

CLOROX CO /DE/

FORM 10-Q (Quarterly Report)

Filed 11/13/1997 For Period Ending 9/30/1997

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 SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1997

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 report 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, 1997 there were 103,334,845 shares outstanding of the registrant's common stock (par-value - \$1.00), the registrant's only outstanding class of stock.

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THE CLOROX COMPANY

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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	
	9/30/97	9/30/96
	-----	-----
Net Sales	\$ 649,284	\$ 590,773
	-----	-----
Costs and Expenses		
Cost of products sold	279,694	257,361
Selling, delivery and administration	130,399	116,594
Advertising	91,544	88,974
Research and development	11,606	10,498
Interest expense	15,494	10,497
Other income	(1,359)	(1,973)
	-----	-----
Total costs and expenses	527,378	481,951
	-----	-----
Earnings before Income Taxes	121,906	108,822
Income Taxes	47,543	43,312
	-----	-----
Net Earnings	\$ 74,363	\$ 65,510
	=====	=====
Earnings per Common Share	\$ 0.72	\$ 0.64
Dividends per Share	\$ 0.32	\$ 0.29
Weighted Average Shares Outstanding	103,217	103,092

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)

	9/30/97	6/30/97
ASSETS -----		
Current Assets		
Cash and short-term investments	\$ 87,371	\$ 101,046
Accounts receivable, less allowance	333,568	356,996
Inventories	186,612	170,340
Prepaid expenses	16,664	22,534
Deferred income taxes	21,533	22,581
	-----	-----
Total current assets	645,748	673,497
Property, Plant and Equipment - Net	573,636	570,645
Brands, Trademarks, Patents and Other Intangibles	1,206,379	1,186,951
Investments in Affiliates	96,635	93,004
Other Assets	284,778	253,855
	-----	-----
Total	\$ 2,807,176	\$ 2,777,952
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY -----		
Current Liabilities		
Accounts payable	\$ 140,807	\$ 143,360
Accrued liabilities	258,749	358,785
Short-term debt	241,395	369,973
Income taxes payable	54,415	17,049
Current maturities of long-term debt	45	3,551
	-----	-----
Total current liabilities	695,411	892,718
Long-term Debt	756,299	565,926
Other Obligations	119,012	112,539
Deferred Income Taxes	161,534	170,723
Stockholders' Equity		
Common stock	110,845	110,844
Additional paid-in capital	67,979	66,803
Retained earnings	1,249,448	1,207,524
Treasury shares, at cost	(288,243)	(289,075)
Cumulative translation adjustments and other	(65,109)	(60,050)
	-----	-----
Stockholders' Equity	1,074,920	1,036,046
Total	\$ 2,807,176	\$ 2,777,952
	=====	=====

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	
	9/30/97	9/30/96
	-----	-----
Operations:		
Net earnings	\$ 74,363	\$ 65,510
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	36,680	26,744
Deferred income taxes	2,216	840
Other	(9,555)	5,315
Effects of changes in:		
Accounts receivable	16,883	42,103
Inventories	(16,272)	(8,273)
Prepaid expenses	5,870	(3,084)
Accounts payable	1,524	(28,635)
Accrued liabilities	(98,011)	(3,770)
Income taxes payable	36,007	25,042
	-----	-----
Net cash provided by operations	49,705	121,792
Investing Activities:		
Property, plant and equipment	(18,375)	(23,033)
Disposal of property, plant and equipment	1,123	515
Businesses purchased	(37,910)	(22,207)
Other	(34,915)	(17,043)
	-----	-----
Net cash used for investment	(90,077)	(61,768)
	-----	-----
Financing Activities:		
Short-term borrowing	13,407	-
Short-term repayments	(148,312)	-
Long-term borrowings	193,287	968
Long-term debt and other obligations repayments	(5,434)	(6,942)
Commercial paper, net	2,821	(5,348)
Cash dividends	(32,918)	(29,888)
Treasury stock purchased	(4,820)	-
Employee stock plans	8,666	7,109
	-----	-----
Net cash provided by (used for) financing	26,697	(34,101)
	-----	-----
Net (Decrease) Increase in Cash and Short-Term Investments	(13,675)	25,923
Cash and Short-Term Investments:		
Beginning of period	101,046	90,828
	-----	-----
End of period	\$ 87,371	\$ 116,751
	=====	=====

See Notes to Condensed Financial Statements

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, 1997 and 1996 has not been audited, but in the opinion of management, includes 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). The results of the three months ended September 30, 1997 should not be considered as necessarily indicative of the results for the respective year.

(2) Inventories at September 30, 1997 and at June 30, 1997 consisted of (in thousands):

	9/30/97	6/30/97
	-----	-----
Finished goods and work in process	\$ 115,783	\$ 109,189
Raw materials and supplies	70,829	61,151
	-----	-----
Total	\$ 186,612	\$ 170,340

(3) Businesses purchased totalling \$37,910 and \$22,207 during the quarters ended September 30, 1997 and 1996, respectively, were funded using a combination of cash and long-term borrowings and were accounted for as purchases.

(4) Impact of New Accounting Standard

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 ("SFAS 128"), Earnings per Share. SFAS 128 requires dual presentation of basic EPS and diluted EPS on the face of all earnings statements issued after December 15, 1997 for all entities with complex capital structures. Basic EPS is computed as net earnings divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, restricted stock, warrants and other convertible securities. The effect on earnings per share under SFAS No. 128 would not have been significantly different than earnings per share currently reported for the periods.

(5) Stock Split

On July 15, 1997, the Company's Board of Directors authorized a 2-for-1 split of its common stock effective September 2, 1997, in the form of a stock dividend for stockholders of record at the close of business on July 28, 1997. All share and per share amounts in the accompanying consolidated financial statements have been restated to give effect to the stock split.

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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, 1997 with the Three Months Ended September 30, 1996

Earnings per share increased 13% to 72 cents from 64 cents a year ago and reflect a 2 for 1 stock split on September 2, 1997. Net earnings grew 14% to \$74,363,000 from \$65,510,000 a year ago based upon a 10% increase in net sales to \$649,284,000. Growth in earnings and net sales is due to a 10% increase in volume versus the year ago period. One half of the volume growth is due to Armor All with the remainder due primarily to growth in the base businesses. Domestic brands having record volumes and contributing to the quarterly growth include Clorox liquid bleach, Match Light instant-lighting charcoal briquets, Fresh Step Scoop brand of cat litter, and K.C. Masterpiece barbecue sauces. The insecticides business experienced a first quarter volume decline which was due in part to fair weather in key parts of the country and overall category softness.

Gross margins as a percent of net sales improved approximately half a percentage point versus the year ago period principally due to the efficiencies achieved through cost savings initiatives such as our household products manufacturing strategy, the consolidation of production in our food business, and significant improvements in our Latin American businesses where economies of scale are being achieved through acquisitions, and consolidation of production activities.

Selling, delivery, and administrative expense increased 12% versus the year ago period due to both the continued growth and investment in International infrastructure, and expenses related to integrating Armor All.

Advertising expense increased slightly versus a year ago and is anticipated to grow for the year in line with sales. Last year's expense was relatively high as a percent of sales in first quarter and moderated over the balance of the fiscal year.

Interest expense increased approximately \$5,000,000 versus the year ago period principally due prior year's acquisition activities.

Income tax expense as a percent of pretax earnings declined from 39.8% to 39.0% principally due to an increasing share of earnings from International operations located in countries with lower statutory tax rates.

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PART I - FINANCIAL INFORMATION (Continued)

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

Liquidity and Capital Resources

The Company's financial position and liquidity remain strong due to cash provided by operations during the quarter. Accounts receivable and accounts payable decreased from June 30, 1997 primarily due to normal seasonality of the charcoal and insecticides businesses. Inventories are higher due to international growth, as well as increased Brita volume. We expect inventories to increase during the next two fiscal quarters to support the seasonal charcoal and insecticides businesses. The reduction in accrued liabilities is due in part to seasonality and higher levels of advertising and sales promotion activities in our domestic household products businesses recorded at June 30, 1997.

Acquisitions since June 30, 1997 totaled \$37,910,000 and were financed using a combination of cash provided by operations and long-term borrowings. These acquisitions included the Clorox bleach business in Brazil and two smaller acquisitions in Southeast Asia and Australia and resulted in the increase in Brands, Trademarks, Patents and Other Intangibles.

In September 1996, the Board of Directors authorized a share repurchase program to offset the dilutive effect of employee stock option exercises. The Company expects to issue between 400,000 and 500,000 shares of stock each year pursuant to its stock based compensation plan and intends to repurchase approximately the number of shares issued over time subject to market conditions and business opportunities which may arise. During the three month period ended September 30, 1997, 70,000 shares at a cost of \$4,820,000 were reacquired.

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. In September 1997, the Company refinanced \$192 million in commercial paper by entering into a Sterling denominated financing arrangement with Abbey National Bank. The Arrangement has a final maturity of April 2002 and an effective cost of 5.7%. The Company entered into a series of swaps to eliminate foreign currency exposure risk generated by this Sterling denominated obligation.

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

The foregoing Management's Discussion and Analysis contains "forward-looking" statements under applicable securities laws. The Company cautions readers that actual results might differ materially from those projected depending on a number of economic and competitive risk factors. For a discussion of such risk factors, the Company refers readers to the Company's Form 10-K Current Report which was filed on September 25, 1997.

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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

BY /s/ Henry J. Salvo, Jr.

Henry J. Salvo, Jr.

Vice-President Controller

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM THE FINANCIAL STATEMENTS OF THE CLOROX COMPANY FOR THE FISCAL QUARTER ENDED SEPTEMBER 30, 1997, 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 1998
PERIOD START	JUL 01 1997
PERIOD END	SEP 30 1997
CASH	48096
SECURITIES	39275
RECEIVABLES	335089
ALLOWANCES	1521
INVENTORY	186612
CURRENT ASSETS	645748
PP&E	1066303
DEPRECIATION	492667
TOTAL ASSETS	2807176
CURRENT LIABILITIES	695411
BONDS	756299
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	110845
OTHER SE	964075
TOTAL LIABILITY AND EQUITY	2807176
SALES	649284
TOTAL REVENUES	649284
CGS	279694
TOTAL COSTS	513243
OTHER EXPENSES	(1359)
LOSS PROVISION	0
INTEREST EXPENSE	15494
INCOME PRETAX	121906
INCOME TAX	47543
INCOME CONTINUING	74363
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	74363
EPS PRIMARY	0.72
EPS DILUTED	0

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