000 we will also be considered in default with the senior promissory notes. We were in compliance with all restrictive covenants and limitations as of July 31, 2020.

The following is a schedule by fiscal year of future principal maturities of notes payable as of July 31, 2020 (in thousands):

| | | |
|---|---|---|
| 2021 | $ | 1,000 |
| 2022 | | 1,000 |
| 2023 | | 1,000 |
| 2024 | | 1,000 |
| 2025 | | 1,000 |

**NOTE 4 – FINANCIAL INSTRUMENTS**

**Fair Value**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are prioritized into one of three categories based on the lowest level of input that is significant to the fair value measurement. Categories in the hierarchy are as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs for similar assets or liabilities or valuation models whose inputs are observable,
directly or indirectly.
Level 3: Unobservable inputs.

Cash equivalents are classified as Level 1 of the fair value hierarchy because they were valued using quoted market prices in active markets. Cash equivalents were $6,000 and $26,000 as of July 31, 2020 and 2019, respectively. These cash instruments are primarily money market funds and are included in cash and cash equivalents on the Consolidated Balance Sheets.

Accounts receivable and accounts payable balances on the Consolidated Balance Sheets approximate their fair values as of July 31, 2020 and 2019 due to the short maturity and nature of those balances.

Notes payable on the Consolidated Balance Sheets are carried at the face amount of future maturities. The estimated fair value of notes payable was approximately $11,631,000 as of July 31, 2020 and $6,357,000 as of July 31, 2019. The fair value was estimated using the exit price notion of fair value and is classified as Level 2. The increase in fair value is attributable to the Amended and Restated Note Purchase and Private Shelf Agreement entered into in May 2020. See Note 3 of the Notes to the Consolidated Financial Statements for further information about the new debt.

We apply fair value techniques on at least an annual basis associated with: (1) valuing potential impairment loss related to goodwill, trademarks and other indefinite-lived intangible assets and (2) valuing potential impairment loss related to long-lived assets. See Note 1 of the Notes to Consolidated Financial Statements for further information about goodwill and other intangible assets.

**Concentration of Credit Risk**

Financial instruments which potentially subject us to concentrations of credit risk consist principally of cash and accounts receivable. Our cash is held in banks which are covered by the Federal Deposit Insurance Corporation; however, our cash balances are in excess of the maximum amount that is insured. Concentrations of credit risk with respect to accounts receivable are subject to the financial condition of certain major customers, principally the customer referred to in Note 2 of the Notes to the Consolidated Financial Statements. We generally do not require collateral to secure customer receivables.

**NOTE 5 – INCOME TAXES**

The provision for income tax expense by fiscal year consists of the following (in thousands):

| | 2020 | 2019 |
|---|---|---|
| Current | | |
| Federal | **$ 3,768** | $ (529) |
| Foreign | **5** | (5) |
| State | **999** | 1,416 |
| Current Income Tax Total | **4,772** | 882 |
| Deferred | | |
| Federal | **(610)** | 1,344 |
| Foreign | **(3)** | 113 |
| State | **121** | (406) |
| Deferred Income Tax Total | **(492)** | 1,051 |
| **Total Income Tax Expense** | **$ 4,280** | $ 1,933 |

Principal reasons for variations between the statutory federal rate and the effective rates by fiscal year were as follows:

| | 2020 | 2019 |
|---|---|---|
| U.S. federal income tax rate | **21.0 %** | 21.0 % |
| Depletion deductions allowed for mining | **(4.8)** | (8.2) |
| State income tax expense, net of federal tax expense | **4.3** | 2.5 |
| Difference in effective tax rate of foreign subsidiaries | **1.2** | 0.2 |
| Prior year income taxes | **(1.0)** | (1.9) |
| Other | **(2.1)** | (0.3) |
| **Effective income tax rate** | **18.6 %** | 13.3 % |

The Consolidated Balance Sheets included the following tax effects of cumulative temporary differences as of July 31 (in thousands):

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Depreciation | $ — | $ 3,926 | $ — | $ 3,995 |
| Deferred compensation | 1,779 | — | 2,121 | — |
| Postretirement benefits | 3,293 | — | 6,100 | — |
| Lease right of use assets | — | 2,534 | — | — |
| Lease liabilities | 2,918 | — | — | — |
| Allowance for doubtful accounts | 178 | — | 81 | — |
| Deferred marketing expenses | — | 194 | — | 326 |
| Other assets | — | 9 | 390 | — |
| Accrued expenses | 4,131 | — | 2,076 | — |
| Tax credits | 147 | — | 250 | — |
| Amortization | 48 | — | 166 | — |
| Inventories | 343 | — | 264 | — |
| Depletion | — | 173 | — | 173 |
| Stock-based compensation | 987 | — | 556 | — |
| Reclamation | 447 | — | 392 | — |
| Other assets – foreign | 790 | — | 585 | — |
| Valuation allowance | (923) | — | (732) | — |
| **Total deferred taxes** | $ 14,138 | $ 6,836 | $ 12,249 | $ 4,494 |

Deferred taxes for postretirement benefits were also affected by employer contributions and the freeze of our pension plan that significantly reduced our pension liability. See Note 8 of the Notes to the Consolidated Financial Statements for further information about postretirement benefits. Deferred taxes for lease right of use assets and liabilities were recorded upon the implementation of ASC 842, *Leases*, on August 1, 2019. See Notes 1 and 11 of the Notes to the Consolidated Financial Statements for further information about leases. Deferred taxes for accrued expenses reflected a higher accrual for the annual discretionary bonus.

We recorded a valuation allowance of $923,000 and $732,000 as of July 31, 2020 and July 31, 2019, respectively, for the amount of the deferred tax benefit related to our foreign net operating loss carryforwards since we believe it is unlikely we will realize the benefit of these tax attributes in the future. As of July 31, 2020, we have total net operating loss carryforwards from state jurisdictions of approximately $2,000,000. The carryforward expiration dates vary by state. No valuation allowance has been established for these carryforwards since we expect our future profitability will allow us to fully realize these tax benefits.

Our foreign subsidiaries in the United Kingdom and China have not generated any untaxed foreign income, therefore we have not provided for any related income taxes.

We had no material liability for unrecognized tax benefits based on tax positions related to the current and prior fiscal years as of July 31, 2020 and 2019; correspondingly, no related interest and penalties were recognized as income tax expense and there were no accruals for such items in either of these fiscal years.

We are subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. We have no income tax returns under examination as of July 31, 2020 and federal tax returns for fiscal years 2018 and 2019 remain open for examination. Foreign and U.S. state jurisdictions have statutes of limitations generally ranging from three to five years. The state impact of any federal income tax changes remains subject to examination by various states for a period of up to one year after formal notification to the states. There are a limited number of open state and local income tax audits in which no material issues have been preliminarily identified. There are no material open or unsettled foreign income tax audits. We believe our accrual for tax liabilities is adequate for all open audit years.

**NOTE 6 – ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME**

The following table summarizes the changes in accumulated other comprehensive income by component (in thousands):

| | Pension and Postretirement Health Benefits | | Cumulative Translation Adjustment | | Total Accumulated Other Comprehensive (Loss) Income |
|---|---|---|---|---|---|
| Balance as of July 31, 2018 | $ (10,384) | | $ (231) | | (10,615) |
| Other comprehensive (loss) income before reclassifications, net of tax | (5,089) | a) | 83 | | (5,006) |
| Amounts reclassified from accumulated other comprehensive income, net of tax | 582 | b) | — | | 582 |
| Net current-period other comprehensive (loss) income, net of tax | (4,507) | | 83 | | (4,424) |
| Balance as of July 31, 2019 | $ (14,891) | | $ (148) | | $ (15,039) |
| Other comprehensive loss before reclassifications, net of tax | (4,431) | a) | (112) | | (4,543) |
| Amounts reclassified from accumulated other comprehensive income, net of tax | 758 | b) | — | | 758 |
| Curtailment/Settlement on Pension Plan | 6,570 | c) | — | | 6,570 |
| Net current-period other comprehensive income (loss), net of tax | 2,897 | | (112) | | 2,785 |
| **Balance as of July 31, 2020** | **$ (11,994)** | | **$ (260)** | | **$ (12,254)** |

a) Amounts are net of taxes of $1,359,000 and $1,607,000 in fiscal years 2020 and 2019, respectively, and are included in Other Comprehensive Loss.
b) Amounts are net of taxes of $242,000 and $185,000 in fiscal years 2020 and 2019, respectively. Amounts are included in the components of net periodic benefit cost for the pension and postretirement health plans.
c) Amount is net of taxes of $2,075,000 in fiscal year 2020. Amounts are included in the components of net periodic benefit cost for the pension and postretirement health plans.

See Note 8 of the Notes to the Consolidated Financial Statements for further information about pension and postretirement health benefits.

**NOTE 7 – STOCK-BASED COMPENSATION**

The Oil-Dri Corporation of America 2006 Long Term Incentive Plan (as amended, the "2006 Plan") permits the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based and cash-based awards. Our employees and outside directors are eligible to receive grants under the 2006 Plan. The total number of shares of stock subject to grants under the 2006 Plan may not exceed 1,219,500. As of July 31, 2020, there were 370,836 shares available for future grants under this plan.

**RESTRICTED STOCK**

All non-vested restricted stock as of July 31, 2020 was issued under the 2006 Plan with vesting periods generally from two to five years. The fair value of restricted stock was determined by the closing market price of our Common Stock on the date of grant multiplied by the number of shares granted.

A summary of restricted stock transactions under the plans is shown below.

| | Number of Shares (in thousands) | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (Years) | Unamortized Expense (in thousands) |
|---|---|---|---|---|
| Non-vested restricted stock outstanding at July 31, 2018 | 178 | $ 32.74 | 1.7 | $ 3,050 |
| Granted | 321 | $ 32.89 | | |
| Vested | (61) | $ 31.90 | | |
| Forfeited | (24) | $ 30.85 | | |
| Non-vested restricted stock outstanding at July 31, 2019 | 414 | $ 33.09 | 4.5 | $ 10,474 |
| **Granted** | **26** | **$ 33.57** | | |
| **Vested** | **(44)** | **$ 32.53** | | |
| **Forfeited** | **(6)** | **$ 32.46** | | |
| **Non-vested restricted stock outstanding at July 31, 2020** | **390** | **$ 33.19** | **4.0** | **$ 7,784** |

Stock-based compensation for restricted stock of $2,560,000 and $1,834,000, net of related tax effect, was recognized in fiscal years 2020 and 2019, respectively. The total restricted stock compensation related tax benefit was $808,000 and $579,000 in fiscal years 2020 and 2019, respectively.

**NOTE 8 – PENSION AND OTHER POSTRETIREMENT BENEFITS**

The Oil-Dri Corporation of America Pension Plan ("Pension Plan") is a defined benefit pension plan for eligible salaried and hourly employees. Pension benefits are based on a formula of years of credited service and levels of compensation or stated amounts for each year of credited service. On January 9, 2020, we amended the Pension Plan to freeze participation, all future benefit accruals and accrual of benefit service, including consideration of compensation increases, effective March 1, 2020. Consequently, the Pension Plan is closed to new participants and current participants will no longer earn additional benefits on or after March 1, 2020. The amendment of the Pension Plan triggered a pension curtailment, which required a remeasurement of the Pension Plan's obligation. The remeasurement resulted in a decrease in the benefit obligation of approximately $6,632,000, which was recorded in Other Comprehensive Income, net of taxes of $1,592,000 in the second quarter of fiscal year 2020. During the third quarter of fiscal 2020 we offered terminated participants with vested benefits who have not yet begun receipt of benefits under the Plan the opportunity to receive their pension benefits in a single payment (the "Lump Sum Option"). We made payments in the fourth quarter of fiscal year 2020 to those participants who elected the Lump Sum Option by the May 15, 2020 election deadline. The settlement expense was $2,012,000 and was recorded net of tax in Other, net in the Consolidated Statements of Operation.

A postretirement health benefits plan is also provided to domestic salaried employees who meet specific age, participation and length of service requirements at the time of retirement. Eligible employees may elect to continue their health care coverage under the Oil-Dri Corporation of America Employee Benefits Plan until the date certain criteria are met, including attaining the age of Medicare eligibility. We have the right to modify or terminate the postretirement health benefit plan at any time.

A 401(k) savings plan is maintained under which we match a portion of employee contributions. This plan is available to essentially all domestic employees following a specific number of days of employment. Our contributions to this plan, and to similar plans maintained by our foreign subsidiaries, were $2,035,000 and $764,000 for fiscal years 2020 and 2019, respectively. During fiscal year 2020, we changed the percentage of employer matching contributions from 50% of every employee dollar contributed up to 4% of earnings to 100% of every employee dollar contributed up to 6% of earnings.

**Obligations and Funded Status**

The following tables provide a reconciliation of changes in the plans' benefit obligations, asset fair values and funded status by fiscal year (in thousands):

| | Pension Benefits | | Postretirement Health Benefits | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| **Change in benefit obligation**: | | | | |
| Benefit obligation, beginning of year | **$ 61,553** | $ 54,267 | **$ 2,958** | $ 2,667 |
| Service cost | **1,096** | 1,626 | **116** | 105 |
| Interest cost | **1,900** | 2,114 | **82** | 97 |
| Actuarial loss | **8,570** | 5,125 | **247** | 97 |
| Benefits paid | **(1,663)** | (1,579) | **(112)** | (8) |
| Curtailments | **(6,632)** | — | **—** | — |
| Settlements | **(7,544)** | — | **—** | — |
| Benefit obligation, end of year | **57,280** | 61,553 | **3,291** | 2,958 |
| **Change in plan assets:** | | | | |
| Fair value of plan assets, beginning of year | **40,725** | 40,971 | **—** | — |
| Actual return on plan assets | **5,816** | 1,333 | **—** | — |
| Employer contribution | **8,000** | — | **112** | 8 |
| Benefits paid | **(1,663)** | (1,579) | **(112)** | (8) |
| Settlements | **(7,544)** | — | **—** | — |
| Fair value of plan assets, end of year | **45,334** | 40,725 | **—** | — |
| **Funded status, recorded in Consolidated Balance Sheets** | **$ (11,946)** | $ (20,828) | **$ (3,291)** | $ (2,958) |

See "Cash Flows" below for further information about employer contributions and benefits payments.

The accumulated benefit obligation for the Pension Plan was $57,280,000 and $54,696,000 as of July 31, 2020 and July 31, 2019, respectively.

The following table shows amounts recognized in the Consolidated Balance Sheets as of July 31 (in thousands):

| | Pension Benefits | | Postretirement Health Benefits | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Deferred income taxes | **$ 2,443** | $ 5,346 | **$ 850** | $ 754 |
| Other current liabilities | **$ —** | $ — | **$ (97)** | $ (65) |
| Other noncurrent liabilities | **$ (11,946)** | $ (20,828) | **$ (3,194)** | $ (2,893) |
| Accumulated other comprehensive loss – net of tax: | | | | |
| Net actuarial loss | **$ 11,642** | $ 14,731 | **$ 352** | $ 184 |
| Prior service cost (income) | **$ —** | $ — | **$ —** | $ (24) |

**Benefit Costs and Amortizations**

The following table shows the components of the net periodic pension and postretirement health benefit costs by fiscal year (in thousands):

| | Pension Cost | | Postretirement Health Benefit Cost | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Service cost | **$ 1,096** | $ 1,626 | **$ 116** | $ 105 |
| Interest cost | **1,900** | 2,114 | **82** | 97 |
| Expected return on plan assets | **(2,790)** | (2,809) | **—** | — |
| Amortization of: | | | | |
| Prior service costs (income) | **—** | 2 | **(6)** | (6) |
| Other actuarial loss | **1,005** | 771 | **—** | — |
| Settlement cost | **2,012** | — | **—** | — |
| **Net periodic benefit cost** | **$ 3,223** | $ 1,704 | **$ 192** | $ 196 |

The following table shows amounts, net of tax, that are recognized in other comprehensive income by fiscal year (in thousands):

| | Pension Benefits | | Postretirement Health Benefits | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Net actuarial loss | **$ 4,243** | $ 5,016 | **$ 188** | $ 73 |
| Amortization of: | | | | |
| Prior service (cost) income | **—** | (1) | **5** | 5 |
| Amortization of actuarial loss | **(763)** | (586) | **—** | — |
| Curtailment/Settlement | **$ (6,570)** | $ — | **$ —** | $ — |
| **Total recognized in other comprehensive (income) loss** | **$ (3,090)** | $ 4,429 | **$ 193** | $ 78 |

The following table shows amortization amounts, net of tax, expected to be recognized in fiscal year 2021 in accumulated other comprehensive income (in thousands):

| Amortization of: | Pension Benefits | Postretirement Health Benefits |
|---|---|---|
| Net actuarial loss | $ 786 | $ 11 |
| Prior service income | — | (5) |
| **Total to be recognized as other comprehensive loss (income)** | $ 786 | $ 6 |

**Cash Flows**

We have funded the Pension Plan based upon actuarially determined contributions that take into account the amount deductible for income tax purposes, the normal cost and the minimum contribution required and the maximum contribution allowed under applicable regulations. During fiscal 2020, we made two voluntary contributions for $5,000,000 and $3,000,000 in excess of the minimum required amount. The first contribution was made within eight and one-half months after the end of our fiscal year 2019 and therefore was deductible for our 2019 tax year. The voluntary contributions also improved our funded status and contributed to a lower net periodic benefit expense.

We do not expect to make a contribution to the Pension Plan in fiscal year 2021. The postretirement health plan is an unfunded plan. Our policy is to pay health insurance premiums and claims from our assets.

The following table shows the estimated future benefit payments by fiscal year (in thousands):

| | Pension Benefits | Postretirement Health Benefits |
|---|---|---|
| 2021 | $ 1,743 | $ 115 |
| 2022 | $ 1,794 | $ 98 |
| 2023 | $ 1,798 | $ 121 |
| 2024 | $ 1,842 | $ 191 |
| 2025 | $ 1,952 | $ 234 |
| 2026-30 | $ 11,484 | $ 1,385 |

**Assumptions**

Our pension benefit and postretirement health benefit obligations and the related effects on operations are calculated using actuarial models. Critical assumptions that are important elements of plan expenses and asset/liability measurements include discount rate and expected return on assets for the Pension Plan and health care cost trend for the postretirement health plan. We evaluate these critical assumptions at least annually. Other assumptions involving demographic factors such as retirement age, mortality and turnover are evaluated periodically and are updated to reflect our experience and to meet regulatory requirements. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors. The assumptions used in the previous calculations by fiscal year were as follows:

| | Pension Benefits | | Postretirement Health Benefits | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Discount rate for net periodic benefit costs | **3.35%** | 4.04% | **2.93%** | 3.81% |
| Discount rate for year-end obligations | **2.14%** | 3.35% | **1.63%** | 2.93% |
| Rate of increase in compensation levels for net periodic benefit costs | **—%** | 3.50% | **—%** | **—%** |
| Rate of increase in compensation levels for year-end obligations | **—%** | 3.50% | **—%** | **—%** |
| Long-term expected rate of return on assets | **7.00%** | 7.00% | **—%** | **—%** |

The discount rate was based on the FTSE Pension Discount Curve to determine separately for the Pension Plan and the postretirement health plan, the single equivalent rate that would yield the same present value as the specific plan's expected cash flows.

Our expected rate of return on Pension Plan assets is determined by our asset allocation, our historical long-term investment performance, our estimate of future long-term returns by asset class (using input from our actuaries, investment managers and investment advisors), and long-term inflation assumptions.

For fiscal year 2020, the medical cost trend assumption used for the postretirement health benefit cost was 7.2%. The graded trend rate is expected to decrease to an ultimate rate of 4.5% in fiscal year 2038.

The following table reflects the effect on postretirement health costs and accruals in fiscal year 2020 of a one-percentage point change in the assumed health care cost trend (in thousands):

| | One-Percentage Point Increase | One-Percentage Point Decrease |
|---|---|---|
| Effect on total service and interest cost | $27 | $(23) |
| Effect on accumulated postretirement benefit obligation | $337 | $(297) |

**Pension Plan Assets**

The investment objective for the Pension Plan assets is to optimize long-term return at a moderate level of risk in order to secure the benefit obligations to participants at a reasonable cost. To reach this goal, our investment structure includes various asset classes, asset allocations and investment management styles that, in total, have a reasonable likelihood of producing a sufficient level of overall diversification that balances expected return with expected risk over the long-term. The Pension Plan does not invest directly in Company stock.

We measure and monitor the plan's asset investment performance and the allocation of assets through quarterly investment portfolio reviews. Investment performance is measured by absolute returns, returns relative to benchmark indices and any other appropriate basis of comparison. The targeted allocation percentages of plan assets is shown below for fiscal year 2021 and the actual allocation as of July 31:

| Asset Allocation | Target fiscal 2021 | 2020 | 2019 |
|---|---|---|---|
| Cash and accrued income | 2% | 1% | —% |
| Fixed income | 38% | 68% | 42% |
| Equity | 60% | 31% | 58% |

In anticipation of the Lump Sum Option payments we adjusted our asset allocation in fiscal year 2020 and plan to revert back to our historical asset allocations in fiscal year 2021.

The following table sets forth by level, within the fair value hierarchy, the Pension Plan's assets carried at fair value (in thousands):

| | Fair Value At July 31, 2020 | | |
|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) |
| **Asset Class** | | | |
| Cash and cash equivalents[a] | $ 557 | $ 557 | $ — |
| Equity securities[b]: | | | |
| U.S. companies | 9,401 | 2,093 | 7,308 |
| International companies | 495 | 495 | — |
| Equity securities - international mutual funds: | | | |
| Developed market[c] | 2,867 | — | 2,867 |
| Emerging markets[d] | 1,022 | — | 1,022 |
| Commodities[e] | — | — | — |
| Fixed Income: | | | |
| U.S. Treasuries | 3,014 | — | 3,014 |
| Debt securities[f] | 10,131 | — | 10,131 |
| Government sponsored entities[g] | 5,131 | — | 5,131 |
| Multi-strategy bond fund[h] | 10,547 | — | 10,547 |
| Money market fund[i] | 486 | — | 486 |
| Other[j] | 1,683 | — | 1,683 |
| **Total** | **$ 45,334** | **$ 3,145** | **$ 42,189** |

| Asset Class | Fair Value At July 31, 2019 Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) |
|---|---|---|---|
| Cash and cash equivalents[a] | $ 66 | $ 66 | $ — |
| Equity securities[b]: | | | |
| U.S. companies | 13,775 | 4,147 | 9,628 |
| International companies | 2,609 | 2,609 | — |
| Equity securities - international mutual funds: | | | |
| Developed market[c] | 5,275 | — | 5,275 |
| Emerging markets[d] | 1,141 | — | 1,141 |
| Commodities[e] | 637 | — | 637 |
| Fixed Income: | | | |
| U.S. Treasuries | 3,273 | — | 3,273 |
| Debt securities(f) | 8,103 | — | 8,103 |
| Government sponsored entities[g] | 2,087 | — | 2,087 |
| Multi-strategy bond fund[h] | 813 | — | 813 |
| Money market fund[i] | 557 | — | 557 |
| Other[j] | 2,389 | — | 2,389 |
| Total | $ 40,725 | $ 6,822 | $ 33,903 |

(a) Cash and cash equivalents consists of highly liquid investments which are traded in active markets.

(b) This class represents equities traded on regulated exchanges, as well as funds that invest in a portfolio of such stocks.

(c) These mutual funds seek long-term capital growth by investing no less than 80% of their assets in stocks of non- U.S. companies that are primarily in developed markets, but also may invest in emerging and less developed markets.

(d) These mutual funds seek to track the performance of a benchmark index that measures the investment return of stock issued by companies located in emerging market countries.

(e) These investments seek attractive total return by investing primarily in a diversified portfolio of commodity futures contracts and fixed income investments.

(f) This class includes bonds and loans of U.S. and non-U.S. corporate issuers from diverse industries and bonds of domestic and foreign municipalities.

(g) This class represents a beneficial ownership interest in a pool of single-family residential mortgage loans. These investments are generally not backed by the full faith and credit of the United States government, except for securities valued at $289,000 in our portfolio as of July 31, 2020 and $377,000 as of July 31, 2019.

(h) This class invests at least 80% of its net assets in bonds and other fixed income instruments issued by governmental or private-sector entities. More than 50% of its net assets are invested in mortgage-backed securities. The fund may invest up to 33 1/3% of its net assets in high-yield bonds, bank loans and assignments and credit default swaps.

(i) These money market mutual funds seek to provide current income consistent with liquidity and stability of principal by investing in a diversified portfolio of high quality, short-term, dollar-denominated debt securities. These funds may include securities issued or guaranteed as to principal and interest by the U.S. government or its agencies, short-term securities issued by domestic or foreign banks, domestic and dollar-denominated foreign commercial papers, and other short-term corporate obligations and obligations issued or guaranteed by one or more foreign governments.

(j) This class includes funds that use a number of other strategies, including arbitrage, to obtain long-term positive returns. The portfolio of instruments may include equities, debt securities, real estate properties, warrants, options, swaps, future contracts, forwards or other types of derivative instruments.

**NOTE 9 – DEFERRED COMPENSATION**

Oil-Dri's deferred compensation plans permit directors and certain management employees to defer portions of their compensation and to earn interest on the deferred amounts. Participants have deferred $266,000 and $418,000 into these plans in fiscal years 2020 and 2019, respectively. We recorded $171,000 and $204,000 of interest expense associated with these plans in fiscal years 2020 and 2019, respectively. Payments to participants were $440,000 and $1,144,000 in fiscal years 2020 and 2019, respectively, and the total liability recorded for deferred compensation was $4,017,000 and $3,560,000 as of July 31, 2020 and 2019, respectively.

The Oil-Dri Corporation of America Annual Incentive Plan provides certain executives with the opportunity to receive a deferred executive bonus award if certain financial goals are met. A total of $1,352,000 and $513,000 were awarded to certain executives for fiscal years 2020 and 2019, respectively. These awards will vest and accrue interest over a three-year period.

Our deferred compensation plans are unfunded. We fund these benefits when payments are made, and the timing and amount of the payments are determined according to the plans' provisions and, for certain plans, according to individual employee agreements.

Our SERP provides certain retired participants in the Pension Plan with the amount of benefits that would have been provided under the Pension Plan but for: (1) the limitations on benefits imposed by Section 415 of the Internal Revenue Code ("Code"), and/or (2) the limitation on compensation for purposes of calculating benefits under the Pension Plan imposed by Section 401(a)(17) of the Code. The SERP is unfunded and benefits will be funded when payments are made.

The SERP liability is actuarially determined at the end of each fiscal year using assumptions similar to those used for the Pension Plan, see Note 8 of the Notes to the Consolidated Financial Statements. The SERP liability was $1,447,000 and $2,708,000 as of July 31, 2020 and July 31, 2019, respectively. We recorded expense related to the SERP of $34,000 and $539,000 in fiscal years 2020 and 2019, respectively. On January 9, 2020, we amended the SERP to freeze participation and any excess benefit, supplemental benefit or additional benefit effective March 1, 2020. Consequently, the SERP is closed to new participants and current participants no longer earn additional benefits on or after March 1, 2020. The amendment of the SERP triggered a curtailment which required a remeasurement of the SERP's obligation. The remeasurement resulted in a decrease in the SERP liability and recognition of a curtailment gain of approximately $1,296,000, which has been recorded in SG&A. Subsequent to the curtailment, the SERP was terminated effective June 30, 2020. Any payments that would otherwise have been payable pursuant to the SERP plan on or after June 30, 2021, will instead be paid in the form of one lump sum, with such lump sum payable no earlier than June 30, 2021 and no later than June 8, 2022.

**NOTE 10 – OTHER CONTINGENCIES**

We are party to various legal actions from time to time that are ordinary in nature and incidental to the operation of our business, including ongoing litigation. While it is not possible at this time to determine with certainty the ultimate outcome of these or other lawsuits, we believe that none of the pending proceedings will have a material adverse effect on our business, financial condition, results of operations or cash flows. In June 2020, the Company received notice from a former service provider alleging a breach of contract regarding the payment of a contingency fee. Such party subsequently, in July 2020, filed a lawsuit seeking to require the Company to participate in binding mediation regarding this matter. Although we believe this claim to be without merit, as of July 31, 2020, we have determined a reasonable estimate of this liability within a range, with no amount within that range being a better estimate than any other amount, and have therefore recorded that estimate within Other accrued expenses. We believe that any loss related to this matter is unlikely to be material. However, the outcome of this legal matter is subject to significant uncertainties. The ability to predict the ultimate outcome of this legal matter involves judgments, estimates and inherent uncertainties. The actual outcome could differ materially from management's estimates.

**NOTE 11 – LEASES**

We have operating leases primarily for real estate properties, including corporate headquarters, customer service and sales offices, manufacturing and packaging facilities, warehouses, and research and development facilities, as well as for rail tracks, railcars and office equipment. Certain of our leases for a shared warehouse and office facility, rail track and railcars have options to extend which we are reasonably certain we will exercise and, accordingly, have been considered in the lease term used to recognize our ROU assets and lease liabilities. To determine the present value of the lease liability, we use an incremental borrowing rate, which is defined as the rate of interest that the Company would have to pay to borrow (on a collateralized basis over a similar term) an amount equal to the lease payments in similar economic environments. Further information about our accounting policy for leases is included in Note 1 of the Notes to the Consolidated Financial Statements.

We have no material finance leases, and variable costs for operating leases are immaterial. Operating lease costs are included in Cost of Sales or SG&A expenses based on the nature of the lease. The following table summarizes total lease costs for our operating leases (in thousands):

| | | For the Twelve Months Ended July 31, 2020 |
|---|---|---|
| **Operating Lease Cost** | | |
| Operating lease cost | $ | 2,219 |
| Short-term operating lease cost | | 788 |

Supplemental cash flow information related to leases was as follows (in thousands):

| | | For the Twelve Months Ended July 31, 2020 |
|---|---|---|
| **Other Information** | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| **Operating cash flows from operating leases** | $ | 1,878 |

Operating lease ROU assets and operating lease liabilities are separately presented on the Consolidated Balance Sheet, excluding leases with an initial term of twelve months or less. Other supplemental balance sheet information related to leases was as follows:

| | For the Twelve Months Ended July 31, 2020 |
|---|---|
| **Weighted-average remaining lease term - operating leases** | **9.4 years** |
| **Weighted-average discount rate - operating leases** | **3.87%** |

The following table summarizes scheduled minimum future lease payments due within twelve months for operating leases with terms longer than one year for which cash flows are fixed and determinable as of July 31, 2020 (in thousands):

| | | |
|---|---|---|
| 2021 | **$** | **2,552** |
| 2022 | | **2,076** |
| 2023 | | **1,106** |
| 2024 | | **965** |
| 2025 | | **885** |
| Thereafter | | **6,131** |
| Total | | **13,715** |
| Less: imputed interest | | **(2,410)** |
| Net lease obligation | **$** | **11,305** |

Rent expense for the fiscal year ended July 31, 2019 was $2,873,000. The following table summarizes scheduled minimum future lease payments due within twelve months for operating leases with terms longer than one year for which cash flows are fixed and determinable as of July 31, 2019 (in thousands):

| | | |
|---|---|---|
| 2020 | $ | **2,255** |
| 2021 | | **1,640** |
| 2022 | | **1,513** |
| 2023 | | **1,038** |
| 2024 | | **899** |
| Thereafter | | **7,422** |

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date the financial statements were issued. Based on our evaluation no events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the Notes to the Consolidated Financial Statements.

**NOTE 13 – RELATED PARTIES**

One member of our Board of Directors retired from the role of President and Chief Executive Officer of a customer of ours on September 28, 2019 and is currently party to a post-employment consulting agreement with the customer. Total net sales to that customer, including sales to subsidiaries of that customer, were $388,000 and $462,000 for fiscal years 2020 and 2019, respectively. There were no outstanding accounts receivable due from that customer, and its subsidiaries, as of July 31, 2020 and $10,000 outstanding as of July 31, 2019.

One member of our Board of Directors is currently the President and Chief Executive Officer of a vendor of ours. Total payments to this vendor for fees and cost reimbursements were $420,000 and $271,000 for fiscal years 2020 and 2019, respectively. There were no outstanding amounts due to that vendor as of July 31, 2020 or July 31, 2019.

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15f. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* (2013 framework) issued by the Committee Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, our management concluded that our internal control over financial reporting was effective as of July 31, 2020.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our internal controls over financial reporting as of July 31, 2020 have been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report which appears on the next page of this Annual Report on Form 10-K.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Oil-Dri Corporation of America

**Opinions on the financial statements and internal control over financial reporting**

We have audited the accompanying consolidated balance sheets of Oil-Dri Corporation of America (a Delaware corporation) and subsidiaries (the "Company") as of July 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the two years in the period ended July 31, 2020, and the related notes and financial statement schedule included under Item 15(a)) (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of July 31, 2020, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of July 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended July 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 31, 2020, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by COSO.

**Change in accounting principle**

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases in the current year due to the adoption of Accounting Standards Update ("ASU") 2016-02, *Leases*.

**Basis for opinions**

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

**Definition and limitations of internal control over financial reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2014.

Chicago, Illinois
October 13, 2020

## ITEM 9 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A – CONTROLS AND PROCEDURES

**Evaluation of Disclosure Controls and Procedures**

Management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Form 10-K. The controls evaluation was conducted under the supervision and with the participation of management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Based upon the controls evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

**Management's Report on Internal Control Over Financial Reporting**

Management's Report on Internal Control Over Financial Reporting is set forth in Part II, Item 8 of this Annual Report on Form 10-K.

**Changes in Internal Control over Financial Reporting**

The Company has made enhancements to the functionality of our existing ERP system so as to upgrade our technology and improve our financial and operational information. The Company has appropriately considered these functionality enhancements in its design of and testing for effectiveness of internal controls over financial reporting and concluded, as part of the evaluation described in the above paragraph, that the ongoing enhancement of the ERP system has not materially changed the effectiveness of its internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that many of our employees are working remotely due to COVID-19. We are continually monitoring and assessing the effects of COVID-19 on our internal controls to minimize the impact to their design and operating effectiveness.

There were no changes, other than those described herein, in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Inherent Limitations on Effectiveness of Controls**

Our management, including the CEO and CFO, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

## ITEM 9B – OTHER INFORMATION

None.

## PART III

### ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item (except as set forth below) is contained in Oil-Dri's Proxy Statement for its 2020 annual meeting of stockholders under the captions "1. Election of Directors," "Executive Officers," "Director Nominations," "Board of Directors Committee Membership and Meetings," "Audit Committee" and "Corporate Governance Matters" and is incorporated herein by this reference.

The Company has adopted a Code of Ethics and Business Conduct (the "Code") which applies to all of its directors, officers (including the Company's Chief Executive Officer and senior financial officers) and employees. The Code imposes significant responsibilities on the Chief Executive Officer and the senior financial officers of the Company. The Code, the Company's Corporate Governance Guidelines and the charter of its Audit Committee may be viewed on the Company's website at www.oildri.com and are available in print to any person upon request to Investor Relations, Oil-Dri Corporation of America, 410 North Michigan Avenue, Suite 400, Chicago, Illinois 60611-4213, telephone (312) 321-1515 or e-mail to info@oildri.com. Any amendment to, or waiver of, a provision of the Code which applies to the Company's Chief Executive Officer or senior financial officers and relates to the elements of a "code of ethics" as defined by the SEC will also be posted on the Company's website. As allowed by the "controlled company" exemption to certain NYSE rules, the Company does not have a nominating/corporate governance committee and its compensation committee does not have a charter.

### ITEM 11 – EXECUTIVE COMPENSATION

The information required by this Item is contained in Oil-Dri's Proxy Statement for its 2020 annual meeting of stockholders under the captions "Executive Compensation," "Director Compensation," "Board of Directors Committee Membership and Meetings,"and "Compensation Committee" and is incorporated herein by reference.

### ITEM 12 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Except as set forth herein, the information required by this Item is contained in Oil-Dri's Proxy Statement for its 2020 annual meeting of stockholders under the captions "Principal Stockholders" and "Security Ownership of Management" and is incorporated herein by reference.

**Equity Compensation Plan Information.** The following table presents information about compensation plans under which our equity securities are authorized for issuance. There are no outstanding stock options as of July 31, 2020. See Note 7 of the Notes to the Consolidated Financial Statements for further information about these stock-based compensation plans.

**Equity Compensation Plan Information As Of July 31, 2020**

| Plan Category | Number of securities to be issued upon exercise of outstanding options (in thousands) (a) | Weighted-average exercise price of outstanding options (b) | Number of securities remaining available for further issuance under equity compensation plans (excluding securities reflected in column (a)) (in thousands) (c) |
|---|---|---|---|
| Equity compensation plans approved by stockholders | — | $— | 371 |

The number of securities remaining in column (c) above includes, in accordance with the terms of the plan, shares that were: 1) not vested or exercised in full due to expiration or termination, or 2) tendered or withheld for payment of the exercise price or to satisfy tax withholding amounts.

### ITEM 13 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is contained in Oil-Dri's Proxy Statement for its 2020 annual meeting of stockholders under the captions "Certain Relationships and Related Party Transactions" and "Director Independence" and is incorporated herein by reference.

## ITEM 14 – PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is contained in Oil-Dri's Proxy Statement for its 2020 annual meeting of stockholders under the caption "Other Matters Relating to the Independent Auditor - Auditor Fees" and is incorporated herein by reference.

## PART IV

### ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a)(1) The following consolidated financial statements are contained herein.

Consolidated Balance Sheets as of July 31, 2020 and July 31, 2019.

Consolidated Statements of Operations for the fiscal years ended July 31, 2020 and July 31, 2019.

Consolidated Statements of Comprehensive Income for the fiscal years ended July 31, 2020 and July 31, 2019.

Consolidated Statements of Stockholders' Equity for the fiscal years ended July 31, 2020 and July 31, 2019.

Consolidated Statements of Cash Flows for the fiscal years ended July 31, 2020 and July 31, 2019.

Notes to the Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

(a)(2) The following financial statement schedule is contained herein:

Schedule to Financial Statements, as follows:

Schedule II - Valuation and Qualifying Accounts, years ended July 31, 2020 and July 31, 2019.

All other schedules are omitted because they are inapplicable, not required under the instructions or the information is included in the consolidated financial statements or notes thereto.

(a)(3) The following documents are exhibits to this Report:

| Exhibit No. | Description | SEC Document Reference |
|---|---|---|
| 3.1 | Certificate of Incorporation of Oil-Dri, as amended. | Incorporated by reference to Exhibit 4.1 to Oil-Dri's Registration Statement on Form S-8 (Registration No. 333-57625), filed on June 24, 1998. |
| 3.2 | By-Laws of Oil-Dri Corporation of America, as Amended and Restated on December 12, 2017. | Incorporated by reference to Exhibit 3 to Oil-Dri's (file No. 001-12622) Quarterly Report on Form 10-Q filed on March 9, 2018. |
| 4.1 | Description of Capital Stock | Filed herewith |
| 10.1 | Memorandum of Agreement #1450 "Fresh Step"® dated as of March 12, 2001 between A&M Products Manufacturing Company and Oil-Dri (confidential treatment of certain portions of this exhibit has been granted). | Incorporated by reference to Exhibit 10(s) to Oil-Dri's (File No. 001-12622) Current Report on Form 8-K filed on May 1, 2001. |

| Exhibit No. | Description | SEC Document Reference |
|---|---|---|
| 10.2 | First Amendment, dated as of December 13, 2002, to Memorandum of Agreement #1450 "Fresh Step"® dated as of March 12, 2001. | Incorporated by reference to Exhibit 10.2 to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 2007. |
| 10.3 | Second Amendment, dated as of October 15, 2007, to Memorandum of Agreement #1450 "Fresh Step"® dated as of March 12, 2001 (confidential treatment of certain portions of this exhibit has been granted). | Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended October 31, 2007. |
| 10.4 | Third Amendment, dated as of May 27, 2016, to Memorandum of Agreement #1450 "Fresh Step"® dated as of March 12, 2001 (confidential treatment of certain portions of this exhibit have been requested). | Incorporated by reference to Exhibit 10.4 to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 2016. |
| 10.5 | Exclusive Supply Agreement dated May 19, 1999 between Church & Dwight Co., Inc. and Oil-Dri (confidential treatment of certain portions of this exhibit has been granted). | Incorporated by reference to Exhibit (10)(r) to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 1999. |
| 10.6 | Credit Agreement, dated January 27, 2006 among the Company, certain subsidiaries of the Company and Harris N.A. | Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Current Report on Form 8-K filed on February 1, 2006. |
| 10.7 | First Amendment, dated as of December 19, 2008 to Credit Agreement dated as of January 27, 2006. | Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2009. |
| 10.8 | Second Amendment, dated as of December 21, 2011 to Credit Agreement dated as of January 27, 2006. | Incorporated by reference to Exhibit 10 to Oil-Dri's (File No. 001-12622) Current Report on Form 8-K filed on December 28, 2011. |
| 10.9 | Third Amendment, dated as of June 21, 2012 to Credit Agreement dated as of January 27, 2006. | Incorporated by reference to Exhibit 10.12 to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 2012. |
| 10.10 | Fourth Amendment, dated as of December 4, 2014 to Credit Agreement dated as of January 27, 2006. | Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended October 31, 2014. |
| 10.11 | Fifth Amendment, dated as of January 31, 2019 to Credit Agreement dated as of January 27, 2006. | Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Current Report on Form 8-K filed on January 31, 2019. |
| 10.12 | Annex A to the Fifth Amendment to Credit Agreement dated as of January 27, 2006. | Incorporated by reference to Exhibit 10.2 to Oil-Dri's (File No. 001-12622) Current Report on Form 8-K filed on January 31, 2019. |
| 10.13 | $18,500,000 Note Agreement dated as of November 12, 2010 among Oil-Dri Corporation of America, The Prudential Insurance Company of America, Prudential Retirement Insurance and Annuity Company, Forethought Life Insurance Company, Physicians Mutual Insurance Company and BCBSM, Inc. dba Blue Cross and Blue Shield of Minnesota. | Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Current Report on Form 8-K filed on November 16, 2010. |

| Exhibit No. | Description | SEC Document Reference |
|---|---|---|
| 10.14 | Amended and Restated Note Purchase and Private Shelf Agreement, dated as of May 15, 2020, among Oil-Dri Corporation of America, PGIM, Inc. and existing noteholders and purchasers named therein. | Incorporated by reference to Exhibit 10.1 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on May 21, 2020. |
| 10.15 | Description of 1987 Executive Deferred Compensation Program.* | Incorporated by reference to Exhibit (10)(f) to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 1988. |
| 10.16 | Oil-Dri Corporation of America Deferred Compensation Plan, as amended and restated effective April 1, 2003.* | Incorporated by reference to Exhibit (10)(j)(1) to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended April 30, 2003. |
| 10.17 | First Amendment, effective as of January 1, 2007, to Oil-Dri Corporation of America Deferred Compensation Plan, as amended and restated effective April 1, 2003.* | Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2008. |
| 10.18 | Second Amendment, effective as of January 1, 2008, to Oil-Dri Corporation of America Deferred Compensation Plan, as amended and restated effective April 1, 2003.* | Incorporated by reference to Exhibit 10.2 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2008. |
| 10.19 | Supplemental Executive Retirement Plan dated April 1, 2003.* | Incorporated by reference to Exhibit (10)(1) to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended April 30, 2003. |
| 10.20 | First Amendment, effective March 1, 2020, to the Oil-Dri Corporation of America Supplemental Executive Retirement Plan dated April 1, 2003.* | Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2020. |
| 10.21 | Second Amendment, effective June 30, 2020, to the Oil-Dri Corporation of America Supplemental Executive Retirement Plan dated April 1, 2003.* | Filed herewith |
| 10.22 | Oil-Dri Corporation of America Annual Incentive Plan (as amended and restated effective January 1, 2008).* | Incorporated by reference to Exhibit 10.4 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2008. |
| 10.23 | Oil-Dri Corporation of America 2005 Deferred Compensation Plan (as amended and restated effective January 1, 2008)* | Incorporated by reference to Exhibit 10.3 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2008. |
| 10.24 | First Amendment, effective July 1, 2020, to the Oil-Dri Corporation of America 2005 Deferred Compensation Plan (as amended and restated effective January 1, 2008).* | Filed herewith |
| 10.25 | Oil-Dri Corporation of America 2006 Long Term Incentive Plan (as amended and restated effective July 28, 2006)* | Incorporated by reference to Appendix A to Oil-Dri's (File No. 001-12622) Definitive Proxy Statement on Schedule 14A filed on November 3, 2006. |

| Exhibit No. | Description | SEC Document Reference |
|---|---|---|
| 10.26 | First Amendment, effective as of January 1, 2008, to Oil-Dri Corporation of America 2006 Long Term Incentive Plan (as amended and restated effective July 28, 2006)* | Incorporated by reference to Exhibit 10.5 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2008. |
| 10.27 | Second Amendment, effective as of October 15, 2015, to Oil-Dri Corporation of America 2006 Long Term Incentive Plan (as previously amended and restated effective July 28, 2006)* | Incorporated by reference to Appendix A to Oil-Dri's (File No. 001-12622) Definitive Proxy Statement on Schedule 14A filed on October 28, 2015. |
| 10.28 | Third Amendment to Oil-Dri Corporation of America 2006 Long Term Incentive Plan* | Incorporated by reference to Appendix A of Oil-Dri's (File No. 001-12622) Definitive Proxy Statement on Schedule 14A filed on October 30, 2019 |
| 10.29 | Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Employee Stock Option Agreement for Class A Common Stock.* | Incorporated by reference to Exhibit 10.2 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006. |
| 10.30 | Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Employee Stock Option Agreement for Common Stock.* | Incorporated by reference to Exhibit 10.3 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006. |
| 10.31 | Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Employee Stock Option Agreement for Class B Stock.* | Incorporated by reference to Exhibit 10.4 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006. |
| 10.32 | Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Director Stock Option Agreement for Common Stock.* | Incorporated by reference to Exhibit 10.5 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006. |
| 10.33 | Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Restricted Stock Agreement for Class A Common Stock.* | Incorporated by reference to Exhibit 10.6 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006. |
| 10.34 | Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Restricted Stock Agreement for Common Stock.* | Incorporated by reference to Exhibit 10.7 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006. |
| 10.35 | Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Restricted Stock Agreement for Class B Stock.* | Incorporated by reference to Exhibit 10.8 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006. |
| 10.36 | Form of 2018 Restricted Stock Agreement for Class B Stock under the Oil-Dri Corporation of America 2006 Long Term Incentive Plan.* | Incorporated by reference to Exhibit 10.29 to Oil-Dri's (file No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 2018. |
| 11.1 | Statement re: Computation of Net Income Per Share. | Filed herewith. |

| Exhibit No. | Description | SEC Document Reference |
|---|---|---|
| 14.1 | Code of Ethics | Available at Oil-Dri's website at www.oildri.com or in print upon request to Investor Relations, Oil-Dri Corporation of America, 410 North Michigan Avenue, Suite 400, Chicago, IL 60611-4213, telephone (312) 321-1515 or e-mail to info@oildri.com. |
| 21.1 | Subsidiaries of Oil-Dri Corporation of America | Filed herewith. |
| 23.1 | Consent of Independent Registered Public Accounting Firm | Filed herewith. |
| 31.1 | Certifications pursuant to Rule 13a – 14(a). | Filed herewith. |
| 32.1 | Certifications pursuant to Section 1350 of the Sarbanes-Oxley Act of 2002. | Furnished herewith. |
| 95 | Mine Safety Disclosure | Filed herewith. |
| 101.INS | XBRL Taxonomy Instance Document | The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | XBRL Taxonomy Extension Schema Document | Furnished herewith. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | Furnished herewith. |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | Furnished herewith. |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) | Furnished herewith |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document | Furnished herewith. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase | Furnished herewith. |
| * | Management contract or compensatory plan or arrangement. | |

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Oil-Dri has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OIL-DRI CORPORATION OF AMERICA
(Registrant)

By /s/ Daniel S. Jaffee
Daniel S. Jaffee
President and Chief Executive Officer, Director

Dated: October 13, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Oil-Dri and in the capacities and on the dates indicated:

| Signature | Date |
|---|---|
| /s/ Daniel S. Jaffee<br>Daniel S. Jaffee<br>President and Chief Executive Officer,<br>Chairman of the Board of Directors<br>(Principal Executive Officer) | October 13, 2020 |
| /s/ Susan M. Kreh<br>Susan M. Kreh<br>Chief Financial Officer<br>(Principal Financial Officer) | October 13, 2020 |
| /s/ Paula J. Krystopolski<br>Paula J. Krystopolski<br>Vice President, Corporate Controller<br>(Controller) | October 13, 2020 |
| /s/ Ellen-Blair Chube<br>Ellen-Blair Chube<br>Director | October 13, 2020 |
| /s/ Paul M. Hindsley<br>Paul M. Hindsley<br>Director | October 13, 2020 |

| | |
|---|---|
| /s/ Michael A. Nemeroff | October 13, 2020 |
| Michael A. Nemeroff<br>Director | |
| /s/ George C. Roeth | October 13, 2020 |
| George C. Roeth<br>Director | |
| /s/ Allan H. Selig | October 13, 2020 |
| Allan H. Selig<br>Director | |
| /s/ Paul E. Suckow | October 13, 2020 |
| Paul E. Suckow<br>Director | |
| /s/ Lawrence E. Washow | October 13, 2020 |
| Lawrence E. Washow<br>Director | |

**SCHEDULE II**

**OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES**

**VALUATION AND QUALIFYING ACCOUNTS**

| | Year Ended July 31, | |
|---|---|---|
| | **2020** | **2019** |
| | **(in thousands)** | |
| Allowance for doubtful accounts and cash discounts: | | |
| Balance, beginning of year | **$ 644** | $ 817 |
| Addition (Reduction) | **421** | (181) |
| Net recovery | **13** | 8 |
| Balance, end of year | **$ 1,078** | $ 644 |
| | | |
| Valuation reserve for income taxes: | | |
| Balance, beginning of year | **$ 732** | $ 789 |
| Change | **191** | (57) |
| Balance, end of year | **$ 923** | $ 732 |

**EXHIBITS**

| Exhibit No. | Description |
|---|---|
| 4.1 | Description of Capital Stock |
| 10.21 | Second Amendment, effective June 30, 2020, to the Oil-Dri Corporation of America Supplemental Executive Retirement Plan dated April 1, 2003. |
| 10.24 | First Amendment, effective July 1, 2020, to the Oil-Dri Corporation of America 2005 Deferred Compensation Plan (as amended and restated effective January 1, 2008). |
| 11.1 | Statement Re: Computation of Net Income Per Share |
| 21.1 | Subsidiaries of Oil-Dri Corporation of America |
| 23.1 | Consent of Independent Registered Public Accounting Firm |
| 31.1 | Certifications by Daniel S. Jaffee, President and Chief Executive Officer and Susan M. Kreh, Chief Financial Officer, required by Rule 13a-14(a) |
| 32.1 | Certifications pursuant to Section 1350 of the Sarbanes-Oxley Act of 2002 |
| 95 | Mine Safety Disclosure |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |
| Note: | Stockholders may receive copies of the above listed exhibits, without fee, by written request to Investor Relations, Oil-Dri Corporation of America, 410 North Michigan Avenue, Suite 400, Chicago, Illinois 60611-4213, telephone (312) 321-1515 or e-mail to info@oildri.com. |

**EXHIBIT 4.1:**

## DESCRIPTION OF CAPITAL STOCK

The following description of our Common Stock is a summary and does not purport to be complete and is subject to and qualified in its entirety by reference to both the Certificate of Incorporation of Oil-Dri, as amended (the "Certificate of Incorporation"), and the By-Laws of Oil-Dri Corporation of America, as Amended and Restated (the "By-laws"). The Certificate of Incorporation and the By-laws are each incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part.

### Authorized Shares of Capital Stock

Our authorized capital stock as of July 31, 2020 and 2019 consisted of 15,000,000 shares of Common Stock, 7,000,000 shares of Class B Stock and 30,000,000 shares of Class A Common Stock, each with a par value of $.10 per share. There are no Class A Common Stock shares currently outstanding.

### Voting Rights

Common Stock is entitled to one vote per share and Class B Stock is entitled to ten votes per share, while Class A Common Stock has no voting rights except in accordance with law.

### Dividends

Common Stock is entitled to cash dividends, as and when declared or paid, equal to at least 133.33% on a per share basis of the cash dividend paid on Class B Stock. Class A Common Stock is entitled to cash dividends on a per share basis equal to the cash dividend on Common Stock. Additionally, while shares of Common Stock, Class A Common Stock and Class B Stock are outstanding, the sum of the per share cash dividend paid on shares of Common Stock and Class A Common Stock, must be equal to at least 133.33% of the sum of the per share cash dividend paid on Class B Stock and Class A Common Stock.

Shares of Common Stock, Class A Common Stock and Class B Stock are equal in respect of all rights to dividends (other than cash as described above) and distributions in the form of stock or other property (including stock dividends and split-ups) in each case in the same ratio except in the case of a Special Stock Dividend. A Special Stock Dividend, which can be issued only once, is either a dividend of one share of Class A Common Stock for each share of Common Stock and Class B Stock outstanding or a recapitalization, in which half of each outstanding share of Common Stock and Class B Stock would be converted into a half share of Class A Common Stock.

### Conversion Rights

Common Stock and Class A Common Stock have no conversion rights. Class B Stock is convertible on a share-by-share basis into Common Stock at any time and is subject to mandatory conversion under certain circumstances.

### Duration of Class Rights and Powers

At any time when the shares of Class B Stock cease to account for at least 20% of the total of both shares of Common Stock and Class B Stock outstanding, or for a period of one year do not account for at least 10% of the the total shares of Common Stock, Class B Stock and Class A Common Stock outstanding, then any shares of Class B Stock outstanding shall, without any action by the Board of Directors, automatically convert to shares of Common Stock. In addition, and the provisions for different voting or cash dividend rights for Common Stock and Class B Stock shall thence forth not be in effect.

### Liquidation Rights

In the event of any liquidation, dissolution or winding up of the Company, the holders of all classes of stock are entitled to share ratably as a single class in the remaining net assets of the Company. A merger or consolidation of the Company or a sale or conveyance of all or any part of the Company's assets will not be deemed a liquidation, dissolution or winding up.

### Restrictions on Sale and Transfer

Class B Stock is subject to restrictions that permit the sale or transfer of these shares only to certain permitted transferees.

**No Redemption or Preemptive Rights**

Holders of common stock have no preemptive, redemption or subscription rights.

**EXHIBIT 10.21**

**SECOND AMENDMENT TO THE
OIL-DRI CORPORATION OF AMERICA
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

WHEREAS, Oil-Dri Corporation of America (the "Corporation") maintains the Oil-Dri Corporation of America Supplemental Executive Retirement Plan (the "Plan");

WHEREAS, Section 5.1 of the Plan provides that the Corporation may amend the Plan at any time;

WHEREAS, the Corporation previously amended the Plan effective March 1, 2020, to freeze Plan participation and future benefit accruals;

WHEREAS, Section 5.2 of the Plan provides that the Corporation may terminate the Plan at any time;

WHEREAS, the Corporation deems it appropriate to terminate the Plan effective June 30, 2020; and

WHEREAS, the Board of Directors of the Corporation has previously approved terminating the Plan.

NOW, THEREFORE, the Corporation amends the Plan, effective June 30, 2020, to provide for its termination, as follows:

1. Capitalized terms not defined herein shall have the meaning as defined under the Plan.

2. Article 8 is added to the Plan and reads as follows:

"**Article 8 - Plan Termination**

8.1 Termination. Effective June 30, 2020 (the "Termination Date"), the Plan shall be terminated in accordance with this Article 8.

8.2 Distribution of Benefits.

(a) Except as provided in sections 8.2(b) and 8.2(c), all benefits payable to a Participant or Beneficiary under the Plan shall be distributed in the form of one lump sum no earlier than 12 months and no later than 24 months following the Termination Date.

(b) All payments that become due to a Participant or Beneficiary pursuant to the Plan prior the first anniversary of the Termination Date shall be paid pursuant to the terms of the Plan without regard to this Section 8.2.

(c) Any payments that would otherwise have been payable pursuant to the Plan on or after June 30, 2021, shall instead be paid in the form of one lump sum, with such lump sum payable no earlier than June 30, 2021 and no later than June 8, 2022."

***[Signature Page Follows]***

IN WITNESS WHEREOF, the Corporation has caused this Second Amendment to be executed by the signature of a duly authorized officer as of this 29th day of June 2020 effective as provided herein.

COMPANY:

OIL-DRI CORPORATION OF AMERICA

By: /s/ Susan Kreh

Its: CFO

ATTEST

By: /s/ Laura G. Scheland

Its: Vice President and General Counsel

Date: June 29, 2020

**EXHIBIT 10.24**

**FIRST AMENDMENT TO THE**

**OIL-DRI CORPORATION OF AMERICA**

**2005 DEFERRED COMPENSATION PLAN**

WHEREAS, Oil-Dri Corporation of America (the "Company") maintains the Oil-Dri Corporation of America 2005 Deferred Compensation Plan (the "Plan");

WHEREAS, Section 9.1 of the Plan provides that the Company may amend the Plan at any time; and

WHEREAS, the Company deems it appropriate to amend the Plan to add an employer discretionary contribution effective July 1, 2020 and the Company's Board of Directors have approved such an amendment.

NOW, THEREFORE, the Company amends the Plan, effective July 1, 2020, as follows:

1. Capitalized terms not defined herein shall have the meaning as defined under the Plan.

2. A new Section 2.24, 2.25 and 2.26 entitled "Company Contribution", "Retirement" and "Year of Service" respectively are added to read as follows:

"**2.24 Company Contribution** means a contribution made by the Company on behalf of a Participant pursuant to Section 4.2.

**2.25 Retirement** means a Participant's Separation from Service at or after the attainment of age 55.

**2.26 Year of Service** means each twelve (12) month period commencing on a Participant's commencement of employment with the Employer and ending on the date the Participant's Separation from Service."

3. Article 4 is renamed "Contributions" and a new Section 4.2 is added to read as follows:

"**4.2 Company Contributions**

For each Plan Year the Company may, but is not required to, contribute to any Participant's Account, a Company Contribution. For any Plan Year, Company Contributions may be made for some, but not all, Participants. The amount of the Company Contribution for any Plan Year may vary from Participant to Participant, all as determined by the Company in its sole discretion. No earnings shall be credited on any Company Contributions until after such contributions are allocated to a Participant's Account. For the avoidance of doubt, it is permissible for the Company to determine that no Company Contributions shall be made to the Account of any Participant."

4. Section 5.1 is amended to read as follows:

"**5.1 Accounts**

The Plan Administrator shall establish a bookkeeping Account for each Participant reflecting Elective Deferrals and Company Contributions made for the Participant's benefit and any distributions to the Participant, together with any adjustments for Earnings. The Plan Administrator shall provide the Participant as soon as practicable after the end of the Plan Year with a statement of his or her Account as of the last business day of the Plan Year, reflecting the amounts of Elective Deferrals, Company Contributions, Earnings, and distributions of such Account since the prior statement."

5. Section 6.1 is amended to read as follows:

“**6.1 General**

A Participant shall be immediately vested in and, subject to Participant’s elections as to time and form of payment under Section 7.1, shall have a nonforfeitable right to, all Elective Deferrals and all Earnings attributable thereto credited to his or her Account.

A Participant shall be vested in and, subject to Participant’s elections as to time and form of payment under Section 7.1, shall have a nonforfeitable right to, all Company Contributions and all Earnings thereon in accordance with the schedule below.

| Years of Service | The Nonforfeitable Percentage of Company Contributions and any Earnings Thereon |
|---|---|
| Less than 2 | 0% |
| 2 or More | 100% |

Notwithstanding the foregoing, all outstanding but unvested Company Contributions of a Participant who has not incurred a Separation from Service shall become vested and nonforfeitable upon a Change in Control or a Participant’s death. For the avoidance of doubt, all Company Contributions and Earnings thereon that are not vested pursuant to this Section 6.1 at the time of the Participant’s Separation from Service shall be immediately forfeited at the time of such Participant’s Separation from Service without the need for further action on the part of the Company, the Employer or the Participant.”

6. Section 7.1 is amended to read as follows:

“**7.1 Election as to Time and Form of Payment**

A Participant shall elect on the Election Form the date at which the Elective Deferrals and Company Contributions (including any Earnings attributable thereto) for a Plan Year will commence to be paid to the Participant. Such date must be: (i) at least five years following the beginning of such Plan Year; or (ii) the date of Separation from Service.

The Participant shall also elect thereon for payments to be paid in either:

(a) a single lump sum; or

(b) annual installments over a period elected by the Participant up to 15 years, the amount of each installment to equal the balance of his or her Account immediately prior to the installment divided by the number of installments remaining to be paid (“Annual Installments”).

If Elective Deferrals and Company Contributions (including any Earnings attributable thereto) are to be paid upon the Participant’s Separation from Service, such payment will be paid (or begin to be paid) as soon as practicable following the six (6) month anniversary of such Separation from Service. If payments upon Separation from Service are to be made in Annual Installments, the initial Annual Installment will be paid as soon as practicable following the six month anniversary of the Participant’s Separation from Service, the second Annual Installment will be paid as soon as practicable following the one year anniversary of such Separation from Service, and subsequent Annual Installments will be paid annually thereafter as soon as practicable following the yearly anniversary of such Separation from Service.

Each such election will be effective only for Elective Deferrals and Company Contributions (including any Earnings attributable thereto) for the Plan Year for which it is made or to which such contributions are attributable. For the avoidance of doubt, any election made for a Plan Year shall apply to all Elective Deferrals and Company Contributions (and applicable respective Earnings) for such Plan Year, and it shall not be possible under the Plan for Elective Deferrals (and related Earnings) for a Plan Year to be subject to a different election regarding the time and form of payment thereof than the time and form of payment that is elected for Company Contributions (and related Earnings) for such Plan Year. Except as otherwise provided in Sections 7.3, 7.4, 7.5, 7.6, 7.7 or 7.8, payment of a Participant’s Account shall be made in accordance with the Participant’s elections under this Section 7.1. Such elections will be irrevocable except as provided in Section 7.2 below.”

7. Section 7.4 is amended to read as follows:

“**7.4. Separation from Service That is Not a Retirement**

Upon a Participant's Separation from Service for any reason other than death, so long as such Separation from Service does not constitute a Retirement, the Participant's entire vested Account shall be paid to the Participant in a single lump sum as soon as practicable following the six month anniversary of such Separation from Service."

8. The first paragraph of Section 7.8 is amended to read as follows:

"If a Participant suffers an Unforeseen Emergency, as defined herein, the Plan Administrator, in its sole discretion, may pay to the Participant only that portion, if any, of his or her vested Account which the Plan Administrator determines is necessary to satisfy the emergency need, including at the discretion of the Plan Administrator any amounts necessary to pay any federal, state and local income taxes reasonably anticipated to result from the distribution."

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed by the signature of a duly authorized officer as of this 29th day of June, 2020 effective as provided herein.

COMPANY:

ATTEST

By: /s/ Laura G Scheland

Its: Vice President and General Counsel

Date: June 29, 2020

OIL-DRI CORPORATION OF AMERICA

By: /s/ Susan Kreh

Its: CFO

**EXHIBIT 11.1:**

**OIL-DRI CORPORATION OF AMERICA**
**Computation of Net Income Per Share**
**(in thousands except for per share amounts)**

| | Year Ended July 31, | |
|---|---|---|
| | **2020** | **2019** |
| Net income available to stockholders | **$ 18,900** | $ 12,611 |
| Less: Distributed and undistributed earnings allocated to nonvested restricted stock | **(951)** | (490) |
| Earnings available to common shareholders | **$ 17,949** | $ 12,121 |
| | | |
| Shares Calculation | | |
| | | |
| Average shares outstanding - Basic Common | **5,149** | 5,112 |
| Average shares outstanding - Basic Class B Common | **2,020** | 2,068 |
| Potential Common Stock - Basic Common - relating to stock options and non-vested restricted stock | **97** | 53 |
| Potential Common Stock - Basic Class B Common - relating to stock options and non-vested restricted stock | **29** | 18 |
| Average shares outstanding - Assuming dilution | **7,295** | 7,251 |
| | | |
| Net Income Per Share: Basic Common | **$ 2.70** | $ 1.82 |
| Net Income Per Share: Basic Class B Common | **$ 2.02** | $ 1.36 |
| Net Income Per Share: Diluted Common | **$ 2.65** | $ 1.80 |
| Net Income Per Share: Diluted Class B Common | **$ 1.99** | $ 1.35 |

**EXHIBIT 21.1:**

**SUBSIDIARIES OF OIL-DRI CORPORATION OF AMERICA**

| **Subsidiary** | **State or Country of Organization** |
|---|---|
| Agromex Importaciones, S.A. de C.V. | Mexico |
| Amlan Trading (Shenzhen) Company, Ltd. | China |
| Blue Mountain Production Company | Mississippi |
| Mounds Management, Inc. | Delaware |
| Mounds Production Company, LLC | Illinois |
| ODC Acquisition Corp. | Illinois |
| Oil-Dri Canada ULC | Canada |
| Oil-Dri Corporation of Georgia | Georgia |
| Amlan International | Nevada |
| Oil-Dri Production Company | Mississippi |
| Oil-Dri SARL | Switzerland |
| Oil-Dri (U.K.) Limited | United Kingdom |
| PT Amlan Perdagangan Internasional | Indonesia |
| Taft Production Company | Delaware |

**EXHIBIT 23.1:**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our report dated October 13, 2020, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Oil-Dri Corporation of America on Form 10-K for the year ended
July 31, 2020. We consent to the incorporation by reference of said report in the Registration Statements of Oil-Dri Corporation of America on Forms S-8 (File Nos. 333-139550 and 333-236912).

/s/ GRANT THORNTON LLP

Chicago, Illinois
October 13, 2020

**EXHIBIT 31.1:**

**CERTIFICATIONS PURSUANT TO RULE 13A -14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**
**Certification of Principal Executive Officer**
**(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Daniel S. Jaffee, certify that:

1. I have reviewed this Annual Report on Form 10-K of Oil-Dri Corporation of America (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

| | |
|---|---|
| Date: | October 13, 2020 |
| By: | /s/ Daniel S. Jaffee |
| | Daniel S. Jaffee |
| | President and Chief Executive Officer |

**EXHIBIT 31.1 (CONTINUED):**

**Certification of a Principal Financial Officer**
**(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Susan M. Kreh, certify that:

1. I have reviewed this Annual Report on Form 10-K of Oil-Dri Corporation of America (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 13, 2020

By: /s/ Susan M. Kreh

Susan M. Kreh

Chief Financial Officer

**EXHIBIT 32.1:**

## CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO THE SARBANES-OXLEY ACT OF 2002 CERTIFICATION

### Certification

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Oil-Dri Corporation of America (the "Company") hereby certifies that to the best of my knowledge the Company's Annual Report on Form 10-K for the year ended July 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: October 13, 2020

/s/ Daniel S. Jaffee

Name: Daniel S. Jaffee
Title: President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Oil-Dri Corporation of America and will be retained by Oil-Dri Corporation of America and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

### Certification

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Oil-Dri Corporation of America (the "Company") hereby certifies that to the best of my knowledge the Company's Annual Report on Form 10-K for the year ended July 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: October 13, 2020

/s/ Susan M. Kreh

Name: Susan M. Kreh
Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Oil-Dri Corporation of America and will be retained by Oil-Dri Corporation of America and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

**EXHIBIT 95:**

## MINE SAFETY DISCLOSURE

Under section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K, each operator of a coal or other mine is required to include certain mine safety information in its periodic reports filed with the SEC. The table below includes this mine safety information for each mine facility owned and operated by Oil-Dri Corporation of America, or its subsidiaries, for the year ended July 31, 2020. Due to timing and other factors, our data may not agree with the mine data retrieval system maintained by the Mine Safety and Health Administration ("MSHA"). The columns in the table represent the total number of, and the proposed dollar assessment for, violations, citations and orders issued by MSHA during the period upon periodic inspection of our mine facilities in accordance with the referenced sections of the Federal Mine Safety and Health Act of 1977, as amended (the "Mine Act"), described as follows:

Section 104 Significant and Substantial Violations: Total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard.

Section 104(b) Orders: Total number of orders issued due to a failure to totally abate, within the time period prescribed by MSHA, a violation previously cited under section 104, which results in the issuance of an order requiring the mine operator to immediately withdraw all persons from the mine.

Section 104(d) Citations and Orders: Total number of citations and orders issued for unwarrantable failure of the mine operator to comply with mandatory health and safety standards. The violation could significantly and substantially contribute to the cause and effect of a safety and health hazard, but the conditions do not cause imminent danger.

Section 110(b)(2) Flagrant Violations: Total number of flagrant violations defined as a reckless or repeated failure to make reasonable efforts to eliminate a known violation of a mandatory health or safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.

Section 107(a) Imminent Danger Orders: Total number of orders issued when an imminent danger is identified which requires all persons to be withdrawn from area(s) in the mine until the imminent danger and the conditions that caused it cease to exist.

Total Dollar Value of Proposed MSHA Assessments: Each issuance of a citation or order by MSHA results in the assessment of a monetary penalty. The total dollar value presented includes any contested penalties.

Legal Actions Pending, Initiated or Resolved: Total number of cases pending legal action before the Federal Mine Safety and Health Review Commission as of the last day of the reporting period or the number of such cases initiated or resolved during the reporting period.

| | | | | | | | Legal Actions | | |
|---|---|---|---|---|---|---|---|---|---|
| Mine location | Section 104 "Significant and Substantial" Violations (#) | Section 104(b) Orders (#) | Section 104(d) Citations and Orders (#) | Section 110(b)(2) Flagrant Violations (#) | Section 107(a) Imminent Danger Orders (#) | Total Dollar Value of Proposed MSHA Assessments ($) | Pending as of Last Day of Period (#) | Initiated During Period (#) | Resolved During Period (#) |
| Ochlocknee, Georgia | 3 | — | — | — | — | 3,037 | — | — | — |
| Ripley, Mississippi | — | — | — | — | — | 214 | — | — | — |
| Mounds, Illinois | 3 | — | — | — | — | 2,512 | — | — | — |
| Blue Mountain, Mississippi | 1 | — | — | — | — | 850 | — | — | — |
| Taft, California | 2 | — | — | — | — | 4,814 | — | — | — |

We had no mining-related fatalities at any of our facilities during the twelve months ended July 31, 2020. During this period we also received no written notices from MSHA under section 104(e) of the Mine Act of (i) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards; or (ii) the potential to have such a pattern.