

CLOROX CO /DE/

FORM 10-Q (Quarterly Report)

Filed 11/14/1994 For Period Ending 9/30/1994

Address	THE CLOROX COMPANY 1221 BROADWAY OAKLAND, California 94612-1888
Telephone	510-271-7000
CIK	0000021076
Industry	Personal & Household Prods.
Sector	Consumer/Non-Cyclical
Fiscal Year	06/30

**UNITED STATES SECURITIES AND EXCHANGE
COMMISSION**
Washington, D.C. 20549
Form 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

----- SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1994

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 1-07151

THE CLOROX COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE

31-0595760

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification number)

1221 Broadway - Oakland, California

94612 - 1888

(Address of principal executive offices)

Registrant's telephone number,
(including area code)

(510)-271-7000

(Former name, former address and former fiscal year, if changed
since last report)

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

As of September 30, 1994 there were outstanding 53,490,230 shares of Registrant's Common Stock (par-value - \$1.00), its only class outstanding.

Total pages 9

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
The Clorox Company and Subsidiaries
Condensed Statements of Consolidated Earnings

(In thousands, except per-share amounts)

	Three Months Ended	
	9/30/94	9/30/93
	-----	-----
Net Sales	\$ 476,367	\$ 449,744
Costs and Expenses		
Cost of products sold	210,134	193,828
Selling, delivery and administration	89,471	85,122
Advertising	70,967	77,974
Research and development	10,100	10,052
Interest expense	4,926	3,921
Other (income) expense, net	362	(6,670)
Total costs and expenses	----- 385,960	----- 364,227
Earnings from Continuing Operations before Income Taxes	90,407	85,517
Income Taxes	37,226	39,203
Earnings from Continuing Operations	----- 53,181	----- 46,314
Earnings from and Gain on Sale of Discontinued Operations	-	32,064
Net Earnings	----- \$ 53,181 =====	----- \$ 78,378 =====
Earnings per Common Share		
Continuing Operations	\$ 1.00	\$ 0.85
Discontinued Operations	-	0.59
Total	----- \$ 1.00 =====	----- \$ 1.44 =====
Dividends per Share	\$ 0.48	\$ 0.45
Weighted Average Shares Outstanding	53,408	54,426

See Notes to Condensed Consolidated Financial Statements.

PART I - FINANCIAL INFORMATION (Continued)
Item 1. Financial Statements
The Clorox Company and Subsidiaries
Condensed Consolidated Balance Sheets

(In thousands)

	9/30/94	6/30/94
ASSETS	-----	-----

Current Assets		
Cash and short-term investments	\$ 151,914	\$ 115,922
Accounts receivable, less allowance	190,656	249,843
Inventories	114,171	105,948
Deferred income taxes	17,853	18,548
Prepaid expenses	11,895	14,014
	-----	-----
Total current assets	486,489	504,275
Property, Plant and Equipment - Net	530,124	532,600
Brands, Trademarks, Patents and Other Intangibles	29,521	520,042
Investments in Affiliates	83,993	83,368
Other Assets	63,615	57,284
	-----	-----
Total	\$ 1,693,742	\$ 1,697,569
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current Liabilities		
Accounts payable	\$ 88,824	\$ 97,728
Accrued liabilities	191,349	227,197
Income taxes payable	39,178	7,599
Commercial paper and short-term borrowings	20,982	42,916
Current maturities of long-term debt	201	392
	-----	-----
Total current liabilities	340,534	375,832
	=====	=====
Long-term Debt	216,262	216,088
Other Obligations	66,148	63,187
Deferred Income Taxes	131,270	133,045
Stockholders' Equity		
Common Stock	55,422	55,422
Additional paid-in capital	106,495	106,554
Retained earnings	904,695	876,832
Treasury shares, at cost	(102,475)	(107,146)
Cumulative translation adjustments and other	(24,609)	(22,245)
	-----	-----
Stockholders' Equity	939,528	909,417
	-----	-----
Total	\$ 1,693,742	\$ 1,697,569
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

PART I - FINANCIAL INFORMATION (Continued)
Item 1. Financial Statements
The Clorox Company and Subsidiaries
Condensed Statements of Consolidated Cash Flows

(In thousands)

	Three Months Ended	
	9/30/94	9/30/93
	-----	-----
Operations:		
Earnings from continuing operations	\$ 53,181	\$ 46,314
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	25,305	22,984
Deferred income taxes	3,900	7,800
Other	1,060	(4,574)
Effects of changes in:		
Accounts receivable	59,187	39,836
Inventories	(7,163)	(7,883)
Prepaid expenses	3,235	4,729
Accounts payable	(9,904)	(18,240)
Accrued liabilities	(34,015)	(27,188)
Income taxes payable	26,599	36,316
	-----	-----
Net cash provided by continuing operations	121,385	100,094
Net cash used by discontinued operations	-	(14,964)
Net cash provided by operations	121,385	85,130
Investing Activities:		
Property, plant and equipment	(11,217)	(10,849)
Disposal of property, plant and equipment	124	5,500
Businesses sold	-	159,293
Businesses purchased	(18,095)	-
Other	(9,081)	(11,830)
	-----	-----
Net cash provided by (used for) investment	(38,269)	142,114
	-----	-----
Financing Activities:		
Short-term borrowings	(3,000)	(1,715)
Long-term borrowings	154	-
Long-term debt repayments	-	(125)
Commercial paper, net	(21,934)	(34,941)
Cash dividends	(25,615)	(24,537)
Treasury stock purchased	-	(43,294)
Employee stock plans	3,271	4,106
	-----	-----
Net cash used for financing	(47,124)	(100,506)
	-----	-----
Net Increase in Cash and Short-Term Investments	35,992	126,738
Cash and Short-Term Investments:		
Beginning of period	115,922	71,164
	-----	-----
End of period	\$ 151,914	\$ 197,902
	=====	=====

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements

The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(1) The summarized financial information for the three months ended September 30, 1994 and 1993 has not been audited, but in the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations, financial position, and cash flows of The Clorox Company and subsidiaries (the Company) have been made. The results of the three months ended September 30, 1994 should not be considered as necessarily indicative of the results for the entire year.

(2) The Company sold the frozen foods business in July 1993 and its bottled water business in September 1993. These business have been reported as discontinued operations.

Results of discontinued operations are classified separately in the statements of consolidated earnings and include (in thousands):

	Three Months Ended	

	9/30/93	

Net Sales	\$	18,700
	=====	
Earnings from operations before income taxes	\$	1,043
Income taxes		409

Net earnings from discontinued operations		634

Gain on sale of businesses		42,177
Income taxes		10,747

Net gain on sale of businesses		31,430

Earnings from and gain on sale of discontinued operations	\$	32,064
	=====	

3) Inventories at September 30, 1994 and at June 30, 1994

consisted of (in thousands):

	9/30/94	6/30/94
	-----	-----
Finished goods and work in process	\$ 77,213	\$ 69,280
Raw materials and supplies	36,958	36,668
	-----	-----
Total	\$114,171	\$105,948
	=====	=====

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements

The Clorox Company and Subsidiaries Notes to Condensed Consolidated Financial Statements

(4) Other expense (income), net consisted of (in thousands):

	Three Months Ended	
	9/30/94	9/30/93
Interest income	\$ (1,513)	\$ (1,291)
Equity earnings of affiliates	(884)	(2,007)
Amortization of intangibles	6,035	5,711
Other income	(3,276)	(9,083)
Total	\$ 362	\$ (6,670)

Other income declined from a year ago principally due to that Period's non-recurring gains from the sale of idle property and the Kingsford grill business.

PART I - FINANCIAL INFORMATION (Continued)

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

Results of Operations

Comparison of the Three Months Ended September 30, 1994 with the Three Months Ended September 30, 1993

Net sales increased 6% primarily due to the acquisition of the S.O.S soap pad business acquired on January 31, 1994, and record shipments of the Brita water filtration system, Clorox liquid bleach, Pine-Sol cleaner, Tilex cleaner and higher volumes of other products. Price increases were less than 1% of the increase in net sales, after taking into account price decreases on Pine-Sol and Tilex.

Cost of products sold as percentage of net sales was 44% and 43% in 1994 and 1993, respectively. Material costs and plant operating expenses during this period were level with those costs during the same period in 1993 on a per unit basis. Net sales during this period reflected slightly increased trade promotional spending, primarily in our Food and International businesses, which resulted in a 1% decline in the gross margin. Gross margins are expected to remain within this range in fiscal 1995.

Research and Development expense was equivalent to the prior period and declined slightly as a percent of net sales. New product activity is expected to remain at high levels with spending expected to remain level as a percent of sales, due to shortened development times and efficiency improvements which have been achieved in the Research & Development function. Selling, delivery, and administration expense increased 5% over the prior period, but declined slightly as a percent of customer sales. This improvement reflects efforts the Company began last year to reduce the growth of these expenses. Such efforts include sales broker consolidation, consolidation of advertising agency accounts, and the implementation of a new logistics strategy utilizing regional distribution centers. Efforts are expected to continue to identify and implement additional cost savings.

Advertising expense was 9% less than a year ago principally due to the timing of last year's introductory spending on new products, and the shift toward trade promotions during the current quarter. The Company expects advertising to increase for the full year over fiscal 1994 as new product introductions will be at high levels, and established brands will continue to receive strong support.

Interest expense increased this period versus a year ago due to higher levels of borrowing by the company's foreign subsidiaries, the addition of an industrial revenue bond, higher levels of commercial paper borrowings and higher interest rates, and a less favorable, but not material, credit from interest rate swap agreements. Last year's quarter benefited from cash provided by the sale of discontinued operations which alleviated the need to borrow.

Other (income) and expense net, declined \$7,000,000 this year, principally due to last year's non-recurring gains from the sale of idle property and the Kingsford grill business, offset this year by higher amortization of intangibles due to recent acquisitions, the start of new ventures in Central Europe and a decline in earnings from the Company's investment in Spain primarily due to a continuing sluggish Spanish economy.

The effective tax rate for the quarter was 41.2% versus the year ago period's effective tax rate of 45.8%. The decline was principally due to \$4,000,000 of non-recurring prior year tax charges which arose as a result of 1993 tax legislation that increased the statutory tax rate 1%. The retroactive effect on earnings from January 1, 1993 and the increase in deferred tax liabilities were both recognized in the year-ago quarter.

Income from discontinued operations through September 30, 1993 includes the gain on sale of the food service and bottled water businesses of \$31,430,000, net of \$10,747,000 in taxes, and operating income of \$634,000, net of \$409,000 in taxes. All discontinued operations were sold in the 1993 period.

Earnings per share from continuing operations benefited by approximately 2 cents per share this period versus a year ago due to the effect of the stock repurchase program.

PART I - FINANCIAL INFORMATION (Continued)

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

Financial Condition

The Company's financial position and liquidity have strengthened since June 30, 1994 principally due to cash provided by operations during the current period. This is reflected by higher levels of cash and holdings of marketable securities, as well as lower levels of commercial paper borrowings at September 30, 1994. The Company intends to complete the final phase of the stock repurchase program this fiscal year by purchasing approximately \$79,000,000 of its shares during the remainder of the fiscal year, subject to market conditions and business opportunities which may arise. The stock repurchase program was approved by the Board of Directors in 1989 and authorized the repurchase of up to 5,000,000 shares of Clorox stock at a cost not to exceed \$250,000,000. Through September 30, 1994, the Company had repurchased 3,674,515 shares at a cost of \$171,000,000. Shares acquired are added to Treasury shares and are available for employee stock plans and other corporate purposes.

The Company has approved the use of interest rate derivative instruments such as interest rate swaps in order to manage the impact of interest rate movements on interest expense. These instruments have the effect of converting fixed rate interest to floating, or floating to fixed. The conditions under which derivatives can be used are set forth in a Company Policy Statement and include a restriction on the amount of such activity to a designated portion of existing debt, a limit on the term of any derivative transaction, and a specific prohibition on the use of any leveraged derivatives. Interest rate swaps in effect were less favorable this quarter than a year ago, but were not material.

Decreases in accounts receivable and accounts payable from June 30, 1994 reflect normal seasonal variations, due to the charcoal and insecticides businesses. Inventories are higher versus June 30, 1994 principally due to acquisitions and new product activities. The Company expects inventories to increase during the next two fiscal quarters to support the seasonal charcoal and insecticides businesses.

Management believes the Company has access to additional capital through existing lines of credit and from public and private sources should the need arise.

SIGNATURE

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

THE CLOROX COMPANY
(Registrant)

DATE 11/10/94

BY /S/ HENRY J. SALVO, JR.

Henry J. Salvo, Jr.
Vice-President - Controller

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ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM THE FINANCIAL STATEMENTS OF THE CLOROX COMPANY FOR THE FISCAL QUARTER ENDED SEPTEMBER 30, 1994, AS PRESENTED IN THE CLOROX COMPANY'S FORM 10-Q FOR SUCH PERIOD, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1000

PERIOD TYPE	3 MOS
FISCAL YEAR END	JUN 30 1995
PERIOD START	JUL 01 1994
PERIOD END	SEP 30 1994
CASH	22164
SECURITIES	129750
RECEIVABLES	192177
ALLOWANCES	1521
INVENTORY	114171
CURRENT ASSETS	486490
PP&E	862183
DEPRECIATION	332059
TOTAL ASSETS	1693742
CURRENT LIABILITIES	340534
BONDS	216262
COMMON	55422
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	884106
TOTAL LIABILITY AND EQUITY	1693742
SALES	476367
TOTAL REVENUES	476367
CGS	210134
TOTAL COSTS	380672
OTHER EXPENSES	362
LOSS PROVISION	0
INTEREST EXPENSE	4926
INCOME PRETAX	90407
INCOME TAX	37226
INCOME CONTINUING	53181
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	53181
EPS PRIMARY	1.00
EPS DILUTED	0

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